



# 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 : 0696)

## Interim Report **2010**



The board of directors (the "Board") of TravelSky Technology Limited (the "Company") hereby presents the unaudited interim report of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2010 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

## CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts expressed in thousands of Renminbi)

	Note	As at June 30, 2010 Unaudited	As at December 31, 2009 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	9	783,929	891,985
Intangible assets, net		66,334	82,559
Lease prepayment for land use right, net	9	2,007,161	109,236
Investments in associated companies		130,368	123,835
Other long-term assets		2,782	2,786
Deferred income tax assets		9,998	10,006
		<b>3,000,572</b>	1,220,407
<b>Current assets</b>			
Inventories		7,678	8,095
Accounts receivable, net	10	244,658	185,550
Due from associated companies		26,535	13,010
Due from related parties, net	11	1,713,677	1,362,615
Income tax receivable		–	35,212
Prepayments and other current assets		556,807	343,717
Short-term bank deposits		1,143,955	2,302,954
Cash and cash equivalents		978,199	1,555,723
		<b>4,671,509</b>	5,806,876
<b>Total assets</b>		<b>7,672,081</b>	7,027,283

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)***(Amounts expressed in thousands of Renminbi)*

	Note	As at June 30, 2010 <i>Unaudited</i>	As at December 31, 2009 <i>Audited</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Paid in capital		1,950,806	1,950,806
Reserves	7	2,496,583	2,367,208
Retained earnings			
– Proposed final cash dividend	8	–	261,408
– Others		1,811,872	1,469,581
		<b>6,259,261</b>	6,049,003
<b>Non-controlling interests</b>		<b>113,516</b>	109,664
<b>Total equity</b>		<b>6,372,777</b>	6,158,667
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		129	131
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	1,032,803	768,529
Due to related parties		215,004	92,550
Income tax payable		16,244	4,419
Deferred revenue		35,124	2,987
		<b>1,299,175</b>	868,485
<b>Total liabilities</b>		<b>1,299,304</b>	868,616
<b>Total equity and liabilities</b>		<b>7,672,081</b>	7,027,283
<b>Net current assets</b>		<b>3,372,334</b>	4,938,391
<b>Total assets less current liabilities</b>		<b>6,372,906</b>	6,158,798

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***(Amounts expressed in thousands of Renminbi, except per share data)*

		<b>Unaudited</b>	
		<b>Six months ended June 30,</b>	
	<i>Note</i>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>			
Aviation information technology services		<b>1,028,580</b>	847,409
Accounting, settlement and clearing services		<b>159,764</b>	122,893
Data network and others		<b>263,920</b>	221,264
<b>Total revenues</b>	3	<b>1,452,264</b>	1,191,566
<b>Operating expenses</b>			
Business taxes and other surcharges		<b>(51,390)</b>	(42,204)
Depreciation and amortisation		<b>(183,174)</b>	(169,951)
Network usage		<b>(43,509)</b>	(45,384)
Personnel		<b>(219,442)</b>	(197,442)
Operating lease rentals		<b>(45,722)</b>	(32,072)
Technical support and maintenance fees		<b>(80,211)</b>	(71,868)
Commission and promotion expenses		<b>(165,387)</b>	(127,868)
Other operating expenses		<b>(124,299)</b>	(110,544)
<b>Total operating expenses</b>		<b>(913,134)</b>	(797,333)
<b>Operating profit</b>		<b>539,130</b>	394,233
Financial income, net		<b>19,914</b>	46,768
Share of results of associated companies		<b>13,333</b>	5,911
<b>Profit before taxation</b>	4	<b>572,377</b>	446,912
Income tax	5	<b>(88,440)</b>	(73,817)
<b>Profit after taxation</b>		<b>483,937</b>	373,095

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (Continued)

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

	Note	Unaudited Six months ended June 30, 2010	2009
<b>Other Comprehensive income:</b>			
Currency translation differences		(1,034)	(247)
<b>Other Comprehensive income for the period, net of tax</b>		<b>(1,034)</b>	(247)
<b>Total comprehensive income for the period</b>		<b>482,903</b>	372,848
<b>Profit attributable to:</b>			
Equity holders of the Company		472,700	364,106
Non-controlling interests		11,237	8,989
		<b>483,937</b>	373,095
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		471,666	363,859
Non-controlling interests		11,237	8,989
		<b>482,903</b>	372,848
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
Basic and diluted (RMB)	6	0.24	0.19

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***(Amounts expressed in thousands of Renminbi)*

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total
	Paid in capital	Reserves	Retained earnings		
<b>Balance at January 1, 2009</b>	1,776,315	2,171,729	1,489,140	98,810	5,535,994
<b>Total comprehensive income for the period ended June 30, 2009</b>	–	(247)	364,106	8,989	372,848
Issuance of shares for acquisition of property	36,992	164,449	–	–	201,441
Issuance of shares for business combination under common control in 2009	137,499	(137,499)	–	–	–
Dividends relating to 2008	–	–	(362,850)	–	(362,850)
Dividends paid to non-controlling interests	–	–	–	(3,187)	(3,187)
Appropriation to reserves	–	103,968	(103,968)	–	–
<b>Balance at June 30, 2009</b>	1,950,806	2,302,400	1,386,428	104,612	5,744,246

	Note	Unaudited				
		Attributable to equity holders of the Company			Non- controlling interests	Total
		Paid in capital	Reserves	Retained earnings		
<b>Balance at January 1, 2010</b>		1,950,806	2,367,208	1,730,989	109,664	6,158,667
<b>Total comprehensive income for the period ended June 30, 2010</b>		–	(1,034)	472,700	11,237	482,903
Dividend relating to 2009	8	–	–	(261,408)	–	(261,408)
Dividends paid to non-controlling interests		–	–	–	(6,887)	(6,887)
Appropriation to reserves	7	–	130,409	(130,409)	–	–
Transaction with non-controlling interests		–	–	–	(498)	(498)
<b>Balance at June 30, 2010</b>		1,950,806	2,496,583	1,811,872	113,516	6,372,777

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***(Amounts expressed in thousands of Renminbi)*

		<b>Unaudited</b>	
		<b>Six months ended June 30,</b>	
	<i>Note</i>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	<b>527,489</b>	482,975
Enterprise Income tax refund		<b>41,599</b>	–
Enterprise income tax paid		<b>(82,996)</b>	(103,725)
<b>Net cash provided by operating activities</b>		<b>486,092</b>	379,250
<b>Cash flows from investing activities</b>			
Purchases of property, plant, equipment and intangible assets		<b>(326,692)</b>	(122,826)
Purchases of a land use right		<b>(1,869,000)</b>	–
Maturities of short-term bank deposits		<b>1,603,999</b>	1,199,228
Placements of short-term bank deposits		<b>(445,000)</b>	(887,038)
Interest received		<b>28,828</b>	44,897
Dividends received from associated companies		–	4,560
<b>Net cash provided by (used in) investing activities</b>		<b>(1,007,865)</b>	238,821
<b>Cash flows from financing activities</b>			
Dividends paid		<b>(53,218)</b>	(3,187)
<b>Net cash used in financing activities</b>		<b>(53,218)</b>	(3,187)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(2,533)</b>	407
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(577,524)</b>	615,291
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,555,723</b>	1,326,473
<b>Cash and cash equivalents at end of the period</b>		<b>978,199</b>	1,941,764

The notes on pages 7 to 14 form an integral part of this condensed consolidated interim financial information.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

TravelSky Technology Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on October 18, 2000 to engage in the provision of aviation information technology services and related services in the PRC. The Company was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on February 7, 2001.

The address of its registered office is 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing, the PRC.

The condensed consolidated interim financial statements have not been audited and was approved for issue on August 27, 2010.

#### Key event

As set out in the Company’s announcement dated January 26, 2010 and the circular dated March 2, 2010, the Company made a successful bid for the land use right of the land located in Shunyi District, Beijing, 19 blocks 08, 09, 19 and 21 (the “Land”) at the land transfer price of RMB1,910 million at an open auction held on January 14, 2010. The Company intends to build a new operating centre comprising a data centre and the headquarter office building of the Company.

Further details are given in Note 9.

### 2. Principal accounting policies and basis of presentation

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and have been reviewed by the Audit Committee of the Company. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2009.

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2009, as described in those annual financial statements.

### 3. Revenue

Revenue mainly comprises the fees earned by the Group for the provision of the Group’s aviation information technology services and related services. A substantial portion of these fees was generated from the shareholders of the Company.



#### 4. Profit before taxation

Profit before taxation is arrived at after charging and crediting the following:

	Unaudited	
	Six months ended June 30,	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
<b>After charging:</b>		
Depreciation	139,480	150,687
Amortisation of intangible assets	30,301	15,190
Amortisation of leasehold improvements	2,045	2,917
Amortisation of lease prepayments for land use right	11,348	1,157
Loss on disposal of property, plant and equipment	678	37
Provision for (reverse of) impairment of receivables	(1,995)	15,444
Cost of equipment sold	19,136	7,078
Contributions to defined contribution pension scheme	27,767	24,158
Auditor's remuneration	1,370	1,100
Contribution to housing fund	14,514	12,718
Research and development expenses	126,791	119,374
<b>After crediting:</b>		
Interest income	19,409	44,897
Exchange gain	505	1,871

#### 5. Taxation

In general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognized as "High and New Technology Enterprises" are entitled to a favorable statutory tax rate of 15%. In December 2008, the Company has been approved and certified by relevant authorities as a "High and New Technology Enterprise", and was entitled to the preferential tax rate of 15% from 2008 to 2010.

The Company accrued income tax expenses at the rate of 15% for the six months ended June 30, 2009 and 2010 respectively.

In addition to the recognised "High and New Technology Enterprise" status, enterprises being approved and certified by relevant authorities as an "Important Software Enterprise" can further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid at the rate of 15% over this preferential income tax rate of 10% should be adjusted in the period when an enterprise obtained its "Important Software Enterprise" certification.

The Company was qualified as "Important Software Enterprise" in December 2009, and it therefore enjoyed a preferential tax rate of 10% for 2009. As at June 30, 2010, the Company has not obtained its "Important Software Enterprise" certification for 2010, hence the Company used 15% to accrue the income tax.

## 6. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following:

	Unaudited	
	Six months ended June 30,	
	2010	2009
<b>Earnings (RMB'000)</b>		
Earnings for the purpose of calculating the basic and dilutive earnings per share	472,700	364,106
<b>Numbers of shares ('000)</b>		
Weighted average number of ordinary shares in issue (Note)	1,950,806	1,938,476
<b>Earnings per share (RMB)</b>		
Basic and dilutive	0.24	0.19

Note: As set out in the circular of the Company dated June 16, 2008, and the announcements dated May 26, 2008 and July 31, 2008, the Company would acquire from China TravelSky Holding Company ("CTHC") 100% equity interest in Accounting Centre of China Aviation Company Limited ("ACCA") and the property located in Dongxing Li, Chaoyang District, Beijing, PRC ("Property"). ACCA is engaged in the provision of accounting, settlement and clearing services, and related information system development and support services to commercial airlines and other aviation companies. The acquisition was completed on March 3, 2009 and the consideration was satisfied by the issue and allotment of 174,491,393 new domestic shares of the Company to CTHC (137,499,218 shares for the acquisition of ACCA, and 36,992,175 shares for the acquisition of the Property).

As both the Company and ACCA are under common control of CTHC before and after the acquisition, the acquisition of ACCA is accounted for as a common control business combination. The Company adopts merger accounting for common control combination.

The number of shares in issue for the six months ended June 30, 2009 have been adjusted for the 137,499,218 share issued to CTHC on March 3, 2009 for the acquisition of ACCA as if these shares were issued on January 1, 2009.

## 7. Reserve

The appropriation to the discretionary surplus reserve fund for the year 2009 was approved in the annual general meeting held on June 25, 2010. Therefore, RMB130.4 million, representing 20% of the Company's net profit of year 2009, was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2010.

## 8. Dividend distribution

The equity holders in the annual general meeting of the Company held on June 25, 2010 approved the distribution of a final dividend of RMB261.4 million (RMB0.134 per share) for Year 2009. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2010.

## 9. Property, plant and equipment and lease prepayment for land use right, net

For the six months ended June 30, 2010, the Group acquired property, plant and equipment amounting to approximately RMB31.0 million in total.

As set out in the Company's announcement dated January 26, 2010 and the circular dated March 2, 2010, the Company made a successful bid for the land use right of the Land at the land transfer price of RMB1,910 million at an open auction held on January 14, 2010. The Company intends to build a new operating centre comprising a data centre and the headquarter office building of the Company.

The land transfer contract for the Land was signed by the Company and Beijing Land Bureau, and the development compensation contract for the Land was signed by the Company and Beijing Shunyi Land Reserve Centre respectively. The total land transfer price has been fully paid by the Company to the Beijing Land Bureau.

Land in PRC mainland is state-owned or collectively-owned and no individual land ownership right exists. Lease prepayments for land use rights of the Land represent the Group's interests in the Land which is held on lease with a term of 50 years. As at the date of this report, the Group is in the process of applying registration of the title certificate of the Land.

## 10. Accounts receivable, net

The credit period for accounts receivable is generally six months after services are rendered.

The ageing analysis of accounts receivable is as follows:

	<b>June 30, 2010</b>	December 31, 2009
	<i>Unaudited</i>	<i>Audited</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	<b>227,528</b>	154,690
Over 6 months but within 1 year	<b>13,301</b>	33,947
Over 1 year but within 2 years	<b>24,826</b>	22,305
Over 2 years but within 3 years	<b>10,985</b>	9,469
Over 3 years	<b>8,073</b>	7,065
Accounts receivable	<b>284,713</b>	227,476
Provision for impairment of receivables	<b>(40,055)</b>	(41,926)
Accounts receivable, net	<b>244,658</b>	185,550

**11. Due from related parties, net**

These balances are trade related, unsecured, interest free and the credit period for these receivable is generally six months after services are rendered.

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

	<b>June 30, 2010 Unaudited RMB'000</b>	December 31, 2009 Audited RMB'000
Within 6 months	955,515	1,151,939
Over 6 months but within 1 year	577,937	209,145
Over 1 year but within 2 years	179,254	904
Over 2 years but within 3 years	927	590
Over 3 years	44	37
Due from related parties, net	<b>1,713,677</b>	1,362,615

**12. Accounts payable and accrued liabilities**

The ageing analysis of accounts payable is as follows:

	<b>June 30, 2010 Unaudited RMB'000</b>	December 31, 2009 Audited RMB'000
Within 6 months	45,911	29,226
Over 6 months but within 1 year	2,848	2,823
Over 1 year but within 2 years	7,243	10,342
Over 2 years but within 3 years	15,542	24,649
Over 3 years	11,334	11,194
Total accounts payable	<b>82,878</b>	78,234
Accrued liabilities and other liabilities	<b>949,925</b>	690,295
Total accounts payable and accrued liabilities	<b>1,032,803</b>	768,529

## 13. Cash generated from operations

	Unaudited Six months ended June 30,	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Profit before taxation	572,377	446,912
Adjustments for:		
Depreciation and amortization	183,174	169,951
Loss on disposal of property, plant and equipment	678	37
Interest income	(19,409)	(44,897)
Provision for (reverse of) impairment of receivables	(1,995)	15,444
Share of results of associated companies	(13,333)	(5,911)
Exchange loss/(gain)	1,499	(654)
Decrease/(increase) in current assets:		
Accounts receivable	(57,237)	(39,802)
Inventories	417	4,954
Prepayments and other current assets	33,674	7,750
Due from related parties and associated companies	357,787	(130,036)
Increase/(decrease) in current liabilities:		
Accounts payable and accrued liabilities	245,918	176,927
Deferred revenue	32,137	(682)
Due to related parties	(92,624)	(117,018)
Cash generated from operating activities	527,489	482,975

## 14. Commitments

### (a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	<b>June 30, 2010</b> <i>Unaudited</i> <i>RMB'000</i>	December 31, 2009 <i>Audited</i> <i>RMB'000</i>
Authorized and contracted for		
– Computer System	113,422	18,672
– Building	1,001	7,497
Authorized but not contracted for		
– Computer System	328,482	729,800
– Land use right and Building	582,800	2,487,800
<b>Total</b>	<b>1,025,705</b>	3,243,769

The above capital commitments primarily relate to the construction of new operating centre in Beijing, development and upgrade of the new generation aviation passenger service information system and other new businesses.

An amount of approximately RMB90.5 million of capital commitments outstanding at June 30, 2010 was denominated in U.S. dollars.

### (b) Operating lease commitments

At the balance sheet date, the Group had the following commitments under operating leases for the office premises:

	<b>June 30, 2010</b> <i>Unaudited</i> <i>RMB'000</i>	December 31, 2009 <i>Audited</i> <i>RMB'000</i>
Within one year	62,416	28,406
Over 1 year but within 5 years	72,037	23,397
<b>Total</b>	<b>134,453</b>	51,803

**14. Commitments** (Continued)**(c) Supplemental housing fund**

The Group, together with CTHC, has obtained an approval from the relevant government authority in February 2010 to establish a supplemental housing fund for their employees. This supplemental housing fund will be utilized to provide supplemental housing benefits to existing employees of the Group who met certain pre-requisite criteria. The Group has not finalized the detailed arrangements, and hence, its impact was not included in this interim financial statements.

**15. Segment reporting**

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief operating decision maker is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated income statement. No segment report has been prepared by the Group for six months ended June 30, 2010 and 2009.

The Group operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC.

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

<b>Main customers</b>	<b>Unaudited</b>			
	<b>Six months ended June 30,</b>			
	<b>2010</b>	<b>%</b>	2009	%
	<b>RMB'000</b>		<i>RMB'000</i>	
Air China Limited	<b>170,146</b>	<b>12%</b>	146,781	12%
China Southern Airlines Company Limited	<b>227,054</b>	<b>16%</b>	197,910	17%
China Eastern Airlines Corporation Limited	<b>186,354</b>	<b>13%</b>	162,065	14%

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

### BUSINESS REVIEW FOR THE FIRST HALF OF 2010

The Group is the leading provider of information technology solutions for aviation and travel industry in PRC. In the first half of 2010, benefited from the favorable conditions such as the gradual recovery of the global economy, the positive growth of PRC's economy, the bouncing foreign trade market, the opening of Shanghai World Expo as well as the rollback of oil price, the aviation market in PRC has been booming vigorously. With such background, a firm market foundation has been thereby laid before the Group for it to realize rapid development in its core business, maintain steady growth in economic benefit, constant stability in safety production and continuous enhancement in service quality.

In the first half of 2010, the Group's electronic travel distribution (ETD) system has processed approximately 137.6 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 19.3% over the same period in 2009. Among which, the processed flight bookings on commercial airlines in China increased by approximately 18.4%, while those on foreign and regional commercial airlines increased by approximately 45.5%.

In the first half of 2010, in addition to continuous provision of information technology products and services along the value chain of the aviation industry, ranging from bookings, ticketing, check-in, boarding and load planning, accounting, settlement and clearing to value-added services for travelers, the Group has also provided information technology solutions for major commercial airlines in China in respect of travel convenience, launching e-commerce and enhancing direct sales. As a strategic partner of the Fast Travel project of International Air Transport Association (IATA), the Company has contributed its support to Air China Limited for realizing package self-service with international standards in Beijing Capital International Airport, accordingly making the Company one of the advanced suppliers for Fast Travel project of IATA. Besides, the production commencement of Electronic Miscellaneous Document (EMD) in Air China Limited made it becoming one of the first airlines launching EMD in Asia-pacific region, and it also enabled the Company to be the first Global Distribution System (GDS) in the world passing the EMD implementation ability authentication of IATA. The number of passenger departures processed with the common use self-service check-in system (CUSS), the Company's self-developed product meeting IATA standards, through online check-in and mobile check-in has amounted to approximately 12.1 million. In the first half of 2010, the Company has provided custodian service relating to e-commerce platform for 11 commercial airlines. E-build, an e-commerce supporting platform, has brightened itself as a gateway platform for centralized payment, featuring with advanced functions of payment, fare and sales of Weblink which is the promissory note direct sales platform oriented for overseas agencies. Newsky, the Company's self-developed auxiliary supporting system for inventory revenue has already been adopted by various commercial airlines to assist them in optimizing and enhancing revenue. Sky Passenger, a diversified service system for travelers has also been put into operation in five commercial airlines, to assist them in identifying and seeking for high-end passengers.

In the first half of 2010, the number of foreign and regional commercial airlines using the Company's Airport Passenger Processing (APP) system service, multi-host connecting program service and the self-developed Angel Cue platform connecting service increased to 56, with approximately 2.3 million of passenger departures processed in 38 airports. The number of foreign and regional commercial airlines with direct links to the Company's Computer Reservation System (CRS) increased to 90, with the sales percentage through direct links increased to 99.3%. By virtue of all the above, the Company's ability to tackle with various market risks has been strengthened.



## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### BUSINESS REVIEW FOR THE FIRST HALF OF 2010 *(Continued)*

During the first half of 2010, apart from constantly consolidating its existing market share of settlement and clearing services, the Group has also steadily promoted its research & development for the new generation revenue management system relating to international passenger. In addition, the Group has strongly reinforced the promotion of the fare collection system application in airports and the management system in respect of sales channels. There were approximately 199.4 million transactions and approximately 97.3 million Billing and Settlement Plan (BSP) bills processed with our settlement and clearing system. And the passenger and cargo postal revenues, miscellaneous fees as well as international and domestic clearing fees settled with our system amounted to US\$1.8 billion. Moreover, the Group has been working closely with IATA and became one of the first testers of IATA's Simplify Interline Settlement (SIS) project in respect of passenger, cargo and service fee businesses. The Group has also succeeded in data treatment and software services transfer for 42 BSP across Asia-pacific and European regions. The Company has won good reputation from IATA because of its stable business operation. Besides, the Group has signed agreements with IATA to settle booking receivables by sales amount of BSP.

In the first half of 2010, with its front-end products in airport departure control system, the Group has further emphasized marketing on its product lines of airport information technology services. Apart from dominating in domestic large and medium airports, the new generation APP front-end system has also helped commercial airlines in the PRC to render check-in, transit and connecting flight services to travelers in 89 overseas and domestic regional airports, with passenger departures amounting to approximately 6.4 million, representing 79.5% of inbound passengers from commercial airlines in China. Angel Lite, a passenger front-end processing system tailor-made and developed for small airports beyond top 60 in terms of throughput in China, has been promoted to 4 airports, including Xuzhou Airport and Lianyungang Airport. Our self-developed airport information service system has been applied in Chengdu, Changsha and other airports to provide support for decision-making. Passenger transit information service system has been adopted by Zhengzhou Airport for enhancing its operational capacity as an air transportation hub and improving ground services. Airport security check system has been introduced to 5 airports, including Shenyang Airport and Anshan Airport. Moreover, government information service products including new products for Advance Passenger information (API) information services have also received sound results in the market, with the number of users reaching 8.

In the first half of 2010, the Group continued to promote its building and marketing of product lines for distribution information technology services. In particular, in addition to improving TravelWeb front-end business system, the Group has also promoted its core travel product series named Bluesky, i.e. travel management consultant business platform (TMC), online booking tool business platform (OBT), travel data business platform (DAL) and some other front-end products, to top travel management corporations in the world, including American Express Company and Carlson Wagonlit Travel. The Weblink, a sales settlement and clearing product provided to overseas agents of commercial airlines in PRC, has been promoted to commercial airlines such as Hong Kong Airlines Limited, Air Macau Company Limited and Hainan Airlines Company Limited.

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### BUSINESS REVIEW FOR THE FIRST HALF OF 2010 *(Continued)*

In the first half of 2010, the Group has strengthened its cooperation on hotel distribution with Hilton, InterContinental, Millennium Group and other foreign and domestic leading hotel conglomerates, which diversified luxurious hotel products in the Group's travel product distribution system. In addition, the Group has also cooperated with 7 commercial airlines in China, including Air China Limited, which further expanded its down stream channel in multi-level hotel distribution that comprises agencies, commercial airlines in China, travel consultants and reservation centers. In the first half of 2010, leveraging on the three product segments, namely direct links with hotels, exchange platform and distribution channels, the Group has distributed 534.9 thousand hotels' room-nights, representing an increase of 69.6% as compared with that in 2009.

In the first half of 2010, the Group steadily propelled air freight logistics information technology services. In particular, it has transferred the freight system in China Eastern Airlines Corporation Limited and Shanghai Airlines Co., Ltd upon their integration, and checked and accepted the freight system in Urumqi Airport, Jiangxi Airport Group and Xiamen Airport before their operation. The Group also propelled its freight system to medium and small airports including Hanzhong Airport in Shaanxi with its airway bills amounting to 3.2 million in the first half of 2010. As a strategic partner of IATA E-Freight, the Group has also proactively conducted research and developed air electronic freight bill logistics information platform, assisting Chinese commercial airlines and airports to implement e-freight and its relevant technological preparations.

In the first half of 2010, the Group accelerated the construction of the new generation aviation passenger service system ("the new generation system"). Based on historical demand of users, the Group launched coordinated investigations with customers to ensure the new generation system tracking the development trend of the user system. A framework of the new generation system technologies consisting of Message Central Switching System (MCSS), TravelSky Unified Message Service (TUMS), TravelSky API (TAPI), TravelSky Data Integration Engine (TDIE) and other platforms was basically established. The Group set about promoting the feasibility analysis and system design for application systems such as the new generation flight control system and the airlines front-end system.

In the first half of 2010, with a view to solidifying its safety background, or, more specifically, realizing low cost operation in addition to improvement in operation reliability and interference-resistant ability, the Group has comprehensively utilized technology, business, and management measures to consistently enhance infrastructure input and system potential exploration. In particular, it has imposed performance optimization that incorporates long-term and short-term mainframe systems, developed monitoring and regulation platform for application of open platform, promoted the application of virtualization technology, kept saving energy and reducing consumption in engine rooms, established assessment system on safety production, and strengthened all kinds of emergency drills. As a result, civil aviation travelers information security was steadily propelled during the Shanghai World Expo. In the first half of 2010, the utilization ratio of the Group's ICS, CRS, APP and settlement and clearing mainframe systems was around 100%, 100%, 100%, and 99.98% respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2010

#### 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 2010, the Group achieved a profit before tax of RMB572.4 million, representing an increase of 28.1% compared to the first half of 2009. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB736.1 million, representing an increase of 28.7% compared to the first half of 2009. Profit attributable to equity holders of the Company was RMB472.7 million, representing an increase of 29.8% compared to the first half of 2009. The increase in earnings of the Group was mainly attributable to the strict control of operating expenses amid a growth in revenue.

The revenue and results of the operation of the Group were mainly derived from its operations in the PRC. The earnings per share of the Group was RMB0.24 for the first half of 2010.

#### Total revenue

The total revenue of the Group in the first half of 2010 amounted to RMB1,452.3 million, representing an increase of RMB260.7 million, or 21.9%, from that of RMB1,191.6 million in the first half of 2009. Such increase was mainly attributable to the growth in the business volume of the Group. The increase in total revenue is reflected as follows:

- Aviation information technology ("AIT") service revenue represented 70.8% of the Group's total revenue in the first half of 2010, as compared to 71.1% in the first half of 2009. AIT service revenue increased by 21.4% to RMB1,028.6 million in the first half of 2010 from RMB847.4 million in the first half of 2009. The increase of revenue resulted primarily from the growth in the number of air travelers.
- Accounting, settlement and clearing services revenue accounted for 11.0% of the Group's total revenue in the first half of 2010, as compared to 10.3% for the first half of 2009. Accounting, settlement and clearing services revenue increased by 30.0% to RMB159.8 million in the first half of 2010 from RMB122.9 million for the first half of 2009. The increase of revenue resulted primarily from the increase in business volume of international accounting, settlement and clearing services.
- Data network revenue and other revenue accounted for 18.2% of the Group's total revenue in the first half of 2010, as compared to 18.6% for the first half of 2009. Data network revenue and other revenue increased by 19.3% to RMB263.9 million in the first half of 2010 from RMB221.3 million for the first half of 2009. The increase of revenue resulted primarily from the increase in the revenue from data network services.

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2010 *(Continued)*

#### Operating expenses

Total operating expenses for the first half of 2010 amounted to RMB913.1 million, representing an increase of RMB115.8 million or 14.5%, as compared to RMB797.3 million for the first half of 2009. The changes in operating expenses are reflected as follows:

- Commission and promotion expenses increased by 29.3%, mainly due to the business development of the Group and the increased usage of APP system;
- Technical support and maintenance fees increased by 11.6%, mainly due to the continuous efforts in research and development of new products and technologies of the Group;
- Operating lease payments increased by 42.6%, mainly due to the increase in the areas of office lease of the Company; and
- Staff costs increased by 11.1%, primarily due to the increase in the number of staff for supporting the Group's business development.

#### Enterprise income tax

For details, please see Note 5 to the Unaudited Condensed Consolidated Financial Statements.

#### Profit attributable to equity holders of the Company

As a result of the above factors, the profit attributable to equity holders of the Group increased by RMB108.6 million or 29.8% to RMB472.7 million in the first half of 2010 from RMB364.1 million in the first half of 2009.

#### Liquidity and capital structure

The Group's working capital for the first half of 2010 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB486.1 million. During the first half of 2010, the Group neither had short-term or long-term bank loan nor used any financial instruments for hedging purposes. As at June 30, 2010, cash and cash equivalents of the Group amounted to RMB978.2 million, of which 93.6%, 4.8% and 1.6% were denominated in Renminbi, US dollars and Hong Kong dollars respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2010 *(Continued)*

#### Charge on assets

As at June 30, 2010, the Group had no charge on its assets.

#### Capital expenditure

The total capital expenditure of the Group amounted to RMB1,945.9 million for the first half of 2010, representing an increase of RMB1,614.8 million as compared to that of RMB331.1 million for the first half of 2009. The capital expenditure of the Group for the first half of 2010 consisted principally of purchase of land use rights, hardware, software and construction of infrastructure in accordance with the Group's development strategies.

The Board estimates that the Group's planned total capital expenditure for year 2010 will amount to approximately RMB3,217.6 million, which is mainly for construction of the new operating centre in Beijing (inclusive of the related expenses of land acquisition detailed in the paragraph below), development of the new generation aviation passenger service system and promotion of other new businesses. The sources of funding for the capital expenditure commitments will include existing cash on hand and internal cash flow generated from operations. The Board estimates that the sources of funding of the Group in 2010 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

As set out in the announcements dated January 26, 2010 and February 26, 2010, and the circular dated March 2, 2010, the Company successfully acquired the land use right of 08, 09, 19 and 21 blocks at Xincheng 19 Street, Shunyi District, Beijing at a transfer price of RMB1,910 million at an open auction to construct a new operating centre of the Group. The Company had fully paid the land transfer price on March 12, 2010.

#### Exchange risks

The Group's foreign exchange risks arise from commercial transactions and foreign currency denominated assets and liabilities. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

#### Gearing ratio

As at June 30, 2010, the gearing ratio of the Group was 16.9% (December 31, 2009: 12.4%), which was computed by dividing the total liabilities (no interest-bearing debts) by the total assets of the Group as at June 30, 2010.

#### Contingent liabilities

As at June 30, 2010, the Group had no material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2010 *(Continued)*

#### Employees

As at June 30, 2010, the total number of employees of the Group was 4,066. Staff costs amounted to RMB219.4 million for the first half of 2010, representing 24.0% of the total operating expenses of the Group for the first half of 2010.

The Group has different rates of remuneration for different employees (including Executive Directors and Staff Representative 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 in the PRC, as amended from time to time, such as medical insurance, pension, unemployment insurance, maternity insurance and housing funds.

Currently, none of the Non-executive Directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the Non-executive Directors during their tenure of service will be borne and indemnified by the Company. Independent Non-executive Directors of the Company do receive director's fees, which is determined by reference to the prevailing market price, their duties and personal qualifications, and that any reasonable fees and expenses incurred by Independent Non-executive Directors during their tenure of service will be borne and indemnified by the Company. All directors of the Company (the "Director(s)") are entitled to liability insurance acquired by the Company for Directors.

The Group also provides its employees with opportunities to acquire skills in areas such as the aviation and travel industry, computer information technologies and business administration, and provides training on the latest development in areas such as computer information technologies, personal qualities, laws, regulations and economics.

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE *(Continued)*

### PROSPECTS FOR THE SECOND HALF OF 2010

Currently, the recovery of global economy is built on shaky grounds. Frequent natural disasters in China have affected the economic development. The rising consumption bolsters the growth of the Chinese travel market. Shanghai World Expo. and Guangzhou Asian Games drive the aviation demand. The strategy of contributing the civil aviation industry to the national strength is boosted and policy supports enhanced. The above numerous factors will have a comprehensive impact on the Chinese air transportation and travel market in the second half of 2010. As such, as a core information service enterprise in the Chinese civil aviation industry, the Group will seize opportunities, elude risks and continue to exert its efforts to realize the objective of “becoming a leading information technology service provider with core competitiveness, sparing no effort to achieve the goal of becoming a top-tier enterprise with international competitiveness”. Through reasonably unifying independent innovation, integrated innovation and innovation upon absorption, the Group will build an information service system with proprietary intellectual property rights and international competitiveness to meet the demand of information technology arising from internationalized operation and competitions of commercial airlines, achieving a leapfrog development. The Group will accelerate the construction of the new generation aviation passenger service information system, boost informatization building and information resources integration of the industry, with focus on building a normalized and standardized public information service platform of civil aviation. Through accurately grasping the development trend of the industry and the core demand of customers, which are to gain competitive edge and minimize costs, the Group will organically combine technological innovation and business mode innovation, continuously boost the upgrade of the core information platform, improve the regional technological service capabilities of traditional businesses, and strengthen its market expansion capabilities of new businesses to nurture new growth drivers. The Group will maintain strict cost management, strengthen its corporate governance, enhance innovation of mechanisms and systems, and implement risk control measures so as to improve operational efficiency. Through continuing to value talents’ contribution to the corporate strength, deepening reform of the mechanism of selecting and appointing talents, and improving the performance assessment system, the Group will fully stimulate the creativity of its management and staff.

### INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2010.

### SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at June 30, 2010 was 1,950,806,393 shares, with a par value of RMB1 each. As at June 30, 2010, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total number of shares in issue (%)
Domestic Shares	1,329,098,393	68.13
H Shares	621,708,000	31.87
Total	1,950,806,393	100

## SUBSTANTIAL SHAREHOLDERS

As at June 30, 2010, the interests and short positions of any persons (other than Directors, Supervisors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "Ordinance") are set out as follows:

Name of shareholder	Class and number of securities (Note 1)	Capacity	Approximate percentage of respective class of share capital	Approximate percentage of the total share capital (Note 2)
Platinum Investment Management Limited	19,038,847 H shares of RMB1 each (L)	Investment manager	3.06%	0.98%
	49,845,005 H shares of RMB1 each (L) (Note 3)	Trustee (other than a bare trustee)	8.02%	2.56%
GMT Capital Corp.	62,502,000 H shares of RMB1 each (L) (Note 4)	Beneficial owner	10.05%	3.20%
Platinum International Fund	43,806,033 H shares of RMB1 each (L)	Beneficial owner	7.05%	2.25%
Templeton Asset Management Ltd.	43,492,861 H shares of RMB1 each (L)	Investment manager	7.00%	2.23%
JPMorgan Chase & Co.	42,191,500 H shares of RMB 1 each (P) (Note 5)	Custodian corporation/ approved lending agent	6.79%	2.16%
	1,141,000 H shares of RMB 1 each (L) (Note 5)	Investment manager	0.18%	0.06%
	36,000 H shares of RMB 1 each (L) (Note 5)	Beneficial owner	0.01%	0.01%
Keywise Capital Management (HK) Limited	38,069,000 H shares of RMB1 each (L)	Beneficial owner	6.12%	1.95%
Prudential Plc	31,079,000 H shares of RMB1 each (L) (Note 6)	Interest of corporation controlled by the substantial shareholder	5.00%	1.59%
China TravelSky Holding Company	571,484,393 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%



**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

<b>Name of shareholder</b>	<b>Class and number of securities</b> <i>(Note 1)</i>	<b>Capacity</b>	<b>Approximate percentage of respective class of share capital</b>	<b>Approximate percentage of the total share capital</b> <i>(Note 2)</i>
China Southern Air Holding Company	232,921,000 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	43,849,000 domestic shares of RMB1 each (L) <i>(Note 7)</i>	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company	218,829,000 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	5,317,000 domestic shares of RMB1 each (L) <i>(Note 8)</i>	Interest of controlled corporation	0.40%	0.27%
	2,600,000 domestic shares of RMB1 each (L) <i>(Note 9)</i>	Interest of controlled corporation	0.20%	0.13%
	11,453,000 domestic shares of RMB1 each <i>(Note 10)</i>	Interest of controlled corporation	0.86%	0.59%
China National Aviation Holding Company	178,867,000 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	12,480,000 domestic shares of RMB1 each (L) <i>(Note 11)</i>	Interest of controlled corporation	0.94%	0.64%

**SUBSTANTIAL SHAREHOLDERS** *(Continued)*

## Notes:

- (1) (L) – Long position; (P) – Lending pool.
- (2) Percentage of total share capital is based on 1,950,806,393 shares of the total issued share capital of the Company as at June 30, 2010.
- (3) 7,534,200 H shares and 42,310,805 H shares of these shares were held by Platinum Investment Management Limited in the trustee capacity of Platinum Asia Fund and Platinum International Fund respectively.
- (4) Based on the latest Corporate Substantial Shareholder Notice filed by GMT Capital Corp. on June 18, 2010, the 62,502,000 H shares in which GMT Capital Corp. was deemed to be interested were held through Bay II Resources Partners, LP, Bay Resources Partners, LP, Bay Offshore Resource Partners, Lyxor (which were 100% controlled by GMT Capital Corp.) and Thomas E. Claugus.
- (5) These shares were held by JPMorgan Chase Bank, N.A., JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management (Asia) Inc., J.P. Morgan Asset Management (Taiwan) Limited, J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation and J.P. Morgan International Inc. which were 100% controlled, directly or indirectly, by JPMorgan Chase & Co. JPMorgan Chase & Co. was deemed to be interested in the shares held by these companies by virtue of the Ordinance.
- (6) 31,079,000 H shares were held by Prudential Plc through its controlled companies. These shares were held by Prudential Asset Management (Hong Kong) Ltd, which was 100% controlled by Prudential Corporation Holdings Ltd, which was 100% controlled by Prudential Holdings Ltd, which was in turn 100% controlled by Prudential Plc.
- (7) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company. China Southern Air Holding Company was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the Ordinance.
- (8) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the Ordinance.
- (9) These shares were held by China Eastern Airlines Wuhan Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Wuhan Limited by virtue of the Ordinance.
- (10) These shares were held by Shanghai Airlines Company Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by Shanghai Airlines Company Limited by virtue of the Ordinance.
- (11) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the Ordinance.
- (12) Based on the latest Corporate Substantial Shareholder Notice filed by J.P. Morgan Fleming Asset Management Holdings Inc. (“J.P. Morgan Holdings”) on April 7, 2003, J.P. Morgan Holdings was a substantial shareholder of the Company being interested in 22,199,000 H shares through its controlled corporation. These shares were held by JF Asset Management Limited, which was 99.99% controlled by J.P. Morgan Fleming Asset Management (Asia) Inc., which was in turn 100% controlled by J.P. Morgan Holdings.
- (13) For the latest disclosure of interests filings of the Company’s substantial shareholders of H shares, please refer to the “Disclosure of Interests” section on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) ([www.hkex.com.hk](http://www.hkex.com.hk)).

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

As at June 30, 2010, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) as recorded in the register required to be kept under Section 352 of the Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors, Supervisors or chief executives of the Company or their respective associates had been granted or had exercised any rights to subscribe the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Ordinance) for the six months ended June 30, 2010.

## **TRUST DEPOSITS AND OVERDUE TIME DEPOSITS**

As at June 30, 2010, the Group did not have any trust deposits or irrecoverable overdue time deposits. Cash held by the Group is deposited with commercial banks and in accordance with the relevant laws and regulations.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

In the first half of 2010, the Group did not purchase, sell or redeem any securities of the Company.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has discussed and reviewed with the Company's management the unaudited interim results of the Group for the six months ended June 30, 2010, and has also discussed among themselves matters such as internal control, risk management and financial reporting.

## **CORPORATE GOVERNANCE**

The Company is committed to establishing and maintaining high level of corporate governance, making the information disclosure 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 "Code on Corporate Governance Practices" (the "Code") in Appendix 14 to the Listing Rules as the Company's code of corporate governance practices.

Save as deviations from the code provisions D.1.1 and D.1.2, the Company has fully complied with the Code in the first half of 2010. The Company has set out respective duties of the Board and the General Manager in its articles of association. However, it has not formulated specific guidelines for other duties and authority delegated to the management, which is not in full compliance with the code provisions D.1.1 and D.1.2 of the Code. Currently, the Board grants special mandates to the management for approval or execution of certain category of matters or events based on actual requirements and is of the opinion that the Company's current arrangement does not prejudice the interests of the Company. Relevant details have been set out in the corporate governance report in the 2009 Annual Report of the Company.

For the six months ended June 30, 2010, the Company has adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code. After making specific enquiries to all Directors, the Company confirms that all Directors have acted in full compliance with the requirements regarding directors' securities transactions set out in the provisions of the Model Code and the Company's code of conduct during the six months ended June 30, 2010.

By order of the Board  
**Xu Qiang**  
Chairman

August 27, 2010

## BOARD OF DIRECTORS

Xu Qiang	Chairman, Executive Director (appointed on March 16, 2010)
Cui Zhixiong	Executive Director (appointed on March 16, 2010)
Xiao Yinhong	Executive Director, General Manager (appointed on March 16, 2010)
Wang Quanhua	Non-executive Director (appointed on March 16, 2010)
Luo Chaogeng	Non-executive Director (appointed on March 16, 2010)
Sun Yude	Non-executive Director (appointed on March 16, 2010)
Cheung Yuk Ming	Independent Non-executive Director (appointed on March 16, 2010)
Zhou Deqiang	Independent Non-executive Director (appointed on March 16, 2010)
Pan Chongyi	Independent Non-executive Director (appointed on March 16, 2010)

## AUDIT COMMITTEE

Cheung Yuk Ming	Chief Member (Chairman) (appointed on March 16, 2010)
Zhou Deqiang	Member (appointed on March 16, 2010)
Pan Chongyi	Member (appointed on March 16, 2010)

## STRATEGIC COMMITTEE

Xu Qiang	Chief Member (Chairman) (appointed on March 16, 2010)
Wang Quanhua	Member (appointed on March 16, 2010)
Luo Chaogeng	Member (appointed on March 16, 2010)
Sun Yude	Member (appointed on March 16, 2010)
Cui Zhixiong	Member (appointed on March 16, 2010)
Xiao Yinhong	Member (appointed on March 16, 2010)

## REMUNERATION AND EVALUATION COMMITTEE

Zhou Deqiang	Chief Member (Chairman) (appointed on March 16, 2010)
Pan Chongyi	Member (appointed on March 16, 2010)
Cheung Yuk Ming	Member (appointed on March 16, 2010)
Wang Quanhua	Member (appointed on March 16, 2010)
Cui Zhixiong	Member (appointed on March 16, 2010)

## EXECUTIVE COMMITTEE

Xu Qiang	Chief Member (Chairman) (appointed on March 16, 2010)
Cui Zhixiong	Member (appointed on March 16, 2010)
Xiao Yinhong	Member (appointed on March 16, 2010)

## SUPERVISORY COMMITTEE

Li Xiaojun	Chairperson of Supervisory Committee, Staff Representative Supervisor (appointed on March 16, 2010)
Zeng Yiwei	Supervisor (appointed on March 16, 2010)
Yu Yanbing	Supervisor (appointed on March 16, 2010)
Xiao Wei	Staff Representative Supervisor (appointed on March 16, 2010)
Rao Geping	Independent Supervisor (appointed on March 16, 2010)

## SENIOR MANAGEMENT

Rong Gang	Vice General Manager (appointed on March 16, 2010)
Wang Wei	Vice General Manager (appointed on March 16, 2010)
Sun Yongtao	Vice General Manager, Chief Financial Officer (appointed on March 16, 2010)
Zhu Xiaoxing	Vice General Manager (appointed on March 16, 2010)
Huang Yuanchang	Vice General Manager (appointed on March 16, 2010)
Li Jinsong	General Counsel (appointed on March 16, 2010)

## JOINT COMPANY SECRETARY

Yu Xiaochun	(appointed on March 16, 2010)
Liu Pui Yee	(appointed on March 16, 2010)

## COMPANY'S WEBSITES

### Website of consolidated information of the Company:

[www.travelsky.net](http://www.travelsky.net)

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

<http://travelsky.todayir.com>

## AUDITORS

### International Auditors:

PricewaterhouseCoopers  
(Certified Public Accountants)  
22/F, Prince's Building, Central, Hong Kong

### PRC Auditors:

PricewaterhouseCoopers Zhong Tian CPAs Limited Company  
11/F, PricewaterhouseCoopers Centre  
202 Hu Bin Road, Shanghai 200021, PRC

## LEGAL ADVISERS

### as to Hong Kong law:

Bird & Bird  
33/F, Three Pacific Place  
1 Queen's Road East  
Hong Kong

### as to the PRC law:

Jingtian & Gongcheng  
34/F, Tower 3  
China Central Place  
77 Jianguo Road, Chaoyang District, Beijing 100025, PRC

## COMPLIANCE ADVISOR

Shenyin Wanguo Capital (H.K.) Limited  
28th Floor, Citibank Tower  
Citibank Plaza, 3 Garden Road  
Hong Kong

## REGISTERED ADDRESS

7 Yu Min Da Street  
Houshayu Town  
Shunyi District  
Beijing 100380, PRC

## CONTACT DETAILS

TravelSky Technology Limited  
No.157 Dongsu West Street  
Dongcheng District  
Beijing 100010  
PRC  
Telephone: (8610) 8409 9658  
Facsimile: (8610) 8409 9689

## PLACE OF BUSINESS IN HONG KONG

Area L, 49/F A & 50/F  
Office Tower  
Convention Plaza  
1 Harbour Road, Wanchai  
Hong Kong

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 696

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York  
Shareholder  
P.O. Box 11258  
Church Street Station  
New York, NY 10286-1258, U.S.A.

Shareholders can obtain a copy of this interim report through the website at <http://travelsky.todayir.com>.