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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, 2023

The board of directors (the “**Board**”) of TravelSky Technology Limited (the “**Company**”) hereby presents the unaudited interim results announcement of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2023, which is prepared in accordance with China Accounting Standards for Business Enterprise (“**CASBE**”).

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2023 (Amounts are expressed in RMB'000 unless otherwise stated)

Items	Notes	For the Six months ended June 30, 2023	For the Six months ended June 30, 2022
I. Total operating income		3,307,556	2,271,991
Including: Operating income	5.f)	3,307,556	2,271,991
II. Total operating costs		2,178,181	1,823,422
Including: Operating costs	5.f)	1,438,785	1,265,393
Taxes and surcharges		36,221	35,089
Selling and distribution expenses		55,082	38,293
General and administrative expenses		444,719	349,548
Research and development expenses		275,217	216,766
Financial expenses		-71,843	-81,666
Including: Interest expenses		8,042	4,373
Interest income		63,976	67,014
Plus: Other income		35,776	40,125
Investment income (“-” for losses)	5.g)	44,643	12,583
Including: Gains from investment in associates and joint ventures		7,692	-2,378
Gains from derecognition of financial assets measured at amortized cost		-	-
Foreign exchange gains (“-” for losses)		-	-
Income from net exposure hedging (“-” for losses)		-	-
Gains from changes in fair value (“-” for losses)		6,800	20,057
Credit impairment losses (“-” for losses)	5.h)	116,978	-97,971
Asset impairment losses (“-” for losses)	5.i)	2,453	-5,230
Gains on disposal of assets (“-” for losses)		2,655	103

Items	Notes	For the Six months ended June 30, 2023	For the Six months ended June 30, 2022
III. Operating profits (“-” for losses)		1,338,680	418,236
Plus: Non-operating income		19,897	44,821
Less: Non-operating expenses		11,714	399
IV. Total profits (“-” for total losses)		1,346,864	462,658
Less: Income tax expenses		139,210	6,837
V. Net profit (“-” for net loss)		1,207,654	455,820
(I) Classified by operating continuity			
1. Net profit from continuing operations (“-” for net loss)		1,207,654	455,820
2. Net profit from discontinued operations (“-” for net loss)		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the Company (“-” for net loss)		1,200,385	443,034
2. Net profit attributable to non-controlling interests (“-” for net loss)		7,269	12,786
VI. Other comprehensive income, net of tax		8,833	2,101
Other comprehensive income, net of tax attributable to shareholders of the Company		8,833	2,101
(I) Items that cannot be reclassified to profit or loss		3,241	-
1. Re-measurement of changes in net liabilities or net assets defined benefit plan		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		3,241	-
3. Changes in fair value of other equity instruments investment		-	-
4. Changes in the fair value of the Company’s own credit risk		-	-
(II) Items that may be reclassified to profit or loss		5,593	2,101
1. Other comprehensive income that may be transferred to profit or loss under equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amounts of financial assets reclassified to other comprehensive income		-	-
4. Provisions for credit impairment of other debt investments		-	-
5. Cash flow hedging reserves		-	-
6. Differences arising from translation of foreign currency financial statements		5,593	2,101
7. Others		-	-
Other comprehensive income, net of tax, attributable to non-controlling interests		-	-
VII. Total comprehensive income		1,216,487	457,921
Total comprehensive income attributable to shareholders of the Company		1,209,218	445,135
Total comprehensive income attributable to non-controlling interests		7,269	12,786
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	5.j)	0.41	0.15
(II) Diluted earnings per share (RMB/share)	5.j)	0.41	0.15

CONSOLIDATED BALANCE SHEET

As at June 30, 2023 (Amounts are expressed in RMB'000 unless otherwise stated)

Assets	Notes	As at June 30, 2023	As at December 31, 2022
Current assets:			
Cash and bank balances		8,680,116	7,577,402
Balances with clearing companies		–	–
Loans to banks and other financial institutions		–	–
Financial assets held for trading		3,508,752	3,311,565
Derivative financial assets		–	–
Notes receivable		153,046	219,726
Accounts receivable	5.a)	4,736,740	4,084,407
Receivables financing		–	–
Advances to suppliers		139,976	184,571
Premiums receivables		–	–
Reinsurance accounts receivable		–	–
Reinsurance contract reserves receivable		–	–
Other receivables		1,767,596	1,101,351
Financial assets purchased under resale agreements		–	–
Inventories		81,389	81,512
Contract assets		58,416	60,300
Assets held for sale		–	–
Non-current assets maturing within one year		70,904	30,209
Other current assets		93,089	127,889
Total current assets		19,290,024	16,778,932
Non-current assets:			
Disbursements of loans and advances		–	–
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		726,512	715,696
Investments in other equity instruments	5.b)	835,827	835,827
Other non-current financial assets	5.c)	602,841	529,714
Investment properties		98,305	102,745
Fixed assets		3,159,535	3,393,261
Construction in progress		5,727	39,950
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		190,251	166,843
Intangible assets		1,777,714	1,738,152
Development expenditures		454,344	381,752
Goodwill		260	260
Long-term deferred expenses		5,069	5,458
Deferred tax assets		442,563	470,170
Other non-current assets		592,156	103,886
Total non-current assets		8,891,106	8,483,712
Total assets		28,181,130	25,262,644

Liabilities and shareholders' equity	<i>Notes</i>	As at June 30, 2023	As at December 31, 2022
Current liabilities:			
Short-term borrowings		553,190	–
Borrowings from central bank		–	–
Loans from banks and other financial institutions		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable	<i>5.d)</i>	1,990,589	2,183,484
Advances from customers		–	–
Contract liabilities	<i>5.e)</i>	657,229	614,312
Financial assets sold under repurchase agreements		–	–
Absorption of deposits and interbank deposits		–	–
Receiving from vicariously traded securities		–	–
Receiving from vicariously sold securities		–	–
Employee compensation payables		166,549	243,895
Taxes payable		237,002	263,990
Other payables		3,271,358	1,734,051
Handling charges and commissions payables		–	–
Reinsurance accounts payable		–	–
Liabilities held for sale		–	–
Non-current liabilities maturing within one year		104,837	74,248
Other current liabilities		33,107	28,719
		<hr/>	<hr/>
Total current liabilities		7,013,860	5,142,697

Liabilities and shareholders' equity	<i>Notes</i>	As at June 30, 2023	As at December 31, 2022
Non-current liabilities:			
Reserves for Insurance contracts		–	–
Long-term borrowings		200,214	200,214
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities		97,561	100,011
Long-term payables		420	420
Long-term employee benefits payable		–	–
Provisions		20	20
Deferred income		11,409	26,124
Deferred tax liabilities		54,017	50,928
Other non-current liabilities		–	–
		<hr/>	<hr/>
Total non-current liabilities		363,641	377,717
		<hr/>	<hr/>
Total liabilities		7,377,501	5,520,414
		<hr/>	<hr/>
Shareholders' equity:			
Share capital		2,926,210	2,926,210
Other equity instruments		–	–
Capital reserves		1,192,037	1,192,037
Less: Treasury stock		–	–
Other comprehensive income		-42,286	-51,119
Special reserves		–	–
Surplus reserves		4,104,765	4,065,899
General risk reserves		9,864	9,864
Retained earnings		12,092,918	11,086,487
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		20,283,508	19,229,379
Non-controlling interests		520,120	512,852
		<hr/>	<hr/>
Total shareholders' equity		20,803,628	19,742,230
		<hr/>	<hr/>
Total liabilities and shareholders' equity		28,181,130	25,262,644
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY PROFILE

TravelSky Technology Limited (hereinafter referred to as the “**Company**” or “**the Company**”) incorporated in Beijing, the People’s Republic of China (the “**PRC**”) on October 18, 2000. As at June 30, 2023, the total cumulative share capital issued by the Company totaled 2,926,209,589 shares, and the registered capital was RMB2,926,209,589.00. The registered office is No. 7 Yumin Street, Houshayu Town, Shunyi District, Beijing.

The Company’s main operating activities are: the Company provides a full range of services such as air passenger business processing, air travel electronic distribution, airport passenger processing, air cargo data processing, internet travel platform, international and domestic passenger and cargo revenue management system and application, and agency settlement and clearing services, etc. for airlines, airports, air ticket sales agents, tourism enterprises and civil aviation-related institutions and international organizations.

The parent company of the Company is China TravelSky Holding Company Limited, and the effective controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council of China.

The Company and its subsidiaries are hereinafter collectively referred to as the “**Group**”.

2. BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

a) **Basis of preparation**

The interim results set out in this announcement do not constitute the consolidated financial statements of the Company for the six months ended June 30, 2023 but the financial results are extracted from those financial statements. The Company prepares financial statements in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the “**Accounting Standards for Business Enterprises**”). In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies.

b) **Going concern**

The financial statements are prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

The Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 16 (CK (2022) No 31, hereinafter referred to as “**Interpretation No. 16**”) on November 30, 2022, in which “the deferred income tax related to the assets and liabilities arising from a single transaction is not applicable to the accounting treatment of the initial recognition exemption” from January 1, 2023.

The Group implemented this regulation from January 1, 2023, main impacts of the Company’s implementation of this regulation are as follows:

Content and cause of change in the accounting policies	Approval procedure	Item affected	Consolidation	
			As at June 30, 2023/ For the six months ended June 30, 2023	As at December 31, 2022/ For the six months ended June 30, 2022
No. 16, Recognition of Deferred Income Tax	Statutory	Deferred tax assets	3,729	26,192
No. 16, Recognition of Deferred Income Tax	Statutory	Deferred tax liabilities	3,043	25,118
No. 16, Recognition of Deferred Income Tax	Statutory	Retained earnings	–	877
No. 16, Recognition of Deferred Income Tax	Statutory	Other comprehensive income	27	4
No. 16, Recognition of Deferred Income Tax	Statutory	Minority interest	–	194
No. 16, Recognition of Deferred Income Tax	Statutory	Income tax	-660	–

4. TAXATION

a) Major tax types and tax rates

Tax types	Tax base	Tax rate (%)
Value added tax (“VAT”)	Tax payable is calculated by VAT output, which is based on the taxable sales amount generated from sales of goods or rendering of service according to tax laws, less deductible VAT input of the current period	3.00–23.00 (Including VAT rate of the overseas company to which it belongs)
Urban maintenance and construction tax	Levied based on actual VAT paid	5.00, 7.00
Corporate income tax	Levied based on taxable income	10.00–29.84 (Including the income tax rate of the overseas company to which it belongs)

b) Tax incentives

i. Additional deduction of VAT input

According to the Ministry of Finance and the State Administration of Taxation Announcement No. 1 of 2023 “Announcement of the State Administration of Taxation of the Ministry of Finance on Clarifying Policies for VAT Reduction and Exemption for Small-scale VAT Taxpayers” Article 3: “From January 1, 2023 to December 31, 2023 On the 1st, the value-added tax credit policy is implemented in accordance with the following provisions: (1) Taxpayers in the productive service industry are allowed to offset the tax payable by an additional 5% of the deductible input tax amount in the current period. Taxpayers in the productive service industry refer to Taxpayers whose sales from providing postal services, telecommunications services, modern services, and living services account for more than 50% of the total sales.” The Company applies the policy of super deduction of input tax.

ii. High and New Technology Enterprise

Under the Corporate Income Tax Law of the People’s Republic of China (“CIT Law”), in general, the applicable income tax rate of enterprises in the PRC is 25%. Pursuant to relevant requirements, enterprises recognized as “High and New Technology Enterprises” are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a “High and New Technology Enterprise” since its establishment and was reviewed to renew the identification of “High and New Technology Enterprise” in accordance with relevant regulatory requirements. The latest re-certification application should be completed in 2023, and the Company has already started the relevant work of re-applying for the qualification of “high-tech enterprise”. In accordance with relevant regulatory requirements, the Company accrues corporate income tax expenses for the first half of 2023 at a preferential tax rate of 15%.

iii. Key software enterprises

Except that enterprises that have been assessed as “high-tech enterprises” may enjoy the preferential income tax rate of 15%, enterprises assessed as “key software enterprises” encouraged by the state” by relevant authorities under the government of China may further enjoy the preferential tax rate of 10%. According to the relevant provisions, the difference between the tax paid at the tax rate of 15% and that paid at tax rate of 10% will be refunded to relevant enterprises subsequently, and such tax refund will be reflected in the Statement of Profit and Losses for the period when it occurs.

During the first half of 2023, the difference between the tax paid at the 15% tax rate and the tax paid at the preferential tax rate of 10% amount has been reflected in the financial statement for the first half year of 2023.

5. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts are expressed in RMB'000 unless otherwise stated)

a) Accounts receivable

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

	As at June 30, 2023	As at December 31, 2022
Aging		
Within 1 year	3,389,644	2,544,380
Including:		
Within 6 months	2,399,446	1,908,747
7–12 months	990,198	635,633
1–2 years	1,137,116	1,225,249
2–3 years	340,239	467,736
3–4 years	173,920	306,126
4–5 years	102,327	95,028
Over 5 years	171,917	142,239
Subtotal	5,315,163	4,780,758
Less: Provisions for bad debts	578,423	696,351
Total	4,736,740	4,084,407

ii) Disclosure of accounts receivable under the methods of provision for bad debts by category

Category	As at June 30, 2023					As at December 31, 2022				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts accrued on an individual basis	467,703	8.80	205,431	43.92	262,272	284,679	5.95	202,579	71.16	82,100
Provision for bad debts accrued on a portfolio basis	<u>4,847,460</u>	<u>91.20</u>	<u>372,992</u>	<u>7.69</u>	<u>4,474,468</u>	<u>4,496,079</u>	<u>94.05</u>	<u>493,772</u>	<u>10.98</u>	<u>4,002,307</u>
Total	<u>5,315,163</u>	<u>100.00</u>	<u>578,423</u>	<u>-</u>	<u>4,736,740</u>	<u>4,780,758</u>	<u>100.00</u>	<u>696,351</u>	<u>-</u>	<u>4,084,407</u>

Provision for bad debts accrued on an individual basis:

Name	As at June 30, 2023		
	Book balance	Provision for bad debts	Proportion of provision (%)
Total	<u>467,703</u>	<u>205,431</u>	<u>43.92</u>

Provision for bad debts accrued on a portfolio basis:

	As at June 30, 2023		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from third parties	2,053,491	372,992	18.16
Accounts receivable from related parties	<u>2,793,969</u>	<u>-</u>	<u>-</u>
Total	<u>4,847,460</u>	<u>372,992</u>	<u>-</u>

b) Investments in other equity instruments

i. Details of investments in other equity instruments

Items	As at June 30, 2023	As at December 31, 2022
China Merchants RenHe Life Insurance Company Limited	<u>835,827</u>	<u>835,827</u>
Total	<u><u>835,827</u></u>	<u><u>835,827</u></u>

The Company holds 13.26% of all the equity of an unlisted company, China Merchants RenHe Life Insurance Company Limited, which has a fair value of RMB835,827 thousand as at June 30, 2023. As the Company does not intend to hold the investment for trading purposes, the Company designated the investment as financial assets measured at fair value through other comprehensive income. The Company has referred to the valuation report issued by Pan-China Appraisal Co., Ltd, an independent professional valuer with professional qualifications and relevant experience confirmed the fair value as at December 31, 2022, and has considered the Company's financial performance, the economic situation, and the market it operates in as at June 30, 2023, there have been no major changes compared with those as at December 31, 2022. The Company has assessed and determined that there are no major changes in the fair value as at June 30, 2023.

c) Other non-current financial assets

Items	As at June 30, 2023	As at December 31, 2022
Financial assets measured at fair value through the current profit or loss	602,841	529,714
Including: Equity instrument investments	<u>602,841</u>	<u>529,714</u>
Total	<u><u>602,841</u></u>	<u><u>529,714</u></u>

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

As stated in the Company’s announcement on April 16, 2020, the Company has entered into a limited partnership agreement (the “**Agreement**”) with China Mobile Capital Holding Co., Ltd., other investors (together with the Company and China Mobile Capital Holding Co., Ltd., as limited partners) and China Mobile Equity Fund Management Co., Ltd. (as general partner) for the establishment of China Mobile Equity Fund (Hebei Xiongan) Partnership (Limited Partnership) (the “**China Mobile Equity Fund**”), pursuant to which the Company agreed to contribute a total of RMB1 billion in cash to the China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund primarily invests in companies related to the 5G industry application and information and communications industry chain, ecosystem and enabling industries.

As at June 30, 2023, the Company has made actual contributions (including fund management fees) of RMB574,919 thousand under the agreement, which is measured at fair value with a book value of RMB602,841 thousand.

d) Accounts payable

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

Aging	As at June 30, 2023	As at December 31, 2022
Within 1 year (including 1 year)	1,051,165	1,239,973
1–2 years (including 2 years)	527,371	672,887
2–3 years (including 3 years)	266,338	132,786
Over 3 years	145,715	137,837
Total	<u>1,990,589</u>	<u>2,183,484</u>

e) Contract liabilities

i. Details of contract liabilities

Items	As at June 30, 2023	As at December 31, 2022
System integration service contracts	<u>657,229</u>	<u>614,312</u>
Total	<u>657,229</u>	<u>614,312</u>

f) **Operating income and operating costs**

i. *Details of operating income and operating costs*

Items	For the six months ended June 30, 2023		For the six months ended June 30, 2022	
	Revenue	Cost	Revenue	Cost
Main business	3,283,207	1,431,808	2,246,923	1,257,535
Other businesses	<u>24,349</u>	<u>6,977</u>	<u>25,068</u>	<u>7,858</u>
Total	<u><u>3,307,556</u></u>	<u><u>1,438,785</u></u>	<u><u>2,271,991</u></u>	<u><u>1,265,393</u></u>

ii. *Details of operating income*

Items	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Aviation information technology services	1,890,118	801,913
Settlement and clearing services	185,361	141,082
System integration services	320,895	600,325
Data network services	201,682	232,282
Other income	709,499	496,389
Including: Income from technical services	311,451	222,674
Payment business income	178,684	51,890
Income from leasing, operation, and maintenance services	107,491	104,867
Logistics business income	24,038	37,002
Data service income	<u>35,104</u>	<u>33,390</u>
Total	<u><u>3,307,556</u></u>	<u><u>2,271,991</u></u>

g) Investment income

Items	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Income from long-term equity investments calculated under equity method	7,692	-2,378
Gains from disposal of long-term investments	–	5,751
Income from held-for-trading financial assets during the holding period	<u>36,951</u>	<u>9,210</u>
Total	<u><u>44,643</u></u>	<u><u>12,583</u></u>

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

Items	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Bad debts of notes receivable	-2,789	4,064
Bad debts of accounts receivable	119,767	-99,281
Bad debts of prepayments	<u>–</u>	<u>-2,755</u>
Total	<u><u>116,978</u></u>	<u><u>-97,971</u></u>

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

Items	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Impairment of contract assets	2,453	-1,735
Impairment of long-term equity investments	<u>–</u>	<u>-3,495</u>
Total	<u><u>2,453</u></u>	<u><u>-5,230</u></u>

j) Earnings per share

Items	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Earnings (in RMB'000) (Earnings for the purpose of calculating the basic and diluted earnings per share)	1,200,385	443,034
Numbers of shares (in thousand shares) (Weighted average number of ordinary shares in issue)	2,926,210	2,926,210
Earnings per share (Basic and diluted)	0.41	0.15

As at June 30, 2023 and June 30, 2022, the Company has no potential dilutive ordinary shares.

k) Dividend distribution

At the annual general meeting of the company on June 15, 2023, the proposal to distribute the "2022 Final Cash Dividend" was passed. The dividend was RMB0.053 per share, totaling RMB155,089 thousand. The amount was accounted for shareholders' equity as a distribution to retained earnings for the six-month period ended June 30, 2023.

l) Disposal of fixed assets

For the six-month period ended June 30, 2023, and the total amount of gains from disposal of assets disclosed in the consolidated income statement was RMB2,655 thousand, including in accordance with the fixed assets guidelines, the disposal gain from the sale of a property is RMB2,650 thousands; According to the accounting standards of Lease, gains on disposal of right-of-use assets (i.e., gains on changes of leases) amounted to RMB5 thousand. (For the six-month period ended June 30, 2022, gains on disposal of fixed assets were approximately RMB103 thousand.) Please refer to the Group consolidated income statement for the details of "Gains from disposal of assets".

m) Supplementary information to the income statement where expenses are classified by nature

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

Items	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Labor costs	712,202	629,613
Depreciation and amortization expenses	466,006	483,736
Cost of sales of software and hardware	173,018	282,347
Technical support and maintenance fees	263,618	160,141
Commission and promotion expenses	396,453	178,256
Internet usage fees	39,427	44,850
Financial expenses	-71,843	-81,666
Other operating costs	163,079	91,056
Total	<u>2,141,960</u>	<u>1,788,333</u>

6. SHARE-BASED PAYMENT

a) General information of share based payment

Pursuant to the announcement in relation to the approval of the proposed initial terms of H share appreciation rights scheme by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on January 3, 2020, and the resolution passed at the extraordinary general meeting dated January 16, 2020, the proposed adoption of the H share appreciation rights scheme and the proposed initial grant have been approved at the extraordinary general meeting.

According to the H share appreciation rights scheme, the initial grant date is on January 16, 2020.

According to the Company's H Share appreciation rights scheme, the Company granted 34,582,624 units of cash settled H share appreciation rights to a total of 484 incentive recipients. The H Share appreciation rights are valid for 7 years from the date of grant. H share appreciation rights should be exercised from the second anniversary of the date of grant in 3 years on equal proportion.

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

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

As at June 30, 2023, the above-mentioned stock appreciation rights were not re-measured at the end of the current period due to the signing of the termination behavior document.

As at June 30, 2023, the Company has recorded accumulated liabilities arising from cash settled share based payment of RMB 23,496 thousand.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

BUSINESS REVIEW FOR THE FIRST HALF OF 2023

In the first half of 2023, the downward momentum of the global economy has slowed down, and the economy has kept recovering and improving in China. The demand for air travel has dramatically increased. The domestic civil aviation passenger transportation market has shown a trend of steady recovery while the international passenger flights maintained a trend of stable and orderly recovery. As the dominant provider of information technology solutions for China's aviation and travel industry, the Group grasped the opportunities presented by industry recovery, enhanced its safety assurance capabilities, reinforced its scientific and technological innovation momentum, unleashed the benefits of corporate reforms, and promoted sustainable development of various businesses. The system processing capacity of the electronic travel distribution (“ETD”) system (including inventory control system (“ICS”) services and computer reservation system (“CRS”) services) on domestic and overseas commercial airlines was approximately 283.9 million passengers, representing an increase of approximately 143.0% over the same period in 2022, and returning to 84.2% in the same period in 2019. Among them, the system processing capacity on commercial airlines in China increased by approximately 141.1% year-on-year; the system processing capacity on foreign and regional commercial airlines increased by approximately 328.6% year-on-year. The number of foreign and regional commercial airlines using the Group's airport passenger processing system (“APP”) services, multi-host connecting program services and self-developed Angel Cue platform connecting services increased to 199, with approximately 1.73 million departure passengers processed in 47 airports. The number of foreign and regional commercial airlines with direct links to the CRS system of the Group remained at 138, and the percentage of sales through direct links reached approximately 99.9%.

In the first half of 2023, the Group focused on setting up a whole-process systematic aviation business solution to fully support the whole-process refined management and intelligent decision-making of airlines. As a strategic partner of the “Fast Travel” project of the International Air Transport Association (the “IATA”), the commonly used self-service check-in system (CUSS) independently developed by the Group pursuant to IATA standards was used in 224 major domestic and international airports, and the online check-in service was applied to 292 domestic and international airports. Such products, together with the mobile check-in products and SMS check-in products, processed a total of approximately 174 million departure passengers. The digital Travel Retail Platform (TRP) for airlines continued to promote product capacity construction, with the number of contracted customers reaching 19. Airline Data Aggregation (ADA), a platform product that provides airlines with data integration services, has been put into production by 13 airlines including Sichuan Airlines, Hainan Airlines and Xiamen Airlines; the intelligent cabin control system created the first cabin control management process digitization product in China, which was officially put into production by its first customer, China United Airlines; the all-in-one operation management system (ATOMS) for airlines has been put into production by 10 airports, and based on the ATOMS system, the development of an all-in-one integrated and intelligent command system for airlines has been completed.

In the first half of 2023, the Group consolidated and expanded the new market of accounting, settlement and clearing services business, focused on the application of new technologies, and accelerated the establishment of the third-generation passenger transportation revenue management platform in line with the development trend of new distribution capability (NDC) and ONE ORDER. The market share of travel business account products in China's travel business payment market has continually increased. In the first half of 2023, there were approximately 445.6 million transactions processed with the Group's accounting, settlement and clearing system, representing a year-on-year growth of 64.6%. Revenue from agency clearing business for passenger, cargo and mail transportation, miscellaneous expenses and international and domestic settlement fees exceeded USD2.57 billion, representing a year-on-year growth of 100.8%.

In the first half of 2023, the Group continued to expand the distribution information technology service market, enhanced distribution capabilities and consolidated distribution channels. In terms of NDC solutions for foreign and regional airlines, contracts were newly signed with Korean Air. A distribution system platform for intelligent new retail was built to provide a variety of air travel products, and the salable content of auxiliary products was enriched, adding a distribution of nationwide airport lounge products of 4 airlines including Shenzhen Airlines and China Express.

In the first half of 2023, the Group gave full play to the driving role of informationization, digitization and intelligence in the construction of intelligent airport to empower the development of the industry. The Group consolidated the share of traditional departure front-end market, also actively participated in the construction of projects of Lanzhou Zhongchuan International Airport, Zhuhai Jinwan Airport and others, and assisted in the official commissioning of the new terminal building of Fuyang Xiguan Airport. The industry acceptance of the airport projects of Baggage Travel (航易行) in Yancheng, Hefei and etc. were completed; face boarding was deployed in 54 large, medium and small airports across the country; One ID passenger service platform was deployed in Nanning, Weihai and other airports, and extended to more than 20 large and medium-sized airports in China, including Wuhan and Yichang airports; the civil aviation transit passenger service platform jointly set up with the Civil Aviation Administration of China (CAAC) has been put into operation in more than 200 airports, and supported the landing of the “trunk and branch communication and full network connection (幹支通、全網聯)” service model, and were awarded a license by the CAAC. The promotion of the product of the Airport Collaborative Decision-Making System (A-CDM) continued and “R&D and application of key technology based on comprehensive operation and management system of Airport Collaborative Decision-Making System (A-CDM)” won the first prize of science from China Communications and Transportation Association. The departure front-end system of the APP dominated China's large and medium-sized airports and assisted commercial airlines in providing various services for passengers, such as boarding, transiting and connecting, in 101 overseas or regional airports. The number of departing passengers receiving such services reached approximately 6.75 million, accounting for approximately 80.25% of the number of passengers returning from overseas of commercial airlines in China.

In the first half of 2023, the Group actively responded to and implemented the strategy of the development of digital economy of China, continuously expanded public information technology service, air freight logistics information technology service, and other information technology service and kept exploring innovative business scenarios. It signed contracts with 3 enterprises and institutions to provide them with services such as digital transformation consulting and IT system planning and operation. The Group expanded 4 new customers of data intelligent services in public security, intelligent marketing, pan-finance and other cross fields. The Group assisted CAAC with the construction of “trunk and branch communication and full network connection (幹支通、全網聯)”, and completed the promotion in one general airport in Inner Mongolia; it newly signed contracts with 3 general airlines, and the number of general airlines and airport users using Easy Air (易通航) reached 90. The Group comprehensively promoted and upgraded products such as cargo terminal production system, cargo security inspection system and cargo ground operation service system; newly signed contracts with 5 customers, and won the bid for the digital platform project of cargo terminal of Air China Cargo (中國國際貨運航空). The “Declaration Pass (申報通)” supported the safety assessment on data outbound of civil aviation enterprises, the “Digital Currency Pass (數幣通)” had been put into operation in Changsha Huanghua International Airport * (長沙黃花國際機場) and became the first digital Renminbi solution in the airport in civil aviation industry, and the “Air Travel Chain (航旅鏈)” obtained the filing number of information service under blockchain issued by the Cyberspace Administration of China (CAC), and became an on-service civil aviation blockchain platform.

In the first half of 2023, the Group actively fulfilled social responsibilities to provide strong technical support and service guarantee. On one hand, we made every effort to ensure the smooth operation of host systems and major open platform systems, the availability rate of which exceeded 99.99%. We successfully guaranteed the safety operation of the civil aviation passenger information system during the Chinese Spring Festival travel rush, the Two Sessions of China, China-Central Asia Summit and other activities. On the other hand, the Group comprehensively strengthened its construction of safe production capabilities; it promoted the construction of “A New Platform of Allocation and Management (新一代配置管理平台)” and “Online Service Platform of TravelSky (中國航信線上服務平台)”, establishing a safeguarding tool system of accounts management service. Besides, the Group completed the upgrade of omni-channel functions of aviation passenger service information system platform; it also completed the reform of the core software of agent system, minimizing the impact of the fault caused by a single server. The Group continued to improve the Data Compliance Management System and was successfully awarded the Data Management Capability Maturity Assessment Model (DCMM) Level 4 certification.

In the first half of 2023, the Group comprehensively implemented the strategy of innovation-driven development, specifically, it further improved its technological innovation system and put more efforts on the breakthrough of key and core technologies, leading the deep integration and development between industries and businesses. The Group completed the construction of various major projects, such as the Cloud Computing Application Platform (TAP) (雲計算應用平台) and the Airlines Sales Front-end System (航空公司銷售前端系統). It carried out innovative research and created full-stack safe and credible intelligent civil aviation application demonstration projects, and it also promoted the construction of energy-saving projects for our data center, and the achievements and application results of its project of “Research and Application of Green and Intelligent Technologies for the Green Data Center of Civil Aviation (民航綠色數據中心綠色化智能化技術研究及應用)” reached an advanced level. The Group continued to construct the “Key Information Infrastructure Joint Base (關鍵信息基礎設施聯合基地)”, and establishing joint laboratories with leading enterprises. The Group was approved to establish a state-level post-doctoral scientific research workstation, which became the first state-level talent platform of the Company. The Group obtained 48 patents, including 42 invention patents, and won 8 awards in the Civil Aviation Science and Technology Award (民航科學技術獎) and the Science and Technology Progress Award of China Communications and Transportation Association (中國交通運輸協會科技進步獎). It was recognized as the first national enterprise technology center of civil aviation industry and was awarded the title of “Model Enterprise of Blockchain Innovation of China (2022) (2022中國區塊鏈技術創新典型企業)” issued by the MIIT.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS BUSINESS REVIEW FOR THE FIRST HALF OF 2023

Summary

The management’s discussion and analysis on the financial conditions and results of operations of the Group are as follows:

For the first half of 2023, the Group achieved total profits of RMB1,346.9 million, representing an increase of approximately 191.1% compared to RMB462.7 million in the first half of 2022. Net profit attributable to shareholders of the parent of the Company was RMB1,200.4 million, representing an increase of approximately 171.0% compared to RMB443.0 million in the first half of 2022.

As stated in the announcement of the Company dated July 20, 2023 and August 7, 2023, the profit of the Group achieved period-on-period growth, mainly attributable to period-on-period increase in system processing capacity due to recovery of international and domestic passenger traffic.

The revenue and operating results of the Group mainly came from the Group’s operations in China. The earnings per share of the Group were RMB0.41 for the first half of 2023.

Total Revenue

The total revenue of the Group in the first half of 2023 amounted to RMB3,307.6 million, representing an increase of RMB1,035.6 million, or 45.6%, from RMB2,272.0 million in the first half of 2022. Such increase in total revenue was mainly attributable to period-on-period increase in system processing capacity due to recovery of international and domestic passenger traffic. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 57.1% of the Group's total revenue in the first half of 2023, as compared to 35.3% in the first half of 2022. Aviation information technology service revenue increased by 135.7% from RMB801.9 million in the first half of 2022 to RMB1,890.1 million in the first half of 2023. The main sources of the revenue were ICS, CRS and APP provided by the Group to commercial airlines, as well as extended information technology services related to the above core businesses. The increase in revenue was mainly due to the period-on-period increase in system processing capacity.
- Accounting, settlement and clearing services revenue accounted for 5.6% of the Group's total revenue in the first half of 2023, as compared to 6.2% in the first half of 2022. Accounting, settlement and clearing services revenue increased by 31.4% from RMB141.1 million in the first half of 2022 to RMB185.4 million in the first half of 2023. 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, etc. The increase in revenue was primarily due to the period-on-period increase in the business volume of accounting, settlement and clearing services.
- System integration service revenue accounted for 9.7% of the Group's total revenue in the first half of 2023, as compared to 26.4% in the first half of 2022. System integration service revenue decreased by 46.5% from RMB600.3 million in the first half of 2022 to RMB320.9 million in the first half of 2023. The main sources of the revenue were hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The decrease in revenue was primarily due to the period-on-period decrease in the number of projects meeting the completion acceptance conditions.
- Data network revenue accounted for 6.1% of the Group's total revenue in the first half of 2023, as compared to 10.2% in the first half of 2022. Data network revenue decreased by 13.2% from RMB232.3 million in the first half of 2022 to RMB201.7 million in the first half of 2023. The main source of the revenue was distribution information technology service provided by the Group to agencies. The decrease in revenue was mainly due to the period-on-period decrease in the business volume of distribution information technology services.
- Other revenue accounted for 21.5% of the Group's total revenue in the first half of 2023, as compared to 21.9% in the first half of 2022. Other revenue increased by 42.9% from RMB496.4 million in the first half of 2022 to RMB709.5 million in the first half of 2023. The sources of the revenue were other technical services, payment business, machine room tenancy and other services provided by the Group. The increase in revenue was mainly due to the period-on-period increase in payment business.

TOTAL OPERATING EXPENSES

Total operating expenses in the first half of 2023 amounted to RMB2,178.2 million, representing an increase of RMB354.8 million or 19.5% as compared to RMB1,823.4 million in the first half of 2022. The changes in total operating expenses are also reflected as follows:

- Staff costs increased by 13.1%, mainly due to the period-on-period increase in staff remuneration and social insurance cost of the Group;
- Depreciation and amortisation decreased by 3.7%, mainly due to the slight decrease in depreciation and amortization resulted by the period-on-period decrease in fixed assets of the Group;
- Selling costs of software and hardware decreased by 38.7%, mainly due to the period-on-period decrease in business volume of contracted projects of the Group;
- Commission and promotion fees increased by 122.4%, mainly due to the period-on-period increase in the business volume of the Group;
- Technical support and maintenance fees increased by 64.6%, mainly due to period-on-period increase in demand for the business of the Group; and
- Other operating costs increased by 79.1%, mainly due to period-on-period increase in payment service cost.

CORPORATE INCOME TAX

Under the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognized as the "High and New Technology Enterprise" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and from then on re-applied for certification of qualification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements every three years. The latest re-application for certification should be completed in 2023, and the Company has conducted relevant work to re-apply for certification of qualification as the "High and New Technology Enterprise". In accordance with relevant regulatory requirements, the Company has calculated the expenses on corporate income tax for the first half of 2023 using the preferential tax rate of 15%.

In addition to the recognised identification of “High and New Technology Enterprise” and entitlement of a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as the “Key Software Enterprise”, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be correspondingly reflected in the financial statements of the enterprise for relevant period. The Company obtained the certificate for “Key Software Enterprise” from Year 2006 to Year 2022.

For details of corporate income tax of the Group for the first half of 2023, please refer to Note 4 to the consolidated financial statements.

Net Profit Attributable to Shareholders of the Parent of the Company

Net profit attributable to shareholders of the parent of the Company increased from RMB443.0 million in the first half of 2022 to RMB1,200.4 million in the first half of 2023, representing an increase of RMB757.4 million.

Liquidity and Capital Structure

The Group’s working capital in the first half of 2023 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,011.2 million.

As at June 30, 2023, the Group had a total of RMB753.4 million of borrowings, of which RMB553.2 million was short-term bank borrowing and RMB200.2 million was entrusted loans. The Group did not use any financial instruments for hedging purpose.

As at June 30, 2023, cash and cash equivalents of the Group amounted to RMB8,576.6 million, of which 97.0%, 2.5% and 0.2% were denominated in Renminbi, U.S. dollar and TWD, respectively.

Restricted Bank Deposits

As at June 30, 2023, restricted bank deposits in the amount of RMB103.6 million (as at December 31, 2022: RMB101.6 million) mainly refer to the deposits placed at designated bank accounts as guarantee deposits to secure, amongst others, the settlement of related business.

Trust Deposits and Irrecoverable Overdue Time Deposits

As at June 30, 2023, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are mainly deposited at commercial banks and complied with applicable laws and regulations

Foreign Exchange Risks

The Group's foreign exchange risk arises from commercial transactions and assets and liabilities denominated in foreign currencies. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's operational results.

Financial Assets Invested

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

In the first half of 2023, the Group had the following major financial assets:

(1) Trading Financial Assets

As at June 30, 2023, the Group held structural bank deposits (floating yield) issued by China Construction Bank, Bank of Beijing, Bank of Communications and Industrial and Commercial Bank of China of RMB1,100 million, RMB1,100 million, RMB1,100 million, and RMB200 million, totaling RMB3,500 million. The annual interest rate of such structural bank deposits varied from 1.40% to 3.10% with a term of 185 to 189 days and are non-cancellable before maturity.

(2) Financial Assets at Amortised Cost

As at June 30, 2023, the Group held certificates of deposit for more than three months issued by China Construction Bank, Bank of Communications and China Minsheng Bank of RMB500 million, RMB60 million and RMB90 million, totaling RMB650 million. The annual interest rate of such bank deposits varied from 2.20% to 3.55% with a term of 366 to 1,096 days and are non-cancellable before maturity.

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

Name of investment	Business nature	Percentage of	Percentage of	Fair value	Fair value	Gain as of	Gain as of
		shareholding	Shareholding	as at	as at	June 30,	December 31,
		as at	as at	June 30,	December 31,	June 30,	December 31,
		June 30,	December 31,	June 30,	December 31,	June 30,	December 31,
		2023	2022	2023	2022	2023	2022
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity, measured at fair value – CMRH Life	Life insurance	13.26	13.26	835,827	835,827	-	-14,796

The performance and prospects of the financial assets “CMRH Life” during the period were as follows:

- a. Name of the company: China Merchants RenHe Life Insurance Company Limited (“**CMRH Life**”)
- b. Business scope: general insurance (including life insurance and annuity insurance), health insurance, accident injury insurance, bonus insurance, omnipotent insurance, reinsurance of all of the above insurance businesses, the application of the insurance funds allowed by the State laws and regulations, and other businesses approved by the China Banking and Insurance Regulatory Commission.
- c. Investment cost of the Company: RMB875 million.
- d. The percentage of the shareholding held by the Company: 13.26%.

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

As at June 30, 2023, the Group invested a fair value of approximately RMB835.8 million in CMRH Life, accounting for 3.0% of the total assets of the Group.

- f. The performance in the first half of 2023:

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB217 million in the first half of 2023. The main reason for the loss is that the continuous decline of the 750-day yield curve of the national debt interest rate led to the increase in accounting reserves of CMRH Life and the factors such as the floating loss on equity assets of CMRH Life due to the impact of the volatility of capital market.

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

According to the information provided by CMRH Life to the Company, with the gradual release of the effects of various policies to stabilise the economy and the robust demand for insurance coverage after the pandemic, the life insurance industry accelerated its high-quality development, with both the “quality” and “quantity” of value of new business and premium from new insurance policies rising. CMRH Life will adhere to the business strategies of “value leading, innovation driving, technology empowering, risk control assurance”, give full play to the shareholders’ advantages, continue to deepen the value transformation and strive to build into a quality insurance service provider with innovative characteristics.

(4) Financial Assets at Fair Value through Profit or Loss:

China Mobile Equity Fund

As stated in the announcement of the Company dated April 16, 2020, the Company entered into the limited partnership agreement (the “**Agreement**”) in relation to the formation of China Mobile Equity Fund (Hebei Xiong’an) Partnership (Limited Partnership)* (中移股權基金(河北雄安)合夥企業(有限合夥)) (“**China Mobile Equity Fund**”) with China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), other investors (together with the Company and China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), as the limited partners) and China Mobile Fund Co., Ltd.* (中移股權基金管理有限公司) (as the general partner), pursuant to which, the Company agreed to contribute RMB1 billion in cash to China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund will mainly invest in the enterprises related to 5G industry application and information communication industry chain, ecosystem and empowerment industry.

As at June 30, 2023, the Company has actually contributed (including the fund management fee) RMB574.9 million pursuant to the Agreement. Please refer to Note 5.c) to the consolidated financial statements for details.

CHARGE ON ASSETS

For the six-month period ended June 30, 2023, the Group had no charge on its assets.

CONTINGENT LIABILITIES

As at June 30, 2023, the Group had no material contingent liabilities.

GEARING RATIO

As at June 30, 2023, the gearing ratio of the Group was 26.2% (as at December 31, 2022: 21.9%), which was computed by dividing the total liabilities by the total assets of the Group as at June 30, 2023.

MAJOR INVESTMENT OR FINANCING PLAN

Based on the needs of factoring business model, risk management and control and timeliness of capital use, Antu Jinxin Commercial Factoring Limited, a wholly-owned subsidiary of the Company, expects its financing amount from commercial banks in the current year not to exceed RMB1,200.0 million. As at June 30, 2023, the subsidiary borrowed approximately RMB548.2 million from three commercial banks, of which the short-term credit borrowings amounted to RMB227.7 million and factoring receivables from refactoring business obtained short-term borrowings of RMB320.5 million. Apart from this, as at June 30, 2023, the Group had no other major financing plans, nor any major acquisitions or disposals of subsidiaries, associates and joint ventures, nor any plans to make any significant investments or acquire material capital assets, and the Board estimated that the sources of funding of the Group in 2023 could meet the capital needs of daily operations.

The total capital expenditure of the Group amounted to RMB363.1 million for the first half of 2023 (the first half of 2022: RMB204.1 million), which was mainly used in the Company's daily operation.

As at June 30, 2023, the Group's capital expenditure commitment amounted to approximately RMB1,088.7 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, China Mobile Equity Fund (an unlisted investment fund), etc. The sources of funding for such commitments will include existing cash on hand and internal cash flows generated from operating activities of the Group.

EMPLOYEES

The Group has different rates of remuneration for different employees (including executive directors and staff supervisors), according to their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations, as amended from time to time. The remuneration of the employees of the Group includes salaries, bonuses and fringe benefits provided in compliance with relevant regulations of the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds. The Group also provides its employees with opportunities to acquire skills in areas such as the aviation and travel industry, computer information technology and business administration education, and provides training on the latest development in areas such as computer information technology, personal qualities, laws, regulations and economics. In 2007, the Group implemented a corporate annuity scheme (or supplementary pension plan) in accordance with relevant policies of the PRC. According to the corporate annuity scheme, the Group is required to make provision for monthly corporate annuity fees with reference to the total actual salary each month in the previous year and the ratio approved by the relevant authorities of the PRC. It also needs to deposit the annuities in the custody account of corporate annuity fund opened by its custodian.

As at June 30, 2023, the total number of employees of the Group was 6,721. Staff costs of the Group amounted to approximately RMB712.2 million for the first half of 2023, representing approximately 32.7% of the total operating expenses of the Group for the first half of 2023, among which, the aggregate corporate annuity expenses of the Group amounted to approximately RMB39.4 million for the first half of 2023 (the first half of 2022: RMB32.1 million).

Subsequent Events

As at the date of this announcement, the Group had no significant events since June 30, 2023 which need to be disclosed.

PROSPECTS FOR THE SECOND HALF OF 2023

In the second half of 2023, although the situation of global economic recovery was complicated, still with instabilities and uncertainties, the long-term positive fundamentals of China's economy remained unchanged, and the recovery and development of China's civil aviation has entered a critical period of quantity increase and quality improvement. Facing the new trends, new challenges and new opportunities, the Group will always stay true to its general principle of pursuing progress while ensuring stability without wavering, conduct in-depth studies, coordinate and make overall plans, unswervingly strive to become stronger, better and bigger, and accelerate the construction of a world-class enterprise. Firmly adhering to the bottom line, the Group will comprehensively improve the intrinsic security level, and ensure the safe operation of civil aviation information system. Leading by innovation, the Group will enhance the self-controllable level of core system, and promote the construction of "dual-carbon" technological innovation system. Seizing opportunities while ensuring stability, the Group will dig the potential of high-quality development of primary business, and explore the technical empowerment of emerging business. Benchmarking against standards and plans, the Group will effectively promote the special action of benchmarking against the world-class standards, and steadily carry out special governance of internal control management. Deepening reform, the Group will accurately respond to the call of the new journey and the new trends, and scientifically plan a new round of reform and upgrading actions.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2023.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

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 deviated from the Code Provision C.2.1 “the roles of chairman and chief executives should be separate and should not be performed by the same individual”. As stated in the announcement of Company dated May 2, 2022, according to the working requirements, Mr. Huang Rongshun, the chairman of the Company, has been appointed as the general manager of the Company. At present, the chairman and general manager of the Company are performed by the same individual, which is a transitional arrangement only. Considering that the Board constitutes a sufficient number of independent non-executive directors, a temporary deviation from the Code Provision would not prejudice the balanced distribution of power and authority between the Board and the management of the Company.

The Company has deviated from the Code Provision B.2.2 “every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years”. As stated in the announcement of the Company dated February 27, 2023, the term of the seventh session of the Board of the Company expired on February 26, 2023. Given that the nomination process of candidates for the directors of the new session of the Board has not been completed, the re-election and appointment of members of the Board will be postponed as appropriate, and the term of office of each committee of the seventh session of the Board of the Company will be extended accordingly. The Company will endeavor to complete the re-election and appointment of members of the Board as soon as possible, and fulfill respective information disclosure obligations in a timely manner. All members of the seventh session of the Board of the Company will continue to fulfill their respective duties and responsibilities of directors in accordance with the laws, administrative regulations and the articles of association of the Company until the reelection work is completed. The normal operation of the Company will not be affected by the postponement of re-election of the members of the Board.

Except for the deviations from Code Provision C.2.1 and Code Provision B.2.2, the Company has fully complied with the Code Provisions in the first half of 2023.

For the six-month period ended June 30, 2023, the Company has adopted the 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 standards regarding directors’ securities transactions required thereof during the six-month period ended June 30, 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE (SUPERVISORY COMMITTEE)

The Audit and Risk Management Committee (Supervisory Committee) of the Company has discussed and reviewed the unaudited interim results of the Group for the six months ended June 30, 2023 with the Company’s management, and has also discussed matters relating to internal control, risk management and financial reporting.

ONLINE PUBLICATION OF INTERIM RESULTS

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

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

By order of the Board
TravelSky Technology Limited
Huang Rongshun
Chairman

Beijing, the People's Republic of China
August 24, 2023

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

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

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

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