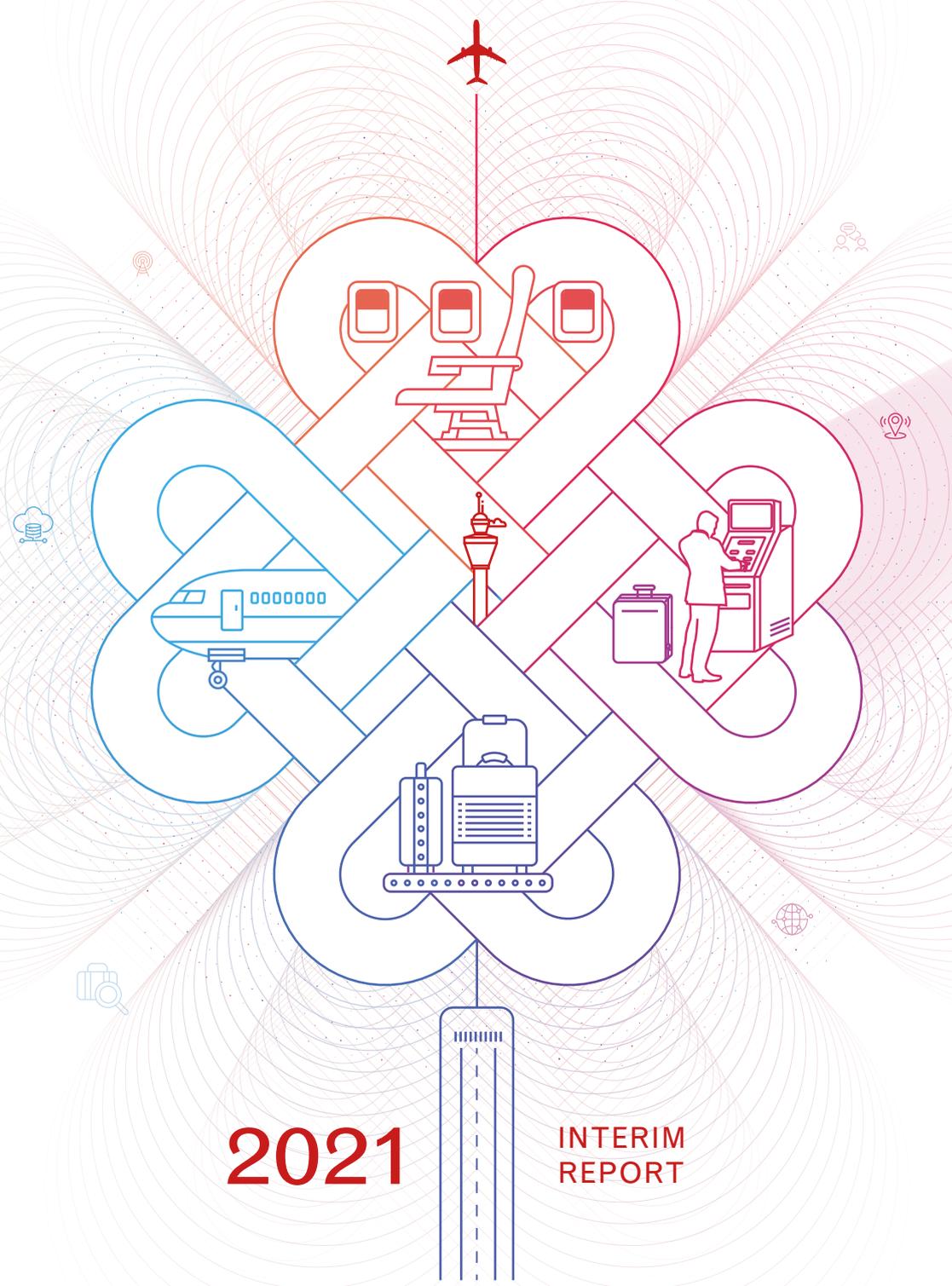




中國民航信息網絡股份有限公司 TravelSky Technology Limited

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



2021

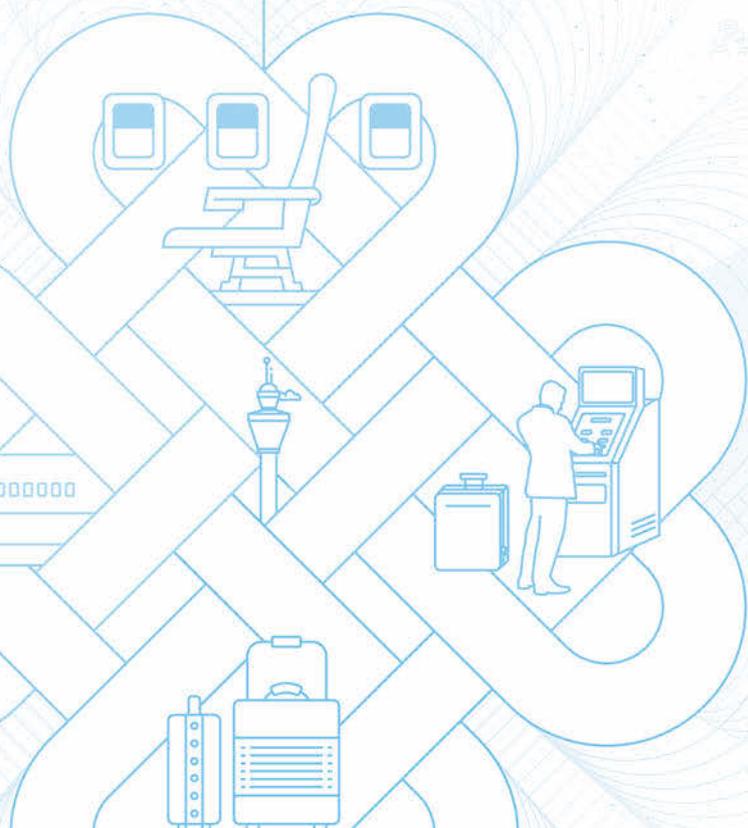
INTERIM REPORT

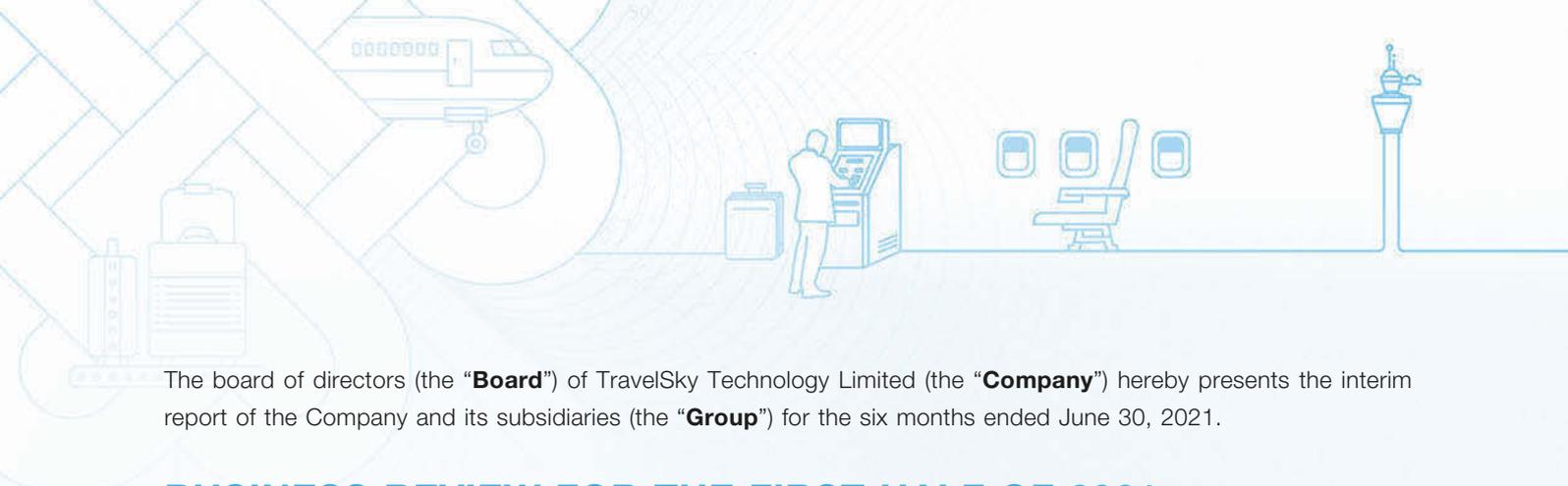




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The board of directors (the “**Board**”) of TravelSky Technology Limited (the “**Company**”) hereby presents the interim report of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2021.

BUSINESS REVIEW FOR THE FIRST HALF OF 2021

In the first half of 2021, as China’s economy continued to recover and the novel coronavirus pneumonia epidemic (the “**Epidemic**”) was controlled on an on-going basis, the civil aviation transportation industry in China recovered steadily and positively. However, the international outbreak and the sporadic outbreaks of the Epidemic in China have continued to affect the industry. As the dominant provider of information technology solutions for China’s aviation and travel industry, the Group integrated resources, and optimized strategies to actively respond to the pressure of business recovery. The electronic travel distribution (“**ETD**”) system (including inventory control system (“**ICS**”) services and computer reservation system (“**CRS**”) services) processed approximately 240.4 million flight bookings for domestic and overseas commercial airlines, representing an increase of approximately 61.8% over the same period in 2020, and returning to 71.3% in the same period in 2019. Among them, the processed flight bookings of commercial airlines in China increased by approximately 62.6%; while those of foreign and regional commercial airlines dropped by approximately 37.3%. 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 reached 191, with approximately 30,000 of passenger departures processed in 24 airports, representing a decrease of approximately 98.5% over the same period in 2020. The number of foreign and regional commercial airlines with direct links to the CRS of the Group remained 152, and sales through direct links accounted for up to approximately 99.9%.

In the first half of 2021, the Group focused on offering full-process and systematic aviation business solutions, which fully supported the full-process refined management and intelligent decision-making of airlines to empower the digital transformation of the industry. As a strategic partner of the “Fast Travel” project of International Air Transport Association (“**IATA**”), the commonly used self-service check-in system (CUSS) independently developed by the Group in line with the standards of IATA was launched in 187 major domestic and international airports, and the online check-in service was applied in 239 domestic and international airports. Such products and services, together with the mobile check-in service and SMS check-in service, processed a total of approximately 147 million passenger departures. The Group successfully signed contracts with 17 commercial airlines including Air China Limited, Hainan Airlines Holding Co., Ltd., Sichuan Airlines Co., Ltd., Shandong Airlines Co., Ltd. for the Travel Retail Platform (TRP), and won the bid for the air ticket and ancillary business project of the business model innovation project phase II of Air China. The smart travel solutions powered by “Aviation Information Inquires” was rated as a model case of central enterprise brand building, which created a “contactless”, safe travel environment to facilitate the Epidemic prevention, control and tracking. The “Baggage Travel” platform consolidates the construction of the basic platform of baggage business.



BUSINESS REVIEW FOR THE FIRST HALF OF 2021 (CONTINUED)

In the first half of 2021, the Group continued to expedite the development of new products for the accounting, settlement and clearing service, with a focus on the research and development of the third-generation accounting management platform; continued to consolidate the market of accounting, settlement and clearing service, innovated in business development as a way to facilitate the digital transformation of accounting, settlement and clearing in the industry. In the first half of 2021, there were approximately 438.4 million transactions processed with the Group's accounting, settlement and clearing system. The total amount of all kinds of business processed by the Group's accounting, settlement and clearing system exceeded USD2.18 billion, and the transaction amount processed by the electronic payment system was approximately RMB30.57 billion.

In the first half of 2021, the Group actively expanded channel customers and non-aviation resources while stabilizing the market of distributing information technology service. The front-end functions of agencies were optimized and promoted to new channel customers. Non-aviation resources were enriched. The Group took air ticket business as the bridge to build hotel, insurance, car rental, Beijing Subway Airport Express and other aviation travel content, and create the whole process and integrated service mode. The overseas sales work was further promoted, and the certification of 30 overseas Billing and Settlement Plan (“**BSP**”) in total was completed.

In the first half of 2021, the Group secured the market share of traditional departure front-end services and products, followed the progress of airport construction, focused on improving and promoting products of airport information technology services, and launched the arrival and departure information system in respect of the Beijing 2022 Winter Olympics and Paralympic Winter Games to facilitate the “high-tech based Winter Olympics”. The Group fully supported the system construction relating to 5 new airports including Chengdu Tianfu Airport. As a participant in the top-level design of airports with four characteristics, the Group created “intelligent travel whole-process series” products for airports including Chengdu Tianfu Airport to improve passengers’ service experience and travel efficiency. The smart transit system has been promoted to Dalian Airport, the airport coordination decision-making system (A-CDM) products won the bid for the project of Zhangjiajie Airport, and went online in airports which have passengers with over ten million, which greatly improved the efficiency of airport operations and was included in the 2021 Golden Bee Responsible Competitiveness Best Practices. Face boarding projects were launched in 28 airports, and the One ID passenger service platform was promoted to Lhasa Airport and Chongqing Airport. “Baggage Travel” actively responded to the needs of airport users, and completed the construction of baggage tracking system in airports such as Shanghai Pudong and Zhanjiang airports. The departure front-end system of the new-generation APP dominated China’s large and medium-sized airports and assisted commercial airlines in providing various services for passengers, such as boarding, transiting and connecting, in 56 overseas or regional airports. The number of departure passengers receiving such services reached approximately 0.9 million, accounting for approximately 84.9% of the number of passengers returning from overseas of such commercial airlines in China.

In the first half of 2021, the Group devoted its resource to promote business synergy, and seize information technology service opportunities in the fields of public information, aviation logistics and general aviation, steadily promoting the delivery and promotion of data center resources. Focusing on the digital new infrastructure and digital economy, the Group continued to press ahead the research and development and promotion of information technology service products, and successfully signed contracts with a number of enterprises and public institutions and other new customers to provide them with proprietary cloud and mixed cloud services. The Group extended the business to digital transformation consulting services. It continued to expand the general aviation information technology service market, and won the bid for the information project of Qiandaohu General Airport, with 83 general aviation companies and airports using general aviation systems. The Group continuously improved the air freight logistics information technology service products, and promoted them to another 8 airports including Zhengzhou, Haikou, Guilin, Yining and Chengdu Tianfu. The freight system won the bid for the north cargo area project of Zhengzhou Airport, and the processing capacity of electronic waybills of civil aviation logistics steadily increased to 600,000.



BUSINESS REVIEW FOR THE FIRST HALF OF 2021 (CONTINUED)

In the first half of 2021, the Group actively fulfilled social responsibilities, gave full play to its own advantages, and worked hard to improve quality and efficiency, as a way to provide strong technical support and service guarantee for scientific and technological anti-Epidemic and resumption of work and production. On the one hand, the Group made every effort to ensure the stability of ICS, CRS, APP, and core open systems, assisted in joint prevention and control of the Epidemic, and successfully completed the safe operation of the civil aviation passenger information system during the Chinese Spring Festival travel rush, the National People's Congress and Chinese People's Political Consultative Conference sessions, Boao Forum for Asia, and activities celebrating the centenary of the Communist Party of China. On the other hand, the Group increased its efforts in basic platforms and core systems to further consolidate the safety foundation. The Group advanced the cloud-based basic technology platform; promoted the comprehensive upgrade of the departure monitoring system, and initially established an end-to-end, full-chain, and intelligent monitoring system. Measures were refined on saving energy and reducing consumption, and the Power Usage Effectiveness (PUE) of the As a data center reached the advanced level of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

Financial Conditions and Operational Performance for the First Half of 2021

EXPLANATION OF ADJUSTMENT OF ACCOUNTING STANDARDS

As stated in the announcements dated December 29, 2020 and February 26, 2021, and the circular dated January 8, 2021 of the Company, according to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by The Stock Exchange of Hong Kong Limited in December 2010, in order to improve the efficiency and reduce the cost of disclosure, after considered and approved by the Board and general meeting of the Company, since the year 2020, the Company will not prepare the financial statements in accordance with the International Financial Reporting Standards. The Board has prepared the audited financial statements in accordance with China Accounting Standards for Business Enterprises ("CASBE") in 2020 annual report. From the year 2021, the Board will also present unaudited financial statements prepared according to CASBE in our interim report.

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 2021, the Group achieved a profit before tax of RMB327.6 million, representing an increase of RMB582.9 million compared to RMB-255.3 million in the first half of 2020. Net profit attributable to shareholders of the parent company was RMB275.2 million, representing an increase of RMB598.4 million compared to RMB-323.2 million in the first half of 2020.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

SUMMARY (CONTINUED)

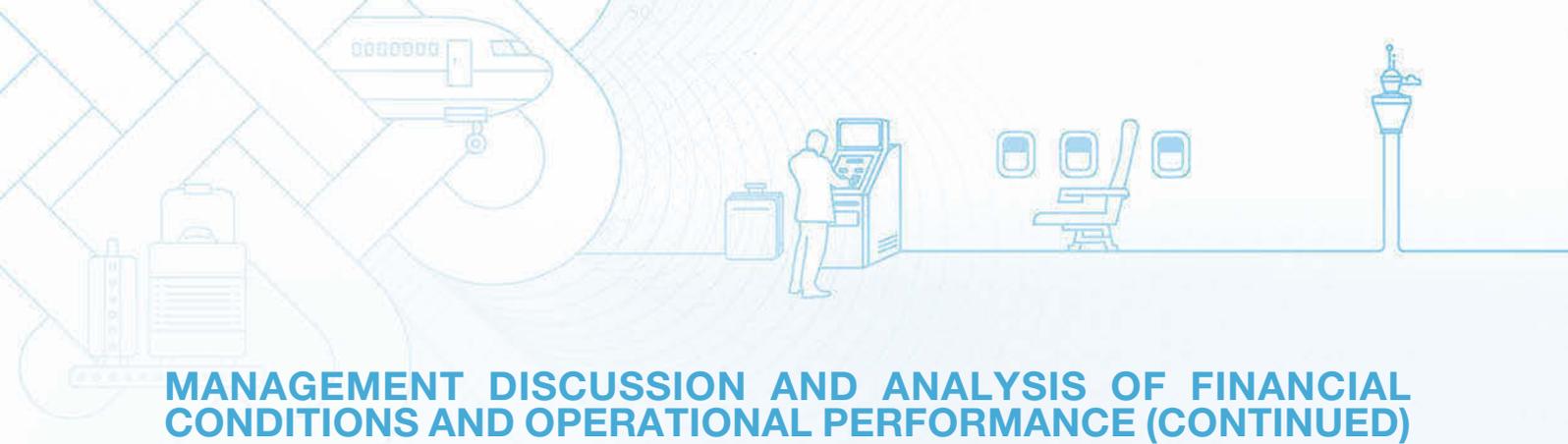
As stated in the announcement of the Company dated August 9, 2021, the profit of the Group significantly increased as compared with the first half of 2020, mainly because in the first half of 2020, as affected by the Epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the Epidemic, which resulted in a significant decline in civil aviation passenger traffic volume, however, since the second half of 2020, with the prevention and control of the Epidemic in China being further stabilized and normalized, the transportation in civil aviation industry has gradually recovered. Benefiting from these, the profit before tax of the Group in the first half of 2021 increased by RMB582.9 million compared to the first half of 2020.

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 RMB0.09 for the first half of 2021.

TOTAL REVENUE

The total revenue of the Group in the first half of 2021 amounted to RMB2,838.3 million, representing an increase of RMB551.7 million, or 24.1%, from RMB2,286.6 million in the first half of 2020. Such increase in total revenue was mainly attributable to the increase in the business volume of the Group as the civil aviation industry recovered gradually. The increase in total revenue is reflected as follows:

- Aviation information technology service revenue represented 52.0% of the Group's total revenue in the first half of 2021, as compared to 43.6% in the first half of 2020. Aviation information technology service revenue increased by 48.2% from RMB996.3 million in the first half of 2020 to RMB1,476.5 million in the first half of 2021. The main sources of the revenue were ICS, CRS and APP, as well as other extended information technology services related to the above core business provided by the Group to commercial airlines. The increase of revenue was mainly due to the gradual recovery of passenger transportation.
- Accounting, settlement and clearing services revenue accounted for 5.8% of the Group's total revenue in the first half of 2021, as compared to 9.5% in the first half of 2020. Accounting, settlement and clearing services revenue decreased by 24.6% from RMB217.8 million in the first half of 2020 to RMB164.2 million in the first half of 2021. 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 decrease of revenue was primarily due to the decrease in the volume of international business.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

TOTAL REVENUE (CONTINUED)

- System integration service revenue accounted for 16.7% of the Group's total revenue in the first half of 2021, as compared to 18.1% in the first half of 2020. System integration service revenue increased by 14.9% from RMB413.6 million in the first half of 2020 to RMB475.2 million in the first half of 2021. The main sources of the revenue were hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The increase of revenue was primarily due to the increase in the business volume of contracted projects.
- Data network revenue accounted for 7.1% of the Group's total revenue in the first half of 2021, as compared to 8.4% in the first half of 2020. Data network revenue increased by 3.8% from RMB193.1 million in the first half of 2020 to RMB200.4 million in the first half of 2021. The main source of the revenue was distribution information technology service provided by the Group to agencies. The increase of revenue was mainly due to the increased business volume of distribution information technology service.
- Other revenue accounted for 18.4% of the Group's total revenue in the first half of 2021, as compared to 20.4% for the first half of 2020. Other revenue increased by 12.1% from RMB465.8 million in the first half of 2020 to RMB522.0 million in the first half of 2021. The sources of the revenue were other technology services, payment business, room tenancy and other services provided by the Group. The increase of revenue was mainly due to the increase in other technical services and payment business.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

OPERATING COSTS

Total operating costs in the first half of 2021 amounted to RMB2,160.9 million, representing an increase of RMB203.6 million or 10.4%, as compared to RMB1,957.3 million in the first half of 2020. The changes in operating costs are also reflected as follows:

- Depreciation and amortisation increased by 1.6%, mainly due to the increase of depreciation and amortization resulted by the increase of fixed assets and intangible assets of the Group;
- Commission and promotion expenses increased by 39.0%, mainly due to the increase in business promotion of the Group;
- Selling costs of software and hardware increased by 29.3%, mainly due to the steady increase in business volume of contracted projects of the Group;
- Staff costs increased by 9.6%, mainly because the Company was entitled to social insurance premium exemption in the first half of 2020 and there is no social insurance premium exemption in the first half of 2021; and
- Other operating costs increased by 38.2%, mainly due to the resumption of normal operations of the Company and increased operating costs as a results of the reduced impact of the Epidemic in the first half of 2021 compared with the first half of 2020.

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 recognised as the "High and New Technology Enterprise" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The latest review was completed in December 2020, and the Company maintained its status as the "High and New Technology Enterprise", and confirmed to be entitled to the preferential corporate income tax rate of 15% from year 2020 to year 2022 as a "High and New Technology Enterprise". Hence, the Company has calculated the expenses on corporate income tax for year 2021 using the preferential tax rate of 15%. For details of corporate income tax of the Group for the first half of 2021, please see note 4 to the financial statements.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

Net profit attributable to shareholders of the parent company increased by RMB598.4 million to RMB275.2 million in the first half of 2021 from RMB-323.2 million in the first half of 2020.

LIQUIDITY AND CAPITAL STRUCTURE

The Group's working capital in the first half of 2021 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB998.9 million.

As at June 30, 2021, the Group did not have any short-term and long-term bank borrowings, nor use any financial instruments for hedging purpose.

As at June 30, 2021, cash and cash equivalents of the Group amounted to RMB4,426.4 million, of which 94.3%, 4.5% and 0.5% were denominated in Renminbi, U.S. dollar and TWD, respectively.

RESTRICTED BANK DEPOSITS

As at June 30, 2021, restricted bank deposits in the amount of RMB123.3 million (as at December 31, 2020: RMB31.5 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, 2021, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited with commercial banks and complied with applicable laws and regulations.

FOREIGN EXCHANGE RISKS

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



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

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 2021, the Group had the following major financial assets:

(1) Trading Financial Assets

As at June 30, 2021, the Group held structural bank deposits issued by China Construction Bank, Ping An Bank, Industrial Bank, Bank of Beijing and China Everbright Bank of RMB800 million, RMB400 million, RMB900 million, RMB800 million, RMB800 million, with total structural bank deposits of RMB3,700 million. The annual interest rate of such structural bank deposits varied from 1.0% to 4.75%. Such structural bank deposits have a maturity period of 90 to 92 days and are non-cancellable before maturity.

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

Name of investment	Business nature	Percentage of shareholding as at June 30, 2021 %	Percentage of shareholding as at December 31, 2020 %	Percentage of shareholding as at December 31, 2019 %	Fair value as at June 30, 2021 RMB'000	Fair value as at December 31, 2020 RMB'000	Gain as of June 30, 2021 RMB'000	Gain as of December 31, 2020 RMB'000
Unlisted equity (measured at fair value)								
- CMRH Life	Life insurance	13.26	13.26	17.5	893,203	893,203	9,453	9,453

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

- Name of the company: China Merchants RenHe Life Insurance Company Limited ("CMRH Life")
- 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 business, the application of the insurance funds allowed by the State laws and regulations, and other business approved by the China Banking and Insurance Regulatory Commission.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

FINANCIAL ASSETS INVESTED (CONTINUED)

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

- c. Investment cost of the Company: RMB875 million.
- d. The percentage of the shareholding held by the Company: 13.26% (December 31, 2020: 13.26%).

Note: As stated in the announcement of the Company dated October 17, 2019, the Company decided not to participate in the capital increase of CMRH Life. The capital increase was completed on April 16, 2020. The shareholding of the Company in CMRH Life was diluted from 17.5% to 13.26%.

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

As at June 30, 2021, the Group invested a fair value of approximately RMB893.2 million in CMRH Life, accounting for 3.8% of the total assets of the Group.

- f. The performance in the first half of 2021:

According to the information provided by CMRH Life to the Company, it recorded a loss of RMB182 million in the first half of 2021, mainly because up-front costs are required for branch establishment, channel expansion and other aspects during the period of rapid business expansion for life insurance company, and loss was incurred by CMRH Life in the early stage of the development of business is in compliance with general operating rules in life insurance industry.

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

According to the information provided by CMRH Life to the Company, the insurance penetration and insurance density in the PRC life insurance industry remain relatively low when compared with those in overseas developed countries and regions. With GDP per capita exceeded USD10,000, there is great potential in the PRC life insurance market. CMRH Life will continue to promote the implementation of the four major strategies of “value leading, innovation driving, technology empowering, risk control assurance” and dynamic and balanced development of quality, efficiency and scale, give full play to the shareholders’ advantages and late-developing advantages and strive to build into a quality insurance service provider with innovative characteristics.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

FINANCIAL ASSETS INVESTED (CONTINUED)

(3) 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 Xiongan) Partnership (Limited Partnership)* (中移股權基金(河北雄安)合夥企業(有限合夥)) (the “**China Mobile Equity Fund**”) with China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), other investors (together with the Company and China Mobile Capital Holding Co., Ltd.* (中移資本控股有限責任公司), as the limited partners) and China Mobile Fund Co., Ltd.* (中移股權基金管理有限公司) (as the general partner), pursuant to which, the Company agreed to contribute RMB1 billion in cash to China Mobile Equity Fund during the term of the Agreement. China Mobile Equity Fund will mainly invest in 5G industry application and information communication industry chain, ecosystem and empowerment industry.

As of June 30, 2021, the Company has actually contributed (including the fund management fee) RMB126.9 million pursuant to the Agreement. Please refer to note 12.1 to the financial statements for details.

MORTGAGE ASSETS

As at June 30, 2021, the Group had no mortgage assets.

CONTINGENT LIABILITIES

As at June 30, 2021, the Group had no material contingent liabilities.

GEARING RATIO

As at June 30, 2021, the gearing ratio of the Group was 20.0% (as at December 31, 2020: 17.6%), which was computed by dividing the total liabilities by the total assets of the Group as at June 30, 2021.

MAJOR INVESTMENT OR FINANCING PLAN

As of June 30, 2021, the Group did not have any major investment or plan to acquire major capital assets. The Board estimates that the sources of funding of the Group in 2021 will be sufficient for the capital requirement of daily operations and the Group did not have any financing plan.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

MAJOR INVESTMENT OR FINANCING PLAN (CONTINUED)

The total capital expenditure of the Group amounted to RMB346.5 million for the first half of 2021 (the first half of 2020: RMB429.0 million), and was mainly used in the Company's daily operation.

As at June 30, 2021, the Group's capital expenditure commitment amounted to approximately RMB948.0 million, which will be mainly used for the Company's daily operation, maintenance, research and development and upgrading of computer system, China Mobile Equity Fund (an unlisted investment fund), etc. The sources of funding for such commitments will include existing cash on hand and internal cash flows generated from operating activities of the Group.

EMPLOYEES

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

Staff costs of the Group amounted to approximately RMB754.1 million for the first half of 2021, representing approximately 34.9% of the total operating costs of the Group for the first half of 2021.

As at June 30, 2021, the total number of employees of the Group was 6,760.



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

Financial Conditions and Operational Performance for the First Half of 2021 (Continued)

ADOPTION OF PHASE II H SHARE APPRECIATION RIGHTS SCHEME

As stated in the announcement of the Company dated November 26, 2019 in relation to the proposed adoption of Phase II H share appreciation rights scheme (the “**Appreciation Rights Scheme**”) and the relevant initial grant proposal (the “**Initial Grant Proposal**”), the circular of the Company dated December 2, 2019 in relation to the proposed adoption of Appreciation Rights Scheme, the voluntary announcement of the Company dated January 3, 2020 in relation to the approval of the Appreciation Rights Scheme by the State-owned Assets Supervision and Administration Commission of the State Council and the announcement of the Company dated January 16, 2020 in relation to the poll results of the resolution passed at the extraordinary general meeting, the Appreciation Rights Scheme has been approved by the extraordinary general meeting convened by the Company on January 16, 2020 and taken effect on the same date.

As stated in the announcement of the Company dated January 16, 2020 in relation to the grant of the H share appreciation rights, the Initial Grant Proposal has taken effect on January 16, 2020 (the “**Initial Grant Date**”). On the Initial Grant Date, the Company granted 35,958,950 H share appreciation rights to 502 incentive recipients in total (including the key personnel having direct impacts on the operating results and sustainable development of the Company, which includes three members of senior management of the Company, excluding any current director, supervisor and general manager of the Company as at the Initial Grant Date) and the corresponding number of H shares would amount to approximately 1.23% of the total issued share capital of the Company as at the Initial Grant Date. The number of share appreciation rights per capita to be granted to incentive recipients will be divided into five levels. Incentive recipients do not actually hold shares, nor do they have the right as the shareholders. Incentive recipients shall not deal with the share appreciation rights granted under the Initial Grant Proposal without permissions. The share appreciation rights under the initial grant shall take effect in three equal instalments. When each batch of share appreciation rights become effective, the performance indicators of the Company for last financial year shall meet the performance target set by the Board which should be higher than performance indicators under initial grant and incentive recipients shall achieve their respective performance appraisal indicators, if not, the relevant share appreciation rights will not be effective or will be invalid. The details will be verified by the Board in accordance with the relevant rules of the Appreciation Rights Scheme and the Initial Grant Proposal. Since the Appreciation Rights Scheme and the Initial Grant Proposal would not involve the grant of options in respect of new shares or other new securities in the Company or any of its subsidiaries, the Appreciation Rights Scheme and the Initial Grant Proposal are not subject to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

As of June 30, 2021, the number of incentive recipients of the Company decreased by 18 due to termination of labor relations with the Company in accordance with the relevant provisions of the Appreciation Rights Scheme. After adjustment, there are 484 incentive recipients in total. The total number of H share appreciation rights was 34,582,624. The corresponding number of H shares would amount to approximately 1.18% of the total issued share capital of the Company.

In the first half of 2021, the relevant fee of aforesaid Appreciation Rights Scheme was approximately RMB13.9 million, which has been reflected in the financial statements of the Company. Please refer to note 11 to the financial statements for details.



PROSPECTS FOR THE SECOND HALF OF 2021

In the second half of 2021, as the global Epidemic is still evolving, and China suffers both the spread of the Epidemic and serious flood, the civil aviation industry recovers amid volatility, and increasingly highlights the diverse and personalized passenger needs, which in turn puts forward higher requirements for the information technology solutions and service assurance of the Group. In this regard, the Group will focus on development strategies, strengthen research and judgment of the circumstances, respond to challenges, seize opportunities, grasp the key points, and tackle tough problems to promote high-quality development. It will prevent and control the Epidemic to perform social responsibilities; enhance the safety foundation to ensure the stability of systems; prevent operational risks, and insist on improving quality and efficiency; optimize business layout with focus on smart civil aviation; solve technical difficulties to enhance innovation capabilities; and speed up reforms and deepen them to govern the enterprise.

OTHER INFORMATION

Interim Dividend

The Board recommends the Company not to pay an interim dividend for the first half of 2021.

Purchase, Sale or Redemption of Securities

In the first half of 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

Share Capital Structure

The issued share capital of the Company as at June 30, 2021 amounted to 2,926,209,589 shares, with a par value of RMB1.00 each. As at June 30, 2021, the share capital structure of the Company is as follows:

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



OTHER INFORMATION (CONTINUED)

Interests and Short Positions in the Shares and Underlying Shares of the Company

As at June 30, 2021, the interests and short positions of any person (other than directors, supervisors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) are set out as follows:

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
China TravelSky Holding Company Limited	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Mobile Capital Holding Co., Ltd.	292,100,000 domestic shares of RMB1 each (L) (Note 4)	Beneficial owner	14.65%	9.98%
China National Aviation Holding Company Limited	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 5)	Interest of controlled corporation	0.94%	0.64%
China Southern Air Holding Company Limited	202,781,500 domestic shares of RMB1 each (L)	Beneficial owner	10.17%	6.93%
	65,773,500 domestic shares of RMB1 each (L) (Note 6)	Interest of controlled corporation	3.30%	2.25%

OTHER INFORMATION (CONTINUED)

Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
China Eastern Air Holding Company Limited	182,743,500 domestic shares of RMB1 each (L) (Note 4)	Beneficial owner	9.17%	6.25%
	25,155,000 domestic shares of RMB1 each (L) (Note 7)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	0.20%	0.13%
Citigroup Inc.	47,454,701 H shares of RMB1 each (L) (Note 9)		5.08%	1.62%
	789,905 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	46,664,796 H shares (L)	Approved lending agent		



OTHER INFORMATION (CONTINUED)

Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
	224,814 H shares of RMB1 each (S) (Note 9)	Interest of corporation controlled by the substantial shareholder	0.02%	0.01%
	46,664,796 H shares of RMB1 each (P) (Note 9)	Approved lending agent	5.00%	1.59%
JPMorgan Chase & Co.	53,509,145 H shares of RMB1 each (L) (Note 10)		5.73%	1.83%
	6,202,634 H shares (L)	Interest of corporation controlled by the substantial shareholder		
	6,957,000 H shares (L)	Investment manager		
	40,380 H shares (L)	Person having a security interest in shares		
	40,309,131 H shares (L)	Approved lending agent		
	3,474,281 H shares of RMB1 each (S) (Note 10)	Interest of corporation controlled by the substantial shareholder	0.37%	0.12%

OTHER INFORMATION (CONTINUED)

Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

Name of shareholder	Class and number of shares (Note 2)	Capacity	Approximate percentage of respective class of share capital (Note 3)	Approximate percentage of total share capital (Note 3)
	40,309,131 H shares of RMB1 each (P) (Note 10)	Approved lending agent	4.32%	1.38%
Brown Brothers Harriman & Co.	55,978,481 H shares of RMB1 each (L) (Note 11)	Agent	6.00%	1.91%
	55,978,481 H shares of RMB1 each (P) (Note 11)	Agent	6.00%	1.91%
FMR LLC	64,895,095 H shares of RMB1 each (L) (Note 12)	Interest of corporation controlled by the substantial shareholder	6.96%	2.22%
BlackRock, Inc.	48,874,560 H shares of RMB1 each (L) (Note 13)	Interest of corporation controlled by the substantial shareholder	5.24%	1.67%
	10,776,000 H shares of RMB1 each (S) (Note 13)	Interest of corporation controlled by the substantial shareholder	1.16%	0.37%



OTHER INFORMATION (CONTINUED)

Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

Notes:

- (1) Interests and short positions in the shares and underlying shares of the Company disclosed in this section are based on the reasonable inquiries made by the Company and the data published on the website of Hong Kong Exchanges and Clearing Limited (“HKEX”) (www.hkexnews.hk). For the latest disclosure of interests filings of the substantial shareholders of the Company’s H shares, please refer to the “Disclosure of Interests” section on the website of HKEX (www.hkexnews.hk).
- (2) (L) – Long position; (S) – Short position; (P) – Lending pool.
- (3) The percentage is calculated by the amount of shares held by relevant person/the total amount of relevant shares issued as at June 30, 2021. Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at June 30, 2021; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at June 30, 2021.
- (4) As set out in the announcements dated December 15, 2020 and January 21, 2021 of the Company, China Eastern Air Holding Company Limited agreed to transfer, and China Mobile Capital Holding Co., Ltd. agreed to acquire 145,500,000 domestic shares of the Company. Immediately following the completion of the transaction, China Eastern Air Holding Company Limited directly and indirectly holds 211,798,500 domestic shares of the Company, representing approximately 7.24% of the total issued share capital of the Company (of which, directly holds 182,743,500 domestic shares of the Company, representing approximately 6.25% of the total issued share capital of the Company); China Mobile Capital Holding Co., Ltd. holds 292,100,000 domestic shares of the Company, representing approximately 9.98% of the total issued share capital of the Company.
- (5) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company Limited. China National Aviation Holding Company Limited was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.
- (6) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company Limited. China Southern Air Holding Company Limited was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.
- (7) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company Limited. China Eastern Air Holding Company Limited was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the SFO.
- (8) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company Limited. China Eastern Air Holding Company Limited was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.
- (9) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on June 9, 2021, Citigroup Inc. was deemed to be interested in 47,454,701 H shares (L), 224,814 H shares (S) and 46,664,796 H shares (P). These shares were held by Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Inc., Citigroup Global Markets Holdings Bahamas Limited, Citigroup Global Markets Limited, Citicorp Trust Delaware, National Association, Citicorp Trust South Dakota, which were directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (10) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on June 16, 2021, JPMorgan Chase & Co. was deemed to be interested in 53,509,145 H shares (L), 3,474,281 H shares (S) and 40,309,131 H shares (P). These shares were held by China International Fund Management Co., Ltd., JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan AG, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan Investment Management Inc., JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, JPMorgan Asset Management (Asia) Inc., J.P. Morgan International Finance Limited, JPMorgan Chase Bank, National Association, J.P. Morgan Broker-Dealer Holdings Inc., J.P. MORGAN CAPITAL HOLDINGS LIMITED, which were directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.



OTHER INFORMATION (CONTINUED)

Interests and Short Positions in the Shares and Underlying Shares of the Company (Continued)

- (11) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Brown Brothers Harriman & Co. on January 18, 2021, Brown Brothers Harriman & Co. was deemed to be interested in 55,978,481 H shares (L) and 55,978,481 H shares (P).
- (12) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by FMR LLC on June 17, 2021, FMR LLC was deemed to be interested in 64,895,095 H shares (L). These shares were held by FIDELITY MANAGEMENT & RESEARCH COMPANY LLC, FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, FIDELITY MANAGEMENT & RESEARCH (JAPAN) LIMITED, FIAM HOLDINGS LLC, FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY, FIAM LLC, FIDELITY MANAGEMENT TRUST COMPANY, FIDELITY CANADA INVESTORS LLC, BAY STREET HOLDINGS LLC, 483A BAY STREET HOLDINGS LP, BLUEJAY LUX 1 S.A.R.L., FIDELITY INVESTMENTS CANADA ULC, which were directly or indirectly controlled by FMR LLC. FMR LLC was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (13) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by BlackRock, Inc. on June 29, 2021, BlackRock, Inc. was deemed to be interested in 48,874,560 H shares (L) and 10,776,000 H shares (S). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à r.l., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock International Limited, BlackRock Group Limited-Luxembourg Branch, BlackRock Luxembourg Holdco S.à r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock UK Holdco Limited, BlackRock Asset Management Schweiz AG, EG Holdings Blocker, LLC, Amethyst Intermediate, LLC, Aperio Holdings, LLC, Aperio Group, LLC, which were directly or indirectly controlled by BlackRock, Inc. BlackRock, Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.

Save as the above, to the best knowledge of the Company's directors, as at June 30, 2021, no person (other than directors, supervisors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register maintained by the Company under Section 336 of the SFO.

Interests and Short Positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and Any Other Associated Corporations

As at June 30, 2021, none of the directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited by the directors, supervisors or chief executives pursuant to the Model Code ("Model Code") as set out in Appendix 10 to the Listing Rules.

None of the directors, supervisors or chief executive of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) For the six months ended June 30, 2021.



OTHER INFORMATION (CONTINUED)

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 2021.

For the six months ended June 30, 2021, the Company has adopted Model Code and standards required thereof as the model code and the standards for conducting securities transactions by directors and supervisors of the Company. After making specific enquiries to all directors and supervisors, the Company confirmed that all directors and supervisors have acted in full compliance with Model Code and the standards regarding directors’ securities transactions required thereof during the six months ended June 30, 2021.

As stated in the Company’s 2020 annual report, the aggregate service fees under the service contract between the Company and BDO Limited (“**BDO**”, Certified Public Accountants in Hong Kong) and BDO China SHU LUN PAN Certified Public Accountants LLP (“**BDO China**”, Certified Public Accountants in the PRC) for year 2020 amounted to RMB2,304.9 thousand, comprising annual audit service fee of approximately RMB1,705.6 thousand and non-audit service fee of approximately RMB599.3 thousand for the review of interim financial statements, annual compliance review of continuing connected transactions and compliance review of preliminary results announcement, etc. As of December 31, 2020, pursuant to the above contract, the Company has paid the non-audit service fee of RMB599.3 thousand. Since the year 2020, the Company has no longer prepared its results according to International Financial Reporting Standards and the Board would present audited financial statements prepared according to CASBE in the annual report. Upon the related adjustment due to the abovementioned change of accounting standard, the Company negotiated with BDO and BDO China on the workload, and BDO and BDO China agreed to reduce the annual audit service fee by RMB40.0 thousand, and the related fees will be paid in accordance with the agreed terms of the contract.

According to the Financial Reporting Council Ordinance (Cap 588) of Hong Kong effective on October 1, 2019, BDO China SHU LUN PAN Certified Public Accountants LLP engaged by the Company is a recognised PRC auditor.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company has discussed and reviewed the unaudited interim results of the Group for the six months ended June 30, 2021 with the Company’s management, and has also discussed matters such as internal control, risk management and financial reporting.



OTHER INFORMATION (CONTINUED)

Change of Director, Supervisor and Senior Management and Change in Information

CHANGE OF DIRECTOR

On August 5, 2021, Mr. Huang Rongshun was appointed as an executive director of the Company upon election at the general meeting of the Company. According to the resolution of the Board, on the same day, Mr. Huang Rongshun was elected as the chairman of the Company, and also appointed as the chief member of the Nomination Committee and the chief member of the Strategy and Investment Committee (Legal Compliance Committee). On the same day, Mr. Cui Zhixiong ceased to be the chairman, the executive director, the chief member of the Nomination Committee, and the chief member of the Strategy and Investment Committee (Legal Compliance Committee) of the Company.

CHANGE OF SUPERVISOR

On February 26, 2021, Ms. Tang Lichao was appointed as a shareholder representative supervisor of the Company upon election at the Company's general meeting.

CHANGE IN INFORMATION OF DIRECTOR AND SUPERVISOR

Change in the information of director or supervisor of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2020 annual report is set out below:

Dr. Ngai Wai Fung, an independent non-executive director of the seventh session of the Board of the Company, ceased to serve as the independent non-executive director of BBMG Corporation* (北京金隅集團股份有限公司) in May 2021.

Mr. Liu Xiangqun, an independent non-executive director of the seventh session of the Board of the Company, ceased to serve as the external director of China National Salt Industry Group Co., Ltd* (中國鹽業集團有限公司) in August 2021.

Mr. Ding Wanzhi, the chairman of the seventh session of the supervisory committee of the Company, ceased to serve as the director and chairman of Xiamen Civil Aviation Cares Co., Ltd.* (廈門民航凱亞有限公司) and ceased to serve as the director and chairman of Civil Aviation Cares Technology of Xinjiang Ltd* (新疆民航凱亞信息網絡有限責任公司) in May 2021, ceased to serve as the director and chairman of Zhejiang TravelSky Technology Limited* (浙江民航信息科技有限公司) in June 2021 and ceased to serve as the director and chairman of Hunan TravelSky Technology Limited* (湖南民航信息技術有限公司) in August 2021.

Mr. Zhu Yan, an independent supervisor of the seventh session of the supervisory committee of the Company, was appointed as an independent non-executive director of CCB Property & Insurance Co., Ltd* (建信財產保險有限公司) since April 2021.

By order of the Board
Huang Rongshun
Chairman

August 26, 2021



The Board of the Company hereby presents the unaudited financial statements of the Company and the Group for the six months ended June 30, 2021 prepared in accordance with CASBE.

CONSOLIDATED BALANCE SHEET

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Assets	Note	As at June 30, 2021	As at December 31, 2020
Current assets:			
Cash and cash equivalents	5.1	4,549,614,537.14	4,457,255,676.51
Balances with clearing companies		—	—
Loans to banks and other financial institutions		—	—
Financial assets held for trading	5.2	3,716,694,131.66	800,028,493.15
Derivative financial assets		—	—
Notes receivable	5.3	35,275,369.21	108,668,919.80
Accounts receivable	5.4	4,731,653,902.16	4,445,315,617.15
Receivables financing		—	—
Advances to suppliers	5.5	232,455,186.11	176,440,157.02
Premiums receivable		—	—
Reinsurance accounts receivable		—	—
Provision of cession receivable		—	—
Other receivables	5.6	1,109,716,486.63	922,748,962.53
Financial assets purchased under resale agreements		—	—
Inventories	5.7	90,062,411.09	77,597,543.53
Contract assets	5.8	26,679,450.79	133,515,605.31
Assets held for sale		—	—
Non-current assets maturing within one year	5.9	—	922,750,037.84
Other current assets	5.10	135,126,641.89	1,646,770,233.88
Total current assets		14,627,278,116.68	13,691,091,246.72

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Assets	Note	As at June 30, 2021	As at December 31, 2020
Non-current assets:			
Disbursement of loans and advances		-	-
Creditor's right investment		-	-
Other creditors' right investment		-	-
Long-term receivables		-	-
Long-term equity investments	5.11	661,449,727.55	670,124,379.69
Investment in other equity instruments	5.12	893,202,600.00	893,202,600.00
Other non-current financial assets	5.13	116,581,190.23	82,315,300.00
Investment properties	5.14	105,881,111.75	110,002,932.41
Fixed assets	5.15	3,983,225,488.22	4,242,379,666.41
Construction in progress	5.16	32,202,532.56	23,733,542.62
Productive biological assets		-	-
Oil and gas assets		-	-
Right-of-use assets	5.17	65,022,748.63	100,661,080.67
Intangible assets	5.18	1,908,568,077.13	1,759,713,955.22
Development expenditures	5.19	326,729,878.44	310,092,511.88
Goodwill	5.20	260,400.76	260,400.76
Long-term deferred expenses	5.21	3,209,993.08	3,956,875.09
Deferred tax assets	5.22	447,724,207.97	357,591,359.89
Other non-current assets	5.23	533,945,291.92	524,150,216.91
Total non-current assets		9,078,003,248.24	9,078,184,821.55
Total assets		23,705,281,364.92	22,769,276,068.27



CONSOLIDATED BALANCE SHEET (CONTINUED)

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Liabilities and Shareholders' equity	Note	As at June 30, 2021	As at December 31, 2020
Current liabilities:			
Short-term borrowings		-	-
Borrowings from central bank		-	-
Loans from banks and other financial institutions		-	-
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		-	-
Accounts payable	5.24	1,856,945,359.29	1,799,529,173.62
Advances from customers	5.25	1,029,986.00	115,200.00
Contract liabilities	5.26	323,966,615.66	155,713,280.20
Financial assets sold under repurchase agreements		-	-
Absorption of deposits and interbank deposits		-	-
Receiving from vicariously traded securities		-	-
Receiving from vicariously sold securities		-	-
Employee compensation payable	5.27	189,267,664.75	327,616,032.55
Taxes and surcharges payable	5.28	194,139,460.54	141,966,524.65
Other payables	5.29	1,977,979,689.61	1,349,011,112.20
Handling charges and commission payable		-	-
Reinsurance accounts payable		-	-
Liabilities held for sale		-	-
Non-current liabilities maturing within one year	5.30	52,721,036.44	76,146,476.84
Other current liabilities	5.31	17,722,981.63	8,675,292.95
Total current liabilities		4,613,772,793.92	3,858,773,093.01
Non-current liabilities:			
Reserves for insurance contracts		-	-
Long-term borrowings		-	-
Bonds payable		-	-
Including: preferred stock		-	-
Perpetual bonds		-	-
Lease liabilities	5.32	11,062,658.10	27,347,493.33
Long-term payables	5.33	420,237.65	420,237.65
Long-term employee compensation payable		-	-
Estimated liabilities	5.34	4,488.00	4,488.00
Deferred income	5.35	70,870,555.56	84,748,888.89
Deferred tax liabilities	5.22	35,655,531.49	29,823,737.12
Other non-current liabilities		-	-
Total non-current liabilities		118,013,470.80	142,344,844.99
Total liabilities		4,731,786,264.72	4,001,117,938.00

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Liabilities and Shareholders' equity	Note	As at June 30, 2021	As at December 31, 2020
Shareholders' equity:			
Share capital	5.36	2,926,209,589.00	2,926,209,589.00
Other equity instruments		-	-
Including: preferred stock		-	-
Perpetual bonds		-	-
Capital reserves	5.37	1,151,616,558.07	1,159,410,625.06
Less: Treasury stock		-	-
Other comprehensive income	5.38	15,108,536.09	18,845,593.64
Special reserves		-	-
Surplus reserves	5.39	3,946,953,521.70	3,935,022,105.66
General risk reserves	5.40	6,984,649.60	6,984,649.60
Undistributed profits	5.41	10,465,774,600.46	10,249,328,657.65
Total equity attributable to shareholders of the parent company		18,512,647,454.92	18,295,801,220.61
Minority interest		460,847,645.28	472,356,909.66
Total shareholders' equity		18,973,495,100.20	18,768,158,130.27
Total liabilities and shareholders' equity		23,705,281,364.92	22,769,276,068.27



BALANCE SHEET OF THE PARENT COMPANY

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Assets	Note	As at June 30, 2021	As at December 31, 2020
Current assets:			
Cash and cash equivalents		1,974,897,619.85	2,219,301,794.60
Financial assets held for trading		3,716,694,131.66	800,028,493.15
Derivative financial assets		–	–
Notes receivable	15.1	35,275,369.21	108,668,919.80
Accounts receivable	15.2	4,484,350,753.14	4,206,645,282.63
Receivables financing		–	–
Advances to suppliers		196,481,637.50	147,077,154.49
Other receivables	15.3	282,425,103.70	275,497,265.06
Inventories		6,019.70	13,984.30
Contract assets		14,795,773.75	121,801,084.58
Assets held for sale		–	–
Non-current assets maturing within one year		–	922,750,037.84
Other current assets		92,451,116.19	1,591,277,590.18
Total current assets		10,797,377,524.70	10,393,061,606.63
Non-current assets:			
Creditor's right investment		–	–
Other creditors' right investment		–	–
Long-term receivables		–	–
Long-term equity investments	15.4	2,569,981,737.93	2,539,645,236.07
Investment in other equity instruments		893,202,600.00	893,202,600.00
Other non-current financial assets		116,581,190.23	82,315,300.00
Investment properties		105,428,756.11	109,550,576.77
Fixed assets		3,451,832,284.18	3,690,799,132.62
Construction in progress		28,183,048.58	20,412,051.23
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		41,702,728.28	70,616,599.86
Intangible assets		1,766,888,163.37	1,611,581,810.17
Development expenditures		351,348,232.66	329,357,725.35
Goodwill		–	–
Long-term deferred expenses		1,042,129.30	2,013,976.08
Deferred tax assets		434,511,045.10	351,102,918.74
Other non-current assets		–	–
Total non-current assets		9,760,701,915.74	9,700,597,926.89
Total assets		20,558,079,440.44	20,093,659,533.52

BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Liabilities and Shareholders' equity	Note	As at June 30, 2021	As at December 31, 2020
Current liabilities:			
Short-term borrowings		-	-
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		-	-
Accounts payable		2,022,552,130.15	1,936,905,182.98
Advances from customers		-	-
Contract liabilities		260,465,853.57	109,381,480.59
Employee compensation payable		147,262,883.77	227,646,103.26
Taxes and surcharges payable		167,026,721.97	107,267,069.90
Other payables		2,454,482,257.46	2,404,522,033.86
Liabilities held for sale		-	-
Non-current liabilities maturing within one year		40,527,055.31	61,938,660.93
Other current liabilities		15,296,478.52	6,606,473.78
Total current liabilities		5,107,613,380.75	4,854,267,005.30
Non-current liabilities:			
Long-term borrowings		-	-
Bonds payable		-	-
Including: preferred stock		-	-
Perpetual bonds		-	-
Lease liabilities		531,180.33	10,311,494.44
Long-term payables		-	-
Long-term employee compensation payable		-	-
Estimated liabilities		-	-
Deferred income		70,770,555.56	84,648,888.89
Deferred tax liabilities		13,767,333.64	6,949,440.51
Other non-current liabilities		-	-
Total non-current liabilities		85,069,069.53	101,909,823.84
Total liabilities		5,192,682,450.28	4,956,176,829.14



BALANCE SHEET OF THE PARENT COMPANY (CONTINUED)

As at June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Liabilities and Shareholders' equity	Note	As at June 30, 2021	As at December 31, 2020
Shareholders' equity:			
Share capital		2,926,209,589.00	2,926,209,589.00
Other equity instruments		—	—
Including: preferred stock		—	—
Perpetual bonds		—	—
Capital reserves		1,255,654,385.67	1,255,654,385.67
Less: Treasury stock		—	—
Other comprehensive income		18,202,600.00	18,202,600.00
Special reserves		—	—
Surplus reservees		3,941,447,329.50	3,929,515,913.46
Undistributed profits		7,223,883,085.99	7,007,900,216.25
Total shareholders' equity		15,365,396,990.16	15,137,482,704.38
Total liabilities and shareholders' equity		20,558,079,440.44	20,093,659,533.52

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
I. Total operating revenue		2,838,332,752.63	2,286,551,380.53
Including: operating revenue	5.42	2,838,332,752.63	2,286,551,380.53
Interest income		—	—
Premiums earned		—	—
Handling fee and commission income		—	—
II. Total operating costs		2,160,930,412.50	1,957,332,285.81
Including: operating cost	5.42	1,407,787,842.60	1,276,302,570.14
Interest expenses		—	—
Handling charges and commission expenses		—	—
Surrender value		—	—
Net amount of compensation payout		—	—
Net amount withdrawn for insurance liability reserves		—	—
Commissions on insurance policies		—	—
Cession charges		—	—
Taxes and surcharges	5.43	35,691,296.95	33,665,126.69
Selling and distribution expenses	5.44	54,866,642.85	54,698,042.41
General and administrative expenses	5.45	411,413,249.54	384,935,431.04
Research and development expenses	5.46	293,664,655.80	268,560,707.05
Financial expenses	5.47	-42,493,275.24	-60,829,591.52
Including: interest expenses		1,592,168.38	3,337,055.67
Interest income		49,857,326.32	40,191,196.94
Plus: other income	5.48	36,456,877.51	17,400,295.30
Investment income (“-” for losses)	5.49	18,269,911.64	55,362,013.67
Including: income from investment in associates and joint ventures		-13,673,222.19	6,978,344.91
Income from derecognition of financial assets measured at amortized cost		—	—
Gains from foreign exchange (“-” for losses)		—	—
Income from net exposure hedging (“-” for losses)		—	—
Gains from the changes in fair value (“-” for losses)	5.50	-3,328,855.77	—
Losses from credit impairment (“-” for losses)	5.51	-415,125,055.04	-663,364,293.99
Losses from asset impairment (“-” for losses)	5.52	12,802,890.23	—
Gains from disposal of assets (“-” for losses)	5.53	-67,713.08	84,203.62



CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
III. Operating profits (“-” for losses)		326,410,395.62	-261,298,686.68
Plus: Non-operating revenue	5.54	1,662,327.28	6,081,030.04
Less: Non-operating expenses	5.55	482,533.13	69,664.22
IV. Total profits (“-” for total losses)		327,590,189.77	-255,287,320.86
Less: Income tax expenses	5.56	32,685,654.87	51,005,036.92
V. Net profit (“-” for net loss)		294,904,534.90	-306,292,357.78
(I) Classified by operating sustainability		-	-
1. Net profit from continuing operations (“-” for net loss)		294,904,534.90	-306,292,357.78
2. Net profit from discontinued operation (“-” for net losses)		-	-
(II) Classified by ownership		-	-
1. Net profit attributable to shareholders of the parent company (“-” for net loss)		275,196,712.27	-323,187,409.04
2. Minority interest income (“-” for net loss)		19,707,822.63	16,895,051.26
VI. Other comprehensive income, net of tax		-3,737,057.55	2,750,830.45
Other comprehensive income, net of tax attributable to shareholders of the parent company		-3,737,057.55	2,750,830.45
(I) Other comprehensive income that cannot be reclassified into profit or loss		-	-
1. Changes in re-measurement of the defined benefit plan		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instruments investment		-	-
4. Changes in the fair value of the company’s own credit risk		-	-
(II) Other comprehensive income that will be reclassified into profit or loss		-3,737,057.55	2,750,830.45
1. Other comprehensive income that can be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other creditor’s right investment		-	-
3. Amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit impairment of other creditor’s rights investment		-	-
5. Cash flow hedging reserves		-	-
6. Differences arising from translation of foreign-currency financial statements		-3,737,057.55	2,750,830.45
7. Others		-	-
Other comprehensive income, net of tax, attributable to minority shareholders		-	-

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
VII. Total comprehensive income		291,167,477.35	-303,541,527.33
Total comprehensive income attributable to shareholders of the parent company		271,459,654.72	-320,436,578.59
Total comprehensive income attributable to minority shareholders		19,707,822.63	16,895,051.26
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.09	-0.11
(II) Diluted earnings per share (RMB/share)		0.09	-0.11

The business combination under the same control occurs in the current period, the net profit realized by the combined party before the combination is RMB0, the net profit realized by the combined party in the previous period was RMB0.



INCOME STATEMENT OF THE PARENT COMPANY

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
I. Operating revenue	15.5	2,147,962,245.79	1,568,537,413.54
Less: Operating costs	15.5	1,065,184,556.05	943,461,193.04
Taxes and surcharges		30,260,200.76	28,091,561.52
Selling and distribution expenses		10,393,367.81	22,683,646.64
General and administrative expenses		254,011,097.02	223,571,662.79
Research and development expenses		161,807,780.52	162,594,193.68
Financial expenses		-7,165,955.62	-29,866,295.48
Including: Interest expenses		1,081,715.10	2,391,388.23
Interest income		18,940,479.16	18,778,568.33
Plus: Other income		19,071,735.44	8,376,623.44
Investment income ("-" for loss)	15.6	18,268,481.69	55,733,608.86
Including: Income from investment in associates and joint ventures		-13,674,652.14	6,986,483.24
Income from derecognition of financial assets measured at amortized cost		—	—
Income from net exposure hedging ("-" for losses)		—	—
Gains from changes in fair value ("-" for losses)		-3,328,855.77	—
Losses from credit impairment ("-" for losses)		-374,537,429.36	—
Losses from asset impairment ("-" for losses)		12,801,883.33	—
Income from disposal of assets ("-" for losses)		336.30	84,203.62
II. Operating profits ("-" for loss)		305,747,350.88	282,195,887.27
Plus: Non-operating revenue		758,108.00	2,312,337.77
Less: Non-operating expenses		174,206.18	29,746.91
III. Total profits ("-" for total losses)		306,331,252.70	284,478,478.13
Less: Income tax expenses		31,597,613.50	27,643,746.12
IV. Net profit ("-" for net loss)		274,733,639.20	256,834,732.01
(I) Net profit from continued operation ("-" for net loss)		274,733,639.20	256,834,732.01
(II) Net profit from discontinued operation ("-" for net loss)		—	—

INCOME STATEMENT OF THE PARENT COMPANY (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss		-	-
1. Changes in re-measurement of the defined benefit plan		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instruments investment		-	-
4. Changes in the fair value of the company's own credit risk		-	-
(II) Other comprehensive income that will be reclassified into profit or loss		-	-
1. Other comprehensive income that can be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other creditor's right investment		-	-
3. Amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit impairment of other creditor's rights investment		-	-
5. Cash flow hedging reserves		-	-
6. Differences arising from translation of foreign-currency financial statements		-	-
7. Others		-	-
VI. Total comprehensive income		274,733,639.20	256,834,732.01
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)		-	-
(II) Diluted earnings per share (RMB/share)		-	-



CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		2,653,826,126.75	1,779,992,140.82
Net increase in customer deposits and deposits from other banks and financial institutions		—	—
Net increase in borrowings from central banks		—	—
Net increase in loans from other financial institutions		—	—
Cash received from receiving insurance premium of original insurance contract		—	—
Net cash received from reinsurance business		—	—
Net increase in deposits and investments from policyholders		—	—
Cash received from interest, handling charges and commissions		—	—
Net increase in loans from banks and other financial institutions		—	—
Net capital increase in repurchase business		—	—
Net cash received from vicariously traded securities		—	—
Refunds of taxes and surcharges		3,661,006.72	304,371.23
Cash received from other operating activities	5.59	33,889,246,697.47	26,795,282,126.93
Sub-total of cash inflows from operating activities		36,546,733,830.94	28,575,578,638.98
Cash paid for goods purchased and services received		759,183,139.12	806,818,792.27
Net increase in customers' loans and advances		—	—
Net increase in deposits with central bank and with banks and other financial institutions		—	—
Cash paid for original insurance contract claims		—	—
Net increase in loans to banks and other financial institutions		—	—
Cash paid for interest, handling charges and commissions		—	—
Cash paid for policy dividends		—	—
Cash paid to and on behalf of employees		936,266,916.08	722,245,029.02
Cash paid for taxes and surcharges		216,100,194.07	183,068,458.34
Cash paid for other operating activities	5.59	33,636,272,830.22	27,045,372,899.75
Sub-total of cash outflows from operating activities		35,547,823,079.49	28,757,505,179.38
Net cash flows from operating activities		998,910,751.45	-181,926,540.40

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
II. Cash flows from investing activities			
Cash received from disposal of investments		3,831,767,906.69	4,689,073,000.00
Cash received from returns on investments		52,347,952.60	90,636,164.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,328.39	202,018.34
Net cash received from disposal of subsidiaries and other business units		—	—
Cash received from other investing activities		—	—
Sub-total of cash inflows from investing activities		3,884,125,187.68	4,779,911,182.73
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		411,351,471.54	425,088,954.49
Cash paid for investments		4,382,649,297.55	3,206,336,000.00
Net increase in pledge loans		—	—
Net cash paid to acquire subsidiaries and other business units		—	—
Cash paid for other investing activities		—	—
Sub-total of cash outflows from investing activities		4,794,000,769.09	3,631,424,954.49
Net cash flows from investing activities		-909,875,581.41	1,148,486,228.24
III. Cash flows from financing activities			
Cash from absorption of investments		—	—
Including: cash received by subsidiaries from investment by minority shareholders		—	—
Cash received from borrowings		—	—
Cash received from other financing activities		—	—
Sub-total of cash inflows from financing activities		—	—
Cash paid for debts repayments		—	—
Cash paid for distribution of dividends and profits or payment of interest		2,117,174.00	2,180,403.64
Including: dividends and profits paid to minority shareholders by subsidiaries		2,117,174.00	1,847,603.64
Cash paid for other financing activities	5.59	39,350,553.16	48,428,937.24
Sub-total of cash outflows from financing activities		41,467,727.16	50,609,340.88
Net cash flows from financing activities		-41,467,727.16	-50,609,340.88
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
		13,852,173.43	4,441,114.58
V. Net increase in cash and cash equivalents			
Plus: beginning balance of cash and cash equivalents		4,364,935,481.69	5,226,929,496.55
VI. Closing balance of cash and cash equivalents			
		4,426,355,098.00	6,147,320,958.09



CASH FLOW STATEMENT OF THE PARENT COMPANY

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		2,020,484,352.95	1,142,104,208.32
Refund of taxes and surcharges		522,753.58	221,183.15
Cash received from other operating activities		86,021,560.92	39,125,014.71
Sub-total of cash inflows from operating activities		2,107,028,667.45	1,181,450,406.18
Cash paid for goods purchased and services received		567,542,418.88	784,362,419.68
Cash paid to and on behalf of employees		506,429,973.98	306,832,365.31
Cash paid for taxes and surcharges		152,736,680.18	97,692,808.78
Cash paid for other operating activities		212,818,666.31	306,801,501.15
Sub-total of cash outflows from operating activities		1,439,527,739.35	1,495,689,094.92
Net cash flows from operating activities		667,500,928.10	-314,238,688.74
II. Cash flows from investing activities			
Cash received from disposal of investments		3,830,000,000.00	4,300,000,000.00
Cash received from returns on investments		58,495,032.60	91,762,921.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		51,799.05	235,019.23
Net cash received from disposal of subsidiaries and other business units		-	-
Cash received from other investing activities		-	-
Sub-total of cash inflows from investing activities		3,888,546,831.65	4,391,997,940.48
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		390,556,082.85	229,963,576.53
Cash paid for investments		4,381,605,900.00	2,833,911,340.00
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid for other investing activities		-	-
Sub-total of cash outflows from investing activities		4,772,161,982.85	3,063,874,916.53
Net cash flows from investing activities		-883,615,151.20	1,328,123,023.95

CASH FLOW STATEMENT OF THE PARENT COMPANY (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Note	Six months ended June 30, 2021	Six months ended June 30, 2020
III. Cash flows from financing activities			
Cash from absorption of investments		—	—
Cash received from borrowings		—	—
Cash received from other financing activities		—	—
Sub-total of cash inflows from financing activities		—	—
Cash paid for debts repayments		—	—
Cash paid for distribution of dividends and profits or payment of interest		—	—
Cash paid for other financing activities		31,945,476.17	24,129,223.97
Sub-total of cash outflows from financing activities		31,945,476.17	24,129,223.97
Net cash flows from financing activities		-31,945,476.17	-24,129,223.97
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		3,604,983.37	360,768.71
V. Net increase in cash and cash equivalents		-244,454,715.90	990,115,879.95
Plus: beginning balance of cash and cash equivalents		2,215,099,742.55	2,202,217,158.32
VI. Closing balance of cash and cash equivalents		1,970,645,026.65	3,192,333,038.27

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	Equity attributable to shareholders of the parent company										Sub-total	Minority interest	Total shareholders' equity	
	Share capital	Preferred stock	Other equity instruments	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves				Undistributed profits
I. Balance as at December 31, 2020	2,926,209,538.00	-	-	-	1,159,410,625.06	-	18,845,593.64	-	3,935,022,105.66	6,994,649.60	10,249,328,657.65	19,255,601,220.61	472,356,939.66	18,788,183,131.27
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior periods	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at January 1, 2021	2,926,209,538.00	-	-	-	1,159,410,625.06	-	18,845,593.64	-	3,935,022,105.66	6,994,649.60	10,249,328,657.65	19,255,601,220.61	472,356,939.66	18,788,183,131.27
III. Increases/Decreases in 2021 (1) for decreases	-	-	-	-	-7,794,066.99	-	-3,737,057.55	-	11,931,416.04	-	216,445,942.81	216,846,234.31	-11,539,284.38	205,306,969.93
(1) Total comprehensive income	-	-	-	-	-	-	-3,737,057.55	-	11,931,416.04	-	216,445,942.81	216,846,234.31	-11,539,284.38	205,306,969.93
(2) Capital contributed or reduced by shareholders	-	-	-	-	-	-	-3,737,057.55	-	-	-	275,196,712.27	271,459,654.72	19,707,022.63	291,167,477.35
(3) Common stock contributions by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(7) Profit distribution	-	-	-	-	-	-	-	-	11,931,416.04	-	-58,750,789.46	-46,819,363.42	-	-46,819,363.42
(8) Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	11,931,416.04	-	-11,931,416.04	-	-	-
(9) Withdrawal of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(10) Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(11) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(12) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(13) Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(14) Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(15) Losses offset by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(16) Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(17) Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(18) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at June 30, 2021	2,926,209,538.00	-	-	-	1,151,616,558.07	-	15,108,536.09	-	3,946,953,521.70	6,994,649.60	10,465,774,600.46	18,572,647,454.92	460,847,645.28	18,973,495,100.20



CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	For the Period from January 1, 2020 to June 30, 2020										Total shareholders' equity				
	Share capital	Preferred stock	Other equity instruments	Others	Capital reserves	Equity attributable to shareholders of the parent company	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves		General risk reserves	Undistributed profits	Sub-total	Minority interest
I. Balance as at December 31, 2019	2,925,209,589.00	-	-	-	1,159,410,825.06	-	18,567,199.21	-	-	3,711,752,429.87	5,224,825.65	10,957,232,941.03	18,778,397,639.82	457,313,214.19	19,235,710,824.01
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior periods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	18,567,199.21	-	-	-	-	-	-	-	-
II. Balance as at January 1, 2020	2,925,209,589.00	-	-	-	1,159,410,825.06	-	18,567,199.21	-	-	3,711,752,429.87	5,224,825.65	10,957,232,941.03	18,778,397,639.82	457,313,214.19	19,235,710,824.01
III. Increases/Decreases	-	-	-	-	-	-	2,150,830.45	-	-	211,338,239.75	-	-1,890,200,240.01	-1,686,111,149.81	16,545,847.82	-1,149,565,302.19
(1) Total comprehensive income	-	-	-	-	-	-	2,150,830.45	-	-	211,338,239.75	-	-1,890,200,240.01	-1,686,111,149.81	16,545,847.82	-1,149,565,302.19
(2) Capital contributed or reduced by shareholders	-	-	-	-	-	-	2,150,830.45	-	-	-	-	-323,187,409.04	-320,436,578.59	16,895,051.26	-303,541,527.33
(i) Common stock contributions by shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	211,338,239.75	-	-1,057,012,830.97	-845,674,571.22	-349,203.64	-846,023,774.86
(i) Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Withdrawal of general risk reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	211,338,239.75	-	-211,338,239.75	-	-	-
(iv) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i) Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Losses offset by surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i) Amount withdrawn in 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Amount used in 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	21,316,029.66	-	-	-	-	-	-	-	-
IV. Balance as at June 30, 2020	2,925,209,589.00	-	-	-	1,159,410,825.06	-	21,316,029.66	-	-	3,923,090,669.62	5,224,825.65	9,577,032,701.02	17,612,296,460.01	473,859,061.81	19,036,145,521.82

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	For the Period from January 1, 2021 to June 30, 2021							Total shareholders' equity			
	Share capital	Preferred stock	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income		Special reserves	Surplus reserves	Undistributed profits
I. Balance as at December 31, 2020	2,926,209,589.00	-	-	-	1,255,654,885.67	-	18,202,800.00	-	3,929,515,913.46	7,007,900,216.25	15,137,482,704.38
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in prior periods	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at January 1, 2021	2,926,209,589.00	-	-	-	1,255,654,885.67	-	18,202,800.00	-	3,929,515,913.46	7,007,900,216.25	15,137,482,704.38
III. Increases/Decreases in 2021 ("+" for increases)	-	-	-	-	-	-	-	-	11,931,416.04	215,982,869.74	227,914,285.78
(1) Total comprehensive income	-	-	-	-	-	-	-	-	-	215,982,869.74	227,914,285.78
(2) Capital contributed or reduced by shareholders	-	-	-	-	-	-	-	-	-	-	-
(3) Common stock contributions by shareholders	-	-	-	-	-	-	-	-	-	-	-
(4) Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
(5) Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
(7) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
(8) Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
(9) Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-
(10) Others	-	-	-	-	-	-	-	-	11,931,416.04	-88,750,769.46	-46,819,353.42
(11) Internal carry-forward shareholders' equity	-	-	-	-	-	-	-	-	11,931,416.04	-11,931,416.04	-
(12) Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
(13) Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
(14) Losses offset by surplus reserves	-	-	-	-	-	-	-	-	-	-	-
(15) Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-
(16) Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-
(17) Others	-	-	-	-	-	-	-	-	-	-	-
(18) Special reserves	-	-	-	-	-	-	-	-	-	-	-
(19) Amount withdrawn in 2021	-	-	-	-	-	-	-	-	-	-	-
(20) Amount used in 2021	-	-	-	-	-	-	-	-	-	-	-
(21) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at June 30, 2021	2,926,209,589.00	-	-	-	1,255,654,885.67	-	18,202,800.00	-	3,941,447,329.50	7,223,883,085.99	15,365,386,960.16



STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY (CONTINUED)

For the six months ended June 30, 2021

(Amounts are expressed in RMB unless otherwise stated.)

Items	For the Period from January 1, 2020 to June 30, 2020							Total shareholders' equity
	Share capital	Preferred stock	Other equity instruments Perpetual bonds	Others	Capital reserves	Less: treasury stock	Other comprehensive income	
I. Balance as at December 31, 2019	2,926,209,589.00	-	-	-	1,255,654,385.67	-	8,750,000.00	15,922,317,236.06
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of accounting errors in prior periods	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Increase/decrease in 2020 ⁽¹⁾ (for decreases)	2,926,209,589.00	-	-	-	1,255,654,385.67	-	8,750,000.00	15,922,317,236.06
(1) Total comprehensive income	-	-	-	-	-	-	-	-
(2) Capital contributed or reduced by shareholders	-	-	-	-	-	-	-	-
(3) Common stock contributions by shareholders	-	-	-	-	-	-	-	-
(4) Capital contributed by the holders of other equity instruments	-	-	-	-	-	-	-	-
(5) Amounts of share-based payments recognized in shareholders' equity	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-
(4) Withdrawal of surplus reserves	-	-	-	-	-	-	-	-
(5) Profit distribution to shareholders	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-
(5) Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-
(6) Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-
(7) Losses offset by surplus reserves	-	-	-	-	-	-	-	-
(8) Carry-forward of changes in the defined benefit plan for related earnings	-	-	-	-	-	-	-	-
(9) Carry-forward of other comprehensive income for related earnings	-	-	-	-	-	-	-	-
(10) Others	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-
(6) Amount withdrawn in 2020	-	-	-	-	-	-	-	-
(7) Amount used in 2020	-	-	-	-	-	-	-	-
(8) Others	-	-	-	-	-	-	-	-
IV. Balance as at June 30, 2020	2,926,209,589.00	-	-	-	1,255,654,385.67	-	8,750,000.00	15,195,966,825.20

The accompanying notes form an integral part of the financial statements.

The financial statements listed in this report were approved and authorized for issue by the Board of Directors on August 26, 2021 and were signed on its behalf by:

Huang Rongshun
Director

Xiao Yinhong
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021

Amounts are expressed in RMB unless otherwise stated

1 COMPANY PROFILE

1.1 COMPANY OVERVIEW

TravelSky Technology Limited (hereinafter referred to as the “**Company**” or “the **Company**”) was incorporated in Beijing, the People’s Republic of China on October 18, 2000, with a total share capital of RMB577,303,500.00 and par value of RMB1.00 per share, and the total number of issued ordinary shares was 577,303,500 at the time of establishment.

On February 7, 2001, the Company completed its initial offering of 310,854,000 shares (H shares) with par value of RMB1.00 to overseas investors and listed on the Stock Exchange of Hong Kong Ltd. (the “**SEHK**”), increasing its total share capital to RMB888,157,500.00 after the offering.

On June 5, 2007, at the annual and extraordinary general shareholders’ meeting of the Company, the Company approved to distribute bonus at RMB1.00 par value per share to shareholders with the capital reserves-equity premiums of RMB888,157,500.00, totaling 888,157,500.00 shares for each existing share for one share, and meanwhile increased the share capital of the Company. After the conversion, the number of ordinary shares of the Company increased from 888,157,500.00 shares to 1,776,315,000.00 shares and the total share capital increased to RMB1,776,315,000.00.

According to the company’s extraordinary shareholders meeting resolution in July 2008, the Company issued 174,491,393 ordinary shares to China TravelSky Holding Company Limited (formerly known as China TravelSky Holding Company, hereinafter referred to as “**CTH**”) as the consideration for all equities of China Accounting Center of China Aviation Limited Company (hereinafter referred to as “**China Aviation Accounting**”) acquired by the Company from CTH and property located at Dongxing Lane, Chaoyang District, Beijing, China (Among which, 137,499,218 shares used for acquisition of China Aviation Accounting and 36,992,175 shares used for acquisition of the property). Upon completion of the acquisition in March, 2009, the number of ordinary shares of the Company increased from 1,776,315,000 shares to 1,950,806,393 shares and the total share capital increased to RMB1,950,806,393.00.

In accordance with the resolution of the 2010 annual general meeting on June 28, 2011, the Company was approved issue bonus of RMB975,403,196.00 by way of allocation of its reserves and retained earnings to capital, increase its share capital with discretionary surplus (RMB487,701,598.00) and undistributed profits (RMB487,701,598.00), and distribute the bonus to the shareholders of the Company whose names appeared on its register of shareholders on June 28, 2011, with one bonus share for every two shares of the Company held at that time, and the total share capital of the Company after the capital increase increased to RMB2,926,209,589.00.

As of June 30, 2021, the Company cumulatively issued share capital 2,926,209,589 shares, and the registered share capital was RMB2,926,209,589.00.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

1 COMPANY PROFILE (CONTINUED)

1.1 COMPANY OVERVIEW (CONTINUED)

The existing unified social credit code: 9111000071092729XP. Registered office: No. 7 Yumin Street, Houshayu Town, Shunyi District, Beijing. Legal representative: Huang Rongshun.

The company's business scope includes: Licensed business items: Internet information service business (specific service items are subject to the operation license of telecommunications and information service business). General business items: contracting of computer software and hardware engineering projects; research, development, production, sales, or leasing of computer software, hardware, peripherals, and network products, and technical consulting and technical services related to the above businesses; import and export business; business information and tourism information consulting; professional contracting of items such as system integration, electronic engineering, and airport air traffic control engineering, and terminal building weak electrical system engineering projects. (The Company may independently choose business items and conduct business activities in accordance with the law; any item that need to be approved according to law shall be carried out after acquiring the approval of related administration; any operating activity of the item banned and restricted by Beijing industrial policy may not be conducted.)

The business nature of the Company is: aviation information technology services.

The industry in which the Company operates is: other air transportation auxiliary activities.

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

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

The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The financial statements have been approved by the Company's board of directors on August 26, 2021.

1.2 SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

See "Note 7. Equity in other entities" for details of subsidiaries of the Company.

See "Note 6. Changes in consolidation scope" for details of the changes in consolidation scope during the report period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

2 BASIS OF PREPARATION FOR FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

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”), as well as the disclosure provisions of the Rules for the Compilation and Submission of “Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports” issued by the China Securities Regulatory Commission.

2.2 GOING CONCERN

The financial statements are prepared on a going concern basis.

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following contents disclosed have covered the specific accounting policies and accounting estimates formulated according to the characteristics of actual production and business operation by the Company.

3.1 STATEMENT ON COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated financial position and the parent company’s financial position as at June 30, 2021, and the consolidated operating results and the parent company’s operating results, the consolidated cash flows and the parent company’s cash flows for the period from January 1, 2021 to June 30, 2021.

3.2 ACCOUNTING PERIOD

The accounting year is from January 1 to December 31 in calendar year.

3.3 OPERATING CYCLE

The Company’s operating cycle is 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.4 FUNCTIONAL CURRENCY

The Company adopts RMB as its functional currency.

3.5 ACCOUNTING TREATMENT METHODS FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL AND NOT UNDER COMMON CONTROL

Business combination under common control: for the assets and liabilities acquired from business combination by the combining party (including the goodwill formed by the acquisition by the final controller of the combinee), they are measured at book value of assets and liabilities in the consolidated financial statements of the final controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

Business combination not under common control: the combination costs are the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss. The identifiable assets, liabilities, and contingent liabilities of the acquiree that are obtained by the acquirer from combination and conform to the recognition criteria shall be measured at the fair value on the acquisition date.

Direct relevant expenses arising from the business combination are included in the current profit or loss upon occurrence. Trading expenses on issuing equity securities or debt securities for the business combination are included in the initially recognized amount of the equity securities or the debt securities.

3.6 PREPARATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

3.6.1 Scope of consolidation

The consolidation scope of consolidated financial statements is determined on the basis of control, covering the Company and all the subsidiaries. Control means the Company has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to affect the Company's return by using the power over the investee.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 PREPARATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6.2 Procedures for consolidation

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial status, operating results and cash flow of the enterprise group. The influence of internal transactions between the Company and its subsidiaries or between subsidiaries shall be offset. If internal transactions indicate that the relevant assets have suffered impairment losses, this part of losses shall be confirmed in full. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

The share of shareholders' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority shareholders are respectively and separately presented under the shareholders' equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the current loss shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the shareholders' equity of the subsidiary at the beginning of the period, minority equity will be written down accordingly.

(1) Increase of subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the operating results and cash flows of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated financial statements; the beginning amount of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under the common control for additional investment or other reasons, equity investments held before the control over the combined party is obtained, the related profits or losses, other comprehensive income as well as other changes in net assets recognized from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the beginning retained earnings or the current profit or loss during the period for comparing financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 PREPARATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6.2 Procedures for consolidation (Continued)

(1) Increase of subsidiaries or business (Continued)

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, all identifiable assets, liabilities and contingent liabilities will be included in the consolidated financial statements from the purchase date based on their fair value determined on purchase date.

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Where equity of the acquiree held before the acquisition date involves in other comprehensive income that can be reclassified into profit or loss and other changes in shareholders' equity accounted for under the equity method shall be transferred to the investment income in the year which the acquisition date falls in.

(2) Disposal of subsidiaries

① General treatment methods

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal should be re-measured by the Company at the fair value thereof on the date of losing the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date shall be included in the investment income of the period at the loss of control. Other comprehensive income that will be reclassified into profit or loss later associated with the equity investments of the original subsidiary, or the changes in other shareholders' equity calculated under the equity method, shall be transferred into investment income of the current period when control is lost.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 PREPARATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6.2 Procedures for consolidation (Continued)

- (2) Disposal of subsidiaries (Continued)
 - ② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be treated a package deal:

- i. The transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on that of other transaction or more; and/or
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Where various transactions belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.6 PREPARATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6.2 Procedures for consolidation (Continued)

- (3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. If the share premium is insufficient to offset, retained earnings will be adjusted.

- (4) Partial disposal of equity investments in subsidiaries without losing control

The equity premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the equity premium of capital reserves is insufficient, the retained earnings will be adjusted.

3.7 RECOGNITION CRITERIA OF CASH AND CASH EQUIVALENTS

Cash refers the Company's cash on hand and the unrestricted deposits. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of the cash and which are subject to an insignificant risk of change in value.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.8 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION OF FOREIGN CURRENCY STATEMENTS

3.8.1 Foreign currency transactions

As for foreign currency transactions of the Company, the amounts of these transactions are translated into RMB at the spot exchange rate on the day when these transactions occur.

At the end of the period, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from different exchange rates (the spot exchange rate on the balance sheet date and that upon the initial recognition or the preceding balance sheet date) shall be included in the current profit or loss; foreign currency non-monetary items measured at historical costs should still be converted at the spot exchange rates on the date transactions occur; for the foreign currency non-monetary items measured at fair value, they are converted at the spot exchange rate on the date when the fair value is determined, and the exchange difference arising therefrom is calculated as the difference of equity instrument investment measured at fair value through other comprehensive income and included in other comprehensive income, and other differences are included in the current profit or loss.

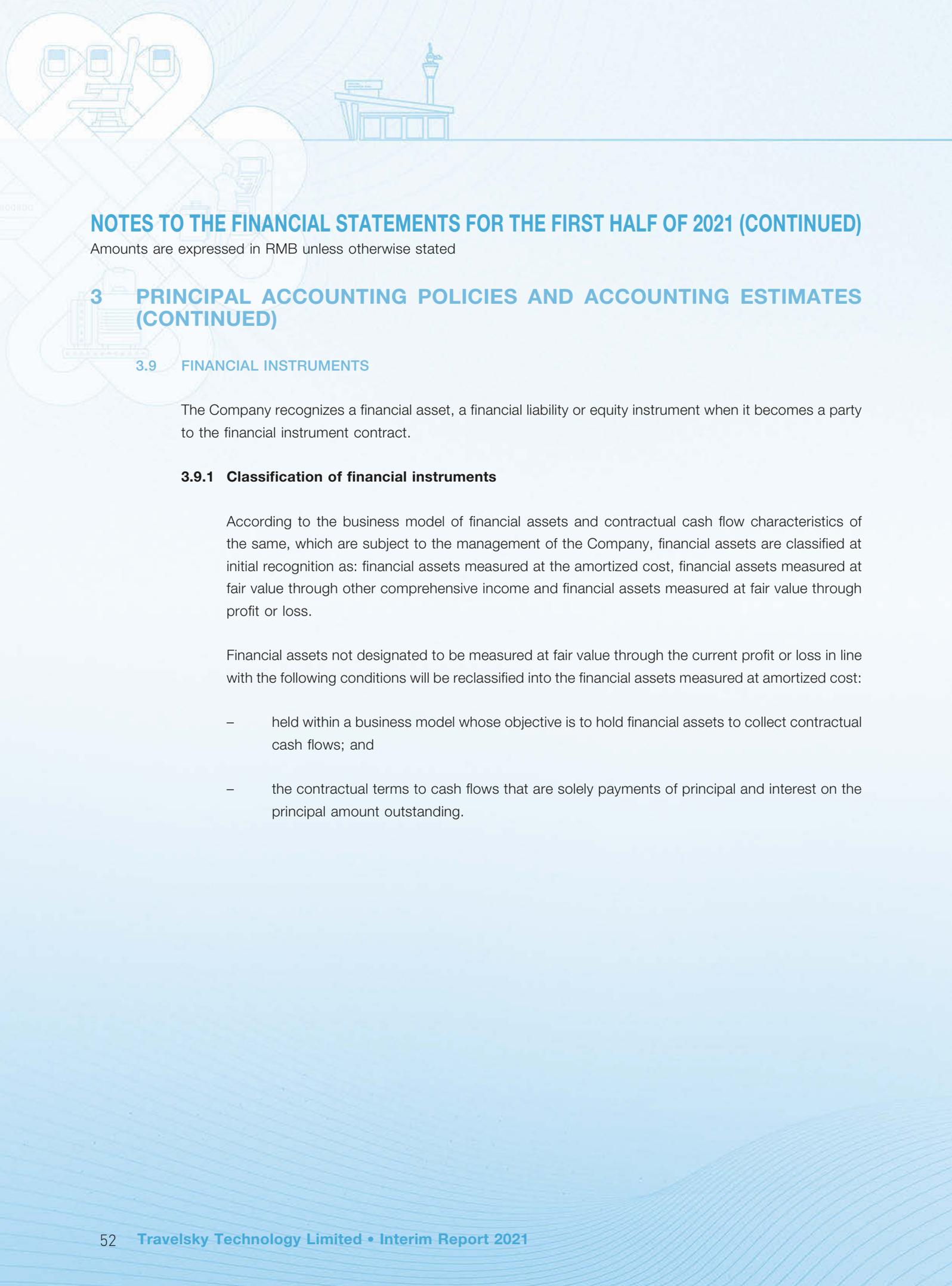
3.8.2 Translation of foreign currency financial statements

When the Company measures the foreign currency statements of its overseas business, the assets and liabilities in the balance sheet are translated at the spot exchange rates on the balance sheet date; shareholders' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the date when the business occurs.

The income and expenses items in income statements are translated at the average rate of the beginning and ending exchange rate.

Items in the statement of cash flows are translated at the average exchange rate at the beginning of the period or at the end of the period. The cash amount affected due to the fluctuation in exchange rate shall, as an adjustment item, be separately presented as "effect of fluctuation in exchange rate on cash and cash equivalents" in the statement of cash flows.

Differences arising from the translation of financial statements are presented as "other comprehensive income" under the shareholders' equity in the balance sheet. At the disposal of overseas business, the translation differences of foreign currency statements relating to the overseas business shall be transferred from the other comprehensive income to the current profit or loss at disposal.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS

The Company recognizes a financial asset, a financial liability or equity instrument when it becomes a party to the financial instrument contract.

3.9.1 Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics of the same, which are subject to the management of the Company, financial assets are classified at initial recognition as: financial assets measured at the amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

Financial assets not designated to be measured at fair value through the current profit or loss in line with the following conditions will be reclassified into the financial assets measured at amortized cost:

- held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms to cash flows that are solely payments of principal and interest on the principal amount outstanding.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.1 Classification of financial instruments (Continued)

Financial assets not designated to be measured at fair value through profit or loss in line with the following conditions will be reclassified into the financial assets (debt instruments) measured at fair value through other comprehensive income:

- held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For non-trading equity investments, the Company could irrevocably designate them as financial assets (equity instruments) measured at fair value through other comprehensive income at initial recognition. The designation is made on an investment-by-investment basis, and the related investment meets the definition of an equity instrument from the issuer's perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income mentioned above, all the remaining financial assets are classified as financial assets measured at fair value through profit or loss.

At the initial recognition, in order to eliminate or obviously reduce accounting mismatch, the Company may irrevocably designate the financial assets that shall be classified to be measured at amortized cost or measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through profit or loss and financial liabilities measured at the amortized cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.2 Recognition basis and measurement method of financial instruments

- (1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated with the effective interest method should be included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the current profit or loss.

- (2) Financial assets (debt instruments) measured at fair value through the other comprehensive income

Financial assets (debt instruments) measured at fair value through the other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or reversal, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the current profit or loss.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.2 Recognition basis and measurement method of financial instruments (Continued)

- (3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured at fair value through other comprehensive income, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

- (4) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

- (5) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.2 Recognition basis and measurement method of financial instruments (Continued)

- (6) Financial liabilities measured at amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

3.9.3 Derecognition and transfer of financial assets

Where one of the following conditions is met, the Company shall derecognize financial assets:

- The contractual right of collecting cash flows of financial assets is terminated;
- The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and the Company does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

At the transfer of financial assets, where nearly all the risks and rewards related to the ownership of the financial assets have been retained, such financial assets shall not be derecognized.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.3 Derecognition and transfer of financial assets (Continued)

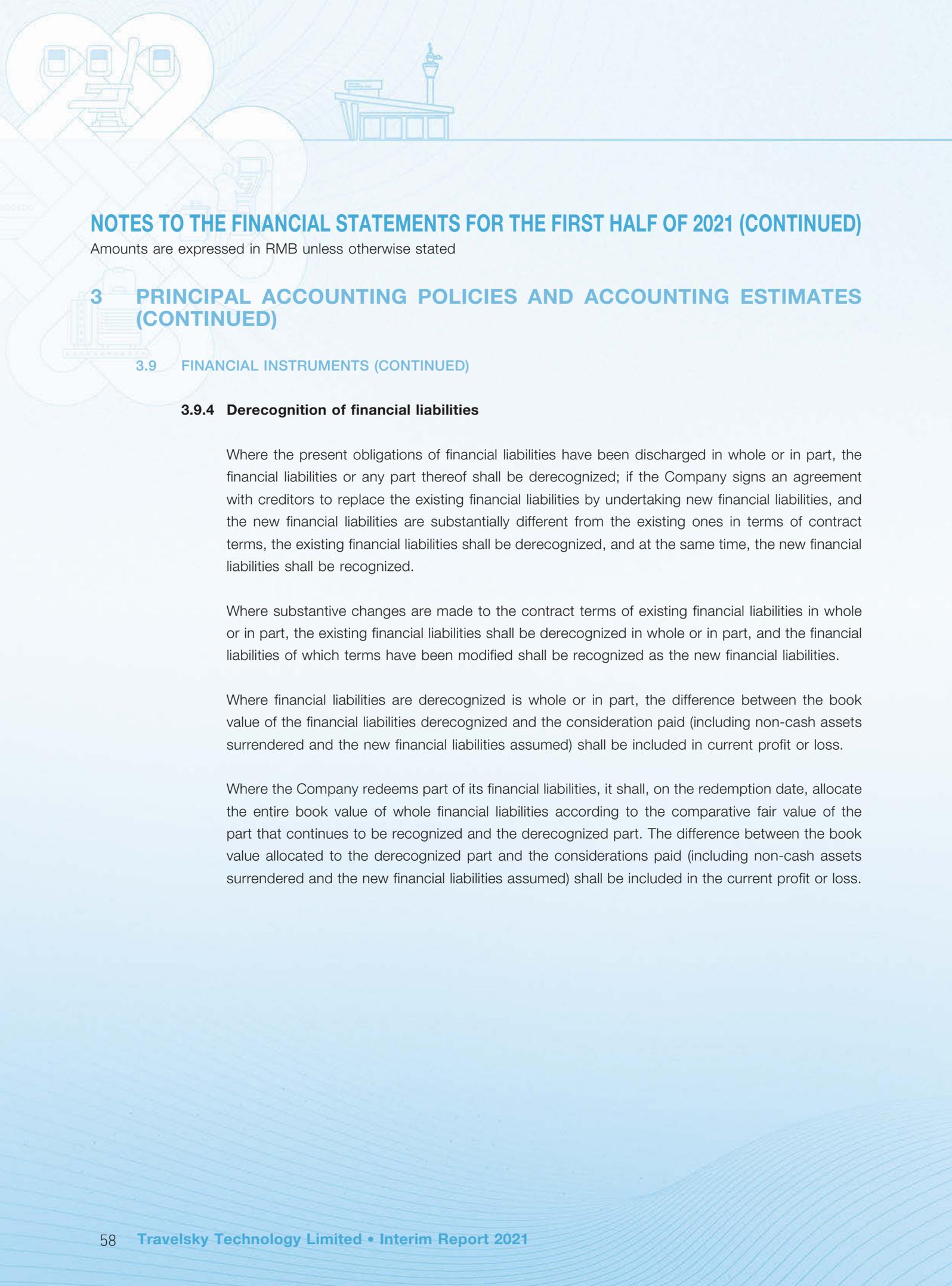
The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts is included in the current profit or loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in shareholders' equity (the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through the other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire book value of the financial asset transferred shall be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts shall be included in the current profit or loss:

- (1) The book value of derecognized part;
- (2) The sum of the consideration for the derecognized part and the amount corresponding to the de-recognition part in the accumulated change amount of fair value originally and directly included in shareholders' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through the other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.4 Derecognition of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liabilities shall be recognized.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liabilities of which terms have been modified shall be recognized as the new financial liabilities.

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.5 Recognition methods of the fair value of financial assets and financial liabilities

As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the valuation techniques shall be adopted to determine its fair value. At the time of valuation, the Company shall adopt the valuation technique that is applicable to the current circumstance and is supported by sufficient available data and other information to select the input values consistent with the assets or liabilities characteristics that are considered by market participants in transactions of relevant assets and liabilities and shall give priority in use of observable input values. And the unobservable input values may be used only when the observable input values are unable or unpractical to be obtained.

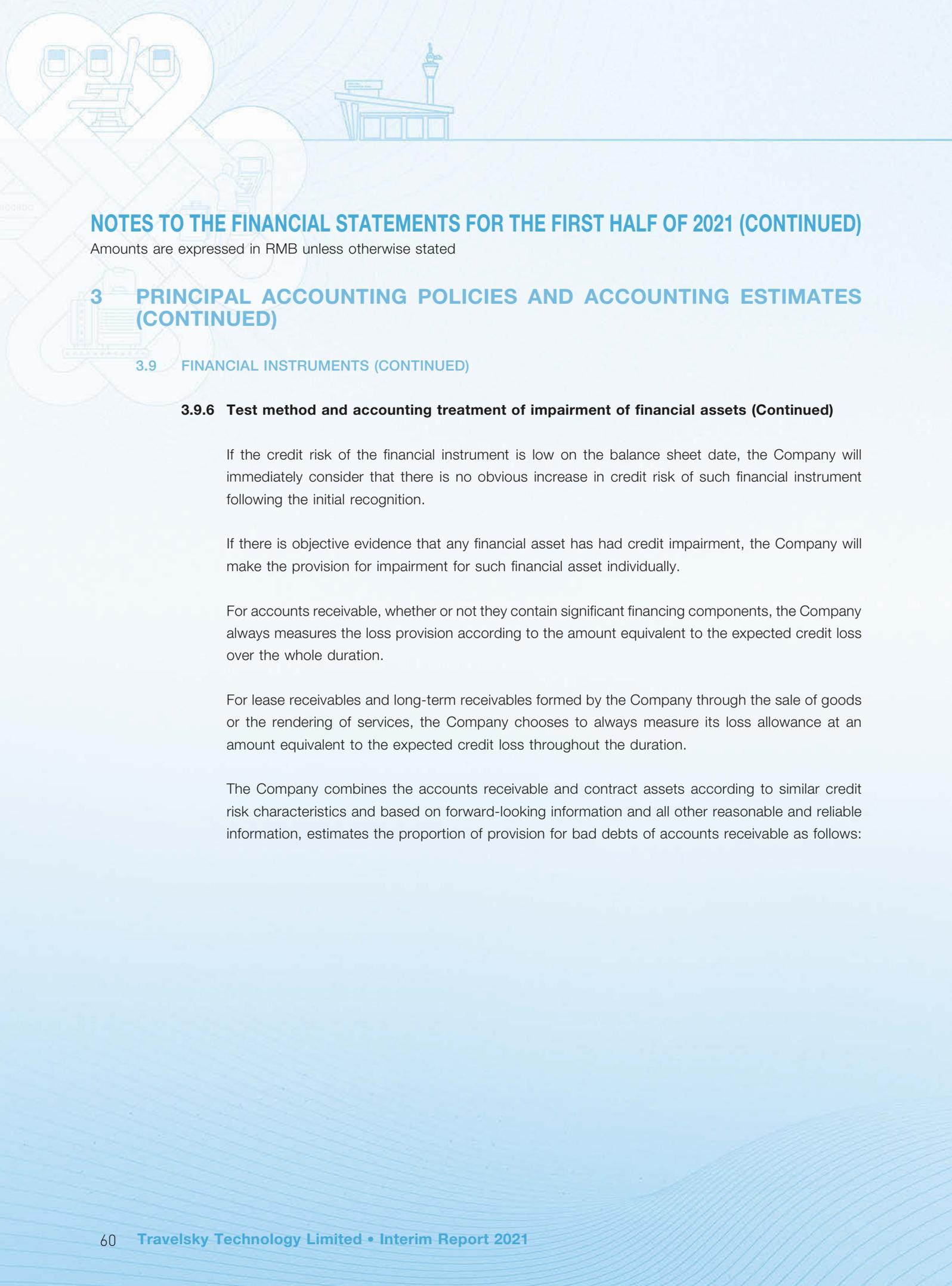
3.9.6 Test method and accounting treatment of impairment of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio.

The Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income individually or in portfolio. The measurement of expected credit loss depends on whether there is obvious increase in credit risk following the initial recognition.

If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or reversal.

Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.6 Test method and accounting treatment of impairment of financial assets (Continued)

If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

For accounts receivable, whether or not they contain significant financing components, the Company always measures the loss provision according to the amount equivalent to the expected credit loss over the whole duration.

For lease receivables and long-term receivables formed by the Company through the sale of goods or the rendering of services, the Company chooses to always measure its loss allowance at an amount equivalent to the expected credit loss throughout the duration.

The Company combines the accounts receivable and contract assets according to similar credit risk characteristics and based on forward-looking information and all other reasonable and reliable information, estimates the proportion of provision for bad debts of accounts receivable as follows:



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.6 Test method and accounting treatment of impairment of financial assets (Continued)

Determination basis of portfolio	Portfolio analysis method
Portfolio of receivables from related parties	For the accounts receivable from related parties (including the open accounts with the shareholder company, the open accounts between the parent company and the subsidiaries or between subsidiaries), in principle, no provision for bad debts shall be made. However, if there is conclusive evidence that the debt unit of the related party has been revoked, bankrupt, insolvent, and the cash flow is seriously insufficient, and the receivables will not be recovered by debt restructuring or other means, the corresponding provision for bad debts shall be accrued according to the estimated possible losses from bad debts, and the provision for bad debts may also be accrued for all the receivables from related parties that are estimated to be unrecoverable.
Portfolio of receivables from third parties	Based on the experience of historical credit losses, the Group adopts a simplified method to calculate the expected credit losses by using the reserve matrix for the expected credit losses of the whole duration.
Individual identification	The Group recognizes the provision for the losses of its accounts receivable based on the expected credit losses of individual customers with significant risks or customers with long aging but not individual risks.
Portfolio of margin, deposit, and reserve fund loans	For portfolio of margin, deposit and reserve fund loans, no provision for bad debts shall be made in principle. However, if there is conclusive evidence that bad debts have been formed, the corresponding provision for bad debts shall be accrued according to the estimated possible bad debt losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

3.9.6 Test method and accounting treatment of impairment of financial assets (Continued)

The measurement of provision for impairment loss on other receivables is conducted in accordance with the measurement method of impairment loss on the aforesaid financial assets (excluding accounts receivables).

The balance of other receivables mainly includes: The payment by the Company's wholly owned subsidiary, China Aviation Accounting Co., Ltd. paid on behalf of airlines for the settlement and clearing services provided to them, and the principal of the factoring of accounts receivable collected by Antu Jinxin Commercial Factoring Co., Ltd., a subsidiary of China Aviation Accounting Co., Ltd. As these accounts are within the normal collection period, and from experience observations, no credit risk has occurred, or the borrower has strong financial support to repay the funds in the short term. Hence, they are treated low credit risk and no expected credit loss is accrued.

3.10 INVENTORIES

3.10.1 Classification and cost of inventories

Inventories are classified as raw materials, low-cost consumables, stock commodities, goods dispatched, contract performance cost, contract acquisition cost, etc.

Inventories are initially measured at cost, and the inventory cost includes the procurement cost, processing cost and other expenses arising from making the inventory at their present location and condition.

3.10.2 Measurement method of dispatched inventories

The Company's inventories are measured at the actual cost when acquired. The specific identification method is adopted to determine the actual costs when raw materials, goods in progress, stock commodities and goods dispatched are dispatched. The low-cost consumables are amortized at one-off write-off amortization method when fetched; the circulating packaging materials are included in the costs and expenses based on the estimated number of uses. The perpetual inventory system is adopted for accounting.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.10 INVENTORIES (CONTINUED)

3.10.3 Recognition basis of net realizable value of different types of inventories

On the balance sheet date, inventories shall be measured at the cost or the net realizable value, whichever is lower. Where the inventory cost is higher than its realizable value, the provision for inventory impairment shall be made. During routine activities, net realizable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

Net realizable values of merchandise inventories held directly for sale, such as finished goods, stock commodities, and available-for-sale materials, are measured at the estimated selling prices less estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realizable values of material inventories which need further processing are measured at the estimated selling prices less the estimated costs of completion, estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realizable values of inventories held for the purpose of fulfillment of sales contracts or service contracts are calculated on the basis of the contract prices; if the quantity of inventories held exceeds that stated in the contract, the net realizable values of the excessive part are calculated on the basis of normal selling prices.

When the provision for inventory impairment is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realizable value of the inventory is higher than the book value of the same, the provision for inventory impairment shall be reversed from the amount of provision for inventory impairment originally made, and the reversed amount shall be included in the current profit or loss.

3.10.4 Inventory system

Perpetual inventory system is adopted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.11 CONTRACT ASSETS

3.11.1 Recognition method and criteria for contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) is presented as contract asset. Contractual assets and contractual liabilities under the same contract shall be presented at net amount. The unconditional (only depending on the time lapses) right to the charge of consideration from the customer, possessed by the Company, is presented as receivables.

3.11.2 Determination method and accounting treatment for the expected credit loss of contract assets

See “3.9.6 Test method and accounting treatment of depreciation of financial assets”, for the determination method and accounting treatment for the expected credit loss of contract assets.

3.12 ASSETS HELD FOR SALE

Where the Company recovers the book value of any non-current asset or disposed asset portfolio mainly through selling (including the exchange of non-monetary assets with commercial essence) but not continuously using the same, such non-current asset or disposed asset portfolio shall be divided into assets held for sale.

The Company recognizes non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and has acquired the decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale is subject to the approval of relevant authorities or regulatory authorities of the Company according to relevant provisions, the approval has been obtained.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.12 ASSETS HELD FOR SALE (CONTINUED)

For any non-current asset (excluding financial assets, deferred tax assets) or disposed asset portfolio classified assets as held for sale, where its book value is higher than the net amount of its fair value less the selling expense, the book value shall be written down to the net amount of the fair value less the selling expense, and the amount written down shall be recognized as the losses from asset impairment and included in the current profit or loss, while the provision for impairment of assets held for sale is made

3.13 LONG-TERM EQUITY INVESTMENTS

3.13.1 Judgment criteria for joint control and significant influence

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises common control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control or jointly control the formulation of such policies with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

3.13.2 Determination of initial investment cost

- (1) Long-term equity investment acquired from business combination

For the long-term equity investments in subsidiaries formed by the business combination under common control, the share of book value of its shareholders' equity in the combine in the consolidated financial statements of the ultimate controller shall be recognized, on the combination date, as the initial cost of the long-term equity investment. If there is a difference between the initial investment cost of the long-term equity investment and the book values of the paid consideration, the difference shall be used to adjust the share premium in the capital reserve; and if the share premium in the capital reserve is insufficient to be offset, retained earnings shall be adjusted.

For the long-term equity investments in subsidiaries formed by the business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial investment cost of long-term equity investments.

- (2) Long-term equity investment acquired by means other than business combination

For long-term equity investments acquired through making payments in cash, its initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, its initial investment cost is the fair value of the issued equity securities.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

3.13.3 Subsequent measurement and recognition of profits or losses

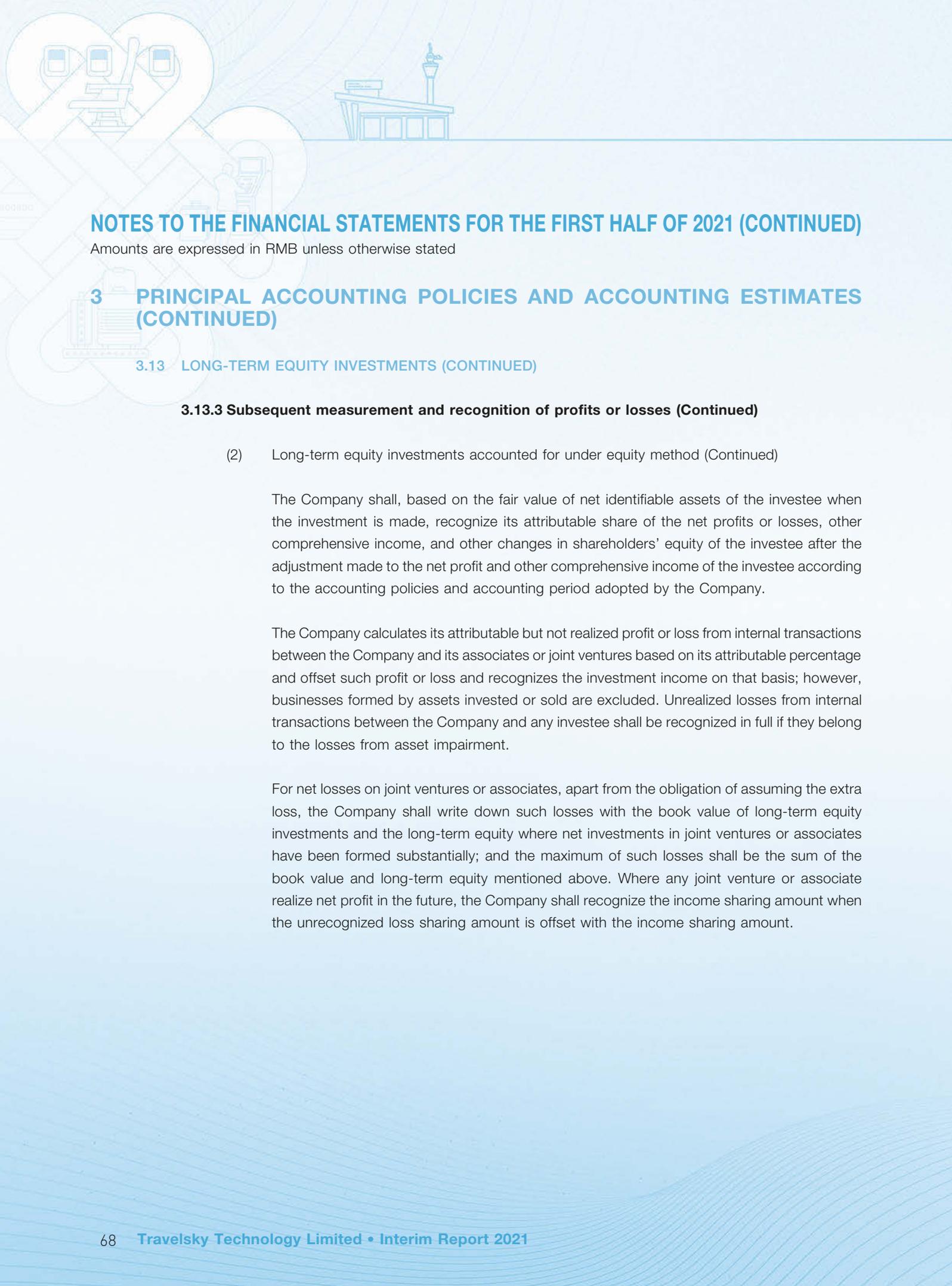
- (1) Long-term equity investments accounted for under the cost method

Long-term equity investments of the Company in its subsidiaries are accounted for under the cost method unless such investments meet the conditions of holding for sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

- (2) Long-term equity investments accounted for under equity method

Long-term equity investments in associates and joint ventures are accounted for under the equity method. If the initial investment cost is in excess of the share of fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the initial investment cost is in short of the share of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss, and will be adjusted to the initial cost of long-term equity investment.

The Company shall, based on its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to other changes in shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "Other Changes in shareholders' Equity"), the Company shall adjust the book value of the long-term equity investment and include such change in the shareholders' equity.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

3.13.3 Subsequent measurement and recognition of profits or losses (Continued)

- (2) Long-term equity investments accounted for under equity method (Continued)

The Company shall, based on the fair value of net identifiable assets of the investee when the investment is made, recognize its attributable share of the net profits or losses, other comprehensive income, and other changes in shareholders' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

The Company calculates its attributable but not realized profit or loss from internal transactions between the Company and its associates or joint ventures based on its attributable percentage and offset such profit or loss and recognizes the investment income on that basis; however, businesses formed by assets invested or sold are excluded. Unrealized losses from internal transactions between the Company and any investee shall be recognized in full if they belong to the losses from asset impairment.

For net losses on joint ventures or associates, apart from the obligation of assuming the extra loss, the Company shall write down such losses with the book value of long-term equity investments and the long-term equity where net investments in joint ventures or associates have been formed substantially; and the maximum of such losses shall be the sum of the book value and long-term equity mentioned above. Where any joint venture or associate realize net profit in the future, the Company shall recognize the income sharing amount when the unrecognized loss sharing amount is offset with the income sharing amount.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

3.13.3 Subsequent measurement and recognition of profits or losses (Continued)

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognized originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be carried forward to the current profit or loss in proportion.

Where the Company loses the common control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognized upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be transferred to the current profit or loss in full.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.13 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

3.13.3 Subsequent measurement and recognition of profits or losses (Continued)

(3) Disposal of long-term equity investments (Continued)

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognized before the control over the investee is obtained shall be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity recognized on account of the accounting by the equity method shall be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets shall be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in the current profit or loss, and other comprehensive income and other changes in shareholders' equity which have been recognized before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.14 INVESTMENT PROPERTIES

Investment properties refer to the properties held for earning rent or for capital appreciation, or for both, including rented land use right, land use right held for transfer after the capital appreciation, rented buildings (including self-built or developed buildings for renting, and building in the process of construction or development for renting in the future).

The Company measures its existing investment property by using the cost model. Subsequent expenditures related to investment properties are included in the costs of investment properties when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; otherwise, such subsequent expenditures shall be included in the current profit or loss when occur. For investment properties measured using the cost method – a building used for rental is subject to Company's depreciation policy for fixed assets, and the land use right used for rental is subject to the amortization policy for intangible assets.

3.15 FIXED ASSETS

3.15.1 Recognition criteria of fixed assets

Fixed assets refer to tangible assets held for commodity production, rendering of services, renting or business management, with the useful lives over one year. Fixed assets are recognized when they simultaneously meet the following conditions:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed assets can be measured reliably.

The initial measurement of fixed assets is made at cost (and by taking the impact of expected disposal costs).

The subsequent expenditures relating to fixed assets are included in the costs of fixed assets when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; as for the party replaced, the book value thereof is derecognized; all other subsequent expenditures are included in the current profit or loss when they occur.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.15 FIXED ASSETS (CONTINUED)

3.15.2 Depreciation method

The provision for depreciation of fixed assets is made by the straight-line method by category. The depreciation rate is determined based on the category, estimated useful life and estimated net residual value rate of fixed assets. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately make the provision for depreciation.

The depreciation life, residual value rates and annual depreciation rates of fixed assets are presented by category as follows:

Category	Depreciation life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	10-35	3.00	2.77-9.70
Transportation facilities	5-10	3.00	9.70-19.40
Motor vehicles	3-10	3.00	9.70-32.33
Electronic equipment	3-11	3.00	8.82-32.33
Office equipment	3-9	3.00	10.78-32.33
Others	2-9	3.00	10.78-48.50



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.15 FIXED ASSETS (CONTINUED)

3.15.3 Disposal of fixed assets

When the fixed assets are disposed, or they are expected not to bring any economic interest via use or disposal, such fixed assets will be derecognized. When the fixed asset is sold, transferred, scrapped or damaged, the Company will include such disposal revenue, deducting the book value and related taxes and surcharges thereof, in the current profit or loss.

3.16 CONSTRUCTION IN PROGRESS

Construction in progress is measured at the actual cost incurred. The actual costs include building costs, installation costs, borrowing costs eligible for capitalization and other necessary expenditures to make the construction in progress achieve the working condition for its intended use. Constructions in progress are transferred to fixed assets when they reach the condition for its intended use, and the provision of depreciation will be provided since the next month.

3.17 INTANGIBLE ASSETS

3.17.1 Measurement of intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition;

The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the assets for their intended use.

- (2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on acquisition.

As for intangible assets with limited useful life, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets should be deemed as those with indefinite useful life and should not be amortized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.17 INTANGIBLE ASSETS (CONTINUED)

3.17.2 Estimate of the useful life of the intangible assets with definite useful lives

Item	Estimated useful life	Basis
Land use right	40 – 50 years	Useful life
Software	3 – 5 years	Period of benefit
Non-patented technology	5 years	Period of benefit

3.17.3 Determination basis and procedure for review of useful life for intangible assets with indefinite useful life

As at the balance sheet date, the Group has no intangible assets with indefinite useful lives.

3.17.4 Specific criteria for classifying research and development stages

The Company's expenses for its internal research and development projects are classified into research expenses and development expenses.

Research stage: research stage is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development stage: development stage is the stage when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

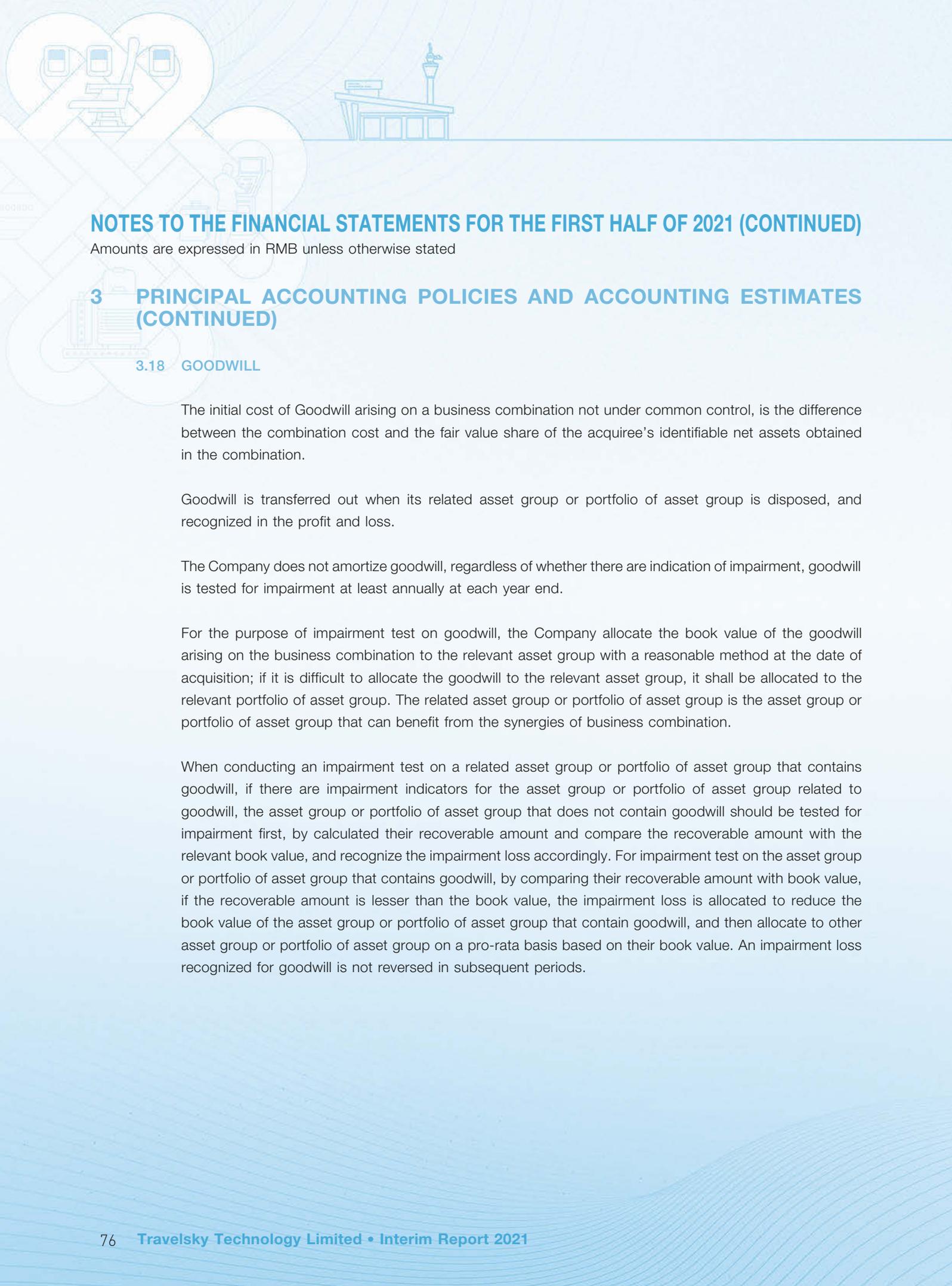
3.17 INTANGIBLE ASSETS (CONTINUED)

3.17.5 Criteria for capitalization of development expenditures

The research expenditure is included in the current profit or loss when it occurs. The development expenditure is recognized as intangible assets when it meets the following conditions at the same time, and is included in the current profit or loss when it fails to meet the following conditions:

- (1) It is feasible technically to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible asset;
- (3) The ways how the intangible assets generate economic benefits include the way where it is able to prove that the products made by using the intangible assets exist a market or that the intangible assets themselves have the market, and the way where the serviceability of the intangible assets can be proved in case they are used internally;
- (4) With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible asset, and it is able to use or sell the intangible asset; and
- (5) The expenses attributable to the development of the intangible asset can be reliably measured.

Where the research expenses and the development expenses are indistinguishable, the Company shall include research expenses and development expenses incurred in current profit or loss. The Company determines the time-point for capitalization at the time when the initial version of developed product is completed or when the Company gives relevant project approval, whichever is later.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.18 GOODWILL

The initial cost of Goodwill arising on a business combination not under common control, is the difference between the combination cost and the fair value share of the acquiree's identifiable net assets obtained in the combination.

Goodwill is transferred out when its related asset group or portfolio of asset group is disposed, and recognized in the profit and loss.

The Company does not amortize goodwill, regardless of whether there are indication of impairment, goodwill is tested for impairment at least annually at each year end.

For the purpose of impairment test on goodwill, the Company allocate the book value of the goodwill arising on the business combination to the relevant asset group with a reasonable method at the date of acquisition; if it is difficult to allocate the goodwill to the relevant asset group, it shall be allocated to the relevant portfolio of asset group. The related asset group or portfolio of asset group is the asset group or portfolio of asset group that can benefit from the synergies of business combination.

When conducting an impairment test on a related asset group or portfolio of asset group that contains goodwill, if there are impairment indicators for the asset group or portfolio of asset group related to goodwill, the asset group or portfolio of asset group that does not contain goodwill should be tested for impairment first, by calculated their recoverable amount and compare the recoverable amount with the relevant book value, and recognize the impairment loss accordingly. For impairment test on the asset group or portfolio of asset group that contains goodwill, by comparing their recoverable amount with book value, if the recoverable amount is lesser than the book value, the impairment loss is allocated to reduce the book value of the asset group or portfolio of asset group that contain goodwill, and then allocate to other asset group or portfolio of asset group on a pro-rata basis based on their book value. An impairment loss recognized for goodwill is not reversed in subsequent periods.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.19 IMPAIRMENT OF LONG-TERM

Where there are indicators of impairment on long-term assets, such as long-term equity investments, investment properties measured with cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with definite useful lives, on the balance sheet date, the impairment test should be made. Where the result of the impairment test shows that the recoverable amount of the asset is lower than book value, the provision for impairment should be made and included in impairment loss. The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses or the present value of its estimated future cash flows. Provision for asset impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company will estimate the recoverable amount of the asset portfolio where the individual asset belongs. Asset portfolio is the smallest one that can independently generate cash inflows.

Goodwill from business combination, intangible assets with indefinite useful lives and intangible assets that have not reached the usable condition should be subject to the impairment test at least once at the end of each year, no matter whether they have any impairment indication.

The Company has conducted an impairment test of goodwill. The book value of goodwill arising from business combination is amortized to related asset groups by the reasonable method as of the purchase date; if it is difficult do so, such value will be amortized to the relevant portfolio of asset groups. Relevant asset group or portfolio of asset groups refers to the asset group or portfolio of asset groups which is able to benefit from the synergistic effect of business combination.

At the time of making an impairment test on the relevant asset groups or portfolios of asset groups containing goodwill, if any indication shows that the goodwill-related asset group or portfolio of asset groups may have been impaired, the Company will firstly conduct an impairment test on the asset groups or portfolios of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value, to recognize the corresponding impairment loss. Thereafter, the Company pay make the impairment test on the asset group or portfolio of asset groups where the goodwill is included, and compare the book value of such group or portfolio with the recoverable amount of the same. If the recoverable amount is less than the book value, the amount of impairment loss should firstly be used to reduce the book value of the goodwill allotted to such group or portfolio, and then reduce book values of other assets than the goodwill in such group or portfolio based on proportions of these book values.

The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.20 LONG-TERM DEFERRED EXPENSES

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in current and future reporting periods with an amortization period of over one year. Long-term deferred expenses incurred in the Company are measured by the actual cost and evenly amortized over the estimated period of benefit. For items of long-term deferred expenses that fails to benefit the Company during the subsequent accounting period, their amortized values are fully included in the current profit or loss when such failure is confirmed.

3.21 CONTRACT LIABILITIES

According to the relationship between the performance of obligations and the customer payment, the Company presents contract assets or contract liabilities in the balance sheet. The Company's obligations in transferring goods or rendering services to customers on the ground that it has received or will receive relevant considerations from these customers are presented as contract liabilities. Contractual assets and contractual liabilities under the same contract should be presented at net amount.

3.22 EMPLOYEE BENEFITS

3.22.1 Accounting treatment of short-term compensation

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in current profit or loss or costs associated with assets.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education fund draw as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

The employee welfare occurring in the Company shall be include in the current profit or loss or the related asset costs according to the actual amount when actually occurring. Among them, non-monetary benefits are measured at the fair value.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.22 EMPLOYEE BENEFITS (CONTINUED)

3.22.2 Accounting treatment of post-employment benefits

(1) Defined contribution plan

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in current profit or loss or related asset costs.

In addition, the Company also participates in the enterprise annuity plans/supplementary pension funds approved by the relevant state authorities. The Company makes payments to the annuity plans or local social insurance institutions in a certain proportion to the total employee wage, with corresponding expenses included in the current profit or loss or related asset costs.

(2) Defined benefit plans

According to the formula determined based on expected cumulative unit method, the Company will set the period that the welfare obligations deriving from the defined benefit plan, which will be included in current profit or loss or assets-related cost.

A net liability or net asset in connection with the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising out of the fair value of the assets under the defined benefit plan. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and asset upper limit thereof.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.22 EMPLOYEE BENEFITS (CONTINUED)

3.22.2 Accounting treatment of post-employment benefits (Continued)

(2) Defined benefit plans (Continued)

Obligations under the defined benefit plan, including the payment obligation that is expected to be done within 12 months following the annual reporting period when the employees serve for the Company, are discounted at the market yield of the national debt matching with the obligatory term of the defined benefit plan and the currency on the balance sheet date or the bonds of the high-quality companies in the active market.

The service costs of the defined benefit plan and net interest on the net liabilities or net assets in respect of the defined benefit plan are included in the current profit or loss or assets-related costs; changes in the re-measurement of net liabilities or net assets under the defined benefit plans should be included in other comprehensive income and should not be reversed in subsequent accounting periods. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to the undistributed profits.

For the settlement of the defined benefit plan, the balance between the present value and the settlement price in regard to the defined benefit plan confirmed on the settlement date is recognized and settled as gains or losses.

3.22.3 Accounting treatment of dismissal benefits

Where the Company provides dismissal welfare to employees, employee benefits incurred from dismissal benefits are recognized as liabilities and recorded into the current profit and loss at the earlier date of: when the Company is unable to unilaterally withdraw the dismissal benefits provided in the plan on the cancellation of labor relationship or the layoff proposal; when the Company recognizes the cost related to restructuring concerning payment of dismissal benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.23 ESTIMATED LIABILITIES

Where the obligation related to contingency meets all the following conditions simultaneously, it may be recognized as an estimated liability by the Company:

- (1) The obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company; and
- (3) The amount of the obligation can be measured reliably.

Estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

When determining the best estimates, the Company comprehensively considers the risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the intermediate value within the range; in other cases, the best estimates are treated separately as follows:

- If the contingency involves a single item, the best estimate shall be determined at the most likely outcome; or
- If the contingency involves multiple items, the best estimate shall be recognized at the various possible outcomes and the associated probabilities.

When all or part of the expenses necessary for the settlement of an estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation shall not exceed the book value of estimated liabilities.

At the end of the reporting period, the Company will reexamine the book value of the estimated liabilities. If there is conclusive evidence that the best estimate cannot be reflected truthfully, the Company will make corresponding adjustments to the book value according to the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.24 SHARE-BASED PAYMENTS

The Company's share-based payments are transactions in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees or other parties. The share-based payments of the Company consist of equity-settled share-based payments and cash-settled share-based payments.

3.24.1 Equity-settled share-based payment and equity instruments

Where the Company acquires services rendered by employees via the equity-settled share-based payment, such payment should be calculated at the fair value of equity instruments granted to employees. The Company includes the share-based payment for which relevant right can be exercised subsequent to the grant of equity instruments in relevant costs or expenses on the grant date at the fair value of equity instruments and increases capital reserves accordingly. For the share-based payment for which relevant right can be exercised after the grant of equity instruments only when the services during the waiting period are completed or the specified performance conditions are met, on each balance sheet date within the waiting period, the Company, based on the best estimate of the quantity of equity instruments where relevant rights can be exercised, includes the services acquired during that period in relevant costs or expenses at the fair value on the grant date, and increases capital reserves accordingly.

In case any clause on the equity-settled share-based payment has been modified, services acquired should be recognized as if such clause has not been modified. In addition, the increase in services acquired should be recognized in case of any increase to the fair value of equity instruments granted or any change favorable to employees on the date of increasing such fair value.

During the waiting period, if any equity instrument granted is cancelled, the Company will accelerate the right exercise relevant to the equity instrument cancelled, immediately include the amount which should be recognized during the remaining waiting period in the current profit or loss, and recognize capital reserves at the same time. However, if any new equity instrument is granted and on the date of granting such new equity instrument, it is affirmed that such new equity instrument can replace the cancelled one, the treatment for such new equity instrument will be made in the way for modifying terms and conditions of the original equity instrument.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.24 SHARE-BASED PAYMENTS (CONTINUED)

3.24.2 Cash-settled share-based payment and equity instruments

Cash-settled share-based payment is measured at the fair value of the liability which is assumed by the Company and calculated based on share or other equity instrument. The Company includes the share-based payment for which relevant right can be exercised subsequent to the grant of equity instruments in relevant costs or expenses on the grant date at the fair value of the liability it assumes, and increase liabilities accordingly. For the share-based payment for which relevant right can be exercised after the grant of equity instruments only when the services during the waiting period are completed or the specified performance conditions are met, on each balance sheet date within the waiting period, the Company, based on the best estimate on the situation of exercising relevant right, includes the services acquired during that period in relevant costs or expenses and in liabilities according, at the fair value of the liability the Company assumes. On each balance sheet date and settlement date prior to the settlement of relevant liabilities, the fair value of liability should be remeasured through the current profit or loss.

3.25 REVENUE

3.25.1 Accounting policies adopted for revenue recognition and measurement

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods. If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be amortized to individual performance obligation based on the relative proportion of the individual selling price of goods involved in the individual performance obligation, and the revenue will be measured at the amortized transaction price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.25 REVENUE (CONTINUED)

3.25.1 Accounting policies adopted for revenue recognition and measurement (Continued)

The transaction price refers to the amount of consideration the Company is expected to have the right to take on account of the transfer of goods the customer. At the determination of transaction price, if the consideration is variable, the Company will determine the best estimate of the variable consideration based on the expected value or the amount which is most likely to occur, and include such estimate in the transaction price at the amount not exceeding the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. In case the significant financing component is contained in the contract, the Company will adjust the transaction price according to the financial component in the contract; if the interval between the time when the control is transferred and the time when the customer pays the contract price is less than one year, the Company will not consider the financing component in such contract.

If the Company meets one of the following conditions, its obligation performance will belong to a certain period; otherwise, it will belong to a certain time-point:

- (1) The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- (2) Customers are able to control the goods under construction in the course of performing obligations by the Company.
- (3) The goods produced in the course of performing obligations by the Company have irreplaceable uses, and over the entire contract period, the Company has the right to receive payments for the portion of the performance that has been completed to date.

If the obligation performance belongs to a certain period, the Company will recognize revenue based on the performance progress. Otherwise, the revenue will be recognized at the certain time-point when the customer obtains the right of control over relevant goods.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.25 REVENUE (CONTINUED)

3.25.1 Accounting policies adopted for revenue recognition and measurement (Continued)

The revenue from obligation performance belonging to certain time-point is recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following indicators when judging whether the customer has acquired the right of control over relevant goods or services:

- The customer has the current payment obligation for such goods or service, i.e., the Company enjoys the current right to collect the payment for such goods or service.
- The Company has transferred the legal ownership of such goods to the customer, i.e., the customer possesses the legal ownership of such goods.
- The Company has transferred goods to the customer in kind, i.e., the customer has possessed such goods in kind.
- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e., the customer has acquired the substantial risks and rewards of the ownership of such goods.
- The customer has accepted such goods or services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.25 REVENUE (CONTINUED)

3.25.1 Accounting policies adopted for revenue recognition and measurement (Continued)

Operating revenues of the Company mainly come from information technology services for civil aviation, settlement and clearing service, data network service and system integration service. In which, revenues from rendering information technology services for civil aviation, settlement and clearing service and data network service are recognized monthly in the course of rendering these services; the revenue from system integration service is recognized upon the acceptance inspection by the customer as the project work time is generally short. In the system integration project, if the commitment that the installation service will be rendered after the equipment delivery is given to the customer, and the installation service does not have significant impact on the equipment, the revenue recognition will be made by stages based on two obligation performance, i.e., sales of equipment and rendering of installation service. The revenue recognition for sales of equipment is made after the equipment delivery and acceptance inspection, and that for installation service is made after the customer fully completes the acceptance inspection.

3.26 CONTRACT COSTS

Contract costs include the contract performance cost and the contract acquisition cost.

The Company's cost on contract performance does not belong to scope of standards for inventories, fixed assets or intangible assets, and is recognized as an asset when it meets the following conditions:

- Such cost is directly relevant to the contract which has been or is expected to be acquired.
- Such cost increases the resource which will be used by the Company for obligation performance.
- Such cost is expected to be recoverable.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.26 CONTRACT COSTS (CONTINUED)

If the incremental cost incurred in the Company on account of contract acquisition is expected to be recoverable, it, as the contract acquisition cost, will be recognized as an asset.

Assets related to contract cost are amortized on the basis for the recognition of revenue from goods or services relevant to such assets; however, if the amortization period of contract acquisition cost is less than one year, the Company will include such cost in the current profit or loss when it occurs.

If the book value of the assets related to contract cost is higher than the difference between the following two items, the Company will make the provision for impairment of the exceeding part, and recognize it as the loss from impairment of assets.

1. The remaining consideration expected to be obtained on account of the transfer of goods or services related to the assets;
2. The cost that is expected to be incurred for the purpose of transferring relevant goods or services.

If the factors causing the impairment in the previous period change, resulting that the above-mentioned difference is higher than the book value of such assets, the Company will reverse the provision for impairment which has been made originally, and include it in the current profit or loss. However, the book value of assets reversed should not exceed the book value of such assets on the reversal date as if no provision for impairment has been made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 GOVERNMENT GRANTS

3.27.1 Type

Government grants are monetary assets and non-monetary assets freely obtained by the Company from the government. Government grants are classified into asset-related government grants and income-related government grants.

Asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to government grants excluding the asset-related government grants.

3.27.2 Timing of recognition

Government grants are recognized when the Company can meet all conditions attached thereto and is able to obtain such grants.

3.27.3 Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (where such grants are related to the routine activities of the Company, they will be included in other income; where such grants are not related to the routine activities of the Company, they will be included in non-operating income);

Income-related government grants to be used as compensation for future expenses or losses are recognized as deferred income and are recorded in current profit or loss where the relevant expenses or losses are recognized (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating income) or set off the related expenses or losses; those to be used as compensation for incurred expenses or losses are recorded in current profit or loss (if they are related to daily activities of the Company, they will be included into other income; otherwise, they will be included in non-operating income) or will set off the related expenses or losses.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.27 GOVERNMENT GRANTS (CONTINUED)

3.27.3 Accounting treatment (Continued)

The interest subsidies of policy-based preferential loans obtained by the Company are subject to the following accounting treatments according to two situations:

- (1) When the finance department appropriates the interest subsidies to the lending bank, and the lending bank provides the loan at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.
- (2) Where the finance department directly appropriates the interest subsidies to the Company, the Company will use the corresponding interest subsidies to offset related borrowing costs.

3.28 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Income tax includes the current income tax and deferred income tax. Except for income tax arising from business combinations and transactions or events directly included in owner's equity (including other comprehensive income), the Company will include the current income tax and deferred income tax in the current profit or loss.

Deferred tax assets and deferred tax liabilities are calculated and recognized based on differences (temporary differences) between tax base and book value of the assets and liabilities.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred tax assets arising therefrom are recognized to the extent that future taxable income will be probable to be available against deductible losses and tax credits.

Taxable temporary differences are recognized as deferred tax liabilities except in special circumstances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.28 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

The exceptions to the requirement to recognize deferred tax assets/liabilities include:

- Assets/liabilities arising from initial recognition of goodwill;
- Assets/liabilities arising from the transactions or events other than the business combinations which, at the occurrence time, do not affect the accounting profits or the taxable profits (or deductible losses).

For the taxable temporary differences related to the investments in subsidiaries, associates and joint ventures, the deferred tax liabilities should be recognized, unless that the timing of the reversal of the temporary differences is able to be controlled by the Company and the temporary differences will be probable not to be reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be used, the deferred tax asset will be recognized.

On the balance sheet date, the Company measures the deferred tax assets and deferred tax liabilities at the tax rate as specified in the tax law and applicable to the period where such assets are recovered or the liabilities are discharged.

On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is unlikely to obtain sufficient taxable income taxes to offset against the benefit of deferred tax assets, the book value of deferred tax assets shall be written down. If it is likely to obtain sufficient taxable income, the book value of deferred tax assets written down will be recovered.

If the Company has the legal right to settle in net amounts and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount upon offset.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.28 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

On the balance sheet date, the deferred tax assets and deferred tax liabilities that satisfying the following conditions at the same time are presented by net amount after offset as follows:

- The taxpayer has the legal rights to settle income tax assets and income tax liabilities for the current period with net amount;
- Deferred tax assets and deferred tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reverse of deferred tax assets and liabilities, the involved taxpayer intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities.

3.29 LEASE

Lease represents a contract in which a lessor transfers a right to use of an identified asset for a period of time in exchange for consideration. At the commencement date of the contract, the company assesses whether the contract is a lease or includes a lease. If a party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, then the contract is a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the Company will split the contract and recognize the accounting treatments by each separate leases basis. If the contract contains a lease component and non-lease components, the lessee and lessor shall separate the lease component and non-lease components.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 LEASE (CONTINUED)

3.29.1 The Company as lessee

3.29.1.1 Right-of-use assets

At the commencement date, the Company recognize the right-of-use asset for leases other than short-term leases and low-value asset leases. Right-of-use assets are initially measured at cost. This cost includes:

- Initial measurement amount of the corresponding lease liability;
- Lease payments made at or before the commencement date and any initial direct costs less lease incentives received;
- Initial direct costs incurred;
- The Company is expected to incur the cost for dismantling and removing leased assets, restoring the site where leased assets are located, or restoring the site where leased assets to the state agreed upon in the lease terms, but does not include the costs incurred for producing inventory.

The right-of-use assets are depreciated with reference to the relevant depreciate policies stated in (Note 3.15 Fixed assets). If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the Company will depreciate the leased assets over the remaining useful life; otherwise, the leased assets will be depreciated over the shorter period of the lease term and the remaining useful life of the leased assets.

The Company determines whether the right-of-use asset has been impaired in according with the principles stated in (Note 3.19 Impairment of long-term), and account for any identified impairment loss.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 LEASE (CONTINUED)

3.29.1 The Company as lessee (Continued)

3.29.1.2 Lease liabilities

At the commencement date, the Company recognize lease liabilities for leases other than short-term leases and low-value asset leases. Lease liabilities are initially measured base on the present value of the lease payments that are not paid. Lease payments includes:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease;

The company uses the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company's incremental borrowing interest rate is used as the discount rate.

The company calculates the interest expense of the lease liability during each period of the lease term according to a fixed periodic interest rate and includes it in the profit and loss or as cost of related assets.

Variable lease payments that are not included in the measurement of lease liabilities are included in the profit and loss or as cost of related assets when they actually incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 LEASE (CONTINUED)

3.29.1 The Company as lessee (Continued)

3.29.1.2 Lease liabilities (Continued)

After the commencement date, if the following situation occur, the Company will remeasure the lease liability and adjusts with the related right-of-use assets. If the book value of right-of-use asset has reduced to zero, but the lease liability still required to be further reduced, the difference will be recognize in the profit and loss:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;
- When the actual fixed lease payments change, expected payment under a guaranteed residual value change or changes in an index or rate used to determine the lease payment, the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, a revised discount rate is used to calculate the present value.

3.29.1.3 Short-term leases and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low value assets and recognizes the lease payments as an operating expense on a straight-line basis, in profit or loss or as cost of the related assets. Short-term leases are defined as leases with a lease term of 12 months or less at the commencement date and not included lease with purchase options. Leases of low value assets refer to leases of single asset of low value when it is a brand-new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a low-value asset lease.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 LEASE (CONTINUED)

3.29.1 The Company as lessee (Continued)

3.29.1.4 Lease modification

If the lease changes with the below conditions are met at the same time, the Company shall treat the lease modification as a separate lease for accounting treatment:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the lease change causes the scope of the lease to be reduced or the lease term is shortened, the Company will correspondingly reduce the book value of the right-of-use asset, and the relevant gains or losses from the partial or complete termination of the lease are included in the profit and loss. If other lease changes cause the lease liability to be remeasured, the company adjusts the book value of the right-of-use asset accordingly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 LEASE (CONTINUED)

3.29.2 The Company as lessor

At the commencement date of the lease, the Company classify the lease into financial lease and operating lease. Finance lease refers to a lease regardless of whether the ownership is ultimately transferred, but in actual almost all the risks and rewards related to the ownership of the leased asset are transferred. Operating leases refer to leases other than financial leases. When the company acts as a sublease lessor, it classifies subleases based on the right-of-use assets generated from the original lease.

3.29.2.1 Operating lease accounting

The lease receipts of operating leases are recognized as rental income in each period of the lease term according to the straight-line basis. The company capitalizes the initial direct cost incurred related to operating leases and recognize depreciation to the profit or loss on the same basis as rental income during the lease term. For variable lease payments that are not included in the lease receipts are recognized in the profit or loss when they occur.

3.29.2.2 Finance leases accounting

On the start date of the lease, the company recognizes the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets. When the company initially measures the financial lease receivables, the net lease investment is taken as the entry value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease payment not yet received at the beginning of the lease term, discounted at the interest rate implicit in the lease.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.29 LEASE (CONTINUED)

3.29.2 The Company as lessor (Continued)

3.29.2.2 Finance leases accounting (Continued)

The Company calculates and recognizes the interest income for each period of the lease term based on a fixed periodic interest rate. The derecognition and impairment of financial lease receivables shall be accounted for in accordance with “3.9 Financial Instruments” in this Note.

Variable lease payments that are not included in the measurement of the net lease investment are included in the profit and loss when they actually occur.

If a financial lease is changed and the following conditions are met at the same time, the company shall treat the change as a separate lease for accounting treatment:

- The change expands the scope of the lease by adding one or more use rights to leased assets;
- The increased consideration is equivalent to the amount of the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

If the change of a financial lease is not accounted for as a separate lease, the company shall deal with the changed lease in the following circumstances:

- If the change takes effect on the lease start date, the lease will be classified as an operating lease, and the company will start accounting for it as a new lease from the lease change effective date, and use the net lease investment before the lease change effective date as The book value of the leased asset;
- If the change takes effect on the lease start date, the lease will be classified as a financial lease, and the company will perform accounting treatment in accordance with the policy of “3.9 Financial Instruments” in this Note on the modification or re-negotiation of the contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.30 FAIR VALUE MEASUREMENT

The Company measures the relevant assets and liabilities at fair value based on the following assumptions:

- The sales of assets or transfer of liabilities by the market participant on the measurement date belongs to the orderly transaction under the current market conditions;
- Such orderly transaction is carried out in the major market of relevant assets or liabilities. If the major market does not exist, it is assumed that such transaction is carried out in the market most beneficial to relevant assets or liabilities.
- The assumption used by the market participant in order to maximize the benefits at the time of pricing such assets or liabilities.

According to the property of the said transaction and the characteristic of the said assets or liabilities, the Company recognizes the transaction value as the fair value of initial recognition.

If other relevant accounting standards require or permit the Company to conduct initial measurement on the relevant assets or liabilities at the said fair value, and the transaction value is different from the fair value, the Company will include relevant gains or losses in the current profit or loss, unless otherwise specified in other relevant accounting standards.

For the measurement of non-financial assets at fair value, the capability of the market participant in bringing about economic interest via the best use of such assets, or the capability in selling such assets to the other market participant for bringing about economic interest with the best use of such assets should be taken into account.

The valuation techniques which are applicable to the current situation and have sufficient usable data and other information support are taken into account by the Company for the adoption of valuation technique. Relevant observable input values are preferentially adopted for valuation techniques, and the unobservable input values can be used only when the observable input values are unable or unpractical to be obtained.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.30 FAIR VALUE MEASUREMENT (CONTINUED)

Input values used in the fair value measurement are divided into three levels:

- Level 1 input values are unadjusted quoted prices in the active market of identical assets or liabilities accessible on the measurement date.
- Level 2 input values refer to input values that are directly or indirectly observable for relevant assets or liabilities, other than Level 1 input values.
- Level 3 input values are unobservable input values for relevant assets or liabilities.

The fair value measurement is categorized in its entirety based on the lowest level where the input values that are significant to the entire measurement stand.

Assets and liabilities measured by the Company at fair value mainly include: Financial assets held for trading and investment in other equity instruments.

3.31 GENERAL RISK RESERVES

Antu Jinxin Commercial Factoring Limited, a subsidiary of the Company, withholds the general risk reserves from the net profit at 1% of risk assets in accordance with the Circular of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Commercial Factoring Enterprises (YBJBF [2019] No. 205).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.32 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

3.32.1 Changes in significant accounting policies

- (1) Implementation of the Interpretations on *the Accounting Standards for Business Enterprises No. 14*

On February 2, 2021, the Ministry of Finance issued *the Implementation of the Interpretations on the Accounting Standards for Business Enterprises No. 14* (CK [2021] No.1, hereinafter referred to as “**Interpretation No.14**”), which will take effect as promulgation. The related businesses newly occurred from January 1, 2021 to the effective date, will be adjusted according to Interpretation No. 14.

- ① Government and social capital cooperation (PPP) project contract

Interpretation No. 14 is applicable to PPP project contracts that meet both the “dual features” and “dual control” mentioned in this interpretation. The relevant PPP project contracts that have been implemented before December 31, 2020 and have not been completed until the implementation date shall be retrospectively adjusted. If retrospective adjustment is not feasible, it shall be applied from the beginning of the earliest period of retrospective adjustment, the retained earnings at the beginning of the year and other related items of the financial statement on the effective date of the cumulative impact adjustment, and the comparable period information will not be adjusted.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.32 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS (CONTINUED)

3.32.1 Changes in significant accounting policies (Continued)

- (1) Implementation of *the Interpretations on the Accounting Standards for Business Enterprises No. 14* (Continued)

② Interest Rate Benchmark Reform

Interpretation No. 14 provides simplified accounting treatment provisions for situations in which the interest rate benchmark reform has caused changes in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of the interpretation, the business related to the interest rate benchmark reform that occurred before December 31, 2020 should be retrospectively adjusted, unless retrospective adjustment is not practicable, and there is no need to adjust the previous comparative financial statement data. On the effective date of this interpretation, the difference between the original book value of financial assets and financial liabilities and the new book value shall be included in the retained earnings or other comprehensive income at the beginning of the annual reporting period on the effective date of the interpretation. The implementation of the regulations did not have a significant impact on the company's financial status and operating results.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.32 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS (CONTINUED)

3.32.1 Changes in significant accounting policies (Continued)

- (2) Implementation of the Provision on the Accounting Treatment of Relevant Rent Reduction due to the Outbreak of COVID-19

The Ministry of Finance issued the Provisions on Accounting Treatment of Relevant Rent Reduction due to the Outbreak of COVID-19 (CK [2020] No. 10) on June 19, 2020, which provides for rent reductions and deferred payment of rents directly caused by the new coronary pneumonia epidemic that meet the conditions for rent reduction, allowing enterprises to adopt simplified methods for accounting treatment.

On May 26, 2021, the Ministry of Finance issued the “Notice on Adjusting the Application Scope of the Provisions on Accounting Treatment of Relevant Rent Reduction due to the Outbreak of COVID-19” (CK [2021] No. 9), which will be implemented on May 26, 2021. The application scope has been adjusted from “Concessions only for lease payments payable before June 30, 2021” to “Concessions only for lease payments payable before June 30, 2022”, and other applicable conditions remain unchanged.

The Company has adopted the simplified method for accounting treatment for all eligible lease contracts before the adjustment of the scope of application, and also adopted the simplified method for accounting treatment for all eligible lease contracts after the adjustment of the scope of application, and adopted leases before the notice was issued. Retrospective adjustments will be made to the relevant lease contracts that are subject to accounting changes, but the previous comparative financial statement data will not be adjusted; the relevant rent concessions that have not been accounted for in accordance with the provisions of the notice that occur between January 1, 2021 and the effective date of the notice, would adjust according to the notice.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.32 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS (CONTINUED)

3.32.2 Changes in significant accounting estimates

The Group had no change in significant accounting estimates in reporting period.

3.33 KEY ACCOUNTING ESTIMATES AND JUDGMENTS

When preparing consolidated financial statements, it is necessary to use accounting estimates, which are not always consistent with actual results. The management also needs to make estimates when applying the Group's accounting policies.

Estimates and judgments will be continuously evaluated and it's based on past experience and other factors, including predictions of future events that are believed to be reasonable under the relevant circumstances.

3.33.1 Estimated useful life and residual value of property, plant and equipment

The Group uses the straight-line method to depreciate property, plant and equipment according to their estimated useful life, and adopts a sufficient depreciation rate to offset the amount of their cost minus the accumulated impairment loss and the revaluation amount after the estimated remaining value. The Group reviews the useful lives of fixed assets on a regular basis to ensure that the depreciation method and depreciation rate are in line with the economic benefits of the relevant fixed assets.

The Group's estimation of the useful life of fixed assets is detailed in the "Note 3.15", which is based on the historical experience of the Group in using similar assets and takes into account expected technological changes. If there is a significant change in the previous estimate, the future depreciation expense will be adjusted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

3 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3.33 KEY ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

3.33.2 Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. When calculating the value in use, management is required to estimate the expected future cash flows from the cash-generating unit and an appropriate discount rate to calculate the present value.

3.33.3 Income tax and deferred tax

The Group pays income tax in Mainland China and other jurisdictions. When determining income tax, significant judgments are required. In the ordinary course of business, the final tax determination involved in some transactions and calculations is uncertain. The Group recognizes liabilities for anticipated tax audit items based on estimates of whether additional taxes will be required. The final tax consequences of such events are different from the amounts originally recorded, and these differences will affect the income tax and deferred tax provisions during the period in which these determinations are made.

3.33.4 Accounts receivable and contract assets

The Group makes provision for impairment of accounts receivable and contract assets based on the assumptions of default risk and expected loss rate. For details, please refer to “Note 3.9.6”. On the balance sheet date, the Group judges these assumptions and selects input data for calculating impairment based on the Group’s historical records and current market conditions and forward-looking estimates.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

4 TAXATION

4.1 MAJOR TAX TYPES AND TAX RATES

Tax types	Basis of tax assessment	Tax rates
VAT	Levied based on the difference between output tax (calculated based on revenues from the sale of goods and taxable services according to the tax law) and deductible input tax for current period	See Table 2 as below
Urban maintenance and construction tax	Levied based on the actual VAT and excise tax paid	7%, 5%
Corporate income tax	Levied based on taxable income	25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

4 TAXATION (CONTINUED)

4.1 MAJOR TAX TYPES AND TAX RATES (CONTINUED)

4.1.1 During the reporting period, enterprise income tax rates adopted by the Company and its subsidiaries are as below:

Taxpayer	Income tax rate
TravelSky Technology Limited (Remark 1)	15%
Chongqing Civil Aviation Cares Information Technology Co., Ltd. (Remark 2)	15%
Xi'an Civil Aviation Cares Technology Co., Ltd. (Remark 1)	15%
Hubei Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Civil Aviation Cares Technology of Xinjiang Co., Ltd. (Remark 1)	15%
Shenzhen Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Shanghai TravelSky Technology Limited (Remark 3)	20%
Xiamen Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Qingdao Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Yunnan Civil Aviation Cares Information Co., Ltd. (Remark 1)	15%
Hainan Civil Aviation Cares Co., Ltd. (Remark 1)	15%
Guangzhou TravelSky Technology Limited (Remark 1)	15%
China Aviation Accounting Co., Ltd. (Remark 1)	15%
Beijing Yake Technology Development Co., Ltd. (Remark 1)	15%
Infosky Information Technology Co., Ltd. (Remark 1)	15%
TravelSky Cares (Beijing) Real Estate Co., Ltd. (Remark 3)	20%
Beijing TravelSky Technology Limited (Remark 1)	15%
Guangzhou Skyecho Information Technology Co., Ltd. (Remark 3)	20%
Beijing Hangju Credit Management Co., Ltd. (Remark 3)	20%
Inner Mongolia TravelSky Technology Limited (Remark 3)	20%
TravelSky Technology International Limited	16.50%
TravelSky Technology Singapore Pte. Ltd.	17%
TravelSky Technology Korea Limited (Remark 4)	10%, 20% and 22%
TravelSky Technology (Japan) Limited (Remark 5)	27.9%, and 36.3%
TravelSky Technology (Europe) GMBH	15%
TravelSky Technology USA Limited (Remark 6)	8.84%, and 34%
Taiwan TravelSky Limited (Remark 7)	20%
TravelSky Technology (Australia) Pty. Ltd.	30%
OpenJaw Technologies Limited	12.50%



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

4 TAXATION (CONTINUED)

4.1 MAJOR TAX TYPES AND TAX RATES (CONTINUED)

4.1.1 During the reporting period, enterprise income tax rates adopted by the Company and its subsidiaries are as below: (Continued)

- Remark 1: TravelSky Technology Limited, Xi'an Civil Aviation Cares Technology Co., Ltd., Hubei Civil Aviation Cares Co., Ltd., Shenzhen Civil Aviation Cares Co., Ltd., Xiamen Civil Aviation Cares Co., Ltd., Qingdao Civil Aviation Cares Co., Ltd., Hainan Civil Aviation Cares Co., Ltd., Guangzhou TravelSky Technology Limited, China Aviation Accounting Co., Ltd., Beijing Yake Technology Development Co., Ltd., Infosky Information Technology Co., Ltd., Civil Aviation Cares Technology of Xinjiang Co., Ltd., Yunnan Civil Aviation Cares Information Co., Ltd. and Beijing TravelSky Technology Limited have been assessed as high-tech technology enterprises, enjoying the preferential income tax rate of 15%.
- Remark 2: The main business of Chongqing Civil Aviation Cares Information Technology Co., Ltd. conforms to Paragraph 5, Article 26 of the Encouraged Section in the Guiding Catalog for Industrial Restructuring (2011 Edition), stating that "aviation computer management and its network system development and construction"; thus, such company enjoys the preferential policy for income tax under the Great Western Development Strategy, paying tax at 15%.
- Remark 3: Basis: "Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies to Support the Development of Small and Low-Profit Enterprises and Individual Industrial and Commercial Households" State Administration of Taxation Announcement No. 8 of 2021, stating that, from January 1, 2019 to December 31, 2021, for small low-profit enterprises, the portion of less than RMB1 million of the annual taxable income, shall be included in the actual taxable income at 12.5%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%. In current period, as the taxable income of Shanghai TravelSky Technology Limited, TravelSky Cares (Beijing) Real Estate Co., Ltd., Guangzhou Skyecho Information Technology Co., Ltd., Beijing Hangju Credit Management Co., Ltd. and Inner Mongolia TravelSky Technology Limited did not exceed RMB1 million, 12.5% of such taxable income was reduced, and enterprise income tax was paid at 20%, by which the actual tax burden was 2.5%;
- Remark 4: For TravelSky Technology Korea Limited, if its net profit is less than KRW200 million, the income tax will be levied based on 10% of the net profit; if the net profit is not less than KRW 200 million and not more than KRW20 billion, the income tax will be levied based on 20% of such net profit; if the net profit is more than KRW20 billion, the income tax will be levied based on 22% of such net profit.
- Remark 5: TravelSky Technology (Japan) Limited pays the corporate income tax based on 27.9% of the taxable income if such taxable income is less than JPY 8 million, and based on 36.3% of such taxable income if it is more than JPY8 million.
- Remark 6: TravelSky Technology USD Ltd., pays the federal tax based on 34% of the total profits and the state tax based on 8.84% of the total profits.
- Remark 7: The business income tax rate of Taiwan TravelSky Limited is 20%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

4 TAXATION (CONTINUED)

4.1 MAJOR TAX TYPES AND TAX RATES (CONTINUED)

4.1.2 During the reporting period, VAT rates adopted by the Company and its subsidiaries are as below:

Company	Tax rate
TravelSky Technology Limited	13%, 9%, and 6%
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	13%, and 6%
Hunan TravelSky Technology Limited	13%, and 6%
Xi'an Civil Aviation Cares Technology Co., Ltd.	13%, 6%, and 3%
Hubei Civil Aviation Cares Co., Ltd.	13%, and 6%
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	13%, 6%, and 3%
Shenzhen Civil Aviation Cares Co., Ltd.	13%, and 6%
Shanghai TravelSky Technology Limited	6%
Shanghai Jiexing Electronic Commerce Co., Ltd.	6%
Xiamen Civil Aviation Cares Co., Ltd.	13%, and 6%
Qingdao Civil Aviation Cares Co., Ltd.	13%, and 6%
Yunnan Civil Aviation Cares Information Co., Ltd.	13%, and 6%
Hainan Civil Aviation Cares Co., Ltd.	13%, and 6%
Guangzhou TravelSky Technology Limited	13%, 6%, and 5%
China Aviation Accounting Co., Ltd.	6%
Beijing Yake Technology Development Co., Ltd.	6%
Infosky Information Technology Co., Ltd.	13%, and 6%
TravelSky Cares (Beijing) Real Estate Co., Ltd.	13%, and 6%
Beijing TravelSky Travel Agency Co., Ltd.	13%, and 6%
TravelSky Southeast Data Center Co., Ltd.	13%, and 6%
Inner Mongolia TravelSky Technology Limited	13%, and 6%
Zhejiang TravelSky Technology Limited	13%, and 6%
Henan TravelSky Technology Limited	13%, and 6%
Beijing TravelSky Technology Limited	13%, and 6%
Guangzhou Skyecho Information Technology Co., Ltd.	13%, and 6%
TravelSky Mobile Technology Co., Ltd.	13%, and 6%
Beijing Hangju Credit Management Co., Ltd.	6%
TravelSky Technology International Limited	Not Applicable
TravelSky Technology Singapore Pte. Ltd.	Not Applicable
TravelSky Technology Korea Limited	Not Applicable
TravelSky Technology (Japan) Limited	8%
TravelSky Technology (Europe) GMBH	19%
TravelSky Technology USA Limited	Not Applicable
Taiwan TravelSky Limited	Not Applicable
TravelSky Technology (Australia) Pty. Ltd.	Not Applicable
OpenJaw Technologies Limited	23%



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

4 TAXATION (CONTINUED)

4.2 TAX INCENTIVES

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform [2019] No. 39, from April 1, 2019 to December 31, 2021, taxpayers of manufacturing and living service industries shall be allowed to add an extra 10% based on the deductible input tax for the current period for deduction of the tax payable. The policy of additional deduction of input tax applies to the Company.

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 CASH AND CASH EQUIVALENTS

Items	As at June 30, 2021	As at December 31, 2020
Cash on hand	54,735.16	99,362.26
Cash at bank	4,428,654,650.32	4,391,683,483.75
Other cash and cash equivalents	120,905,151.66	65,472,830.50
Total	4,549,614,537.14	4,457,255,676.51
Including: the total amount deposited abroad	252,605,475.82	294,449,055.25

Details of restricted Cash and cash equivalents due to mortgage, pledge or freezing, and are placed overseas and restricted on the repatriation of funds are as follows:

Items	As at June 30, 2021	As at December 31, 2020
Bank acceptance bills deposits	—	—
L/C deposits	230,586.00	240,750.00
Performance bond	123,028,853.14	92,079,444.82
Total	123,259,439.14	92,320,194.82

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.2 FINANCIAL ASSETS HELD FOR TRADING

Items	As at June 30, 2021	As at December 31, 2020
Financial assets measured at fair value through the current profit or loss	3,716,694,131.66	800,028,493.15
Including: debt instrument investments	3,716,694,131.66	800,028,493.15
Total	3,716,694,131.66	800,028,493.15

5.3 NOTES RECEIVABLE

5.3.1 Breakdown of the notes receivable

Items	As at June 30, 2021	As at December 31, 2020
Bank acceptance bills	–	–
Commercial acceptance bills	38,563,788.65	121,322,898.07
Less: provision for bad debts	3,288,419.44	12,653,978.27
Total	35,275,369.21	108,668,919.80

5.3.2 Notes receivable pledged as at June 30, 2021

The Group has no the above-mentioned situation.

5.3.3 Notes receivable endorsed or discounted but undue as at June 30, 2021

The Group has no the above-mentioned situation.

5.3.4 Notes transferred to accounts receivable due to the failure of the drawer to perform the contract as at June 30, 2021

The Group has no the above-mentioned situation.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 ACCOUNTS RECEIVABLE

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

Aging	As at June 30, 2021	As at December 31, 2020
Within 1 year	3,539,804,274.43	2,857,477,688.99
<i>Including: subitem within 1 year</i>		
<i>Within 6 months</i>	1,974,669,065.36	2,031,666,632.52
<i>7 – 12 months</i>	1,565,135,209.07	825,811,056.47
1 – 2 years	1,622,520,311.83	1,872,244,616.22
2 – 3 years	710,128,674.71	511,268,280.13
3 – 4 years	173,016,866.25	90,609,453.92
4 – 5 years	27,364,773.04	35,015,728.27
Over 5 years	79,772,126.40	75,184,966.48
Sub-total	6,152,607,026.66	5,441,800,734.01
Less: provision for bad debts	1,420,953,124.50	996,485,116.86
Total	4,731,653,902.16	4,445,315,617.15

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

Category	As at June 30, 2021					As at December 31, 2020				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision for bad debts accrued on an individual basis	1,224,376,654.04	19.90	1,055,773,386.33	86.23	168,603,267.71	816,250,713.30	15.00	624,918,022.47	76.56	191,332,690.83
Provision for bad debts accrued on a portfolio basis	4,928,230,372.62	80.10	365,179,738.17	7.41	4,563,050,634.45	4,625,550,020.71	85.00	371,567,094.39	8.03	4,253,982,926.32
Total	6,152,607,026.66	100.00	1,420,953,124.50		4,731,653,902.16	5,441,800,734.01	100.00	996,485,116.86		4,445,315,617.15

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 ACCOUNTS RECEIVABLE (CONTINUED)

5.4.2 Disclosure of accounts receivable under the methods of provision for bad debts by category (Continued)

Provision for bad debts accrued on an individual basis:

Name	Book balance	As at June 30, 2021		
		Provision for bad debts	Proportion of provision (%)	Reason for provision
Customer 1 and its subsidiaries	1,059,121,481.29	893,878,383.65	84.40	Declare bankruptcy and restructuring
Customer 2	127,292,269.34	125,444,829.68	98.55	Operation difficulty
Customer 3	18,408,475.02	18,408,475.02	100.00	Company closed
Customer 4	10,738,596.42	10,738,596.42	100.00	Company closed
Customer 5	4,666,206.04	4,666,206.04	100.00	Company closed
Other customers	4,149,625.93	2,636,895.52	63.55	Operation difficulty
Total	1,224,376,654.04	1,055,773,386.33		

Provision for bad debts accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	As at June 30, 2021		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Accounts receivable from third-parties	1,677,812,545.01	352,821,957.25	21.03
Accounts receivable from related parties	3,250,417,827.61	12,357,780.92	0.38
Total	4,928,230,372.62	365,179,738.17	



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.4 ACCOUNTS RECEIVABLE (CONTINUED)

5.4.3 Provision, reversal or recovery of provision for bad debts in 2021

Category	As at December 31, 2020	Changes in the current period		Write-off/ charge-off	As at June 30, 2021
		Provision	Reversal/Recovery		
Provision for bad debts accrued on an individual basis	624,918,022.47	430,855,363.86	-	-	1,055,773,386.33
Provision for bad debts accrued on a portfolio basis	371,567,094.39	-6,033,147.62	-	354,208.60	365,179,738.17
Total	996,485,116.86	424,822,216.24	-	354,208.60	1,420,953,124.50

5.4.4 Accounts receivable actually charged off in 2021

Items	Amount charged off
Accounts receivable actually charged off	354,208.60

5.4.5 Top five of accounts receivable as at June 30, 2021, presented by debtors.

The sum amount of top five of accounts receivable as at June 30, 2021, presented by debtors is RMB4,267,811,284.60, accounting for 69.37% of the ending balance of accounts receivable, and the corresponding ending balance of provision for bad debts is RMB893,878,383.65.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.5 ADVANCES TO SUPPLIERS

5.5.1 Presentation of advances to suppliers by aging

Aging	As at June 30, 2021		As at December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	153,273,074.11	65.94	93,672,934.21	53.09
1 to 2 years	49,487,445.26	21.29	58,945,687.10	33.41
2 to 3 years	6,091,420.33	2.62	9,459,920.00	5.36
Over 3 years	23,603,246.41	10.15	14,361,615.71	8.14
Total	232,455,186.11	100.00	176,440,157.02	100.00

5.5.2 Top five of advances to suppliers as at June 30, 2021, presented by prepaid objects

The sum amount of top five advances to suppliers as at June 30, 2021 presented based on the concentration ratio of prepaid objects amounted to RMB68,664,278.48, accounting for 29.53% of total ending balance of advances to suppliers.

5.6 OTHER RECEIVABLES

Items	As at June 30, 2021	As at December 31, 2020
Interest receivable	—	—
Dividends receivable	4,080,000.00	4,368,000.00
Other receivables	1,105,636,486.63	918,380,962.53
Total	1,109,716,486.63	922,748,962.53



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.1 Dividends receivable

- (1) Details of dividends receivable

Items (or investees)	As at June 30, 2021	As at December 31, 2020
Yantai TravelSky Airport Network Co., Ltd.	–	288,000.00
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	4,080,000.00
Sub-total	4,080,000.00	4,368,000.00
Less: provision for bad debts	–	–
Total	4,080,000.00	4,368,000.00

- (2) Significant dividends receivable with aging over one year

Items (or investees)	As at June 30, 2021	Aging	Whether impairment occurs and the basis for its judgment
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	2-3 years	The company is operating normally and is expected to be recovered in the future
Total	4,080,000.00		

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.2 Other receivables

(1) Disclosure by aging

Aging	As at June 30, 2021	As at December 31, 2020
Within 1 year	922,820,325.35	841,068,135.86
<i>Including: subitem within 1 year</i>		
<i>Within 6 months</i>	901,052,012.90	778,660,481.13
<i>7 – 12 months</i>	21,768,312.44	62,407,654.73
1 – 2 years	75,500,849.03	29,508,985.57
2 – 3 years	45,965,266.92	20,560,824.23
3 – 4 years	33,348,218.63	14,712,971.37
4 – 5 years	20,480,992.90	8,438,187.40
Over 5 years	7,898,362.73	5,235,402.63
Sub-total	1,106,014,015.55	919,524,507.06
Less: provision for bad debts	377,528.92	1,143,544.53
Total	1,105,636,486.63	918,380,962.53



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.2 Other receivables (Continued)

(2) Disclosure of other receivables under the methods of provision for bad debts by category

Category	As at June 30, 2021					As at December 31, 2020				
	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	-	-	-	-	-	775,837.80	0.08	775,837.80	100.00	-
Provision for bad debts accrued on a portfolio basis	1,106,014,015.55	100.00	377,528.92	0.03	1,105,636,486.63	918,748,669.26	99.92	367,706.73	0.04	918,380,962.53
Total	1,106,014,015.55	100.00	377,528.92		1,105,636,486.63	919,524,507.06	100.00	1,143,544.53		918,380,962.53

Provision for bad debts accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	As at June 30, 2021		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Other receivables from third parties	610,186,085.82	373,925.35	0.06
Other receivables from related parties	495,827,929.73	3,603.57	-
Total	1,106,014,015.55	377,528.92	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.2 Other receivables (Continued)

- (3) Provision for bad debts

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (no credit impairment)	Expected credit losses for the entire duration (credit impairment)	
Balance as at December 31, 2020	-	367,706.73	775,837.80	1,143,544.53
In 2021, balance as at December 31, 2020	-	-	-	-
- Transfer to Phase 2	-	-	-	-
- Transfer to Phase 3	-	-	-	-
- Reversal from Phase 2	-	-	-	-
- Reversal from Phase 1	-	-	-	-
Provision in 2021	-	9,822.19	-	9,822.19
Reversal in 2021	-	-	775,837.80	775,837.80
Write-off in 2021	-	-	-	-
Charge-off in 2021	-	-	-	-
Other changes	-	-	-	-
Balance as at June 30, 2021	-	377,528.92	-	377,528.92



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.2 Other receivables (Continued)

- (3) Provision for bad debts (Continued)

Changes in the book balance of other receivables are as follows:

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (no credit impairment)	Expected credit losses for the entire duration (credit impairment)	
Balance as at December 31, 2020	-	918,748,669.26	775,837.80	919,524,507.06
In 2021, balance as at December 31, 2020	-	-	-	-
- Transfer to Phase 2	-	-	-	-
- Transfer to Phase 3	-	-	-	-
- Reversal from Phase 2	-	-	-	-
- Reversal from Phase 1	-	-	-	-
Increase in 2021	-	187,265,346.29	-	187,265,346.29
Derecognition in 2021	-	-	775,837.80	775,837.80
Other changes	-	-	-	-
Balance as at June 30, 2021	-	1,106,014,015.55	-	1,106,014,015.55

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.2 Other receivables (Continued)

- (4) Provision, reversal or recovery of provision for bad debts in 2021

Category	As at December 31, 2020	Changes in the current period			As at June 30, 2021
		Provision	Reversal/ Recovery	Write-off/ charge-off	
Provision for bad debts accrued on an individual basis	775,837.80	–	775,837.80	–	–
Provision for bad debts accrued on a portfolio basis	367,706.73	9,822.19	–	–	377,528.92
Total	1,143,544.53	9,822.19	775,837.80	–	377,528.92

Recovery of significant amount of other receivables:

Debtor	Amount Reversal/ Recovery	The basis and rationality of determining the original bad debt provision	Reason for Reversal/ Recovery	Recovery method
Total	775,837.80			



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.6 OTHER RECEIVABLES (CONTINUED)

5.6.2 Other receivables (Continued)

- (5) Classification of other receivables by the nature of payment

Nature	As at June 30, 2021	As at December 31, 2020
Various margin, deposit and loan of reserve fund	84,952,597.93	89,564,717.16
Current loan	178,384,557.07	30,822,328.77
Settlement and clearing payments	511,860,622.56	578,169,221.99
Factoring receivables	330,816,237.99	220,968,239.14
Total	1,106,014,015.55	919,524,507.06

- (6) Top five of other receivable as at June 30, 2021, presented by debtors.

The summary amount of top five of other receivables as at June 30, 2021, presented by debtors is RMB343,271,190.96, accounting for 31.04% of the total ending balances of other receivables.

5.7 INVENTORIES

5.7.1 Classification of inventories

Items	As at June 30, 2021 Inventory falling price reserves/ provision for impairment of contract performance			As at December 31, 2020 Inventory falling price reserves/ provision for impairment of contract performance		
	Book balance	costs	Book value	Book balance	costs	Book value
Merchandise inventories	63,513,818.83	105,889.34	63,407,929.49	57,753,411.02	105,889.34	57,647,521.68
Contract performance cost	26,654,481.60	–	26,654,481.60	19,950,021.85	–	19,950,021.85
Total	90,168,300.43	105,889.34	90,062,411.09	77,703,432.87	105,889.34	77,597,543.53

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.7 INVENTORIES (CONTINUED)

5.7.2 Provision for inventory impairment

Items	As at December 31, 2020	Increase in 2021		Decrease in 2021		As at June 30, 2021
		Provision	Others	Reversal or write-off	Others	
Merchandise inventories	105,889.34	-	-	-	-	105,889.34
Total	105,889.34	-	-	-	-	105,889.34

5.7.3 Notes to ending balance of inventory containing amount of capitalization of borrowing costs

The Group has no the above-mentioned situation.

5.8 CONTRACT ASSETS

5.8.1 Contract assets

Item	As at June 30, 2021			As at December 31, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
System integration service contracts	28,097,675.58	1,418,224.79	26,679,450.79	147,736,720.33	14,221,115.02	133,515,605.31
Total	28,097,675.58	1,418,224.79	26,679,450.79	147,736,720.33	14,221,115.02	133,515,605.31

5.8.2 Amount from significant change in book value and reason therefor during the reporting period

Item	Changed amount	Reason for change
System integration service contracts	-119,639,044.75	Recovered according to the progress of the contract performance.
Total	-119,639,044.75	



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.8 CONTRACT ASSETS

5.8.3 Classification disclosure of contract assets under method of provision for impairment

Category	As at June 30, 2021					As at December 31, 2020				
	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 impairment accrued on an individual basis	-	-	-	-	-	-	-	-	-	-
Provision for impairment accrued on a portfolio basis	28,097,675.58	100.00	1,418,224.79	5.05	26,679,450.79	147,736,720.33	100.00	14,221,115.02	9.63	133,515,605.31
Total	28,097,675.58	100.00	1,418,224.79		26,679,450.79	147,736,720.33	100.00	14,221,115.02		133,515,605.31

Provision for impairment accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	Balance as at June 30, 2021		
	Contract assets	Provision for impairment	Proportion of provision (%)
System integration service contracts	28,097,675.58	1,418,224.79	5.05
Total	28,097,675.58	1,418,224.79	

5.8.4 Provision for impairment of contract assets in 2021

Item	Balance as at		Reversal in 2021	Write-off/charge-off in 2021	Balance as at June 30, 2021
	December 31, 2020	Provision in 2021			
System integration service contracts	14,221,115.02	-12,802,890.23	-	-	1,418,224.79
Total	14,221,115.02	-12,802,890.23	-	-	1,418,224.79

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.9 NON-CURRENT ASSETS MATURING WITHIN ONE YEAR

Items	As at June 30, 2021	As at December 31, 2020
Other creditors' investment maturing within one year	-	922,750,037.84
Total	-	922,750,037.84

Significant creditor's right investments and other creditor's right investments as at June 30, 2021:

Item	Balance as at June 30, 2021			Balance as at December 31, 2020		
	Face value	Coupon rate	Maturity date	Face value	Coupon rate	Maturity date
China Minsheng Bank	-	-	-	900,000,000.00	3.55%	2021/1/27
Total	-			900,000,000.00		

5.10 OTHER CURRENT ASSETS

Items	As at June 30, 2021	As at December 31, 2020
Prepaid enterprise income tax	18,637,828.92	19,512,172.06
Creditor's right investment	15,065,625.00	1,528,927,182.95
Retained for VAT	100,826,318.55	97,624,766.76
Other taxes and surcharges	596,869.42	706,112.11
Total	135,126,641.89	1,646,770,233.88



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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.11 LONG-TERM EQUITY INVESTMENTS

Investees	As at		Decrease in investments	Gain/loss on investments recognized under equity method	Increase/decrease in 2021			Provision for impairment in 2021	Others	As at June 30, 2021	Balance of provision for impairment as at June 30, 2021
	December 31, 2020	Increase in investments			Adjustment to other comprehensive income	Change in other equity change	Cash dividends or profits declared to be distributed				
1. Joint ventures											
Heilongjiang TravelSky Airport Network Co., Ltd.	18,473,996.80	-	-	666,674.77	-	-	-	-	-	19,130,671.57	-
Dalian TravelSky Airport Network LLC	22,765,138.99	-	-	-455,245.57	-	-	-	-	-	22,309,893.42	-
Shanghai Dongmei Online Travel Agency Co., Ltd.	4,792,882.65	-	-	-239,682.12	-	-	-	-	-	4,553,200.53	-
Hebei TravelSky Airport Network Co., Ltd.	6,529,868.64	-	-	-2,104,938.53	-	-	-	-	-	4,424,930.11	-
Xinjiang TravelSky E-surfing Science and Technology Co., Ltd.	-	5,000,000.00	-	-	-	-	-	-	-	5,000,000.00	-
Sub-total	52,561,887.08	5,000,000.00	-	-2,143,191.45	-	-	-	-	-	55,418,695.63	-
2. Associates											
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	130,463,890.32	-	-	11,148,601.25	-	-	-	-	-	141,612,491.57	-
Shenyang Civil Aviation Northeast Cares Co., Ltd.	106,024,920.98	-	-	5,339,654.84	-	-	-	-	-	111,364,575.82	-
Guangzhou Airport Hangyi Information Technology Co., Ltd.	6,646,455.42	-	-	-3,067,954.06	-	-	-	-	-	3,578,501.36	-
Yunnan TravelSky Airport Network Co., Ltd.	36,458,354.36	-	-	515,237.94	-	-	-	-	-	36,973,592.30	-
Yantai TravelSky Airport Network Co., Ltd.	6,833,013.42	-	-	323,989.29	-	-	-	-	-	7,157,002.71	-
Chengdu Civil Aviation Southwest Cares Co., Ltd.	67,720,247.30	-	-	-13,864,217.37	-	-	-	-	-	53,856,029.93	-
Beijing TravelSky Birun Technology Co., Ltd.	19,145,515.93	-	-	2,172,781.67	-	-	-	-	-	21,318,297.60	-
TravelSky Mobile Technology Limited	244,270,094.88	-	-	-14,099,554.25	-	-	-	-	-	230,170,540.63	-
Sub-total	617,562,492.61	-	-	-11,531,460.69	-	-	-	-	-	606,031,031.92	-
Total	670,124,379.69	5,000,000.00	-	-13,674,652.14	-	-	-	-	-	661,449,727.55	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.12 INVESTMENTS IN OTHER EQUITY INSTRUMENTS

5.12.1 Details of other equity instrument investments

Items	As at June 30, 2021	As at December 31, 2020
China Merchants RenHe Life Insurance Company Limited	893,202,600.00	893,202,600.00
Total	893,202,600.00	893,202,600.00

5.12.2 Details of non-trading equity instrument investments

Items	Dividend income recognized in 2021	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons for financial assets designated to be measured at fair value through other comprehensive income	Reasons for transferring other comprehensive income to retained income
China Merchants RenHe Life Insurance Company Limited	-	18,202,600.00	-	-	Investment held by the Company for non-trading purposes	-

5.13 OTHER NON-CURRENT FINANCIAL ASSETS

Items	As at June 30, 2021	As at December 31, 2020
Financial assets measured at fair value through the current profit or loss	116,581,190.23	82,315,300.00
Including: equity instrument investments	116,581,190.23	82,315,300.00
Total	116,581,190.23	82,315,300.00

The above-mentioned other non-current financial assets are investment on China Mobile Equity Fund, and 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 of June 30, 2021 the Company has made actual contributions (including fund management fees) of RMB126,944,384.81 under the agreement, which is measured at fair value with a book value of RMB116,581,190.23.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.14 INVESTMENT PROPERTIES

5.14.1 Investment properties measured at cost

Items	Buildings and constructions	Land use right	Total
1. Original book value			
(1) As at December 31, 2020	128,892,622.00	92,427,128.90	221,319,750.90
(2) Increase in 2021	–	–	–
(3) Decrease in 2021	–	–	–
(4) As at June 30, 2021	128,892,622.00	92,427,128.90	221,319,750.90
2. Accumulated depreciation and amortization			
(1) As at December 31, 2020	84,050,962.91	27,265,855.58	111,316,818.49
(2) Increase in 2021	2,978,392.26	1,143,428.40	4,121,820.66
– Provision	2,978,392.26	1,143,428.40	4,121,820.66
(3) Decrease in 2021	–	–	–
(4) As at June 30, 2021	87,029,355.17	28,409,283.98	115,438,639.15
3. Provision for impairment			
(1) As at December 31, 2020	–	–	–
(2) Increase in 2021	–	–	–
(3) Decrease in 2021	–	–	–
(4) As at June 30, 2021	–	–	–
4. Book value			
(1) As at June 30, 2021	41,863,266.83	64,017,844.92	105,881,111.75
(2) As at December 31, 2020	44,841,659.09	65,161,273.32	110,002,932.41

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Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.14 INVESTMENT PROPERTIES (CONTINUED)

5.14.2 Investment properties with pending certificate of title

The Group has no investment properties with uncompleted certificate of title.

5.15 FIXED ASSETS

5.15.1 Fixed assets and disposal of fixed assets

Items	As at June 30, 2021	As at December 31, 2020
Fixed assets	3,983,135,959.54	4,242,354,671.35
Disposal of fixed assets	89,528.68	24,995.06
Total	3,983,225,488.22	4,242,379,666.41



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.15 FIXED ASSETS (CONTINUED)

5.15.2 Breakdown of fixed assets

Items	Buildings and constructions	Machinery equipment	Motor vehicles	Electronic equipment	Office equipment	Others	Total
1. Original book value							
(1) As at December 31, 2020	3,136,296,702.28	1,670,996,402.48	71,143,235.54	2,456,560,167.11	281,900,376.52	32,081,329.99	7,648,978,213.92
(2) Increase in 2021	1,054,609.84	-	4,851.49	13,056,848.50	3,272,108.40	222,920.35	17,611,338.58
- Purchase	1,054,609.84	-	4,851.49	13,056,848.50	3,272,108.40	222,920.35	17,611,338.58
(3) Decrease in 2021	446,013.05	-	25,248.19	5,623,957.14	6,814,120.61	3,680,811.83	16,590,150.82
- Disposal or scrapping	445,078.04	-	-	5,595,311.74	6,549,385.49	3,669,478.81	16,259,254.08
- Others	935.01	-	25,248.19	28,645.40	264,735.12	11,333.02	330,896.74
(4) As at June 30, 2021	3,136,905,299.07	1,670,996,402.48	71,122,838.84	2,463,993,058.47	278,358,364.31	28,623,438.51	7,649,999,401.68
2. Accumulated depreciation							
(1) As at December 31, 2020	571,086,584.12	846,074,032.82	61,115,323.31	1,710,765,156.98	175,771,419.54	25,576,952.87	3,390,389,469.64
(2) Increase in 2021	54,235,381.48	67,625,494.68	1,164,270.16	135,506,267.61	16,390,317.32	1,168,790.52	276,090,521.77
- Provision	54,235,381.48	67,625,494.68	1,164,270.16	135,506,267.61	16,390,317.32	1,168,790.52	276,090,521.77
(3) Decrease in 2021	427,245.35	444,400.13	25,247.92	5,115,786.02	6,267,230.32	3,570,712.46	15,850,622.20
- Disposal or scrapping	426,465.05	-	-	5,091,545.52	6,165,676.04	3,559,400.29	15,243,086.90
- Others	780.30	444,400.13	25,247.92	24,240.50	101,554.28	11,312.17	607,535.30
(4) As at June 30, 2021	624,894,720.25	913,255,127.37	62,254,345.55	1,841,155,638.57	185,894,506.54	23,175,030.93	3,650,629,369.21
3. Provision for impairment							
(1) As at December 31, 2020	-	5,821,523.40	-	10,412,549.53	-	-	16,234,072.93
(2) Increase in 2021	-	-	-	-	-	-	-
(3) Decrease in 2021	-	-	-	-	-	-	-
(4) As at June 30, 2021	-	5,821,523.40	-	10,412,549.53	-	-	16,234,072.93
4. Book value							
(1) As at June 30, 2021	2,512,010,578.82	751,919,751.71	8,868,493.29	612,424,870.37	92,463,857.77	5,448,407.58	3,983,135,959.54
(2) As at December 31, 2020	2,565,210,118.16	819,100,846.26	10,027,912.23	735,382,460.60	106,128,956.98	6,504,377.12	4,242,354,671.35

5.15.3 Temporarily idle fixed assets

The Group has no idle fixed assets.

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Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.15 FIXED ASSETS (CONTINUED)

5.15.4 Details of fixed assets leased under operating lease

Items	Buildings and constructions	Total
1. Original book value		
(1) As at December 31, 2020	110,349,269.61	110,349,269.61
(2) Increase in 2021	–	–
(3) Decrease in 2021	–	–
(4) As at June 30, 2021	110,349,269.61	110,349,269.61
2. Accumulated depreciation		
(1) As at December 31, 2020	16,055,818.73	16,055,818.73
(2) Increase in 2021	1,337,984.89	1,337,984.89
– Provision	1,337,984.89	1,337,984.89
(3) Decrease in 2021	–	–
(4) As at June 30, 2021	17,393,803.62	17,393,803.62
3. Provision for impairment		
(1) As at December 31, 2020	–	–
(2) Increase in 2021	–	–
(3) Decrease in 2021	–	–
(4) As at June 30, 2021	–	–
4. Book value		
(1) As at June 30, 2021	92,955,465.99	92,955,465.99
(2) As at December 31, 2020	94,293,450.88	94,293,450.88

5.15.5 Fixed assets without certificate of title

Items	Book value	Reason for failure to complete the formalities for the certificate of title
Houses and constructions in TravelSky Industrial Park	1,998,235,542.47	The part of houses and constructions has been completed, and the completion settlement formalities have not been completed



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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.15 FIXED ASSETS (CONTINUED)

5.15.6 Disposal of fixed assets

Items	As at June 30, 2021	As at December 31, 2020
To scrap transportation facilities	–	24,995.06
To scrap office equipments	89,528.68	–
Total	89,528.68	24,995.06

5.16 CONSTRUCTION IN PROGRESS

5.16.1 Construction in progress and project materials

Items	As at June 30, 2021	As at December 31, 2020
Construction in progress	32,202,532.56	23,733,542.62
Project materials	–	–
Total	32,202,532.56	23,733,542.62

5.16.2 Breakdown of construction in progress

Items	As at June 30, 2021			As at December 31, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Information product item 1	37,895,335.75	37,895,335.75	–	37,895,335.75	37,895,335.75	–
Information product item 2	11,046,078.98	11,046,078.98	–	11,046,078.98	11,046,078.98	–
Construction projects in						
TravelSky Industrial Park	28,183,048.58	–	28,183,048.58	20,412,051.23	–	20,412,051.23
Decoration project of Xiamen						
Civil Aviation Cares	4,019,483.98	–	4,019,483.98	3,321,491.39	–	3,321,491.39
Total	81,143,947.29	48,941,414.73	32,202,532.56	72,674,957.35	48,941,414.73	23,733,542.62

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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.16 CONSTRUCTION IN PROGRESS (CONTINUED)

5.16.3 Changes in major items of construction in progress in 2021

Items	Budget	As at	Transfer into	Other	As at June 30, 2021	Proportion of the project's cumulative investment in the budget project progress (%)	Of which: the amount of interest capitalized in the current period	Cumulative amount of interest capitalization	Current interest capitalization rate (%)	Sources of funds	
		December 31, 2020	Increase in 2021	fixed assets in 2021							decreases in 2021
Construction projects in TravelSky Industrial Park	2,593,024,800.00	20,412,051.23	7,770,997.35	-	-	1.09	Under construction	-	-	-	Own capital
Decoration project of Xiamen Civil Aviation Cares	4,280,000.00	3,321,491.39	697,992.59	-	-	93.91	Under construction	-	-	-	Own capital
Total	23,733,542.62	8,468,989.94	-	-	32,202,532.56			-	-	-	

5.16.4 Accruals of provision for impairment of construction in progress in 2021

The Group has no provision accrual for impairment.



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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.17 RIGHT-OF-USE ASSETS

Items	Buildings and constructions	Machinery equipment	Others	Total
1. Original book value				
(1) As at December 31, 2020	233,886,546.79	2,997,009.36	15,809.53	236,899,365.68
(2) Increase in 2021	17,333,081.22	–	3,428.57	17,336,509.79
– New lease	17,333,081.22	–	3,428.57	17,336,509.79
(3) Decrease in 2021	22,156,578.88	1,323,819.24	3,428.57	23,483,826.69
– Expiration of lease	19,523,007.22	16,150.44	3,428.57	19,542,586.23
– Others	2,633,571.66	1,307,668.80	–	3,941,240.46
(4) As at June 30, 2021	229,063,049.13	1,673,190.12	15,809.53	230,752,048.78
2. Accumulated depreciation				
(1) As at December 31, 2020	133,974,161.36	2,257,195.14	6,928.51	136,238,285.01
(2) Increase in 2021	41,149,307.57	549,112.52	7,904.75	41,706,324.84
– Provision	41,149,307.57	549,112.52	7,904.75	41,706,324.84
(3) Decrease in 2021	11,078,763.59	1,133,117.54	3,428.57	12,215,309.70
– Expiration of lease	9,706,255.28	16,150.44	3,428.57	9,725,834.29
– Others	1,372,508.31	1,116,967.10	–	2,489,475.41
(4) As at June 30, 2021	164,044,705.34	1,673,190.12	11,404.69	165,729,300.15
3. Provision for impairment				
(1) As at December 31, 2020	–	–	–	–
(2) Increase in 2021	–	–	–	–
(3) Decrease in 2021	–	–	–	–
(4) As at June 30, 2021	–	–	–	–
4. Book value				
(1) As at June 30, 2021	65,018,343.79	–	4,404.84	65,022,748.63
(2) As at December 31, 2020	99,912,385.43	739,814.22	8,881.02	100,661,080.67

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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.18 INTANGIBLE ASSETS

5.18.1 Breakdown of intangible assets

Items	Land use rights	Patents	Non-patented technology	Software	Total
1. Original book value					
(1) As at December 31, 2020	2,029,427,700.10	9,565.97	50,280,522.27	2,067,986,081.79	4,147,703,870.13
(2) Increase in 2021	-	-	3,765,375.04	297,816,898.35	301,582,273.39
- Purchase	-	-	3,765,375.04	297,816,898.35	301,582,273.39
(3) Decrease in 2021	-	449.82	30,436.27	10,825,138.83	10,856,024.92
- Others	-	449.82	30,436.27	10,825,138.83	10,856,024.92
(4) As at June 30, 2021	2,029,427,700.10	9,116.15	54,015,461.04	2,354,977,841.31	4,438,430,118.60
2. Accumulated depreciation					
(1) As at December 31, 2020	549,757,015.16	6,654.57	41,883,545.59	1,775,519,670.46	2,367,166,885.78
(2) Increase in 2021	25,222,800.30	332.53	1,684,852.31	132,479,438.13	159,387,423.27
- Provision	25,222,800.30	332.53	1,684,852.31	132,479,438.13	159,387,423.27
(3) Decrease in 2021	-	321.84	30,435.07	16,851,165.58	16,881,922.49
- Others	-	321.84	30,435.07	16,851,165.58	16,881,922.49
(4) As at June 30, 2021	574,979,815.46	6,665.26	43,537,962.83	1,891,147,943.01	2,509,672,386.56
3. Provision for impairment					
(1) As at December 31, 2020	-	-	-	20,823,029.13	20,823,029.13
(2) Increase in 2021	-	-	-	-	-
(3) Decrease in 2021	-	-	-	633,374.22	633,374.22
- Others	-	-	-	633,374.22	633,374.22
(4) As at June 30, 2021	-	-	-	20,189,654.91	20,189,654.91
4. Book value					
(1) As at June 30, 2021	1,454,447,884.64	2,450.89	10,477,498.21	443,640,243.39	1,908,568,077.13
(2) As at December 31, 2020	1,479,670,684.94	2,911.40	8,396,976.68	271,643,382.20	1,759,713,955.22



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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.18 INTANGIBLE ASSETS (CONTINUED)

5.18.2 Intellectual property with uncertain useful lives

As at June 30, 2021, the Group has no the above-mentioned situation.

5.18.3 Single intellectual property with significant influence

As at June 30, 2021, the Group has no the above-mentioned situation.

5.18.4 Intellectual property with restrictions on ownership or use right

As at June 30, 2021, the Group has no the above-mentioned situation.

5.18.5 Land use rights without title deeds

As at June 30, 2021, the Group has no right to land use with pending certificate of title.

5.19 DEVELOPMENT EXPENDITURES

Item	As at December 31, 2020	Increase in 2021 Internal R&D expenses	Decrease in 2021		As at June 30, 2021	Capitalization start point	Detailed basis for capitalization	R&D progress as at June 30, 2021
			Recognized as intangible assets	Included in the current profit or loss				
Item 1	6,452,734.36	485,639.00	-	-	6,938,373.36	2019/8/1	The item was approved in August 2019 the capitalization started	Applying for the Group's acceptance
Item 2	12,514,515.00	-	-	-	12,514,515.00	2019/8/1	The item was approved in August 2019 the capitalization started	Applying for the Group's acceptance
Item 3	55,990,644.53	16,470,123.79	-	-	72,460,768.32	2019/8/1	The item was approved in August 2019 the capitalization started	Applying for the Group's acceptance
Item 4	47,304,137.84	-	-	-	47,304,137.84	2018/5/1	The item was approved in May 2018 the capitalization started	Applying for the Group's acceptance

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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.19 DEVELOPMENT EXPENDITURE (CONTINUED)

Item	As at December 31, 2020	Increase in 2021 Internal R&D expenses	Decrease in 2021		As at June 30, 2021	Capitalization start point	Detailed basis for capitalization	R&D progress as at June 30, 2021
			Recognized as intangible assets	Included in the current profit or loss				
Item 5	14,114,909.84	-318,396.23	-	-	13,796,513.61	2019/10/1	The item was approved in October 2019 the capitalization started	Applying for the Group's acceptance
Item 6	11,234,145.35	-	-	-	11,234,145.35	2019/8/1	The item was approved in August 2019 the capitalization started	Applying for the Group's acceptance
Item 7	23,769,518.24	-	-	-	23,769,518.24	2019/3/1	The item was approved in March 2019 the capitalization started	Applying for the Group's acceptance
Item 8	21,236,268.25	-	-	-	21,236,268.25	2020/4/1	The item was approved in April 2020 the capitalization started	Applying for the Group's acceptance
Item 9	6,302,012.68	-	-	-	6,302,012.68	2020/4/1	The item was approved in April 2020 the capitalization started	Applying for the Group's acceptance
Item 10	3,365,023.57	-	-	-	3,365,023.57	2020/4/1	The item was approved in April 2020 the capitalization started	Applying for the Group's acceptance
Item 11	7,053,554.19	-	-	-	7,053,554.19	2020/4/1	The item was approved in April 2020 the capitalization started	Applying for the Group's acceptance
Item 12	100,755,048.03	-	-	-	100,755,048.03	2020/4/1	The item was approved in April 2020 the capitalization started	Applying for the Group's acceptance
Total	310,092,511.88	16,637,366.56	-	-	326,729,878.44			



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5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.20 GOODWILL

Name of the investee or matters forming goodwill	As at December 31, 2020	Increase in 2021		Decrease in 2021		As at June 30, 2021
		Formed from the business combination	Others	Disposal	Others	
Original book value						
Guangzhou Skyecho Information Technology Limited	260,400.76	-	-	-	-	260,400.76
OpenJaw Technologies Limited	152,334,357.62	-	-	-	-	152,334,357.62
Sub-total	152,594,758.38	-	-	-	-	152,594,758.38
Provision for impairment						
OpenJaw Technologies Limited	152,334,357.62	-	-	-	-	152,334,357.62
Sub-total	152,334,357.62	-	-	-	-	152,334,357.62
Book value	260,400.76	-	-	-	-	260,400.76

5.21 LONG-TERM DEFERRED EXPENSES

Item	As at December 31, 2020	Increase in 2021	Amortization in 2021	Other decreases	As at June 30, 2021
Various types of renovation and transformation works in the joint-stock company park area	2,013,976.08	-	971,846.78	-	1,042,129.30
Various types of renovation and transformation works in subordinate companies	1,942,899.01	2,164,850.07	1,939,696.36	188.94	2,167,863.78
Total	3,956,875.09	2,164,850.07	2,911,543.14	188.94	3,209,993.08

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.22 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

5.22.1 Deferred tax assets before offset

Item	As at June 30, 2021		As at December 31, 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	1,409,783,804.28	212,317,993.16	1,004,101,960.15	151,981,113.26
Employee compensation payable accrued more than actually paid	147,262,883.78	22,089,432.57	147,193,501.51	22,079,025.23
Amortization of intangible assets	775,019,819.91	116,253,198.33	753,009,812.94	112,951,471.94
Accrued expenses	639,446,554.83	95,916,983.22	463,525,817.39	69,528,872.61
Fixed assets depreciation	3,807,484.24	647,272.32	–	–
Changes in fair value of financial assets held for trading	3,328,855.77	499,328.37	7,005,845.66	1,050,876.85
Total	2,978,649,402.81	447,724,207.97	2,374,836,937.65	357,591,359.89

5.22.2 Deferred tax liabilities before offset

Item	As at June 30, 2021		As at December 31, 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Taxable difference arising from asset evaluation increment	40,872,421.20	10,218,105.31	76,154,785.15	14,864,247.19
Temporary difference arising from accelerated depreciation of fixed assets	91,782,224.24	13,767,333.64	46,329,603.39	6,949,440.51
Others	68,647,603.18	11,670,092.54	64,080,395.39	8,010,049.42
Total	201,302,248.62	35,655,531.49	186,564,783.93	29,823,737.12



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.22 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

5.22.3 Deferred tax assets or liabilities presented by net amount after offset

Item	As at June 30, 2021		As at December 31, 2020	
	Amount of offset between deferred tax assets and deferred tax liabilities	Balance of deferred tax assets or liabilities after offset	Amount of offset between deferred tax assets and deferred tax liabilities	Balance of deferred tax assets or liabilities after offset
Deferred tax assets	-	1,123,409.45	-	1,213,994.71
Deferred tax liability	-	-	-	-

5.22.4 Details of unrecognized deferred tax assets

Item	As at June 30, 2021	As at December 31, 2020
Deductible temporary differences	253,968.08	253,968.08
Deductible losses	52,231,661.71	59,499,031.84
Total	52,485,629.79	59,752,999.92

5.22.5 Deductible losses from unrecognized deferred tax assets will be expired in the following years

Year	As at June 30, 2021	As at December 31, 2020	Remark
2021	-	6,009,986.10	
2022	3,588,791.73	3,588,791.73	
2023	11,535,010.27	16,344,331.49	
2024	13,560,021.46	13,560,021.46	
2025	945,771.08	945,771.08	
2026	12,453,231.31	8,901,294.12	
2027	2,073,366.07	2,073,366.07	
2028	4,931,070.14	4,931,070.14	
2029	3,144,399.65	3,144,399.65	
Total	52,231,661.71	59,499,031.84	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.23 OTHER NON-CURRENT ASSETS

Item	As at June 30, 2021			As at December 31, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Bank deposits Beyond one year	533,945,291.92	-	533,945,291.92	524,150,216.91	-	524,150,216.91
Total	533,945,291.92	-	533,945,291.92	524,150,216.91	-	524,150,216.91

5.24 ACCOUNTS PAYABLE

5.24.1 Presentation of accounts payable (by aging category based on invoice dates)

Item	As at June 30, 2021	As at December 31, 2020
Within 1 year (including 1 year)	978,726,548.55	958,437,722.36
1 – 2 years (including 2 years)	718,023,373.69	598,298,458.98
2 – 3 years (including 3 years)	35,248,222.13	132,521,703.86
Over 3 years	124,947,214.92	110,271,288.42
Total	1,856,945,359.29	1,799,529,173.62

5.24.2 Significant account payables with aging over one year

Item	As at June 30, 2021	Reason for no payment or carry-forward
Nantian Electronics Information Co., Ltd.	18,595,738.56	Business is conducted on a continuous rolling basis
Chengdu Shuangliu International Airport Co., Ltd.	37,669,660.35	Business is conducted on a continuous rolling basis
Total	56,265,398.91	



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.25 ADVANCES FROM CUSTOMERS

5.25.1 Presentation of advances from customers

Item	As at June 30, 2021	As at December 31, 2020
Rental	115,200.00	115,200.00
System service fee	914,786.00	–
Total	1,029,986.00	115,200.00

5.25.2 Significant advances from customers with aging more than one year

The Group has no significant advances from customers with aging more than one year.

5.26 CONTRACT LIABILITIES

5.26.1 Details of contract liabilities

Item	As at June 30, 2021	As at December 31, 2020
System integration service contract	323,966,615.66	155,713,280.20
Total	323,966,615.66	155,713,280.20

5.26.2 Amount from significant change in book value and reason therefor during the reporting period

Item	Changed amount	Reason for change
System integration service contract	168,253,335.46	Should not recognized as revenue in current period
Total	168,253,335.46	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.27 EMPLOYEE BENEFITS PAYABLE

5.27.1 Presentation of employee benefits payable

Item	As at			As at June 30, 2021
	December 31, 2020	Increase in 2021	Decrease in 2021	
Short-term compensation	249,172,741.88	611,698,524.92	770,866,220.73	90,005,046.07
Post-employment benefits – defined contribution plans	18,554,906.67	124,619,353.02	116,286,455.88	26,887,803.81
Dismissal benefits	59,728.68	16,084,553.36	16,144,282.04	–
Other benefits due within one year	–	–	–	–
Others	59,828,655.32	17,883,919.61	5,337,760.06	72,374,814.87
Total	327,616,032.55	770,286,350.91	908,634,718.71	189,267,664.75

5.27.2 Presentation of short-term compensation

Item	As at			As at June 30, 2021
	December 31, 2020	Increase in 2021	Decrease in 2021	
(1) Salaries, bonuses, allowances and subsidies	185,128,164.72	440,356,431.93	603,804,506.49	21,680,090.16
(2) Employee welfare	648,040.18	38,574,619.83	38,288,898.01	933,762.00
(3) Social insurance premiums	2,311,457.48	55,946,975.96	56,058,398.80	2,200,034.64
Including: medical insurance premium	1,178,136.20	54,776,948.48	54,847,302.99	1,107,781.69
Work-related injury insurance premium	152,817.85	1,051,488.54	1,083,070.25	121,236.14
Maternity insurance premium	980,503.43	118,538.94	128,025.56	971,016.81
(4) Housing provident funds	2,952,748.57	61,426,522.43	60,500,831.43	3,878,439.57
(5) Labor union expenditures and employee education funds	58,132,330.93	15,393,007.30	12,213,586.00	61,311,752.23
(6) Short-term compensated absences	–	–	–	–
(7) Short-term profit sharing plan	–	–	–	–
(8) Others	–	967.47	–	967.47
Total	249,172,741.88	611,698,524.92	770,866,220.73	90,005,046.07



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.27 EMPLOYEE BENEFITS PAYABLE (CONTINUED)

5.27.3 Presentation of defined contribution plans

Item	As at			As at June 30, 2021
	December 31, 2020	Increase in 2021	Decrease in 2021	
Basic endowment insurance premium	5,263,340.39	87,919,438.51	91,415,254.48	1,767,524.42
Unemployment insurance premium	38,170.40	3,150,876.75	3,254,463.46	-65,416.31
Enterprise annuity payment	13,253,395.88	33,549,037.76	21,616,737.94	25,185,695.70
Total	18,554,906.67	124,619,353.02	116,286,455.88	26,887,803.81

5.28 TAXES AND SURCHARGES PAYABLE

	As at June 30, 2021	As at December 31, 2020
Taxes and surcharges		
Value-added tax	5,068,565.42	14,394,088.26
Corporate income tax	169,838,010.38	107,590,474.40
Individual income tax	14,085,298.05	13,640,833.28
Urban maintenance and construction tax	1,881,641.46	2,688,469.99
House property tax	1,646,914.85	1,259,963.82
Educational surcharge	1,144,506.23	1,751,916.67
Land use tax	143,850.06	140,072.08
Others	330,674.09	500,706.15
Total	194,139,460.54	141,966,524.65

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.29 OTHER PAYABLES

Item	As at June 30, 2021	As at December 31, 2020
Interest payable	–	–
Dividends payable	111,516,764.76	67,324,585.34
Other payables	1,866,462,924.85	1,281,686,526.86
Total	1,977,979,689.61	1,349,011,112.20

5.29.1 Dividends payable

Item	As at June 30, 2021	As at December 31, 2020
Ordinary share dividends	111,516,764.76	67,324,585.34
Total	111,516,764.76	67,324,585.34

5.29.2 Other payables

(1) Presentation in terms of nature

Item	As at June 30, 2021	As at December 31, 2020
E-commerce payment business	1,275,732,076.14	785,774,278.92
Settlement and clearing business payment	306,916,455.62	307,282,719.31
Current amounts	240,595,924.94	146,158,628.34
Social insurance and provident funds	22,709,058.07	18,698,613.08
Guaranteed deposits and deposits, etc.	20,509,410.07	23,772,287.21
Total	1,866,462,924.85	1,281,686,526.86



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.29 OTHER PAYABLES (CONTINUED)

5.29.2 Other payables (Continued)

- (2) Significant other payables with aging over one year

The Group has no significant other payables with aging more than one year.

5.30 NON-CURRENT LIABILITIES MATURING WITHIN ONE YEAR

Item	As at June 30, 2021	As at December 31, 2020
Lease liabilities due within one year	52,721,036.44	76,146,476.84
Total	52,721,036.44	76,146,476.84

5.31 OTHER CURRENT LIABILITIES

Item	As at June 30, 2021	As at December 31, 2020
Sales return payable	225,829.30	–
Output tax to be carried forward	17,497,152.32	8,675,292.95
Total	17,722,981.63	8,675,292.95

5.32 LEASE LIABILITIES

Item	As at June 30, 2021	As at December 31, 2020
Lease payments	12,986,057.23	28,204,005.03
Less: financing charges unrecognized	1,923,399.13	856,511.70
Total	11,062,658.10	27,347,493.33

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.33 LONG-TERM PAYABLES

Item	As at June 30, 2021	As at December 31, 2020
Long-term payables	–	–
Special payables	420,237.65	420,237.65
Total	420,237.65	420,237.65

5.33.1 Special payables

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at June 30, 2021
Item 1	395,709.35	–	–	395,709.35
Item 2	24,528.30	–	–	24,528.30
Total	420,237.65	–	–	420,237.65

5.34 ESTIMATED LIABILITIES

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at June 30, 2021
Payment of business risk reserve	4,488.00	–	–	4,488.00
Total	4,488.00	–	–	4,488.00



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.35 DEFERRED INCOME

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at June 30, 2021
Government grants	84,748,888.89	855,000.00	14,733,333.33	70,870,555.56
Total	84,748,888.89	855,000.00	14,733,333.33	70,870,555.56

Items involving government grants:

Item	As at December 31, 2020	New grants in 2021	Amount included in the current profit or loss in 2021	Other	As at June 30, 2021	Related to assets/ income
Item 1	83,488,888.89	-	14,733,333.33	-	68,755,555.56	Related to assets
Item 2	860,000.00	510,000.00	-	-	1,370,000.00	Related to income
Item 3	100,000.00	-	-	-	100,000.00	Related to income
Item 4	300,000.00	-	-	-	300,000.00	Related to income
Item 5	-	345,000.00	-	-	345,000.00	Related to income
Total	84,748,888.89	855,000.00	14,733,333.33	-	70,870,555.56	

5.36 SHARE CAPITAL

Item	As at December 31, 2020		Changes in 2021 ("+" for increase and "-" for decrease)				Sub-total	As at June 30, 2021
	New shares issued	Share donation	Conversion of reserves into share	Others				
Total shares	2,926,209,589	-	-	-	-	-	2,926,209,589	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.37 CAPITAL RESERVES

Item	As at			As at June 30, 2021
	December 31, 2020	Increase in 2021	Decrease in 2021	
Capital (share capital) premium	843,445,719.28	–	7,794,066.99	835,651,652.29
Other capital reserves	315,964,905.78	–	–	315,964,905.78
Total	1,159,410,625.06	–	7,794,066.99	1,151,616,558.07

The decrease in the current period is the difference between the long-term equity investment newly acquired by the purchase of minority equity and the net asset share of the subsidiary that is calculated according to the newly-added shareholding ratio, which should be continuously calculated from the date of purchase or merger.

5.38 OTHER COMPREHENSIVE INCOME

Item	As at December 31, 2020	Amount before income tax in the current period	Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	2021		Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	As at June 30, 2021
				Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	Less: income tax expenses			
1. Other comprehensive income that cannot be reclassified into profit or loss	18,202,600.00	–	–	–	–	–	–	18,202,600.00
Including: Other comprehensive income that cannot be transferred to profit or loss under the equity method	18,202,600.00	–	–	–	–	–	–	18,202,600.00
2. Other comprehensive income that will be reclassified into profit or loss	642,993.64	-3,737,057.55	–	–	–	-3,737,057.55	–	-3,094,063.91
Including: Translation differences of foreign currency financial statements	642,993.64	-3,737,057.55	–	–	–	-3,737,057.55	–	-3,094,063.91
Total of other comprehensive income	18,845,593.64	-3,737,057.55	–	–	–	-3,737,057.55	–	15,108,536.09



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.39 SURPLUS RESERVES

Item	As at			As at June 30, 2021
	December 31, 2020	Increase in 2021	Decrease in 2021	
Statutory surplus reserves	2,131,637,276.27	-	-	2,131,637,276.27
Discretionary surplus reserves	1,803,384,829.39	11,931,416.04	-	1,815,316,245.43
Total	3,935,022,105.66	11,931,416.04	-	3,946,953,521.70

The increase in the current period is the discretionary surplus reserve accrued in accordance with the resolution of the ninth meeting of the seventh board of directors of the Company on March 31, 2021 and the resolution of the annual general meeting to be held on May 27, 2021.

5.40 GENERAL RISK RESERVES

Item	As at			As at June 30, 2021
	December 31, 2020	Increase in 2021	Decrease in 2021	
Reserves for safe production	6,984,649.60	-	-	6,984,649.60
Total	6,984,649.60	-	-	6,984,649.60

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.41 UNDISTRIBUTED PROFIT

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Retained profit at the end of the previous year before adjustment	10,249,328,657.65	10,957,232,941.03
Total adjustment to retained profit at the beginning of the year ("+" for increase and "-" for decrease)	-	-
Retained profit at the beginning of the year after adjustment	10,249,328,657.65	10,957,232,941.03
Plus: Net profit attributable to shareholders of parent company	275,196,712.27	-323,187,409.04
Less: Withdrawal of statutory surplus reserves	-	-
Withdrawal of discretionary surplus reserves	11,931,416.04	211,338,259.75
Common stock dividends payable	46,819,353.42	845,674,571.22
Retained profit at the end of the period	10,465,774,600.46	9,577,032,701.02

According to the ninth meeting of the seventh board of directors of the Company on March 31, 2021 and the resolution of the annual general meeting to be held on May 27, 2021, the discretionary surplus reserve accrued RMB11,931,416.04 and a cash dividend of RMB46,819,353.42 was distributed in current period, which is calculated at RMB0.016 per share (tax included) and the total number of issued shares of the company, 2,926,209,589 shares.

5.42 OPERATING REVENUE AND OPERATING COSTS

Item	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Revenue	Cost	Revenue	Cost
Primary business	2,821,289,486.75	1,403,621,837.94	2,263,606,428.72	1,272,136,565.48
Other business	17,043,265.88	4,166,004.66	22,944,951.81	4,166,004.66
Total	2,838,332,752.63	1,407,787,842.60	2,286,551,380.53	1,276,302,570.14



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.42 OPERATING REVENUE AND OPERATING COSTS (CONTINUED)

Details of operating revenue:

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Aviation information technology service	1,476,509,486.42	996,322,069.19
Settlement and clearing service	164,223,887.43	217,756,307.76
System integration service	475,231,643.11	413,581,388.78
Data network service	200,405,155.45	193,093,143.04
Other income	521,962,580.22	465,798,471.76
Total	2,838,332,752.63	2,286,551,380.53

5.43 TAXES AND SURCHARGES

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Urban construction and maintenance tax	5,388,179.64	4,795,698.75
Resource tax	111,997.40	231,336.40
Educational surcharges	3,080,725.09	2,387,314.81
Local educational surcharges	2,019,310.86	1,582,004.28
House property tax	22,337,936.68	22,646,117.33
Land use tax	275,731.74	275,461.15
Vehicle and vessel tax	62,385.00	71,895.00
Disabled employment security fund	277,322.04	-102,982.79
Stamp tax	2,017,791.30	1,710,788.64
Others	119,917.20	67,493.12
Total	35,691,296.95	33,665,126.69

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.44 SELLING AND DISTRIBUTION EXPENSES

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Depreciation expenses of fixed assets	880,087.57	1,136,627.13
Amortization of intangible assets	65,975.50	46,389.89
Amortization of renovation costs	96,019.85	185,027.39
Depreciation of right-of-use assets	1,011,172.60	2,125,709.01
Low-cost consumables	150,388.13	376,725.95
Line rental fee	315,953.26	474,905.11
Integration project	431,854.38	2,542,879.88
Labor costs	33,562,300.30	36,464,982.99
Maintenance cost	13,998.16	114,199.26
Technical support and maintenance fee	11,669,348.20	3,325,622.85
Advertising production fees	41,013.16	125,645.83
Aviation membership fees	483,000.00	1,552,500.00
Utility bills	44,547.13	67,996.21
Conference fees	204,874.79	16,340.09
Business entertainment fees	1,163,610.30	424,471.71
Vehicle fees	249,379.12	390,408.16
Office fees	82,872.79	79,274.70
Telephone fees	376,629.89	455,745.10
Expenses for business trips	1,624,868.14	944,953.94
Property management fee of office building	187,974.50	237,422.14
Payment of business cost	1,410,018.46	997,033.62
Other costs	800,756.62	2,613,181.45
Total	54,866,642.85	54,698,042.41



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.45 GENERAL AND ADMINISTRATIVE EXPENSES

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Depreciation expenses of fixed assets	68,383,771.04	51,834,023.13
Amortization of intangible assets	47,144,894.05	51,359,877.72
Amortization of renovation costs	762,452.72	1,399,269.78
Depreciation of right-of-use assets	631,550.28	34,495,716.74
Low-cost consumables	1,024,378.66	1,602,310.60
Line rental fee	1,140,020.39	1,357,475.53
Labor costs	203,327,417.47	182,983,801.67
Maintenance costs	1,779,973.05	6,028,165.56
Technical support and maintenance fee	7,553,180.33	5,452,099.23
Advertising production fee	1,618,764.88	413,705.44
Aviation membership fees	718,458.75	1,186,106.13
Utility bills	7,080,144.09	6,078,706.65
Conference fees	4,018.43	88,032.24
Business entertainment expenses	1,236,660.36	830,145.08
Vehicle expenses	1,234,421.93	1,440,783.55
Office fees	3,495,389.96	1,066,431.77
Telephone fees	2,053,614.18	5,815,567.63
Expenses for business trips	2,622,615.41	2,520,162.94
Expenses for going abroad	—	81,002.04
Property management fee of office building	4,772,283.77	6,686,257.48
Consulting fees	6,737,183.92	4,842,388.58
Audit fees	1,634,633.29	1,020,856.80
Other costs	46,457,422.58	16,352,544.75
Total	411,413,249.54	384,935,431.04

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.46 RESEARCH AND DEVELOPMENT EXPENSES

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Depreciation expenses of fixed assets	12,010,304.36	12,329,050.62
Amortization of intangible assets	3,876,775.99	3,187,674.14
Amortization of renovation costs	341,650.40	178,795.05
Depreciation of right-of-use assets	606,675.33	1,204,661.14
Line rental fees	44,800.36	83,117.42
Labor costs	237,019,948.28	209,777,712.51
Technical support fees	33,027,505.85	40,238,576.78
Other costs	6,736,995.23	1,561,119.39
Total	293,664,655.80	268,560,707.05

5.47 FINANCIAL EXPENSES

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expenses	1,592,168.38	3,337,055.67
Including: lease liability interest expenses	1,592,029.57	3,273,277.18
Less: interest income	49,857,326.32	40,191,196.94
Gain or loss on foreign exchange	4,945,241.59	-24,629,460.39
Others	826,641.11	654,010.14
Total	-42,493,275.24	-60,829,591.52



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.48 OTHER INCOME

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Government grants	28,422,037.90	6,865,748.43
Additional deduction of input tax	5,918,131.84	8,302,000.13
Handling charges for withdrawal of individual income tax	201,768.25	2,209,358.66
VAT directly exempted	1,914,939.52	23,188.08
Total	36,456,877.51	17,400,295.30

Government grants included in other income

Subsidy item	Six months ended June 30, 2021	Six months ended June 30, 2020	Related to assets/income
Item 1	-	120,000.00	Related to income
Item 2	-	40,000.00	Related to income
Item 3	-	100,000.00	Related to income
Item 4	-	272,000.00	Related to income
Item 5	10,000.00	-	Related to income
Item 6	-	5,035.58	Related to income
Item 7	16,000.00	16,000.00	Related to income
Item 8	-	50,000.00	Related to income
Item 9	-	8,174.80	Related to income
Item 10	80,000.00	-	Related to income
Item 11	120,000.00	-	Related to income
Item 12	-	700,000.00	Related to income
Item 13	-	3,080.00	Related to income
Item 14	-	1,311,300.00	Related to income
Item 15	500,000.00	-	Related to income
Item 16	165,583.20	-	Related to income
Item 17	1,249,100.00	1,458,800.00	Related to income
Item 18	-	680,000.00	Related to income
Item 19	-	687,000.00	Related to income
Item 20	557,000.00	-	Related to income
Item 21	2,000,000.00	-	Related to income

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.48 OTHER INCOME (CONTINUED)

Government grants included in other income (Continued)

Subsidy item	Six months ended June 30, 2021	Six months ended June 30, 2020	Related to assets/income
Item 22	57,378.21	126,153.93	Related to income
Item 23	2,500,000.00	–	Related to income
Item 24	1,067,603.29	671,595.30	Related to income
Item 25	–	18,900.00	Related to income
Item 26	4,483,442.70	187,814.82	Related to income
Item 27	4,719.53	–	Related to income
Item 28	17,860.00	–	Related to income
Item 29	14,733,333.33	–	Related to assets
Item 30	–	100,000.00	Related to income
Item 31	2,500.00	–	Related to income
Item 32	537,517.64	129,894.00	Related to income
Item 33	320,000.00	180,000.00	Related to income
Total	28,422,037.90	6,865,748.43	

5.49 INVESTMENT INCOME

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Long-term equity investment income calculated under the equity method	-13,673,222.19	6,978,344.91
Interest income obtained during the holding period of the debt investment	31,943,133.83	48,383,668.76
Total	18,269,911.64	55,362,013.67



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.50 GAINS FROM CHANGES IN FAIR VALUE

	Six months ended June 30, 2021	Six months ended June 30, 2020
Sources of income from changes in fair value		
Other non-current financial assets	-3,328,855.77	–
Total	-3,328,855.77	–

5.51 LOSSES FROM CREDIT IMPAIRMENT

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Losses from bad debts of notes receivable	-9,365,558.83	–
Losses from bad debts of accounts receivable	425,256,451.67	663,364,293.99
Losses from bad debts of other receivables	-765,837.80	–
Total	415,125,055.04	663,364,293.99

5.52 LOSSES FROM ASSETS IMPAIRMENT

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Losses from impairment of contract assets	-12,802,890.23	–
Total	-12,802,890.23	–

5.53 GAINS FROM DISPOSAL OF ASSETS

Item	Six months ended June 30, 2021	Six months ended June 30, 2020	Amount included in non-recurring profit or loss in the current period
Disposal of fixed assets	-69,076.34	84,203.62	-69,076.34
Disposal of right-of-use assets	1,363.26	–	1,363.26
Total	-67,713.08	84,203.62	-67,713.08

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.54 NON-OPERATING INCOME

Item	Six months ended June 30, 2021	Six months ended June 30, 2020	Amount included in non-recurring profit or loss in the current period
Government grants	–	118,712.26	–
Others	1,662,327.28	5,962,317.78	1,662,327.28
Total	1,662,327.28	6,081,030.04	1,662,327.28

Government grants included in the non-operating revenue:

Grant item	Six months ended June 30, 2021	Six months ended June 30, 2020	Related to assets/ income
Item 1	–	118,712.26	Related to income
Total	–	118,712.26	

5.55 NON-OPERATING EXPENSES

Item	Six months ended June 30, 2021	Six months ended June 30, 2020	Amount included in non-recurring profit or loss in the current period
Donations made	10,000.00	6,000.00	10,000.00
Losses from the damage and scrapping of non-current assets	200,190.17	22,573.63	200,190.17
Others	272,342.96	41,090.59	272,342.96
Total	482,533.13	69,664.22	482,533.13



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.56 INCOME TAX EXPENSES

5.56.1 List of income tax expenses

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Current income tax expenses	116,146,552.84	54,919,543.23
Deferred income tax expenses	-83,466,091.97	-4,373,649.91
Others	5,194.00	459,143.60
Total	32,685,654.87	51,005,036.92

5.56.2 Adjustment process of accounting profits and income tax expenses

Item	Six months ended June 30, 2021
Total profits	327,590,189.77
Income tax expenses calculated at statutory (or applicable) tax rate	49,138,528.47
Effect of different tax rates applicable to subsidiaries	7,179,598.96
Influence of adjustments to the income tax for the prior years	-8,760,730.88
Influence of non-taxable income	-2,051,197.82
Influence of non-deductible costs, expenses and losses	5,113,798.67
Influence of using the deductible losses related to deferred tax assets unrecognized in previous periods	4,861,455.41
Influence of unrecognized deferred tax assets and deductible temporary differences or losses in current period	1,116,410.13
Others	-23,912,208.07
Income tax expenses	32,685,654.87

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.57 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Company by the weighted average of the Company's ordinary shares.

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Consolidated net profit attributable to the common stockholder of the parent company	275,196,712.27	-323,187,409.04
Weighted average of the Company's outstanding common stock	2,926,209,589.00	2,926,209,589.00
Basic earnings per share	0.09	-0.11
Including: basic earnings per share from continued operation	0.09	-0.11
Basic earnings per share from discontinued operation	-	-

As of June 30, 2020 and June 30, 2021, the Company has no potential dilutive ordinary shares.

5.58 SUPPLEMENTARY INFORMATION TO THE INCOME STATEMENT WITH EXPENSES CLASSIFIED BY NATURE

Operating cost, selling and distribution expenses, general and administrative expenses, research and development expenses and financial expenses in income statement are classified by nature and listed as below:

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Labor costs	754,117,071.15	687,787,319.81
Depreciation and amortization expenses	480,712,039.27	473,298,999.72
Cost of sales of software and hardware	273,829,541.05	211,795,300.93
Technical support and maintenance fees	218,469,496.84	296,977,257.79
Commission and promotion expenses	231,680,774.47	166,713,773.18
Internet use fees	41,114,560.11	26,474,891.93
Financial expenses	-42,493,275.24	-60,829,591.52
Other operating costs	167,808,907.90	121,449,207.28
Total	2,125,239,115.55	1,923,667,159.12



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.59 ITEMS OF STATEMENT OF CASH FLOWS

5.59.1 Other cash receipts relating to operating activities

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Government grants received	13,584,731.41	7,399,449.24
Interest income received from bank deposits	48,809,365.22	40,191,196.94
Guarantee fund and quality guarantee deposit received	8,434,290.18	8,107,010.61
Current accounts received	490,334,196.05	264,783,896.31
Other non-operating revenue received	1,074,113.19	4,131,782.70
Collection and payment received	10,176,441.78	2,428,629.36
Others	33,316,833,559.64	26,468,240,161.77
Total	33,889,246,697.47	26,795,282,126.93

5.59.2 Other cash payments relating to operating activities

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
General and administrative expenses paid	63,013,976.12	97,922,389.25
Selling and distribution expenses paid	25,270,682.83	13,961,923.16
Research and development expenses paid	12,376,041.63	38,791,367.51
Bank charges paid	694,327.71	852,708.07
Non-operating expenses paid	305,200.12	965,842.97
Security deposit paid	15,197,974.72	13,955,883.28
Current accounts between entities paid	239,116,555.72	220,006,870.72
Others	33,280,298,071.38	26,658,915,914.80
Total	33,636,272,830.22	27,045,372,899.75

5.59.3 Other cash payments relating to financing activities

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Lease liabilities paid	39,350,553.16	48,428,937.24
Total	39,350,553.16	48,428,937.24

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.60 SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOW

5.60.1 Supplementary information to the statement of cash flows

Supplementary information	Six months ended June 30, 2021	Six months ended June 30, 2020
1. Net profit adjusted to cash flows from operating activities		
Net profit	294,904,534.90	-306,292,357.78
Plus: losses from credit impairment	415,125,055.04	663,364,293.99
Provision for impairment of assets	-12,802,890.23	-
Depreciation of fixed assets	274,744,491.36	252,739,227.80
Depreciation of oil and gas assets	-	-
Amortization of right-of-use assets	41,706,324.84	45,033,333.06
Amortization of intangible assets	160,530,851.67	172,750,091.44
Amortization of long-term deferred expenses	2,911,543.14	2,456,734.42
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	22,934.80	-84,203.62
Losses from scrapping of fixed assets ("-" for gains)	129,741.78	28,010.83
Losses from changes in fair value ("-" for gains)	3,328,855.77	-
Financial expenses ("-" for gains)	-20,915,225.89	-25,823,222.15
Investment losses ("-" for gains)	-18,269,911.64	-55,362,013.67
Decreases in deferred tax assets ("-" for increases)	-89,491,517.78	-1,813,045.45
Increases in deferred tax liabilities ("-" for decreases)	5,831,794.37	-697,474.01
Decreases in inventories ("-" for increases)	-12,464,867.56	-53,930,184.36
Decreases in operating receivables ("-" for increases)	-562,285,137.39	145,758,035.10
Increases in operating payables ("-" for decreases)	515,904,174.27	-1,020,053,766.00
Others		
Net cash flow from operating activities	998,910,751.45	-181,926,540.40
2. Significant investing and financing activities not involving cash receipts and payments		
Debt transferred into capital	-	-
Convertible corporate bonds maturing within one year	-	-
Fixed assets acquired under financial lease	-	-
3. Net change in cash and cash equivalents		
Closing balance of cash	4,426,355,098.00	6,147,320,958.09
Less: opening balance of cash	4,364,935,481.69	5,226,929,496.55
Plus: closing balance of cash equivalents	-	-
Less: opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	61,419,616.31	920,391,461.54



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.60 SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOW (CONTINUED)

5.60.2 Net cash paid for obtain subsidiaries in 2021

The Group has no the above-mentioned situation.

5.60.3 Breakdowns of cash and cash equivalents

Item	As at June 30, 2021	As at December 31, 2020
I. Cash	4,426,355,098.00	4,364,935,481.69
Including: cash on hand	54,735.16	99,362.26
Unrestricted bank deposit	4,426,300,362.84	4,363,035,159.01
Unrestricted other monetary asset	–	1,800,960.42
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	4,426,355,098.00	4,364,935,481.69
Including: cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group	–	–

5.61 ASSETS WITH RESTRICTIONS ON THE OWNERSHIP OR RIGHT OF USE

Items	Book value as at June 30, 2021	Reason for restriction
Cash and cash equivalents	123,259,439.14	Performance bonds and L/C deposits
Total	123,259,439.14	

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.62 FOREIGN CURRENCY MONETARY ITEMS

5.62.1 Monetary items in foreign currency

Items	Balance in foreign currency as at June 30, 2021	Conversion rate	RMB amount translated as at June 30, 2021
Cash and cash equivalents			224,683,552.01
Including: USD	30,802,109.61	6.4601	198,984,708.29
EUR	2,507,917.57	7.6862	19,276,356.03
HKD	7,718,408.48	0.8321	6,422,487.70
Accounts receivable			191,604,798.05
Including: USD	19,850,890.51	6.4601	128,238,737.78
EUR	1,024,708.89	7.6862	7,876,117.47
HKD	66,686,627.56	0.8321	55,489,942.79

5.62.2 Description of the overseas operating entities

The Group's significant overseas operating entities include China TravelSky International Limited and OpenJaw Technologies Limited, which principally operate in Hong Kong, China and Ireland, and are denominated in HKD and EUR, without change in 2021.

5.63 GOVERNMENT GRANTS

5.63.1 Asset-related government grants

Category	Amount	Items listed on the statement of financial position	Amount included in the current profit or loss or used to offset the related costs or losses		Item in the current profit or loss or used to offset the related costs or losses
			Six months ended June 30, 2021	Six months ended June 30, 2020	
Civil aviation safety engineering project	68,755,555.56	Deferred income	14,733,333.33	-	Other income



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.63 GOVERNMENT GRANTS (CONTINUED)

5.63.2 Income-related government grants

Category	Amount	Amount included in the current profit or loss or used to offset the related costs or losses		Item in the current profit or loss or used to offset the related costs or losses
		Six months ended June 30, 2021	Six months ended June 30, 2020	
Item 1	–	–	120,000.00	Other income
Item 2	–	–	40,000.00	Other income
Item 3	–	–	100,000.00	Other income
Item 4	–	–	272,000.00	Other income
Item 5	10,000.00	10,000.00	–	Other income
Item 6	–	–	5,035.58	Other income
Item 7	16,000.00	16,000.00	16,000.00	Other income
Item 8	–	–	50,000.00	Other income
Item 9	–	–	8,174.80	Other income
Item 10	80,000.00	80,000.00	–	Other income
Item 11	120,000.00	120,000.00	–	Other income
Item 12	–	–	700,000.00	Other income
Item 13	–	–	3,080.00	Other income
Item 14	–	–	1,311,300.00	Other income
Item 15	500,000.00	500,000.00	–	Other income
Item 16	165,583.20	165,583.20	–	Other income
Item 17	1,249,100.00	1,249,100.00	1,458,800.00	Other income
Item 18	–	–	680,000.00	Other income
Item 19	–	–	687,000.00	Other income
Item 20	557,000.00	557,000.00	–	Other income
Item 21	2,000,000.00	2,000,000.00	–	Other income
Item 22	57,378.21	57,378.21	126,153.93	Other income
Item 23	2,500,000.00	2,500,000.00	–	Other income
Item 24	1,067,603.29	1,067,603.29	671,595.30	Other income
Item 25	–	–	18,900.00	Other income
Item 26	4,483,442.70	4,483,442.70	187,814.82	Other income
Item 27	4,719.53	4,719.53	–	Other income

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

5 Notes to items of the consolidated financial statements (Continued)

5.63 GOVERNMENT GRANTS (CONTINUED)

5.63.2 Income-related government grants (Continued)

Category	Amount	Amount included in the current profit or loss or used to offset the related costs or losses		Item in the current profit or loss or used to offset the related costs or losses
		Six months ended June 30, 2021	Six months ended June 30, 2020	
Item 28	17,860.00	17,860.00	–	Other income
Item 29	–	–	100,000.00	Other income
Item 30	2,500.00	2,500.00	–	Other income
Item 31	537,517.64	537,517.64	129,894.00	Other income
Item 32	320,000.00	320,000.00	180,000.00	Other income

5.63.3 Return of government grants

The Group has no the above-mentioned situation.

6 CHANGE OF THE CONSOLIDATION SCOPE

6.1 BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

No business combinations not under common control in 2021.

6.2 BUSINESS COMBINATIONS UNDER COMMON CONTROL

No business combinations under common control in 2021.

6.3 REVERSE PURCHASE

No reverse purchase in 2021.

6.4 DISPOSAL OF SUBSIDIARIES

No disposal of subsidiaries in 2021.

6.5 CHANGES IN THE SCOPE OF CONSOLIDATION DUE TO OTHER REASONS

The Group has no changes in the scope of consolidation due to other reasons in 2021.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES

7.1 EQUITY IN THE SUBSIDIARIES EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES

7.1.1 Structure of the enterprise group

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Way of acquisition
				Directly	Indirectly	
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	Chongqing, China	Chongqing, China	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sales and installation of related information systems	51.00	-	Investment
Hunan TravelSky Technology Limited	Changsha, China	Changsha, China	Planning and construction, operation management, technical support, product development and e-commerce of computer reservation, departure and freight transportation and other application systems	100.00	-	Investment
Xi'an Civil Aviation Cares Technology Co., Ltd.	Xi'an, China	Xi'an, China	Xi'an, China Computer software and hardware development and data network services	51.00	-	Investment
Hubei Civil Aviation Cares Co., Ltd.	Wuhan, China	Wuhan, China	Provision of electronic travel distribution, airport passenger processing and cargo management services; and sales and installation of related information systems	50.00	7.68	Investment
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	Urumqi, China	Urumqi, China	Computer software and hardware development and data network services	51.00	-	Investment
Shenzhen Civil Aviation Cares Co., Ltd.	Shenzhen, China	Shenzhen, China	Provision of e-tourism distribution and freight management services; and the sale and installation of relevant information systems	61.47	-	Investment
Shanghai TravelSky Technology Limited	Shanghai, China	Shanghai, China	Computer software and hardware development and data network services	100.00	-	Investment
Shanghai Jixing Electronic Commerce Co., Ltd.	Shanghai, China	Shanghai, China	E-commerce, online service and ticketing agency	60.00	-	Investment
Xiamen Civil Aviation Cares Co., Ltd.	Xiamen, China	Xiamen, China	Computer software and hardware development and data network services	51.00	-	Investment
Qingdao Civil Aviation Cares Co., Ltd.	Qingdao, China	Qingdao, China	Computer software and hardware development and data network services	51.00	-	Investment
Yunnan Civil Aviation Cares Information Co., Ltd.	Kunming, China	Kunming, China	Computer software and hardware development and data network services	100.00	-	Investment
Hainan Civil Aviation Cares Co., Ltd.	Haikou, China	Haikou, China	Provision of e-tourism distribution and freight management services; and the sale and installation of relevant information systems	64.78	-	Investment
Guangzhou TravelSky Technology Limited	Guangzhou, China	Guangzhou, China	Computer software and hardware development and data network services	100.00	-	Investment

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 EQUITY IN THE SUBSIDIARIES EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.1.1 Structure of the enterprise group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Way of acquisition
				Directly	Indirectly	
China Aviation Accounting Co., Ltd.	Beijing, China	Beijing, China	Settlement, liquidation services and related information system development and support services	100.00	-	Investment
Beijing Yake Technology Development Co., Ltd.	Beijing, China	Beijing, China	Technology promotion service, computer software technology development, computer system engineering design and installation	100.00	-	Investment
Antu Jinxin Commercial Factoring Co., Ltd.	Tianjin, China	Beijing, China	Provision of trade financing in the form of transferring accounts receivable; receipt, payment, settlement, management and collection of accounts receivable; management of sales sub-account (ledger); customer credit investigation and evaluation; related consulting services; other businesses permitted by laws and regulations.	100.00	-	Investment
Infosky Information Technology Co., Ltd.	Beijing, China	Beijing, China	Provision of freight management services and related software and technology development; provision of technical support, training and information services	94.62	5.38	Investment
TravelSky Cares (Beijing) Real Estate Co., Ltd.	Beijing, China	Beijing, China	Real estate development and sales, self-developed commercial housing contracting, labor service subcontracting and investment management	100.00	-	Investment
Beijing TravelSky Travel Agency Co., Ltd.	Beijing, China	Beijing, China	Domestic travel business and inbound travel business	100.00	-	Investment
TravelSky Southeast Data Center Co., Ltd.	Jiaxing, China	Jiaxing, China	Computer system services, data processing, computer and communication equipment leasing, technical services and technical consulting	100.00	-	Investment
Inner Mongolia TravelSky Technology Limited	Hohhot, China	Hohhot, China	Computer and auxiliary equipment, sales, leasing, maintenance and technical consulting; computer system services and tourist information consulting	100.00	-	Investment
Zhejiang TravelSky Technology Limited	Hangzhou, China	Hangzhou, China	Contracting of computer software and hardware engineering, airport air traffic control engineering and building weak current system engineering, and computer software and hardware, sales, maintenance, leasing and technical consulting services	51.00	-	Business combination under common control



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 EQUITY IN THE SUBSIDIARIES EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.1.1 Structure of the enterprise group (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio (%)		Way of acquisition
				Directly	Indirectly	
Henan TravelSky Technology Limited	Zhengzhou, China	Zhengzhou, China	Contracting of computer software and hardware engineering projects; technical consultation and service; system integration	100.00	-	Investment
Beijing TravelSky Technology Limited	Beijing, China	Beijing, China	Technology development, technology services, and technology transfer; sales of computers, software and auxiliary equipment	100.00	-	Investment
Guangzhou Skyecho Information Technology Co., Ltd.	Guangzhou, China	Guangzhou, China	Software and information technology services	51.00	-	Business combination not under common control
Beijing Hangju Credit Management Co., Ltd.	Beijing, China	Beijing, China	Technology development, technology consulting, technology services, technology transfer, technology promotion and software development	100.00	-	Investment
TravelSky Technology (Australia) Pty. Ltd.	Sydney, Australia	Sydney, Australia	IT services	100.00	-	Investment
China TravelSky International Limited	Hong Kong, China	Hong Kong, China	Commercial services	100.00	-	Investment
TravelSky Technology (Singapore) Pte. Ltd.	Singapore	Singapore	Hardware consulting and system consulting	100.00	-	Investment
TravelSky Technology Korea Limited	Seoul, Korea	Seoul, Korea	Software and information technology services	100.00	-	Investment
TravelSky Technology (Japan) Limited	Tokyo, Japan	Tokyo, Japan	Information hardware, software and network design, development and research related businesses; related businesses of airline information network support	100.00	-	Investment
TravelSky Technology (Europe) GMBH	Frankfurt, Germany	Frankfurt, Germany	Technology service and technology support	100.00	-	Investment
TravelSky Technology USA Limited	California, United States	California, United States	Technology service and technology support	100.00	-	Investment
Taiwan TravelSky Limited	Taiwan, China	Taiwan, China	Technology service and technology support	100.00	-	Investment
OpenJaw Technologies Limited	Dublin, Ireland	Dublin, Ireland	Technology service and technology support	100.00	-	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 EQUITY IN THE SUBSIDIARIES EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.1.1 Structure of the enterprise group (Continued)

Description of the differences between the shareholding ratios in subsidiaries and the corresponding voting ratios:

Not existed.

Basis for holding half or less than half of the voting right but controlling the investee or holding more than half of the voting right but not controlling the investee:

Not existed.

For the structured entities included in the scope of consolidation, the basis for control is:

Not existed.

7.1.2 Major non-wholly-owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit or loss attributable to minority shareholders in 2021	Dividends declared to be distributed to minority shareholders in 2021	Balance of minority interest as at June 30, 2021
Shenzhen Civil Aviation Cares Co., Ltd.	38.53	5,125,727.32	391,174.00	140,825,108.79
Xiamen Civil Aviation Cares Co., Ltd.	49.00	-1,215,390.63	-	73,046,287.66
Qingdao Civil Aviation Cares Co., Ltd.	49.00	3,223,239.73	980,000.00	43,312,915.10

Description of the minority shareholders' shareholding ratio of the subsidiary is different from the voting rights ratio:

Not existed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 EQUITY IN THE SUBSIDIARIES EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.1.3 Key financial information of major non-wholly-owned subsidiaries

Name of subsidiaries	Balance as at June 30, 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Civil Aviation Cares Co., Ltd.	362,007,062.45	55,460,167.78	417,467,230.23	51,042,876.16	922,062.85	51,964,939.01
Xiamen Civil Aviation Cares Co., Ltd.	144,988,778.64	70,049,174.20	215,037,952.84	65,897,223.04	66,673.36	65,963,896.40
Qingdao Civil Aviation Cares Co., Ltd.	239,146,188.21	4,835,248.63	243,981,436.84	155,587,732.55	-	155,587,732.55

Name of subsidiaries	Balance as at December 31, 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Civil Aviation Cares Co., Ltd.	360,843,772.56	58,641,151.32	419,484,923.88	66,776,884.93	509,235.27	67,286,120.20
Xiamen Civil Aviation Cares Co., Ltd.	141,556,000.66	70,644,063.35	212,200,064.01	60,589,077.02	56,541.51	60,645,618.53
Qingdao Civil Aviation Cares Co., Ltd.	250,774,252.60	8,367,830.26	259,142,082.86	174,507,809.21	2,818,609.64	177,326,418.85

Name of subsidiaries	Amount for the six months ended June 30, 2021			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shenzhen Civil Aviation Cares Co., Ltd.	40,978,425.22	13,303,487.54	13,303,487.54	7,658,177.35
Xiamen Civil Aviation Cares Co., Ltd.	43,012,735.45	-2,480,389.04	-2,480,389.04	-1,229,181.60
Qingdao Civil Aviation Cares Co., Ltd.	105,347,068.00	6,578,040.28	6,578,040.28	-35,121,873.89

Name of subsidiaries	Amount for the six months ended June 30, 2020			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shenzhen Civil Aviation Cares Co., Ltd.	42,910,000.01	9,846,179.82	9,846,179.82	2,398,461.74
Xiamen Civil Aviation Cares Co., Ltd.	31,426,536.91	1,721,018.85	1,721,018.85	181,814.20
Qingdao Civil Aviation Cares Co., Ltd.	96,265,640.73	6,074,269.81	6,074,269.81	-27,022,897.75

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.1 EQUITY IN THE SUBSIDIARIES EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.1.4 Major limitation to the use of enterprise group assets and the liquidation of enterprise group debts

Not existed.

7.1.5 Financial or other support provided to structured entities included in the scope of the consolidated financial statements

Not existed.

7.2 TRANSACTIONS IN WHICH THE SHARE OF OWNER'S EQUITY IN THE SUBSIDIARY HAS CHANGED AND THE SUBSIDIARY IS STILL UNDER CONTROL

7.2.1 Explanation of the changes in the share of owners' equity in the subsidiary

The company originally held 51.00% of the equity of Yunnan Civil Aviation Cares Information Co., Ltd., and purchased 49.00% of the equity held by other shareholders in the current period, and now holds 100.00% of the equity of Yunnan Civil Aviation Cares Information Co., Ltd.

7.2.2 The impact of the transaction on the minority shareholders' equity and the owner's equity attributable to the parent company

	Yunnan Civil Aviation Cares Information Co., Ltd.
Purchase cost/disposal consideration	
– Cash	39,011,154.00
Subtotal of purchase cost/disposal consideration	39,011,154.00
Less: Subsidiary's share of net assets calculated based on the proportion of acquired/disposed equity	31,217,087.01
Difference	7,794,066.99
Including: adjusted capital reserve	7,794,066.99



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.3 EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES

7.3.1 Major joint ventures or associates

Name of joint ventures or associates	Principal place of business	Registration place	Shareholding ratio (%)		Accounting treatment method of the investments in joint ventures or associates
			Directly	Indirectly	
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shanghai	Shanghai	41	-	Equity method
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Shenyang	Shenyang	46	-	Equity method
Heilongjiang TravelSky Airport Network Co., Ltd.	Harbin	Harbin	50	-	Equity method
Dalian TravelSky Airport Network LLC	Dalian	Dalian	50	-	Equity method

Notes to the differences between the shareholding ratios in joint ventures or associates:

The Group has no the above-mentioned situation.

The basis, on which the Company holds less than 20% of the voting rights of other entities, but still has a significant influence on the entities, or holds no less than 20% of the voting rights, but does not have a significant influence:

The Group has no the above-mentioned situation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.3 EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.3.2 Principal financial information of major joint ventures

	As at June 30, 2021/Six months ended June 30, 2021		As at December 31, 2020/Six months ended June 30, 2020	
	Heilongjiang TravelSky Airport Network Co., Ltd.	Dalian TravelSky Airport Network LLC	Heilongjiang TravelSky Airport Network Co., Ltd.	Dalian TravelSky Airport Network LLC
Current assets	39,021,899.10	35,808,310.42	35,882,736.24	37,761,656.41
Including: cash and cash equivalents	12,616,983.58	4,048,724.82	12,966,463.82	17,603,319.09
Non-current assets	702,930.64	15,581,727.22	1,248,575.01	14,019,368.34
Total assets	39,724,829.74	51,390,037.64	37,131,311.25	51,781,024.75
Current liabilities	1,372,068.81	6,770,250.83	2,016,402.93	10,902,971.81
Non-current liabilities	91,417.81	-	106,202.94	-
Total liabilities	1,463,486.62	6,770,250.83	2,122,605.87	10,902,971.81
Minority equity	-	-	-	-
Equity attributable to the shareholders of parent company	38,261,343.12	44,619,786.81	35,008,705.38	40,878,052.94
Net asset shares calculated according to the shareholding ratios	19,130,671.56	22,309,893.41	17,673,102.06	19,691,479.32
Adjustment matters	-	-	-	-
Operating income	4,929,508.62	13,100,929.85	4,063,476.48	8,216,479.87
Financial expenses	-76,222.57	-9,676.79	-38,887.59	-11,016.74
Income tax expenses	62,594.39	-	17,763.09	-643,261.07
Net profit	1,313,349.52	499,108.32	337,498.73	-1,495,094.30
Net profits of discontinuing operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	1,313,349.52	499,108.32	337,498.73	-1,495,094.30
Dividends received from joint ventures in the current period	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.3 EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.3.3 Key financial information of major associates

	As at June 30, 2021/Six months ended June 30, 2021		As at December 31, 2020/Six months ended June 30, 2020	
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shenyang Civil Aviation Northeast Cares Co., Ltd.	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Shenyang Civil Aviation Northeast Cares Co., Ltd.
Current assets	381,558,613.64	180,292,128.37	296,829,891.18	111,980,911.69
Non-current assets	64,798,203.05	120,986,511.34	76,967,486.19	100,457,970.95
Total assets	446,356,816.69	301,278,639.71	373,797,377.37	212,438,882.64
Current liabilities	100,960,495.21	53,173,317.77	68,071,976.77	31,184,225.73
Non-current liabilities	-	6,008,417.98	-	-
Total liabilities	100,960,495.21	59,181,735.75	68,071,976.77	31,184,225.73
Minority equity	-	-	-	-
Equity attributable to the shareholders of parent company	345,396,321.48	242,096,903.96	305,725,400.60	181,254,656.91
Net asset shares calculated according to the shareholding ratios	141,612,491.81	111,364,575.82	129,113,455.60	92,863,515.67
Adjustment matters	-	-	-	-
Operating income	132,416,898.90	137,712,969.67	116,906,934.81	128,785,224.49
Net profit	27,191,710.35	11,607,945.32	9,185,467.32	20,622,551.06
Net profits of discontinuing operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	27,191,710.35	11,607,945.32	9,185,467.32	20,622,551.06
Dividends received from associates in the current period	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.3 EQUITY IN JOINT VENTURE ARRANGEMENTS OR ASSOCIATES (CONTINUED)

7.3.4 Summary of financial information on insignificant joint ventures or associates

	As at June 30, 2021/Six months ended 30, 2021	As at December 31, 2020/Six months ended 30, 2020
Joint venture:		
Total investment book value	13,978,130.64	11,485,639.73
Total amount calculated based on the following shareholding proportions		
– Net profit	-2,359,656.25	-2,414,360.28
– Other comprehensive income	–	–
– Total comprehensive income	-2,359,656.25	-2,414,360.28
Associates:		
Total investment book value	123,918,832.84	149,042,581.59
Total amount calculated based on the following shareholding proportions		
– Net profit	-22,827,424.77	-3,411,531.92
– Other comprehensive income	–	–
– Total comprehensive income	-22,827,424.77	-3,411,531.92

7.3.5 Notes to the significant restrictions on the joint ventures or associates' abilities to transfer capitals to the Company

Not existed.

7.3.6 Excess losses incurred by joint ventures or associates

Not existed.

7.3.7 Unconfirmed commitment related to the investment of joint ventures

Not existed.

7.3.8 Contingent liabilities related to the investment of joint ventures and associates

Not existed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

7 EQUITY IN OTHER ENTITIES (CONTINUED)

7.4 MAJOR JOINT OPERATION

Not existed.

7.5 RIGHTS AND INTERESTS IN STRUCTURED ENTITIES WHICH IS NOT INCLUDED IN SCOPE OF CONSOLIDATION

Not existed.

8 RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks in the course of its operations: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by it. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's business activities to decide whether to update the risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the board of directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The Company's internal audit department regularly reviews the risk management controls and procedures, and reports the audit results to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.1 CREDIT RISK

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations.

The Company's credit risk mainly arises from cash and cash equivalents, notes receivable, accounts receivable, receivables financing, other receivables, creditor's right investment, other creditor's right investment, etc., as well as debt instruments investment not included in the scope of impairment assessment and measured at fair value through the current profit or loss. At the end of the reporting period, the book value of the Company's financial assets has represented its maximum exposure to credit risk.

The Company's cash and cash equivalents are mainly bank deposits placed with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, which the Company believes that they have no significant credit risk and will almost never incur significant losses due to bank's defaults.

In addition, for notes receivable, accounts receivable, receivables financing, other receivables, etc., the Company has set the relevant policies to control credit risk exposure. The Company, based on the customers' financial positions, the possibility of obtaining guarantees from the third party, credit records and other factors such as the current market conditions, evaluated the credit qualifications of customers and set credit term. The Company would monitor the customers' credit records periodically; as for the customers with bad credit records, the Company would adopt the methods including requesting a payment in writing or shortening or canceling credit term so as to keep the Company's overall credit risks within controllable scope.

8.2 LIQUIDITY RISK

Liquidity risk refers to the risk of capital shortage arising when the enterprise performs the settlement obligation by way of the delivery of funds or other financial assets.

The policy of the Company is to ensure that there are sufficient cash for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and readily realizable and marketable securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction. Meanwhile, it monitors whether provisions of the borrowing agreement are satisfied, obtain commitments of main financial institutions for providing sufficient reserve funds to satisfy the demand for short-term and long-term funds.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.2 LIQUIDITY RISK (CONTINUED)

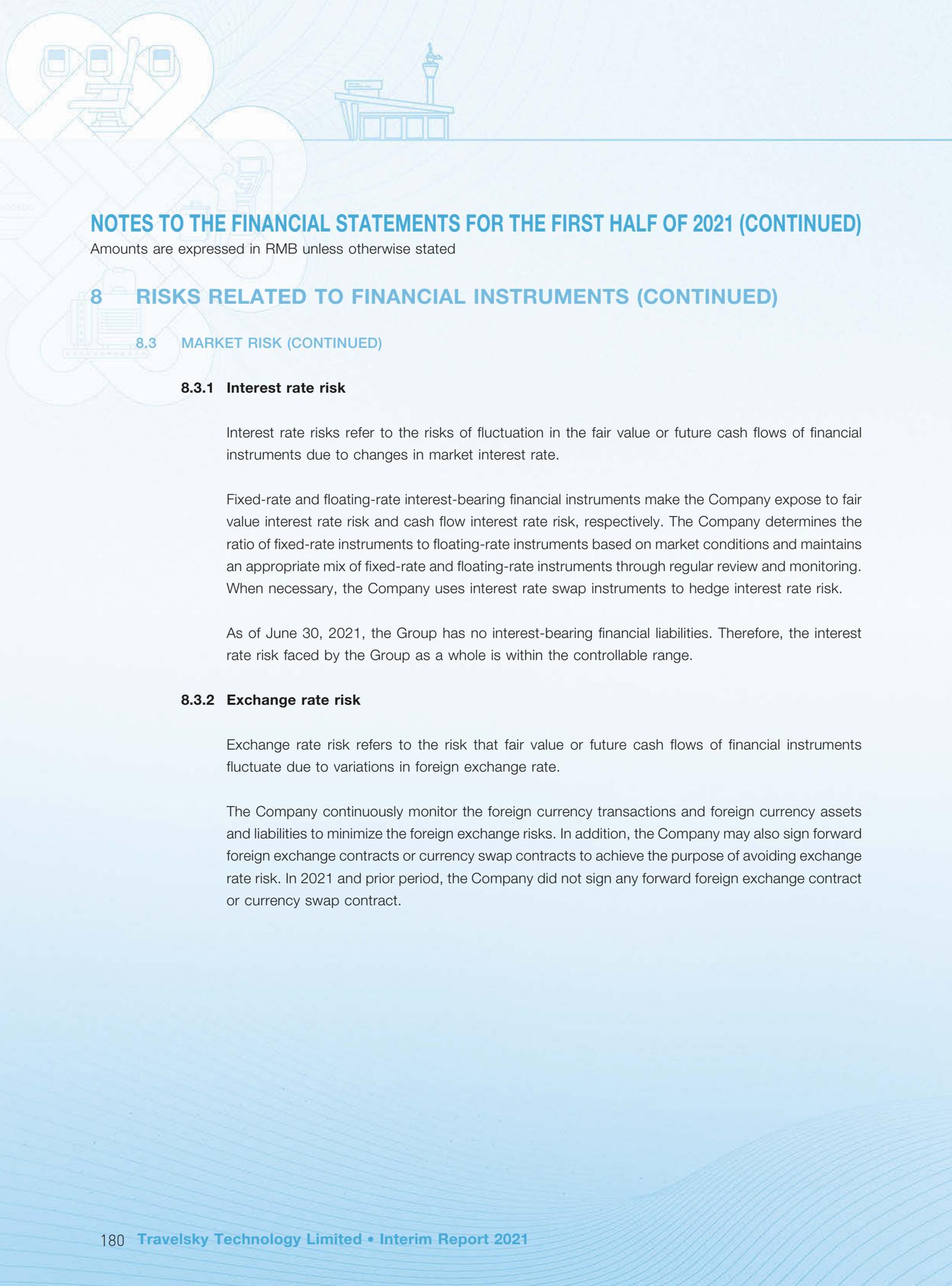
Various financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

Item	As at June 30, 2021					Total
	Immediate repayment	Within one year	1-2 years	2-5 years	Over 5 years	
Account payable	-	978,726,548.55	718,023,373.69	79,940,755.46	80,254,681.59	1,856,945,359.29
Other payables	-	1,293,912,995.86	65,686,974.58	506,833,636.28	29,318.13	1,866,462,924.85
Total	-	2,272,639,544.41	783,710,348.27	586,774,391.74	80,283,999.72	3,723,408,284.14

Item	As at December 31, 2020					Total
	Immediate repayment	Within one year	1-2 years	2-5 years	Over 5 years	
Account payable	-	958,437,722.36	598,298,458.98	152,539,907.32	90,253,084.96	1,799,529,173.62
Other payables	-	1,118,744,425.96	49,140,899.23	31,301,371.41	82,499,830.26	1,281,686,526.86
Total	-	2,077,182,148.32	647,439,358.21	183,841,278.73	172,752,915.22	3,081,215,700.48

8.3 MARKET RISK

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and price risks.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.3 MARKET RISK (CONTINUED)

8.3.1 Interest rate risk

Interest rate risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate.

Fixed-rate and floating-rate interest-bearing financial instruments make the Company expose to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed-rate instruments to floating-rate instruments based on market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring. When necessary, the Company uses interest rate swap instruments to hedge interest rate risk.

As of June 30, 2021, the Group has no interest-bearing financial liabilities. Therefore, the interest rate risk faced by the Group as a whole is within the controllable range.

8.3.2 Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate.

The Company continuously monitor the foreign currency transactions and foreign currency assets and liabilities to minimize the foreign exchange risks. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to achieve the purpose of avoiding exchange rate risk. In 2021 and prior period, the Company did not sign any forward foreign exchange contract or currency swap contract.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

8 RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

8.3 MARKET RISK (CONTINUED)

8.3.2 Exchange rate risk (Continued)

The exchange rate risk the Company is facing is mainly from the financial assets and liabilities denominated in US dollars, and the foreign currency assets and liabilities are equivalent to the amount denominated in RMB indicated as below:

Item	As at June 30, 2021			As at December 31, 2020		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Cash and cash equivalents	198,984,708.29	52,443,667.10	251,428,375.39	378,373,935.05	53,047,727.48	431,421,662.53
Accounts receivable	128,238,737.78	74,151,456.26	202,390,194.04	114,198,364.00	63,280,985.49	177,479,349.49
Total	327,223,446.08	126,595,123.36	453,818,569.43	492,572,299.05	116,328,712.97	608,901,012.02

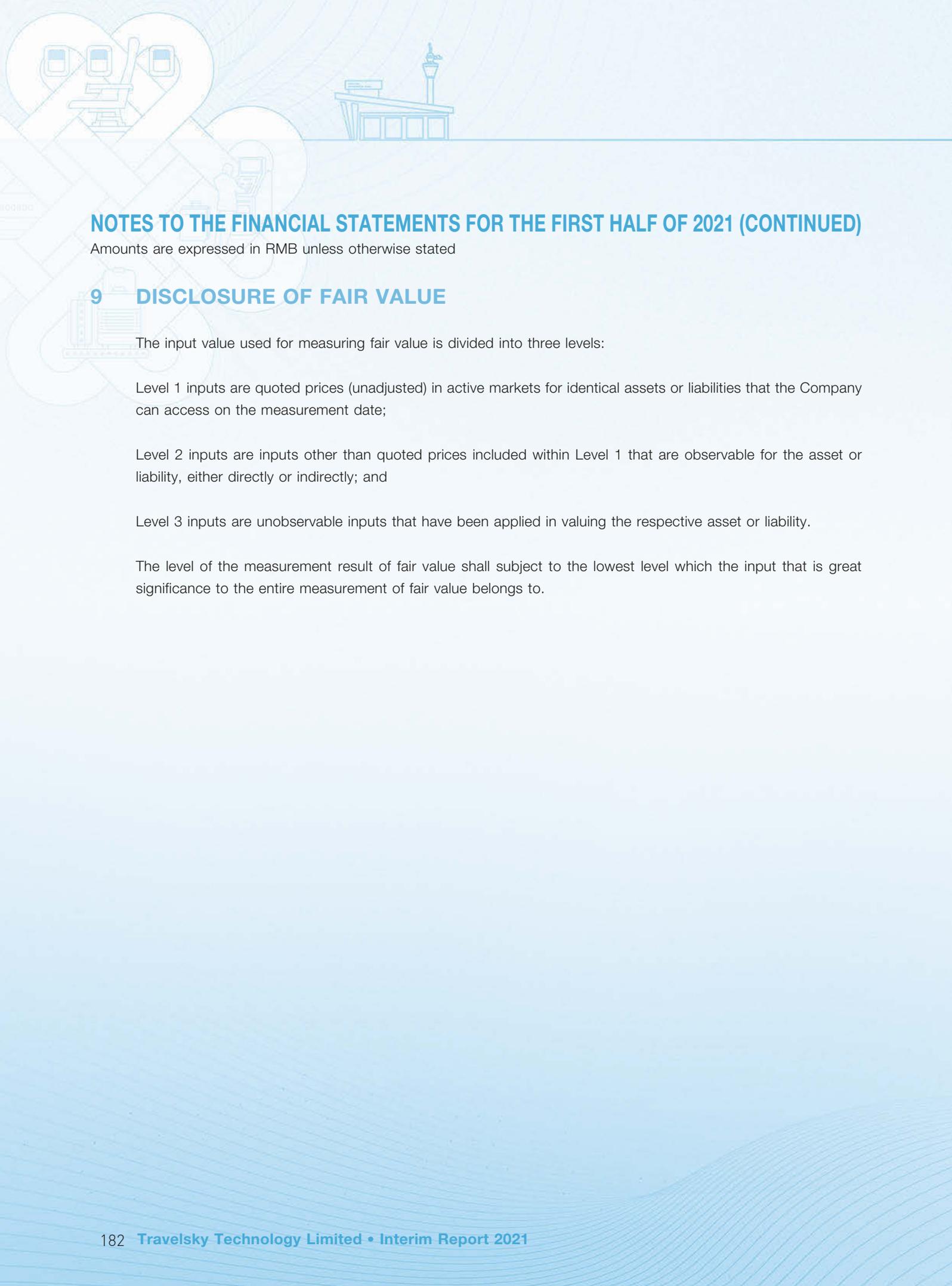
On June 30, 2021, if all other variables remain unchanged, if the RMB appreciates or depreciates against the U.S. dollar by 1%, the company will decrease or increase its net profit by RMB4,538,185.69. The management believes that 1% reasonably reflects the reasonable range of possible changes in the RMB against the US dollar in the next year.

8.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risk arises primarily from investments in various equity instruments. There is the risk of changes in the prices of equity instruments.

On June 30, 2021, in the case that other variables remained the same, if the value of equity instruments increased or decreased by 1%, the Company will increase or decrease the net profits of RMB1,165,811.90 and other comprehensive income of RMB8,932,026.00. The management believes that 1% reasonably reflects the scope of potential changes in the equity instruments for the next year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

9 DISCLOSURE OF FAIR VALUE

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

The level of the measurement result of fair value shall subject to the lowest level which the input that is great significance to the entire measurement of fair value belongs to.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

9 DISCLOSURE OF FAIR VALUE (CONTINUED)

9.1 FAIR VALUE OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AS AT JUNE 30, 2021

Item	Fair value as at June 30, 2021			Total
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	
I. Continuous measurement of fair value				
◆ Financial assets held for trading	-	3,716,694,131.66	-	3,716,694,131.66
1. Financial assets measured at fair value through the current profit or loss	-	3,716,694,131.66	-	3,716,694,131.66
(1) Debt instrument investment	-	3,716,694,131.66	-	3,716,694,131.66
2. Financial asset designated to be measured by fair value through current profit and loss				
◆ Investment in other equity instruments	-	893,202,600.00	-	893,202,600.00
◆ Other non-current financial assets	-	116,581,190.23	-	116,581,190.23
1. Financial assets measured at fair value through the current profit or loss	-	116,581,190.23	-	116,581,190.23
(1) Debt instrument investment	-	116,581,190.23	-	116,581,190.23
2. Financial asset designated to be measured by fair value through current profit and loss	-	-	-	-
Total assets with continuous measurement of fair value	-	4,726,477,921.89	-	4,726,477,921.89
Total liabilities with continuous measurement at fair value	-	-	-	-
II. Measurement at fair value not on a going concern				
Total amount of assets measured at fair value not on a going concern	-	-	-	-
Total amount of liabilities measured at fair value not on a going concern	-	-	-	-

9.2 BASIS FOR RECOGNITION OF THE MARKET PRICE OF ITEMS MEASURED AT FAIR VALUE OF LEVEL 1 ON A GOING AND NON-GOING CONCERN

Not existed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

9 DISCLOSURE OF FAIR VALUE (CONTINUED)

9.3 QUALITATIVE AND QUANTITATIVE INFORMATION OF VALUATION TECHNIQUES AND KEY PARAMETERS ADOPTED FOR ITEMS MEASURED AT THE FAIR VALUE OF LEVEL 2 ON A GOING AND NON-GOING CONCERN

Item	Fair value as at June 30, 2021	Valuation techniques	Major parameters	
			Qualitative information	Quantitative information
Structured deposit	3,716,694,131.66	Market approach	The applicable time deposit interest rate is determined based on the market exchange rate pricing issued as at June 30, 2021.	
China Merchants RenHe Life Insurance Company Limited (Investment in equity instruments)	893,202,600.00	Market approach	Calculate based on the market value of PING AN, NCI, and CPIC	The liquidity discount rate is 33.2%.
Investment in China Mobile Equity Fund (Hebei Xiong'an) Partnership (Limited Partnership)	116,581,190.23	Market approach	According to the net value of the fund provided by the manager	

9.4 QUALITATIVE AND QUANTITATIVE INFORMATION OF VALUATION TECHNIQUES AND KEY PARAMETERS ADOPTED FOR ITEMS MEASURED AT THE FAIR VALUE OF LEVEL 3 ON A GOING AND NON-GOING CONCERN

Not existed.

9.5 ANALYSIS ON THE MEASUREMENT ITEMS MEASURED AT FAIR VALUE OF LEVEL 3 ON A GOING CONCERN, ADJUSTMENT INFORMATION BETWEEN THE BOOK VALUE AS AT THE END OF THE LAST YEAR AND THE BOOK VALUE AS AT THE END OF LAST PERIOD AND SENSITIVITY OF UNOBSERVABLE PARAMETERS

Not existed.

9.6 THE MEASUREMENT ITEMS MEASURED AT FAIR VALUE ON A GOING CONCERN, THE CONVERSION BETWEEN THE VARIOUS LEVELS DURING THE PERIOD, THE REASON FOR CONVERSION AND THE POLICY OF DETERMINING THE CONVERSION TIME

Not existed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

9 DISCLOSURE OF FAIR VALUE (CONTINUED)

9.7 CHANGES IN VALUATION TECHNOLOGY AND REASONS FOR CHANGES OCCURRED IN 2021

Not existed.

9.8 OTHERS FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The Group has no other financial assets and financial liabilities measured at fair value than the financial assets or financial liabilities where the difference between the book value and fair value is small (such as the short-term accounts receivable or accounts payable).

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

10.1 PARENT COMPANY OF THE COMPANY

Name of parent company	Registration place	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
China TravelSky Holding Company Limited	No.7 Yumin Street, Houshayu Town, Shunyi District, Beijing, China	Manage all state-owned assets and state-own equity arising from the state investments in the group company and its investees.	3,000,000,000.00	29.29	29.29

The Company's ultimate controller: the State-owned Assets Supervision and Administration Commission of the State Council.

10.2 SUBSIDIARIES OF THE COMPANY

See the Note 7 "Equity in other entities" for the details of subsidiaries the Company.

10.3 JOINT VENTURES AND ASSOCIATES OF THE COMPANY

See the Note 7 "Equity in other entities" for the details of joint ventures or associates of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.4 OTHER RELATED PARTIES

Name of other related party	Relationship with the Company
Air China Limited	Subsidiaries of shareholders of the Company
Shenzhen Airlines Company Limited	A shareholder of the Company
China Southern Airlines Company Limited	Subsidiaries of shareholders of the Company
Xiamen Airlines Company Limited	A shareholder of the Company
China Eastern Airlines Corporation Limited	A shareholder of the Company
Shanghai Airlines Company Limited	Subsidiaries of shareholders of the Company
China United Airlines Co., Ltd.	Subsidiaries of shareholders of the Company
Hainan Airlines Holding Co., Ltd.	A shareholder of the Company
Sichuan Airlines Co., Ltd.	Subsidiaries of shareholders of the Company
Shandong Airlines Co., Ltd.	A shareholder of the Company

10.5 RELATED-PARTY TRANSACTIONS

10.5.1 Related party transactions on purchase and sales of goods, rendering and receipt of labor services

Purchase of goods/receipt of labor services

Related party	Content of related-party transactions	Six months ended June 30, 2021	Six months ended June 30, 2020
Chengdu Civil Aviation Southwest Cares Co., Ltd.	Technology support fee	761,025.03	22,625,611.85
Dalian TravelSky Airport Network LLC	Technology support fee	921,637.17	2,013,749.69
Hebei TravelSky Airport Network Co., Ltd.	Technology support fee	-	1,171,941.03
Guangzhou Airport Hangyi Information Technology Co., Ltd.	Technology support fee	-	762,431.12
Heilongjiang TravelSky Airport Network Co., Ltd.	Technology support fee	-	2,115,542.96
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Technology support fee	-	13,803,671.75
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Technology support fee	-2,372,693.95	60,812,436.44
Yantai TravelSky Airport Network Co., Ltd.	Technology support fee	-	751,137.92
Yunnan TravelSky Airport Network Co., Ltd.	Technology support fee	583,923.87	23,995,079.41
TravelSky Mobile Technology Limited	Technology support fee	28,301.89	-
AVIC Cloud Data Co., Ltd.	Technology support fee	11,997,338.12	5,949,775.82



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5.1 Related party transactions on purchase and sales of goods, rendering and receipt of labor services (Continued)

Sales of goods/rendering of labor services

Related party	Content of related-party transactions	Six months ended June 30, 2021	Six months ended June 30, 2020
Air China Limited and its subsidiaries	Aviation Information Technology Service	287,839,665.80	289,033,485.19
China Southern Airlines Company Limited and its subsidiaries	Aviation Information Technology Service	321,294,031.21	298,660,227.83
China Eastern Airlines Corporation Limited and its subsidiaries	Aviation Information Technology Service	268,751,045.75	264,711,801.39
Hainan Airlines Holding Co., Ltd. and its subsidiaries	Aviation Information Technology Service	367,071,791.04	204,495,041.71
Sichuan Airlines Co., Ltd. and its subsidiaries	Aviation Information Technology Service	100,472,754.49	83,747,977.74
Shandong Airlines Co., Ltd. and its subsidiaries	Aviation Information Technology Service	81,022,845.71	57,715,813.67
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	Rendering of services	7,159,726.87	15,771,586.73
Shenyang Civil Aviation Northeast Cares Co., Ltd.	Rendering of services	548,490.57	934,944.07
Chengdu Civil Aviation Southwest Cares Co., Ltd.	Rendering of services	32,029,269.14	59,734.51
Yunnan TravelSky Airport Network Co., Ltd.	Rendering of services	1,570,094.34	1,154,735.85
Heilongjiang TravelSky Airport Network Co., Ltd.	Rendering of services	3,301.90	3,962.28
Dalian TravelSky Airport Network LLC.	Rendering of services	85,801.86	415,848.36
Hebei TravelSky Airport Network Co., Ltd.	Rendering of services	131,698.12	157,547.16
Shanghai Dongmei Online Travel Agency Co., Ltd.	Rendering of services	43,116.97	5,010.41
Yantai TravelSky Airport Network Co., Ltd.	Rendering of services	26,698.11	419,848.08
TravelSky Mobile Technology Limited	Rendering of services	32,547.20	–

10.5.2 Management on commission/contract and commissioned management/sub-contract

The Group has no related commission/contract and commissioned management/sub-contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5.3 Related-party lease

The Company acted as lessee:

Name of lessor	Type of leased assets	Lease-related expenses recognized in 2021	Lease-related expenses recognized in 2020
China TravelSky Holding Company Limited	Houses	24,255,742.75	26,100,370.93
AVIC Cloud Data Co., Ltd.	Houses	5,375,880.16	5,210,509.28

10.5.4 Related party guarantee

The Company acted as the guarantor:

The guaranteed	Guarantee amount	Commencement date of guarantee	Maturity date of guarantee	Whether or not the guarantee performance has been completed
Beijing Yake Technology Development Co., Ltd.	400,000,000.00	2021/1/1	2021/12/31	No

The Company's subsidiary, Accounting Centre of China Aviation Limited Company, provided a counter guarantee for the "irrevocable letter of guarantee" made by China BSP online payment platform project for IATA under the agreement concluded by Beijing Yake Technology Development Co., Ltd. and Zhonghang Xingang Guarantee Co., Ltd., with a period from January 1, 2021 to December 31, 2021.

10.5.5 Loans from and to related parties

Not existed



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5 RELATED-PARTY TRANSACTIONS (CONTINUED)

10.5.6 Asset transfer and debt restructuring of related parties

Related party	Content of related-party transactions	Six months ended June 30, 2021	Six months ended June 30, 2020
China Eastern Airlines Corporation Limited	49.00% of the equity of Yunnan Civil Aviation Cares Information Co., Ltd.	39,011,154.00	-

10.6 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

10.6.1 Receivables

Item	Related party	As at June 30, 2021		As at December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Air China Limited and its subsidiaries	800,105,109.28	2,380,201.18	927,648,026.18	2,380,201.18
	China Southern Airlines Company Limited and its subsidiaries	755,456,814.57	371,892.01	460,027,036.98	371,892.01
	China Eastern Airlines Corporation Limited and its subsidiaries	1,474,536,690.12	2,821,947.98	1,227,761,660.51	2,821,947.98
	Hainan Airlines Holding Co., Ltd. and its subsidiaries	1,059,121,481.29	889,602,848.28	755,702,420.93	474,174,406.08
	Sichuan Airlines Co., Ltd.	118,405,671.73	-	66,011,964.44	-
	Shandong Airlines Co., Ltd.	178,591,189.34	2,905,474.26	349,575,543.26	2,905,474.26
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	29,593,808.89	-	22,668,016.09	-
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	2,479,500.00	-	2,089,050.00	-
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	84,183,634.50	-	58,227,374.50	-
	Yunnan TravelSky Airport Network Co., Ltd.	18,618,145.30	-	18,383,845.30	-
	Heilongjiang TravelSky Airport Network Co., Ltd.	600.00	-	700.00	-
	Dalian TravelSky Airport Network LLC	1,089,500.00	-	1,741,050.00	-
	Hebei TravelSky Airport Network Co., Ltd.	119,600.00	-	88,300.00	-
	Shanghai Dongmei Online Travel Agency Co., Ltd.	13,910.00	-	-	-
	Yantai TravelSky Airport Network Co., Ltd.	5,800.00	-	-	-
	TravelSky Mobile Technology Limited	11,234,603.77	-	13,920,205.57	-
	Guangzhou Airport Hangyi Information Technology Co., Ltd.	30,000.00	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.6 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (CONTINUED)

10.6.1 Receivables (Continued)

Item	Related party	As at June 30, 2021		As at December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Advances to suppliers					
	China Eastern Airlines Corporation Limited and its subsidiaries	21,754.00	-	15,364.00	-
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	21,020,142.47	-	32,187,012.47	-
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	6,841,574.34	-	10,644,492.72	-
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	549,680.04	-	-	-
	Yunnan TravelSky Airport Network Co., Ltd.	3,928,609.43	-	-	-
	Heilongjiang TravelSky Airport Network Co., Ltd.	947,094.04	-	-	-
	Dalian TravelSky Airport Network LLC	68,400.00	-	-	-
	Shanghai Dongmei Online Travel Agency Co., Ltd.	2,627,516.00	-	-	-
	Hebei TravelSky Airport Network Co., Ltd.	1,642,150.00	-	-	-
	Yantai TravelSky Airport Network Co., Ltd.	560,000.00	-	-	-
Other receivables					
	China Southern Airlines Company Limited and its subsidiaries	29,847,968.33	-	40,927,315.55	-
	China Eastern Airlines Corporation Limited and its subsidiaries	92,342,222.98	-	52,428,400.62	-
	Air China Limited and its subsidiaries	176,644,768.65	-	180,353,811.56	-
	Sichuan Airlines Co., Ltd.	4,644,340.25	-	5,270,484.62	-
	TravelSky Mobile Technology Limited	-	-	64,306,917.49	-
Contract assets					
	China Eastern Airlines Corporation Limited and its subsidiaries	27,208.80	27,208.80	27,208.80	27,208.80
	Dalian TravelSky Airport Network LLC	177,024.25	-	-	-
	Hebei TravelSky Airport Network Co., Ltd.	12,500.00	-	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.6 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (CONTINUED)

10.6.2 Payables

Item	Related party	As at June 30, 2021	As at December 31, 2020
Accounts payable			
	China TravelSky Holding Company Limited	10,775,531.16	10,775,531.16
	China Southern Airlines Company Limited and its subsidiaries	13,491.87	13,491.87
	Air China Limited and its subsidiaries	23,434,155.41	21,461,704.57
	Shandong Airlines Co., Ltd.	114,000.00	114,000.00
	Sichuan Airlines Co., Ltd.	14,000.00	14,000.00
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	28,765,083.89	53,427,560.68
	Hebei TravelSky Airport Network Co., Ltd.	3,948,092.59	6,901,119.24
	Yunnan TravelSky Airport Network Co., Ltd.	33,897,899.87	53,186,484.70
	Dalian TravelSky Airport Network LLC	15,725,612.44	19,899,776.37
	Heilongjiang TravelSky Airport Network Co., Ltd.	22,594,863.95	27,544,655.89
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	88,788,525.43	59,188,875.28
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	35,152,961.20	19,864,662.02
	Yantai TravelSky Airport Network Co., Ltd.	5,900,969.48	5,014,203.32
	Beijing TravelSky Birun Technology Co., Ltd.	2,858,333.33	2,999,790.27
	TravelSky Mobile Technology Limited	3,448,800.00	5,107,200.00
	Shanghai Dongmei Online Travel Agency Co., Ltd.	32.22	-
	AVIC Cloud Data Co., Ltd.	14,640.00	-
Other payables			
	China Eastern Airlines Corporation Limited and its subsidiaries	-	406,872.79
	China Southern Airlines Company Limited and its subsidiaries	10,377.28	-
	Air China Limited and its subsidiaries	1,282,440.75	-
	China TravelSky Holding Company Limited	7,363,950.26	-
	Shanghai Dongmei Online Travel Agency Co., Ltd.	984.00	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

10 RELATED PARTIES AND RELATED-PARTY TRANSACTIONS (CONTINUED)

10.6 RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES (CONTINUED)

10.6.2 Payables (Continued)

Item	Related party	As at June 30, 2021	As at December 31, 2020
Contract liabilities			
	China Southern Airlines Company Limited and its subsidiaries	224,626.41	1,415.09
	China Eastern Airlines Corporation Limited and its subsidiaries	329,704.18	169,551.13
	Hainan Airlines Holding Co., Ltd. and its subsidiaries	88,109.61	120,149.50
	Air China Limited and its subsidiaries	9,056.63	–
	Sichuan Airlines Co., Ltd.	10,337,190.62	10,312,190.62
	Shandong Airlines Co., Ltd.	630,544.15	630,544.15
	Chengdu Civil Aviation Southwest Cares Co., Ltd.	169,811.32	–
	Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	2,418,445.97	–
	Shenyang Civil Aviation Northeast Cares Co., Ltd.	67,924.53	–
	Dalian TravelSky Airport Network LLC	888,389.13	–
	Shanghai Dongmei Online Travel Agency Co., Ltd.	271,673.15	–

10.7 RELATED-PARTY COMMITMENTS

As at June 30, 2021, the Company had no related-party commitment required to be disclosed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

11 SHARE-BASED PAYMENT

11.1 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 35,958,950 units of cash settled H share appreciation rights to a total of 502 incentive recipients. The H Share appreciation rights are valid for 7 years from the date of grant. Subject to a lock-up period of two years following 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.

The total amount of the company's lapsed equity instruments in the current period: As of June 30, 2021, the number of incentive objects for the company's H-share stock appreciation rights has decreased by 18 due to dissolutions or termination of labor relations, and the number of incentive objects has been adjusted from 502 to 484, and the total number of grants Adjusted to 34,582,624 H-share stock appreciation rights.

11.2 CASH-SETTLED SHARE-BASED PAYMENT

As at June 30, 2021, the fair value of the above-mentioned stock appreciation right is calculated via the Black-Scholes option pricing model based on the following assumptions:

Main assumption indicators	First effective date	Second effective date	Third effective date
Current price of assets under right exercising (HKD)	16.76	16.76	16.76
Stock price fluctuation ratio	38.18	37.97	37.52
Average exercise time (Year)	3.0444	3.5444	4.0444
Risk-free interest rate (%)	0.3044	0.3946	0.4889
Expected dividend rate (%)	–	–	–

As of June 30, 2021, the Company has recorded accumulated liabilities arising from cash settled share based payment of RMB69,617,763.23, which RMB13,929,899.60 was included in staff costs in the first half of 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

12 COMMITMENTS AND CONTINGENCIES

12.1 SIGNIFICANT COMMITMENTS

On April 6, 2020, the Company, as a limited partner, signed the Agreement on China Mobile Equity Fund (Hebei Xiong'an) Partnership (Limited Partnership) with China Mobile Capital Holding Co., Ltd. and other companies, by which the Company subscribed for a capital contribution of RMB1 billion. As at June 30, 2021, the Company made the actual capital contribution of RMB126,944,384.81.

Except for the case mentioned above, the Group has no other commitment required to be disclosed.

12.2 CONTINGENCIES

As at June 30, 2021, the Group had no significant contingencies required to be disclosed.

13 POST BALANCE SHEET EVENTS

13.1 SIGNIFICANT NON-ADJUSTING EVENTS

As at June 30, 2021, the Group had no significant non-adjusting events required to be disclosed.

13.2 PROFIT DISTRIBUTION

As at June 30, 2021, the Group had no profit distribution.

13.3 SALES RETURN

As at June 30, 2021, the Group had no sales return.

13.4 ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

As at June 30, 2021, the Group had no assets and disposal group classified as held for sale.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

14 OTHER SIGNIFICANT EVENTS

14.1 CORRECTION OF ACCOUNTING ERRORS IN PRIOR PERIODS

There were no corrections of accounting errors in previous periods made during the reporting period.

14.2 ANNUITY PLAN

All full-time employees of the group participate in the basic pension insurance formulated by the government in accordance with national policies. The Group paid the basic pension insurance premium according to the maximum 16% of the employees' basic salary not exceeding the upper limit specified by the government department, and the employees paid the basic pension insurance premium according to the proportion of their own salary specified by the government. After reaching the statutory retirement age, employees receive basic pension on a monthly basis. As at June 30, 2021, the total amount of basic pension insurance paid by the group was RMB87,919,438.51 (as at June 30, 2020: RMB35,697,064.79).

In addition, the Group has established an enterprise annuity plan. The expenses required for an enterprise annuity shall be jointly paid by the enterprise and the individual employees. Employees may voluntarily choose to join or not join the group's enterprise annuity plan. As at June 30, 2021, the total amount of annuity expense paid by the group was RMB33,549,037.76 (as at June 30, 2020: RMB26,890,367.17).

As at June 30, 2021, the Group had no forfeited contributions to reduce its contributions to the defined contribution annuity plan managed by the group in future years.

As at June 30, 2021, the Group did not have any defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

14 OTHER SIGNIFICANT EVENTS (CONTINUED)

14.3 LEASE

14.3.1 As the lessee

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expenses on lease liabilities	1,592,029.57	3,273,277.18
Expense on short-term lease under simplified treatment and included in the current profit or loss	1,722,420.39	1,938,205.71
Expense on the lease of low-value assets under simplified treatment and included in the current profit or loss (except for the expense on short-term lease of low-value assets)	7,331.91	5,674.80
Variable lease payment not included in the lease liabilities for measurement	—	—
Including: leaseback part	—	—
Revenue from the sublease of right-of-use assets	—	—
Total cash outflows relevant to lease	41,080,305.46	50,372,817.75
Leaseback-related profit or loss	—	—
Cash inflows of leaseback	—	—
Cash outflows of leaseback	—	—

14.3.2 As the lessor

Item	Six months ended 30, 2021	Six months ended 30, 2020
Revenue from operating lease	16,937,892.94	22,839,578.87
Including: Revenue relevant to variable lease payment not included in lease receipts	—	—



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

14 OTHER SIGNIFICANT EVENTS (CONTINUED)

14.3 LEASE (CONTINUED)

14.3.2 As the lessor (Continued)

Undiscounted lease receipts that will be collected after the balance sheet date:

Remaining lease term	Undiscounted lease receipts
Within 1 year	33,438,592.46
1-2 years	33,438,592.46
2-3 years	33,438,592.46
3-4 years	33,438,592.46
4-5 years	33,438,592.46
Over 5 years	100,315,777.38
Total	267,508,739.68

14.4 SEGMENT INFORMATION

The Group's business is mainly located in China. The Group operates business only in one industry, i.e., providing aviation information technology and relevant services in China. The Group's revenues mainly come from its related parties and customers in China, and the revenue division made by the Group based on major product or service has been presented in Note 5.42. The Group did not prepare any segment balance sheet and income statement for period ended June 30, 2020 and June 30, 2021.

Meanwhile, as the Group's revenues mainly come from China, and its assets are also in China, there is no regional segment information presented in the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

15.1 NOTES RECEIVABLE

15.1.1 Breakdown of the notes receivable

Items	As at June 30, 2021	As at December 31, 2020
Bank acceptance bills	–	–
Commercial acceptance bills	38,563,788.65	121,322,898.07
Less: provision for bad debts	3,288,419.44	12,653,978.27
Total	35,275,369.21	108,668,919.80

15.1.2 Notes receivable pledged as at the end of the reporting period

The Group has no the above-mentioned situation.

15.1.3 Notes receivable endorsed or discounted but undue as at the end of the reporting period

The Group has no the above-mentioned situation.

15.1.4 Notes transferred to accounts receivable due to the failure of the drawer to perform the contract as at the end of the reporting period

The Group has no the above-mentioned situation.



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.2 ACCOUNTS RECEIVABLE

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

Aging	As at June 30, 2021	As at December 31, 2020
Within 1 year	3,226,236,057.95	2,588,592,538.51
<i>Including: subitem within 1 year</i>		
<i>Within 6 months</i>	1,758,699,933.68	1,790,091,890.68
<i>7 – 12 months</i>	1,467,536,124.27	798,500,647.83
1 – 2 years	1,586,128,919.80	1,837,285,609.36
2 – 3 years	735,926,612.65	534,647,272.64
3 – 4 years	169,906,540.63	94,776,105.32
4 – 5 years	24,298,650.01	26,834,395.13
Over 5 years	68,872,963.29	67,625,364.67
Sub-total	5,811,369,744.33	5,149,761,285.63
Less: provision for bad debts	1,327,018,991.19	943,116,003.00
Total	4,484,350,753.14	4,206,645,282.63

15.2.2 Disclosure under the methods of provision for bad debts by category

Category	As at June 30, 2021					As at December 31, 2020				
	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	1,120,608,461.06	19.28	968,026,456.86	86.38	152,582,004.20	774,681,434.02	15.04	584,249,813.77	75.42	130,431,620.25
Provision for bad debts accrued on a portfolio basis	4,690,761,283.27	80.72	358,992,534.33	7.65	4,331,768,748.94	4,375,079,851.61	84.96	358,866,189.23	8.20	4,016,213,662.39
Total	5,811,369,744.33	100.00	1,327,018,991.19		4,484,350,753.14	5,149,761,285.63	100.00	943,116,003.00		4,206,645,282.63

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.2 ACCOUNTS RECEIVABLE (CONTINUED)

15.2.2 Disclosure under the methods of provision for bad debts by category (Continued)

Provision for bad debts accrued on an individual basis:

Name	As at June 30, 2021			Reason for provision
	Accounts receivable	Provision for bad debts	Proportion of provision (%)	
Customer 1 and its subsidiaries	1,002,227,921.66	849,646,799.80	84.78	Declare bankruptcy and restructuring
Customer 2	118,380,539.40	118,379,657.07	99.99	Operation difficulty
Total	1,120,608,461.06	968,026,456.86		

Provision for bad debts accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	As at June 30, 2021		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Arrearages from third-parties	1,113,487,277.46	349,256,597.77	31.37
Arrearages from related parties	3,577,274,005.81	9,735,936.56	0.27
Total	4,690,761,283.27	358,992,534.33	

15.2.3 Provision, reversal or recovery of provision for bad debts in 2021

Category	As at December 31, 2020	Changes in the current period			As at June 30, 2021
		Provision	Reversal/Recovery	Write-off/charge-off	
Provision for bad debts accrued on an individual basis	584,249,813.77	383,776,643.09	-	-	968,026,456.86
Provision for bad debts accrued on a portfolio basis	358,866,189.23	126,345.10	-	-	358,992,534.33
Total	943,116,003.00	383,902,988.19	-	-	1,327,018,991.19



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.2 ACCOUNTS RECEIVABLE (CONTINUED)

15.2.4 Accounts receivable actually charged off in 2021

The Company has no the above-mentioned situation.

15.2.5 Top five of accounts receivable as at June 30, 2021, presented by debtors.

The sum amount of top five of accounts receivable as at June 30, 2021, presented by debtors is RMB3,224,551,982.43, accounting for 55.49% of the ending balance of accounts receivable, and the corresponding ending balance of allowance for bad debts is RMB606,880,919.28.

15.3 OTHER RECEIVABLES

Items	As at June 30, 2021	As at December 31, 2020
Interest receivable	–	–
Dividends receivable	48,292,356.00	54,217,436.00
Other receivables	234,132,747.70	221,279,829.06
Total	282,425,103.70	275,497,265.06

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 OTHER RECEIVABLES (CONTINUED)

15.3.1 Dividends receivable

- (1) Details of dividends receivable

Items (or investees)	As at June 30, 2021	As at December 31, 2020
Shenzhen Civil Aviation Cares Co., Ltd.	4,302,956.00	10,450,036.00
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	1,020,000.00	1,020,000.00
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	4,080,000.00
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	28,979,200.00	28,469,200.00
Hainan Civil Aviation Cares Co., Ltd.	5,830,200.00	5,830,200.00
Yantai TravelSky Airport Network Co., Ltd.	–	288,000.00
Qingdao Civil Aviation Cares Co., Ltd.	4,080,000.00	4,080,000.00
Sub-total	48,292,356.00	54,217,436.00
Less: provision for bad debts	–	–
Total	48,292,356.00	54,217,436.00



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 OTHER RECEIVABLES (CONTINUED)

15.3.1 Dividends receivable (Continued)

- (2) Significant dividends receivable with aging over one year

Items (or investees)	As at June 30, 2021	Aging	Reason for non-recovery
Hainan Civil Aviation Cares Co., Ltd.	5,182,400.00	Over 1 year	The company is operating normally and is expected to be recovered in the future
Qingdao Civil Aviation Cares Co., Ltd.	3,060,000.00	1-3 years	The company is operating normally and is expected to be recovered in the future
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	1,530,000.00	1-3 years	The company is operating normally and is expected to be recovered in the future
Beijing TravelSky Birun Technology Co., Ltd.	4,080,000.00	2-3 years	The company is operating normally and is expected to be recovered in the future
Total	13,852,400.00		

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 OTHER RECEIVABLES (CONTINUED)

15.3.2 Other receivables

- (1) Disclosure by aging

Aging	As at June 30, 2021	As at December 31, 2020
Within 1 year	59,185,212.00	49,016,897.00
<i>Including: subitem within 1 year</i>		
<i>Within 6 months</i>	48,473,463.23	9,766,369.46
<i>7 – 12 months</i>	10,711,748.77	39,250,527.54
1 – 2 years	69,944,938.43	35,018,244.06
2 – 3 years	38,903,946.43	102,460,200.83
3 – 4 years	31,330,262.07	16,326,841.98
4 – 5 years	21,304,309.56	8,262,705.88
Over 5 years	13,464,079.21	10,194,939.31
Sub-total	234,132,747.70	221,279,829.06
Less: provision for bad debts	–	–
Total	234,132,747.70	221,279,829.06



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 OTHER RECEIVABLES (CONTINUED)

15.3.2 Other receivables (Continued)

(2) Disclosure under the methods of provision for bad debts by category

Category	As at June 30, 2021					As at December 31, 2020				
	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	-	-	-	-	-	-	-	-	-	-
Provision for bad debts accrued on a portfolio basis	234,132,747.70	100.00	-	-	234,132,747.70	221,279,829.06	100.00	-	-	221,279,829.06
Total	234,132,747.70	100.00	-	-	234,132,747.70	221,279,829.06	100.00	-	-	221,279,829.06

Provision for bad debts accrued on a portfolio basis:

Item accrued on a portfolio basis:

Name	As at June 30, 2021		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Various margin, deposit and loan of reserve fund	30,384,018.77	-	-
Other receivables from related parties	203,748,728.93	-	-
Total	234,132,747.70	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 OTHER RECEIVABLES (CONTINUED)

15.3.2 Other receivables (Continued)

- (3) Provision for bad debts

Book balance	Phase 1 Expected credit losses in the next 12 months	Phase 2 Expected credit losses for the entire duration (no credit impairment)	Phase 3 Expected credit losses for the entire duration (credit impairment)	Total
Balance as at December 31, 2020	-	221,279,829.06	-	221,279,829.06
In 2021, balance as at December 31, 2020	-	-	-	-
- Transfer to Phase 2	-	-	-	-
- Transfer to Phase 3	-	-	-	-
- Reversal from Phase 2	-	-	-	-
- Reversal from Phase 1	-	-	-	-
Provision in 2021	-	12,852,918.64	-	12,852,918.64
Derecognition in 2021	-	-	-	-
Other changes	-	-	-	-
Balance as at June 30, 2021	-	234,132,747.70	-	234,132,747.70

- (4) Classification of other receivables by the nature of payment

Nature	As at June 30, 2021	As at December 31, 2020
Reserve funds	26,773,146.28	2,945,741.72
Borrowings of subsidiaries	14,631,187.24	44,453,516.01
Insurance reserve funds of personnel stationed abroad	72,964,348.47	47,764,507.92
Advance payment	-	3,620,594.80
Deposit payment	4,175,471.10	641,757.50
Others	115,588,594.61	121,853,711.11
Total	234,132,747.70	221,279,829.06



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.3 OTHER RECEIVABLES (CONTINUED)

15.3.2 Other receivables (Continued)

- (5) Top five of other receivable as at June 30, 2021, presented by debtors.

The sum amount of top five of other receivables as at June 30, 2021, presented by debtors is RMB177,761,625.62, accounting for 75.92% of the balance of other receivables as at June 30, 2021.

15.4 LONG-TERM EQUITY INVESTMENTS

Item	As at June 30, 2021			As at December 31, 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiary	2,141,162,630.34	3,495,488.48	2,137,667,141.86	2,102,151,476.34	3,495,488.48	2,098,655,987.86
Investment in associates and joint ventures	432,314,596.07	-	432,314,596.07	440,989,248.21	-	440,989,248.21
Total	2,573,477,226.41	3,495,488.48	2,569,981,737.93	2,543,140,724.55	3,495,488.48	2,539,645,236.07

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.4 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

15.4.1 Investment in subsidiaries

Investees	Balance as at	Increase in 2021	Decrease in 2021	Balance	Provision for	Balance of provision
	December 31, 2020			as at June 30, 2021		impairment in 2021
Hainan Civil Aviation Cares Co., Ltd.	4,746,180.00	-	-	4,746,180.00	-	-
Shenzhen Civil Aviation Cares Co., Ltd.	4,302,941.18	-	-	4,302,941.18	-	-
Hubei Civil Aviation Cares Co., Ltd.	2,500,000.00	-	-	2,500,000.00	-	-
Chongqing Civil Aviation Cares Information Technology Co., Ltd.	4,998,000.00	-	-	4,998,000.00	-	-
Yunnan Civil Aviation Cares Information Co., Ltd.	1,020,000.00	39,011,154.00	-	40,031,154.00	-	-
Xiamen Civil Aviation Cares Co., Ltd.	1,020,000.00	-	-	1,020,000.00	-	-
Infosky Information Technology Co., Ltd.	153,820,754.50	-	-	153,820,754.50	-	-
Qingdao Civil Aviation Cares Co., Ltd.	1,020,000.00	-	-	1,020,000.00	-	-
Xi'an Civil Aviation Cares Technology Co., Ltd.	1,020,000.00	-	-	1,020,000.00	-	-
Civil Aviation Cares Technology of Xinjiang Co., Ltd.	1,530,000.00	-	-	1,530,000.00	-	-
Guangzhou TravelSky Technology Limited	400,000,000.00	-	-	400,000,000.00	-	-
Shanghai TravelSky Technology Limited	4,000,000.00	-	-	4,000,000.00	-	-
China Aviation Accounting Co., Ltd.	853,519,487.07	-	-	853,519,487.07	-	-
TravelSky Technology (Hong Kong) Limited	11,364,427.02	-	-	11,364,427.02	-	-
TravelSky Technology (Singapore) Limited	353,594,927.55	-	-	353,594,927.55	-	-
TravelSky Technology (Japan) Limited	6,414,028.62	-	-	6,414,028.62	-	-
TravelSky Technology (Korea) Limited	5,694,956.65	-	-	5,694,956.65	-	-
TravelSky Technology (Europe) Limited	4,679,918.76	-	-	4,679,918.76	-	-
TravelSky Technology (America) Limited	9,738,500.00	-	-	9,738,500.00	-	-
TravelSky Cares (Beijing) Property Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Hunan TravelSky Technology Limited	30,000,000.00	-	-	30,000,000.00	-	-
Taiwan TravelSky Limited	12,456,766.51	-	-	12,456,766.51	-	-
Inner Mongolia Civil Aviation Information Technology Co., Ltd.	5,000,000.00	-	-	5,000,000.00	-	-
Beijing TravelSky Travel Service Co., Ltd.	72,000,000.00	-	-	72,000,000.00	-	-
TravelSky Huadong Data Center Co., Ltd.	50,000,000.00	-	-	50,000,000.00	-	-
Shanghai Jiexing Electronic Commerce Co., Ltd.	3,495,488.48	-	-	3,495,488.48	-	3,495,488.48
Henan Civil Aviation Information Technology Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Zhejiang Civil Aviation Information Technology Co., Ltd.	19,047,100.00	-	-	19,047,100.00	-	-
Beijing Civil Aviation Information Technology Co., Ltd.	50,010,000.00	-	-	50,010,000.00	-	-
TravelSky Technology (Australia) Limited	6,158,000.00	-	-	6,158,000.00	-	-
Guangzhou Skyecho Information Technology Co., Ltd.	4,000,000.00	-	-	4,000,000.00	-	-
Beijing Hangju Credit Management Co., Ltd.	5,000,000.00	-	-	5,000,000.00	-	-
Total	2,102,151,476.34	39,011,154.00	-	2,141,162,630.34	-	3,495,488.48



15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.4 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

15.4.2 Investments in associates and joint ventures

Investees	As at December 31, 2020	Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Increased/decrease in 2021				As at June 30, 2021	Provision for impairment as at June 30, 2021
					Adjustment to other comprehensive income	Changes in other equity	Cash dividends or profits declared to be distributed	Provision for impairment		
1. Joint ventures										
Heilongjiang TravelSky Airport Network Co., Ltd.	18,473,998.80	-	-	656,674.77	-	-	-	-	19,130,673.57	-
Dalian TravelSky Airport Network LLC	22,765,138.99	-	-	-455,246.57	-	-	-	-	22,309,892.42	-
Hebei TravelSky Airport Network Co., Ltd.	6,529,888.64	-	-	-239,882.12	-	-	-	-	6,290,006.52	-
Shanghai Dongmei Online Travel Agency Co., Ltd.	4,792,882.65	-	-	-2,104,938.53	-	-	-	-	2,687,944.12	-
Xinjiang TravelSky Esurfing Science and Technology Co., Ltd.	-	5,000,000.00	-	-	-	-	-	-	5,000,000.00	-
Sub-total	52,561,887.08	5,000,000.00	-	-2,143,191.45	-	-	-	-	55,418,695.63	-
2. Associate										
Beijing TravelSky Brun Technology Co., Ltd.	19,145,515.93	-	-	2,172,781.67	-	-	-	-	21,318,297.60	-
TravelSky Mobile Technology Limited	15,194,983.40	-	-	-14,089,554.24	-	-	-	-	1,065,429.16	-
Shanghai Civil Aviation East China Cares System Integration Co., Ltd.	130,463,880.32	-	-	11,148,601.24	-	-	-	-	141,612,481.56	-
Shenyang Civil Aviation Northeast Cares Co., Ltd.	106,024,920.98	-	-	5,339,654.84	-	-	-	-	111,364,575.82	-
Chengdu Civil Aviation Southwest Cares Co., Ltd.	67,720,247.30	-	-	-13,864,217.37	-	-	-	-	53,856,029.93	-
Yunnan TravelSky Airport Network Co., Ltd.	36,458,354.36	-	-	515,237.94	-	-	-	-	36,973,592.30	-
Guangzhou Airport Hengxi Information Technology Co., Ltd.	6,646,455.42	-	-	-3,067,954.06	-	-	-	-	3,578,501.36	-
Yantai TravelSky Airport Network Co., Ltd.	6,833,013.42	-	-	323,988.29	-	-	-	-	7,157,001.71	-
Sub-total	398,427,981.13	-	-	-11,531,460.69	-	-	-	-	376,896,520.44	-
Total	440,989,248.21	5,000,000.00	-	-13,674,652.14	-	-	-	-	432,314,586.07	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

15 NOTES TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15.5 OPERATING REVENUE AND OPERATING COSTS

Item	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Revenue	Cost	Revenue	Cost
Primary business	2,130,918,979.91	1,061,018,551.39	1,551,672,142.09	939,295,188.38
Other business	17,043,265.88	4,166,004.66	16,865,271.45	4,166,004.66
Total	2,147,962,245.79	1,065,184,556.05	1,568,537,413.54	943,461,193.04

15.6 INVESTMENT INCOME

Item	Six months ended June 30, 2021	Six months ended June 30, 2020
Long-term equity investment income calculated under the cost method	—	363,456.86
Long-term equity investment income calculated under the equity method	-13,674,652.14	6,986,483.24
Interest revenue from creditor's right investment during the holding period	31,943,133.83	48,383,668.76
Total	18,268,481.69	55,733,608.86



NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2021 (CONTINUED)

Amounts are expressed in RMB unless otherwise stated

16 SUPPLEMENTARY INFORMATION

BREAKDOWN OF CURRENT NON-RECURRING PROFITS OR LOSSES

Item	Amount	Description
Gains and Losses from disposal of non-current assets	-260,247.33	
Tax return or relief under unauthorized approval or without official approval document	-	
Government grants included in current profits or losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	28,528,560.36	Government grants
Expenses for using funds charged from non-financial enterprises and included in the current profit or loss	482,671.23	Mobile technology interest income
Profit or loss from changes in fair values of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities as well as the investment income obtained from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other creditor's right investment, except for effective hedging operations associated with the Company's normal operations	-3,328,855.77	Losses from changes in fair value
Reversal of provisions for impairment of receivables and contract assets with separate impairment test	775,837.80	Reversal of provisions for other receivables accrued on individual base
Non-operating revenue and expenses other than the above-mentioned items	1,372,328.40	Net non-operating revenue or expenses
Other items of profit or loss subject to the definition of non-recurring profit or loss	7,928,317.15	
Sub-total	35,498,611.84	
Affected amount of income tax	-5,450,008.87	
Affected amount of minority equity (after tax)	-12,841,449.59	
Total	17,207,153.38	

TRAVELSKY TECHNOLOGY LIMITED

August 26, 2021



CORPORATE INFORMATION

(as of the issue date of this report)

BOARD

The seventh session of the Board of the Company established by election by shareholders on February 27, 2020 comprises:

Huang Rongshun	Chairman, Executive Director (appointed on August 5, 2021)
Xiao Yinhong	Executive Director, General Manager
Zhao Xiaohang	Non-executive Director
Xi Sheng	Non-executive Director
Luo Laijun	Non-executive Director
Cao Shiqing	Independent Non-executive Director
Ngai Wai Fung	Independent Non-executive Director
Liu Xiangqun	Independent Non-executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

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

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

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

NOMINATION COMMITTEE

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

Huang Rongshun	Chief Member (Chairman) (appointed on August 5, 2021)
Cao Shiqing	Member
Liu Xiangqun	Member



CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

STRATEGY AND INVESTMENT COMMITTEE (LEGAL COMPLIANCE COMMITTEE)

Appointed by the seventh session of the Board of the Company on February 27, 2020 and comprises:

Huang Rongshun	Chief Member (Chairman) (appointed on August 5, 2021)
Xiao Yinhong	Member
Zhao Xiaohang	Member
Xi Sheng	Member
Luo Laijun	Member

DIRECTOR RESIGNED (INCLUDING HIS RESPECTIVE DUTY IN THE SPECIAL COMMITTEE)

Cui Zhixiong	Chairman, Executive Director, Chief Member of the Nomination Committee, Chief Member of the Strategy and Investment Committee (Legal Compliance Committee) (appointed on February 27, 2020, resigned on August 5, 2021)
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SUPERVISORY COMMITTEE

The seventh session of the Supervisory Committee established by election by shareholders on February 27, 2020 (except for the staff representative supervisors) comprises:

Ding Wanzhi	Chairman of the Supervisory Committee (appointed on February 27, 2020), Staff Representative Supervisor (appointed by the staff representative meeting of the Company on January 9, 2020)
Zeng Yiwei	Supervisor
Liang Shuang	Staff Representative Supervisor (appointed by the staff representative meeting of the Company on January 9, 2020)
Zhu Yan	Independent Supervisor
Tang Lichao	Supervisor (appointed on February 26, 2021)



CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

SENIOR MANAGEMENT

Xiao Yinhong	General Manager, Executive Director
Rong Gang	Vice General Manager
Li Jinsong	Vice General Manager, Chief Financial Officer (Chief Accountant)
Yuan Leifeng	Vice General Manager
Liang Haifeng	Vice General Manager
Wang Jinping	Vice General Manager
Huang Yuanchang	Vice General Manager
Zhu Xiaoxing	Vice General Manager
Yu Xiaochun	Company Secretary (Secretary to the Board)

REGISTERED ADDRESS

7 Yu Min Da Street, Houshayu Town, Shunyi District
Beijing 101308, PRC

PLACE OF BUSINESS IN HONG KONG

Room 3606, 36/F, China Resources Building
26 Harbour Road, Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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



CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York Mellon

REGULAR MAIL:

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

OVERNIGHT MAIL:

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

AUDITOR

BDO China SHU LUN PAN Certified Public Accountants LLP
Room 1410, Fanli Building, NO. 22
Chaoyangmenwai Street, Chaoyang District, Beijing
100020, PRC

LEGAL ADVISERS

AS TO HONG KONG LAW:

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



CORPORATE INFORMATION (CONTINUED)

(as of the issue date of this report)

LEGAL ADVISERS (CONTINUED)

AS TO THE PRC LAW:

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

PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group Limited
9/F The Center, 99 Queen's Road Central, Central, Hong Kong
Telephone: (852) 2851 1038
Facsimile: (852) 3102 0210
Email: travelsky@wsfg.hk

CONTACT DETAILS FOR INVESTORS

Board office
Postal address: TravelSky High-Tech Industrial Park, Houshayu Town, Shunyi District, Beijing 101318, PRC
Telephone: (8610) 5765 0696
Facsimile: (8610) 5765 0695
Email: ir@travelsky.com.cn
Website: www.travelskyir.com

COMPANY'S WEBSITES

WEBSITE OF CONSOLIDATED INFORMATION OF THE COMPANY:

www.travelsky.cn

WEBSITE ESTABLISHED IN ACCORDANCE WITH RULE 2.07C(6)(A) OF THE LISTING RULES:

www.travelskyir.com

You may obtain the English and Chinese versions of the financial reports, announcements, circulars, operation data and results presentation of the Company through this website.