

**TRAVELSKY TECHNOLOGY LTD :
COMPATRIOTS, PLEASE STAND UP!**

Virtual monopolies rarely make for the efficient running of an enterprise – any enterprise, anywhere.

If anything, monopoly situations in private enterprise, especially those endorsed by a government, any government, anywhere, more often than not lead to gross incompetence, inefficiency, and mal-administration.

In addition, in many cases, monopolies, especially those endorsed by the State, are the breeding grounds for corruption at the highest levels.

The world has seen such situations only too clearly in the admitted failures of so many of the State-run enterprises of the Government of the People's Republic of China (PRC).

It has come to such a point that corruption in the PRC is an accepted part of doing business in the world's most populous country. And the corruption has proved to be rampantly rooted in PRC Government-controlled enterprises.

In the Philippines, recently, its president, Mr Joseph Estrada – actor turned politician – was forced to move out of the Presidential Palace when rioting in the streets of the Capital City, Manila, called for his resignation amid allegations of corruption.

Today, in Indonesia, President Abdurrahman Wahid is under pressure to resign, also amid allegations of his corrupt practices.

Corruption is a horrible fungus which, in Asia, is difficult to eradicate, it seems.

The January 29, 2001, Global Offering of TravelSky Technology Ltd, Code 696, Main Board, The Stock Exchange of Hongkong Ltd, is the launch of a company which is, without question, a virtual monopoly in the PRC.

Unashamedly, the Prospectus explains this, only too clearly.

Page One of this Company's Prospectus, proudly announces: *'We are the dominant provider of information technology solutions for China's air travel and tourism industries. We have developed applications and services that allow all industry participants – from airlines, airports and non-air travel suppliers, to travel agencies, corporate travel customers, air travel consumers and shippers – to conduct electronic transactions and manage travel-related information ...'*

'... Today, all 25 Chinese commercial airlines outsource their core inventory management systems to us. Our technology is an essential component of nearly every booking made on Chinese commercial airlines, whether reserved through travel agencies, over the Internet, through an international global distribution system, or GDS, or with the airline directly. In 1999, our systems processed approximately 64 million bookings and approximately 97% of the total air passenger traffic on Chinese commercial airlines ...'

While it is fair to state that TravelSky Technology has a PRC, Government-endorsed monopoly in the PRC, it does not follow, necessarily, that this Company, or any of its management personnel, is corrupt.

However, its record of profits, over the past 42 months, does not fill one with awe at the great business acumen of Management, or of Management's ability to turn a renminbi in the face of competition.

The following Trading Record of TravelSky Technology is copied, directly, from the Company's Prospectus at Page 138:

	Financial Year ended December 31			Six Months to June 30	
	1997	1998	1999	1999	2000
	All Figures are Denominated in Renminbi '000				
Total Revenue	509,635	487,137	603,654	270,421	336,441
Business Taxes and Other Surcharges	(16,081)	(15,832)	(19,344)	(8,945)	(11,221)
Net Revenue	493,554	471,305	584,310	261,476	325,220
<u>Operating Expenses:</u>					
Depreciation	(78,457)	(92,964)	(88,218)	(46,482)	(48,298)
Network Usage	(25,279)	(30,940)	(34,803)	(14,660)	(18,050)
Personnel	(35,837)	(27,184)	(33,787)	(16,218)	(19,284)
Operating Lease Rentals	(31,178)	(12,870)	(18,670)	(6,233)	(12,444)
Technical Support Services	(19,478)	(14,122)	(5,665)	(3,126)	(12,445)
Cost of Equipment Sold	(8,256)	(6,379)	(12,738)	(3,791)	(2,951)
Repairs and Maintenance	(18,166)	(15,870)	(15,860)	(3,898)	(10,380)
Selling Expenses					
General, Administrative and other Operating Expenses	(3,183)	(7,752)	(18,002)	(6,736)	(14,081)
	(31,669)	(26,258)	(41,248)	(17,298)	(22,816)
TOTAL OPERATING EXPENSES:	(251,503)	(234,339)	(268,991)	(118,442)	(160,749)
Operating Income	242,051	236,966	315,319	143,034	164,471
Net Financial (Charges) Income	(17,212)	(17,883)	(960)	(1,534)	1,224
Share of Results of Associated Companies	Nil	Nil	392	Nil	196
Other Income (Expenses)	953	(7,627)	209	858	17
Income before Taxation and Minority Interests	225,792	211,456	314,960	142,358	165,908
Taxation	(73,987)	(68,753)	(103,742)	(46,890)	(54,625)
Income before Minority Interests	151,805				
		142,703	211,218	95,468	111,283
Net Profit	148,702	137,386	208,038	93,097	110,177

The above Trading Results, one must bear in mind, are from an enterprise, which has 97 percent control of the entire market of the most populous country in the world today in respect of a centralised airline inventory control system, air travel bookings and tourist bookings.

In 1999, alone, by the Company's own admission, it received not less than 64 million bookings.

The Net Profit Margin of TravelSky Technology has ranged from 29.18 percent in 1997, to 28.20 percent in 1998, to 34.46 percent in the 1999 Financial Year.

A low tax charge, imposed by the Government of the PRC, is one of the main reasons for this situation, as is only too apparent from the above table.

Without a monopolistic situation, it doubtful that any company of this type could maintain such high margins of profit.

And yet, the Company has only been able to realise the above Trading Results in spite of not having any competition, at all.

For the Financial Year, ended December 31, 2000, the Company is forecasting a Net Profit of not less than 251 million renminbi.

This represents an increase of about 20.67 percent over the 1999 Financial Year's Results.

The History of TravelSky

TravelSky Technology can trace its beginnings to 1979 when The Civil Aviation Administration of China (CAAC) '*approved the establishment of a computer information centre, which later became CACI (Civil Aviation Computer Information Centre), to address information management and computerisation for China's civil aviation industry.*' (Page 55)

In April 2000, CACI and 20 other PRC, State-run airline shareholders entered into an agreement whereby CACI injected its assets into TravelSky Technology and the 20 airlines put in cash ... [CLICK TO ORDER FULL ARTICLE](#)

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