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 2012

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, 2012 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, 2012 Unaudited	As at December 31, 2011 Audited
ASSETS			
Non-current assets			
Property, plant and equipment, net	9	897,308	950,126
Lease prepayment for land use right, net		1,993,138	2,019,504
Intangible assets, net		41,842	50,938
Investments in associated companies		163,418	153,835
Deferred income tax assets		11,717	11,774
Other long-term assets		180,533	11,312
		3,287,956	3,197,489
Current assets			
Inventories		5,641	3,548
Trade receivables, net	10	476,537	431,788
Due from related parties, net	11	2,125,833	1,609,733
Due from associated companies		30,060	17,750
Income tax receivable		34,183	1,221
Prepayments and other current assets		285,379	261,911
Held-to-maturity financial assets		1,280,000	500,000
Short-term bank deposits		1,128,799	2,093,074
Cash and cash equivalents		982,443	890,174
		6,348,875	5,809,199
Total assets		9,636,831	9,006,688

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

(Amounts expressed in thousands of Renminbi)

	Note	As at June 30, 2012 Unaudited	As at December 31, 2011 Audited
EQUITY			
Capital and reserves attributable to Owner of the parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves	7	**2,793,531**	2,705,429
Retained earnings			
– Proposed final cash dividend	8	**–**	351,145
– Others		**1,992,577**	1,498,573
		7,712,317	7,481,356
Non-controlling interests		**161,341**	145,486
Total equity		**7,873,658**	7,626,842
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**17,748**	18,252
Current liabilities			
Trade payables and accrued liabilities	12	**1,152,000**	1,168,713
Due to related parties		**578,544**	152,758
Income tax payable		**9,439**	33,940
Deferred revenue		**5,442**	6,183
		1,745,425	1,361,594
Total liabilities		**1,763,173**	1,379,846
Total equity and liabilities		**9,636,831**	9,006,688
Net current assets		**4,603,450**	4,447,605
Total assets less current liabilities		**7,891,406**	7,645,094

The accompanying notes are 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)

	Note	Unaudited Six months ended June 30, 2012	2011 (Restated)
Revenues			
Aviation information technology services		**1,202,652**	1,099,118
Accounting, settlement and clearing services		**187,912**	181,723
Data network and others		**431,686**	414,239
Total revenues	3	**1,822,250**	1,695,080
Operating expenses			
Business taxes and other surcharges		**(68,833)**	(61,467)
Depreciation and amortisation		**(174,870)**	(206,026)
Network usage fees		**(43,504)**	(41,844)
Personnel expenses		**(330,849)**	(245,390)
Operating lease payments		**(54,173)**	(44,863)
Technical support and maintenance fees		**(110,608)**	(89,098)
Commission and promotion expenses		**(215,879)**	(180,467)
Other operating expenses		**(185,955)**	(189,782)
Total operating expenses		**(1,184,671)**	(1,058,937)
Operating profit		**637,579**	636,143
Financial income, net		**55,402**	22,714
Share of results of associated companies		**13,683**	14,495
Profit before taxation	4	**706,664**	673,352
Taxation	5	**(108,811)**	(101,410)
Profit after taxation		**597,853**	571,942
Other Comprehensive income:			
Currency translation differences		**108**	(342)
Other Comprehensive income for the period, net of tax		**108**	(342)
Total comprehensive income for the period		**597,961**	571,600

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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

	Note	Unaudited Six months ended June 30, 2012	2011 (Restated)
Profit attributable to:			
Owner of the parent		**581,998**	555,929
Non-controlling interests		**15,855**	16,013
		597,853	571,942
Total comprehensive income attributable to:			
Owner of the parent		**582,106**	555,587
Non-controlling interests		**15,855**	16,013
		597,961	571,600
Earnings per share for profit attributable to Owner of the parent			
Basic and diluted (RMB)	6	**0.20**	0.19

The accompanying notes are 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 Owner of the parent				
	Paid-In capital	Reserves	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2011					
As previously reported	1,950,806	2,577,213	2,155,354	124,472	6,807,845
Prior year restatements	–	451,675	(392,094)	–	59,581
Restated balance at 1 January 2011	1,950,806	3,028,888	1,763,260	124,472	6,867,426
Total comprehensive income for the period ended June 30, 2011	–	(342)	555,929	16,013	571,600
Dividends relating to 2010	–	–	(306,277)	(2,940)	(309,217)
Appropriation to reserves	–	76,422	(76,422)	–	–
Restated balance at June 30, 2011	1,950,806	3,104,968	1,936,490	137,545	7,129,809

		Unaudited				
		Attributable to Owner of the parent				
	Note	**Paid-In capital**	**Reserves**	**Retained earnings**	**Non-controlling interests**	**Total**
Balance at January 1, 2012		**2,926,209**	**2,705,429**	**1,849,718**	**145,486**	**7,626,842**
Total comprehensive income for the period ended June 30, 2012		**–**	**108**	**581,998**	**15,855**	**597,961**
Dividends relating to 2011	8	**–**	**–**	**(351,145)**	**–**	**(351,145)**
Appropriation to reserves	7	**–**	**87,994**	**(87,994)**	**–**	**–**
Balance at June 30, 2012		**2,926,209**	**2,793,531**	**1,992,577**	**161,341**	**7,873,658**

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in thousands of Renminbi)

	Note	Unaudited Six months ended June 30, 2012	2011 (Restated)
Cash flows from operating activities			
Cash generated from operations	13	**324,043**	676,104
Refund of enterprise income tax		**–**	51,563
Enterprise income tax paid		**(166,721)**	(87,876)
Net cash provided by operating activities		**157,322**	639,791
Cash flows from investing activities			
Purchases of property, plant, equipment and intangible assets		**(261,855)**	(95,070)
Maturities of short-term bank deposits		**1,900,275**	968,259
Placements of short-term bank deposits		**(936,000)**	(1,168,033)
Interest received		**8,319**	18,392
Dividends received from associated companies		**4,100**	5,840
Increase in held-to-maturity financial assets		**(780,000)**	–
Net cash used in investing activities		**(65,161)**	(270,612)
Cash flows from financing activities			
Dividends paid		**–**	(4,090)
Net cash used in financing activities		**–**	(4,090)
Net increase in cash and cash equivalents		**92,161**	365,089
Cash and cash equivalents at beginning of the period		**890,174**	899,144
Effect of foreign exchange rate changes on cash and cash equivalents		**108**	(342)
Cash and cash equivalents at end of the period		**982,443**	1,263,891

The accompanying notes are 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 29, 2012.

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, 2011.

The Group has adopted new and amended standards and interpretations of International Financial Reporting Standards that are effective for accounting periods beginning on or after January 1, 2012. Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2011, as described in those annual financial statements.

- **AMENDMENTS TO IFRS 7, FINANCIAL INSTRUMENTS: DISCLOSURES – TRANSFERS OF FINANCIAL ASSETS**
  The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- **AMENDMENTS TO IAS 12, INCOME TAX – DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS**
  The amendments to IAS 12 titled "Deferred tax: Recovery of underlying assets" provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

These amendments do not have material impact on the Group's financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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/(crediting) the following:

	Unaudited Six months ended June 30,	
	2012	2011
	RMB'000	RMB'000 (Restated)
After charging:		
Depreciation	**122,017**	146,453
Amortisation of intangible assets	**23,256**	32,712
Amortisation of leasehold improvements	**3,231**	492
Amortisation of lease prepayments for land use right	**26,366**	26,369
Loss/(gain) on disposal of property, plant and equipment	**51**	(67)
Provision for impairment of receivables	**6,962**	6,827
Cost of equipment sold	**79,649**	34,737
Retirement benefits	**40,276**	31,331
Auditor's remuneration	**550**	700
Contribution to housing benefits	**20,119**	16,227
Exchange loss, net	**–**	2,249
Research and development expenses	**214,431**	132,536
Share appreciation rights	**1,778**	–
After crediting:		
Interest income	**49,357**	24,963
Exchange gain, net	**6,045**	–

5. Taxation

In general, the applicable corporate income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprise" are entitled to a favourable corporate income tax rate of 15% under the new Corporate Income Tax Law of the PRC ("new CIT Law"). Upon application and renewal in December 2008, the Company was approved and certified by the relevant authorities as a "High and New Technology Enterprise" and was entitled to the preferential corporate income tax rate of 15% from 2008 to 2010. In September 2011, the Company applied for and was approved in principle by relevant authorities as a "High and New Technology Enterprise" and obtained the High and New Technology Enterprise certification in July 2012, and continues to be entitled to the preferential tax rate of 15% from 2011 to 2013. Therefore, the corporate income tax of the Company for the fiscal year 2011 and six months ended June 30, 2012 has been provided at the preferential corporate income tax rate of 15%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Taxation *(Continued)*

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

The "Important Software Enterprise" certification is subject to an annual assessment and approval by the relevant authorities. The Company applied for and obtained its "Important Software Enterprise" approval from 2006 to 2010. However, as at June 30, 2012, based on the Company's knowledge, the relevant authorities have not yet issued the notice for the application of the assessment of the "Important Software Enterprise" for both 2011 and 2012. Therefore, the Company has not obtained its "Important Software Enterprise" certification for 2011 and 2012 accordingly. Pursuant to the relevant regulations, the Company should continue to account for its corporate income tax at 15% until it obtains the "Important Software Enterprise" certification. Therefore, the corporate income tax rate of the Company has been provided at 15% as described in the first paragraph of this note.

The Company's subsidiaries in the PRC are subject to different tax rates, ranging from 15%–25% under the new CIT Law.

6. Earnings per share

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

	Unaudited Six months ended June 30, 2012	2011 (Restated)
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	**581,998**	555,929
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue (Note)	**2,926,209**	2,926,209
Earnings per share (RMB)		
Basic and dilutive	**0.20**	0.19

Note: The shareholders in the annual general meeting of the Company held on June 28, 2011 approved the bonus issue of 975,403,196 new ordinary shares to its shareholders on the basis of one new ordinary share for every two ordinary shares held, by conversion of reserves and retained earnings into paid-in capital.

The Company has completed the legal procedures for the bonus issue on August 10, 2011. The total shares issued by the Company increased from 1,950,806,393 to 2,926,209,589 and the paid-in capital increased from RMB1,950,806,393 to RMB2,926,209,589.

Due to the bonus issue, the number of ordinary shares for the period ended June 30, 2011 for the purpose of calculating earnings per share has been adjusted for the increase of ordinary shares.

There were no potential dilutive ordinary shares outstanding during the period ended June 30, 2012 and 2011.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Reserves

The appropriation to the discretionary surplus reserve fund for the year 2011 was approved in the annual general meeting held on June 5, 2012. Therefore, 10% of the Company's net profit of year 2011 (approximately RMB88.0 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2012.

8. Dividend distribution

The equity holders in the annual general meeting of the Company held on June 5, 2012 approved the distribution of a final cash dividend of RMB0.12 per share, in the aggregate sum of RMB351.1 million for Year 2011. The amount was accounted for in the shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2012.

9. Property, plant and equipment, net

For the six months ended June 30, 2012, the Group acquired property, plant and equipment amounting to approximately RMB72.5 million (for the year ended December 31, 2011: approximately RMB139.2 million) in total.

10. Trade receivables, net

The credit period for trade receivables is generally six months after services are rendered.

The ageing analysis of trade receivables is as follows:

	June 30, 2012 Unaudited RMB'000	December 31, 2011 Audited RMB'000
Within 6 months	**450,376**	392,194
Over 6 months but within 1 year	**21,124**	36,059
Over 1 year but within 2 years	**20,636**	16,165
Over 2 years but within 3 years	**7,246**	4,423
Over 3 years	**20,315**	19,145
Trade receivables	**519,697**	467,986
Provision for impairment of receivables	**(43,160)**	(36,198)
Trade receivables, net	**476,537**	431,788

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Due from related parties, net

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

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

	June 30, 2012 Unaudited RMB'000	December 31, 2011 Audited RMB'000
Within 6 months	**1,160,674**	1,204,094
Over 6 months but within 1 year	**643,770**	370,349
Over 1 year but within 2 years	**300,704**	31,909
Over 2 years but within 3 years	**20,036**	3,288
Over 3 years	**649**	93
Due from related parties, net	**2,125,833**	1,609,733

12. Trade payables and accrued liabilities

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

	June 30, 2012 Unaudited RMB'000	December 31, 2011 Audited RMB'000
Within 6 months	**60,988**	104,785
Over 6 months but within 1 year	**57,919**	1,939
Over 1 year but within 2 years	**17,291**	17,195
Over 2 years but within 3 years	**815**	1,036
Over 3 years	**6,632**	9,430
Total trade payables	**143,645**	134,385
Accrued liabilities and other liabilities	**1,008,355**	1,034,328
Total trade payable and accrued liabilities	**1,152,000**	1,168,713

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Cash generated from operations

	Unaudited Six months ended June 30, 2012 RMB'000	2011 RMB'000 (Restated)
Profit before taxation	**706,664**	673,352
Adjustments for:		
Depreciation and amortization	**174,870**	206,026
Loss/(gain) on disposal of property, plant and equipment	**51**	(67)
Interest income	**(49,357)**	(24,963)
Provision for impairment of receivables	**6,962**	6,827
Share of results of associated companies	**(13,683)**	(14,495)
Staff costs arising from share appreciation rights	**1,778**	–
Foreign exchange loss	**878**	7,201
(Increase)/decrease in current assets:		
Trade receivables	**(51,711)**	(39,379)
Inventories	**(2,093)**	153
Prepayments and other current assets	**20,945**	(52,478)
Due from related parties and associated companies	**(528,410)**	(230,310)
Increase/(decrease) in current liabilities:		
Trade payables and accrued liabilities	**(16,751)**	268,110
Deferred revenue	**(741)**	(21,880)
Due to related parties	**74,641**	(101,993)
Cash generated from operating activities	**324,043**	676,104

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. Share appreciation rights schemes

The Group implemented a share appreciation rights scheme for its executive directors, senior management, and key technical and managerial personnel to provide incentives to them. Under this plan, share appreciation rights are granted in units with each unit representing one H share.

Under the terms of this plan, all share appreciation rights had a contractual life of seven years from the date of its grant. A recipient of share appreciation rights shall not exercise the rights within the first 24 months after the date of its grant. As at each of the second, third and fourth anniversary of the date of each grant, one-third, two-third and all of the rights will become exercisable respectively, of the rights granted to such person.

Upon the exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of the rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the exchange rate between RMB and Hong Kong dollars published by the People's Bank of China at the date of the exercise. The Company recognises staff compensation expense of the share appreciation rights over the applicable vesting period.

Under the share appreciation rights scheme, the share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the share appreciation rights scheme does not involve any issue of new shares of the Company, and the exercise of any share appreciation rights will not create any dilution effect on the Company's shareholding structure. The share appreciation rights which have not been exercised after the expiration of the terms of the scheme shall lapse.

The share appreciation rights scheme was approved by the State-Owned Assets Supervision and Administration Commission of the State Council on April 21, 2011, and approved by the annual general meeting of the Company on June 28, 2011.

On August 29, 2011, 14,004,000 units of the share appreciation rights were granted to 3 executive directors, 10 senior management and 43 key technical and managerial personnel of the Company at an exercise price calculated at the higher of the closing price of the H-shares of the Company on August 29, 2011 and the average closing price of the H-shares of the Company for five consecutive trading days prior to August 29, 2011. 14,004,000 units of share appreciation rights were outstanding as at June 30, 2012, and no rights granted were exercised or expired during the period.

During the six months ended June 30, 2012, the Group has recorded liabilities and expenses of approximately RMB1.8 million related to the share appreciation rights. The share appreciation rights liability was recorded in accrued bonus and staff cost in accrued liabilities and personnel expenses in operating expenses.

The fair value of share appreciation rights as at June 30, 2012 determined using the Binomial Model was HKD1.01 per each right. The significant inputs into the model were fair value per share price of HKD3.95 as at June 30, 2012, exercise price shown above, volatility of 45.33%, dividend yield of 0%, share appreciation rights life of 6.2 years, and an annual risk-free interest rate of 0.55%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the Company over the last seven years.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Commitments

(a) CAPITAL COMMITMENTS

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

	June 30, 2012 Unaudited RMB'000	December 31, 2011 Audited RMB'000
Authorized and contracted for		
– Computer System	30,011	24,372
– Building	21,908	11,524
Authorized but not contracted for		
– Computer System and others	765,971	813,198
– Building	1,071,937	1,075,455
Total	1,889,827	1,924,549

The above capital commitments primarily relate to the development of new generation aviation passenger service information system and the construction of new operating center in Beijing.

An amount of approximately RMB25.8 million of capital commitments outstanding at June 30, 2012 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 rental:

	June 30, 2012 Unaudited RMB'000	December 31, 2011 Audited RMB'000
Within one year	81,817	94,061
Over 1 year but within 5 years	88,877	104,413
Total	170,694	198,474

(c) EQUIPMENT MAINTENANCE FEE COMMITMENTS

As at June 30, 2012, the Group had equipment maintenance fee commitments of approximately RMB64.0 million (2011: RMB25.4 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. Segment reporting

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief operating decision maker is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the interim consolidated income statement. No segment report has been prepared by the Group for six months ended June 30, 2012 and 2011.

The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

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

	Unaudited Six months ended June 30,			
Main customers	**2012**		2011	
	RMB'000	**%**	RMB'000	%
Air China Limited (a)	**280,501**	**15%**	278,118	16%
China Southern Airlines Company Limited (a)	**266,829**	**15%**	256,015	15%
China Eastern Airlines Corporation Limited (a)	**291,736**	**16%**	270,711	16%

a. Included its subsidiaries.

17. Comparative figures

Due to change in accounting policy for the year ended 31 December 2011, the relevant impacts have already been disclosed in December 31, 2011 financial result, comparative amounts in the condensed consolidated interim financial statements have been restated accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

Business review for the first half of 2012

The Group is a leading provider of information technology solutions for China's aviation and travel industry. In the first half of 2012, affected by factors such as persistent global economic downturn, slowdown in China's economic growth, high oil prices and slowdown in appreciation or even depreciation of Renminbi, the pace of growth of the air transportation market in China slowed down. The Group reinforced its internal strengths, overcame difficulties, focused on safety production, market research and service improvement, and eventually realized a smooth development in its core businesses and maintained a steady growth in its operating results.

In the first half of 2012, the Group's Electronic Travel Distribution (ETD) system has processed approximately 164.6 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 8.4% over the same period in 2011. Among which, the processed flight bookings on commercial airlines in China increased by approximately 7.6%, while those on foreign and regional commercial airlines increased by approximately 28.4%. More foreign and regional commercial airlines were using the Company's Airport Passenger Processing (APP) system service, multi-host connecting program service and the self-developed Angel Cue platform connecting service, resulting in the number of such users increased to 78, with approximately 3.0 million of passenger departures processed in 42 airports. Meanwhile, the number of foreign and regional commercial airlines with direct links to the Company's Computer Reservation System (CRS) increased to 103, with the sales percentage through direct links increased to approximately 99.5%.

In the first half of 2012, in addition to continuous provision of information technology products and services along the value chain of the aviation industry, ranging from booking, ticketing, check-in, boarding and load planning, accounting, settlement and clearing to value-added services for travelers, the Group also provided information technology solutions for major commercial airlines in China in respect of travel convenience, launching e-commerce, development of auxiliary services and joining in aviation alliances, and at the same time stepped up its effort in research and development of new-generation aviation passenger service information system ("New Generation System"). As a strategic partner of the Fast Travel Project of International Air Transport Association (IATA), the commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 81 major domestic and overseas airports, and the online check-in service has been applied in 137 airports at home and abroad. Such products and services together with the mobile check-in service and the newly developed SMS check-in service processed a total of approximately 23.2 million departing passengers. The Company's domestic B2C and B2B e-commerce websites and E-Build (an e-commerce supporting platform) were newly launched at 5 domestic commercial airlines. After securing the full-process authentication granted by IATA in 2011, the applications, which are based on the Electronic Miscellaneous Document (EMD), for changing dates of air tickets and overloading of baggage, have been applied in 7 domestic commercial airlines including Hainan Airlines Company Limited and Xiamen Airlines Company Limited, and the research and development of EMD products for foreign commercial airlines have commenced. Front-end products for inventory control have been used at Air China Limited and China Southern Airlines Company Limited, achieving graphic inventory control. The Company continued to strengthen its cooperation with aviation alliances, providing technological support and business consultation to Shenzhen Airlines Company Limited and Xiamen Airlines Company Limited for their joining in aviation alliances.

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

Business review for the first half of 2012 *(Continued)*

In the first half of 2012, apart from consolidating the existing market of accounting, settlement and clearing services, the Group also stepped up its effort in system research and development and market promotion. International operation has advanced solidly. Following the introduction of our new-generation revenue management system for international passengers in major domestic commercial airlines in 2011, the joining of Singapore Airlines Limited marked a breakthrough in the promotion of the system to the international market. The BSP data processing business in Japan has also been transferred to the Company successfully. Meanwhile, the Company has strengthened its strategic cooperation with the Settlement and Clearance Center of CAAC and IATA, providing the former with technological development services for Phase II of their unified accounting and settlement platform while serving the latter as a working team member for its Simplify Interline Settlement (SIS), actively engaging in formulation of simplified interline standards and taking the lead among global peers to complete SIS renovation in four major systems, namely passenger, cargo, service fees and Universal Air Travel Plan (UATP), which has helped Air China Limited to become one of the first 13 commercial airlines using SIS in the world. The new-generation Miscellaneous Charge Accounting System (MCAS), developed based on airport accounting and settlement business, has commenced operation, handling billing of service fees for all domestic airports with international business, as well as auditing of foreign airport service fees for all domestic airlines with international flights. The system involved a large number of airlines and airports and was difficult to be brought into operation. The successful commencement of operation of such businesses has enhanced the standard of the Group's airport accounting and settlement services. In the first half of 2012, there were approximately 259.2 million transactions and approximately 117.0 million BSP bills processed with our accounting, settlement and clearing system, and in the same period, passenger and cargo postal revenues, miscellaneous fees as well as international and domestic clearing fees settled with our system amounted to approximately US$2.6 billion.

In the first half of 2012, the Group continued to improve its product line for airport information services such as Airport Message Broker (AMB) and commenced its development of airport flight delay information service platforms and mobile airport operating data statistical system, proactively participated in the bidding process for the construction of information systems for the renovation and expansion of airports, and have won the bid for relevant projects of the renovation and expansion of Quanzhou Airport and Hangzhou Airport. Airport Statistical Service System products have been newly promoted to 3 airports including Harbin Airport and Shenyang Airport, whereas Airport Security Check Information System products have 2 newly added users namely Shijiazhuang Airport and Datong Airport. Apart from its dominance in the middle-sized and large airports in China, the new generation APP departure front-end system also facilitated China's commercial airlines to launch passenger check-in, transit and connecting flight services in 91 overseas or regional airports, processing approximately 8.5 million passenger departures, and accounting for approximately 85.1% of overseas returning passengers of China's commercial airlines. The service of Angel Lite, a passenger front-end processing system designed and developed for small airports ranking beyond the top 60 airports in terms of passenger throughput in China, was extended to another 2 airports including Zunyi Airport and Zhangjiakou Airport.

In the first half of 2012, the Group continued its effort in the improvement and promotion of the product lines for distribution information technology services, establishing full process solutions ranging from flight ticket reservation to payment, and has developed new functions of TravelWeb front-end business system such as itinerary printing and unified platform. In addition, BlueSky products were newly applied in about 30 agents.

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

Business review for the first half of 2012 *(Continued)*

In the first half of 2012, the Group continued to develop new businesses including distribution of travel products such as hotels, air freight logistics information technology service and public information technology service, establishing its platforms and improving its products with multi-channels promotion. The Group distributed 443,000 hotel's room-nights through its hotel distribution platform-Sohoto.com, representing a decrease of 18.0% as compared with the corresponding period in 2011, and handled approximately 4.8 million air freight bills through its air freight logistics information system, representing an increase of 45.5% as compared with the corresponding period in 2011. The public information service continued to explore customers with a focus on central enterprises and governmental authorities.

In the first half of 2012, the Group's ICS (Inventory Control System), CRS, APP, the core open system and the settlement and clearing mainframe systems have maintained stable operation, and the construction of Beijing Shunyi New Operating Centre has achieved continual progress. Meanwhile, the Group utilized technical and managerial means to solidify its foundation for safe production, explore system potential and improve systems' processing ability and maintenance efficiency: implemented high frequency and energy consumption reduction of ICS system, underwent low-cost EDB database renovation, commenced the construction of connection points of overseas networks, implemented construction of differentiated networks, established technical advisory committee, strengthened the safe production management system and the safe audit work, optimized various workflow regulations, stepped up its effort in emergency skill drills, thereby securing the daily safe operation of the civil aviation passenger information system as well as during the peak travel time around Chinese New year and the convention of meetings of the National People's Congress and the People's Political Consultative Conference.

Financial conditions and operational performance for the first half of 2012

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 2012, the Group achieved a profit before tax of RMB706.7 million, representing an increase of 4.9% compared to the first half of 2011. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB832.2 million, representing a decrease of 2.6% compared to the first half of 2011. Profit attributable to equity holders of the Company was RMB582.1 million, representing an increase of 4.8% compared to the first half of 2011. 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 RMB0.2 for the first half of 2012.

TOTAL REVENUE

The total revenue of the Group in the first half of 2012 amounted to RMB1,822.3 million, representing an increase of RMB127.2 million, or 7.5%, from that of RMB1,695.1 million in the first half of 2011. 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 66.0% of the Group's total revenue in the first half of 2012, as compared to 65.0% in the first half of 2011. AIT service revenue increased by 9.4% to RMB1,202.7 million in the first half of 2012 from RMB1,099.1 million in the first half of 2011. The main sources of the revenue were Inventory Control System ("ICS") service, Computer Reservation System ("CRS") service and Airport Passenger Processing ("APP") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue resulted primarily from the growth in the number of air travelers.

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

Financial conditions and operational performance for the first half of 2012 *(Continued)*

TOTAL REVENUE *(Continued)*

- Accounting, settlement and clearing services revenue accounted for 10.3% of the Group's total revenue in the first half of 2012, as compared to 10.7% for the first half of 2011. Accounting, settlement and clearing services revenue increased by 3.4% to RMB187.9 million in the first half of 2012 from RMB181.7 million for the first half of 2011. The main source of the revenue was accounting, settlement and clearing service provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. 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 23.7% of the Group's total revenue in the first half of 2012, as compared to 24.4% for the first half of 2011. Data network revenue and other revenue increased by 4.2% to RMB431.7 million in the first half of 2012 from RMB414.2 million for the first half of 2011. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels and air freight, logistics information technology service provided to commercial airlines, airports, cargo shippers, as well as airport information technology service and other business etc. provided by the Group. The increase of revenue resulted primarily from the increase in the revenue from data network services.

OPERATING EXPENSES

Total operating expenses for the first half of 2012 amounted to RMB1,184.7 million, representing an increase of RMB125.7 million or 11.9%, as compared to RMB1,058.9 million for the first half of 2011. The changes in operating expenses are reflected as follows:

- Depreciation and amortization decreased by 15.1%, mainly due to equipment renewals of the Group;

- Commission and promotion expenses increased by 19.6%, mainly due to the business development of the Group and the increased usage of APP system;

- Operating lease payments increased by 20.8%, mainly due to the increase in operating leased area of the Group;

- Technical support and maintenance fees increased by 24.1%, mainly due to the continuous efforts in research and development of new products and technologies of the Group;

- Staff costs increased by 34.8%, primarily due to the increase in the number of staff for supporting the Group's business development.

CORPORATE 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 RMB26.1 million or 4.7% to RMB582.0 million in the first half of 2012 from RMB555.9 million in the first half of 2011.

LIQUIDITY AND CAPITAL STRUCTURE

The Group's working capital for the first half of 2012 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB157.3 million. During the first half of 2012, the Group neither had short-term and long-term bank loans nor used any financial instruments for hedging purposes. As at June 30, 2012, cash and cash equivalents of the Group amounted to RMB982.4 million, of which 96.3%, 2.0% and 0.3% 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 2012 *(Continued)*

CHARGE ON ASSETS

As at June 30, 2012, the Group had no charge on its assets.

CAPITAL EXPENDITURE

The total capital expenditure of the Group amounted to RMB86.6 million for the first half of 2012, representing a decrease of RMB8.5 million as compared to that of RMB95.1 million for the first half of 2011. The capital expenditure of the Group for the first half of 2012 consisted principally of purchase of 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 2012 will amount to approximately RMB1,924.5 million, which is mainly for construction of the new operating centre in Beijing, development of the new-generation aviation passenger service information 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 2012 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

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, 2012, the gearing ratio of the Group was 18.3% (December 31, 2011: 15.3%), which was computed by dividing the total liabilities (no interest-bearing debts) by the total assets of the Group as at June 30, 2012.

CONTINGENT LIABILITIES

As at June 30, 2012, the Group had no material contingent liabilities.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at June 30, 2012, 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.

EMPLOYEES

As at June 30, 2012, the total number of employees of the Group was 4,845. Staff costs amounted to approximately RMB330.8 million for the first half of 2012, representing approximately 27.9% of the total operating expenses of the Group for the first half of 2012.

The Group has different rates of remuneration for different employees (including Executive Directors and staff representative supervisors), according to factors including their performance, experience, position 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 insurance, unemployment insurance, maternity insurance and housing funds.

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

Financial conditions and operational performance for the first half of 2012 *(Continued)*

EMPLOYEES *(Continued)*

Currently, none of the Non-executive Directors 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 are determined by reference to the prevailing market price, their duties and personal qualifications and experiences, 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.

Prospects for the second half of 2012

Currently, the civil aviation industry is being affected by effects of weak global economic recovery and the declining growth pace of China's economy, the state's support of the civil aviation industry, tourism industry and the development of information and technology, the opening-up trend of the GDS market, the challenges brought along by new technology and new business modes, as well as the fluctuations in oil prices and exchanges rates, thus China's aviation and tourism markets face both opportunities and challenges in sustaining growth in the second half of 2012. Against such background, as a core information services enterprise in the Chinese civil aviation industry, the Group will adhere to its existing development strategies and the work plan adopted at the beginning of the year, with an aim to achieve steady progress. The Group will improve the basis of safety in production and accelerate the establishment of an operating system, which holds a leading position in China, meets the international standards, and gradually covers the coastal developed regions, and work intensively on formulating the layout of a combination of domestic and overseas research and development system, and to enhance its capability of sustainable development. The Group will also establish a sound system and mechanism for scientific and technological innovation, expedite the research and development on the new-generation aviation passenger service information system, enhance the capability of scientific and technological innovation and strengthen its core competitiveness. In addition, the Group will expand the international and domestic markets, broaden its traditional business platform to enrich product offerings and construct new business platform to gain scale, so as to enhance the profitability. Furthermore, the Group will actively involve in management innovation, commence management improvement activities, implement full cost accounting system, upgrade security management level and enhance operation efficiency. The Group will also carry forward the strategy of "strong enterprise with talents", strengthen the construction of the management team and the cultivation and introduction of talents, as well as carry out performance management, in order to intensify the overall execution capability. Finally, the Group will advance the construction of service systems and its corporate culture, improve customer satisfaction and internal coordination to fuel the internal and external development in a harmonious manner.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2012.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at June 30, 2012 was 2,926,209,589 shares, with a par value of RMB1 each. As at June 30, 2012, 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	1,993,647,589	68.13
H shares	932,562,000	31.87
Total	2,926,209,589	100

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2012, the Group did not purchase, sell or redeem any securities of the Company.

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2012, 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 (Note 2)	Approximate percentage of the total share capital (Note 2)
Templeton Asset Management Limited	129,377,291 H shares of RMB1 each (L)	Investment manager	13.87%	4.42%
GMT Capital Corp.	103,750,000 H shares of RMB1 each (L) (Note 3)	Beneficial owner	11.13%	3.55%
The Bank of New York Mellon Corporation	75,713,840 H shares of RMB1 each (L) (P) (Note 4)	Interest of controlled corporation	8.12%	2.59%
JPMorgan Chase & Co.	74,945,500 H shares of RMB1 each (P) (Note 5)	Custodian-corporation/ approved lending agent	8.04%	2.56%

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Name of shareholder	**Class and number of securities** (Note 1)	**Capacity**	**Approximate percentage of respective class of share capital** (Note 2)	**Approximate percentage of the total share capital** (Note 2)
	9,500 H shares of RMB1 each (L) (Note 5)	Beneficial owner	0.01%	0.0003%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 6)	Beneficial owner	6.96%	2.22%
Keywise Capital Management (HK) Limited	38,069,000 H shares of RMB1 each (L) (Note 7)	Beneficial owner	6.12%	1.95%
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 10)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	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 11)	Interest of controlled corporation	0.94%	0.64%

THE INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

(1) (L) – Long position; (P) – Lending pool.

(2) Percentage of total share capital is based on 2,926,209,589 shares representing the total issued share capital of the Company as at June 30, 2012. Percentage of the 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, 2012.

(3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by GMT Capital Corp. on November 2, 2011, GMT Capital Corp. shall be deemed to be interested in 103,750,000 H shares. These shares were deemed to be held by GMT Capital Corp. through Bay II Resources Partners, LP, Bay Resources Partners, LP, Bay Offshore Resource Partners, Lyxor and Thomas E. Claugus (such companies were 100% controlled by GMT Capital Corp.).

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Bank of New York Mellon Corporation on May 25, 2012, the 75,713,840 H shares in which The Bank of New York Mellon Corporation was deemed to be interested were held through The Bank of New York Mellon (which was 100% controlled by The Bank of New York Mellon Corporation).

(5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on May 23, 2012, JPMorgan Chase & Co. was deemed to be interested in 74,955,000 H shares. These shares were held by JPMorgan Chase Bank, N.A., 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% 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 Ordinance.

(6) As the latest filing date of Platinum International Fund was November 12, 2010 which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number and percentage of shareholding as of December 31, 2011 could not be determined.

(7) As the latest filing date of Keywise Capital Management (HK) Limited was October 29, 2009 which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number and percentage of shareholding as of December 31, 2011 could not be determined.

(8) 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.

(9) 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.

(10) These shares were held by China Eastern Airlines Wuhan 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 China Eastern Airlines Wuhan 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 Disclosure of the Interest of 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 substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.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, 2012, 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, 2012.

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, 2012, 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, 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 "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 provisions of the Code in the first half of 2012. 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 authorities 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 current arrangement does not prejudice the interests of the Company. Relevant details have been set out in the corporate governance report in the 2011 Annual Report of the Company.

For the six months ended June 30, 2012, the Company has adopted a code of conduct on 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, 2012.

By order of the Board
Xu Qiang
Chairman

August 29, 2012

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)
Xu Zhao	Non-executive Director (appointed on June 5, 2012)
Sun Yude	Non-executive Director (appointed on March 16, 2010)
Cheung Yuk Ming	Non-executive Director (appointed on March 16, 2010)
Zhou Deqiang	Non-executive Director (appointed on March 16, 2010)
Pan Chongyi	Non-executive Director (appointed on March 16, 2010)
Luo Chaogeng	Resigned Non-executive Director (appointed on March 16, 2010 and resigned on June 5, 2012)

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)
Xu Zhao	Member (appointed on August 29, 2012)
Sun Yude	Member (appointed on March 16, 2010)
Cui Zhixiong	Member (appointed on March 16, 2010)
Xiao Yinhong	Member (appointed on March 16, 2010)
Luo Chaogeng	Resigned Member (appointed on March 16, 2010 and resigned on June 5, 2012)

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)

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)

AUDITORS

International auditors:

Baker Tilly Hong Kong Limited
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PRC auditors:

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as to the PRC law:

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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.

COMPANY'S WEBSITES

Website of consolidated information of the Company:

www.travelsky.net

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

http://travelsky.todayir.com

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