



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

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

Interim Report **2016**



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, 2016 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	Note	As at June 30, 2016 Unaudited	As at December 31, 2015 Audited
ASSETS			
Non-current assets			
Property, plant and equipment, net	10	2,848,739	2,741,925
Lease prepayment for land use right, net		1,782,208	1,808,574
Intangible assets, net		263,886	249,346
Goodwill		142,784	4,426
Investments in associated companies		210,404	198,256
Deferred income tax assets		78,772	78,771
Other long-term assets		69,537	88,650
Deposits with banks with original maturity date over three months		223,470	220,105
Restricted bank deposits		37,476	129,856
		5,657,276	5,519,909
Current assets			
Inventories		37,093	33,824
Trade receivables, net	11	878,261	817,345
Due from related parties, net	12	2,948,894	2,491,953
Due from associated companies		31,339	16,890
Income tax recoverable		479	479
Prepayments and other current assets		1,070,292	539,682
Held-to-maturity financial assets		1,520,000	1,690,000
Deposits with banks with original maturity date over three months		1,537,369	1,348,689
Restricted bank deposits		406,634	169,763
Cash and cash equivalents		3,202,153	2,242,661
Assets classified as held-for-sale	15	6,686	–
		11,639,200	9,351,286
Total assets		17,296,476	14,871,195

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(Amounts expressed in thousands of Renminbi)

	Note	As at June 30, 2016 Unaudited	As at December 31, 2015 Audited
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		2,926,209	2,926,209
Reserves	8	3,792,018	3,641,176
Retained earnings	9	6,130,834	5,282,968
		12,849,061	11,850,353
Non-controlling interests		357,594	330,732
Total equity		13,206,655	12,181,085
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		34,472	23,694
Deferred revenue		4,162	4,795
		38,634	28,489
Current liabilities			
Trade payables and accrued liabilities	13	3,069,490	2,354,742
Due to related parties		495,817	151,392
Income tax payable		162,597	126,645
Borrowings	14	274,355	–
Deferred revenue		46,888	28,842
Liabilities directly associated with assets classified as held-for-sale	15	2,040	–
		4,051,187	2,661,621
Total liabilities		4,089,821	2,690,110
Total equity and liabilities		17,296,476	14,871,195
Net current assets		7,588,013	6,689,665
Total assets less current liabilities		13,245,289	12,209,574

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	Note	Unaudited Six months ended June 30,	
		2016	2015
Revenue			
Aviation information technology services		1,688,549	1,521,318
Accounting, settlement and clearing services		246,245	243,425
System integration services		207,848	294,529
Data network and others		591,003	573,582
Total revenue	3	2,733,645	2,632,854
Operating expenses			
Business taxes and other surcharges		(12,359)	(10,901)
Depreciation and amortisation		(216,085)	(256,563)
Network usage fees		(25,269)	(27,955)
Personnel expenses		(516,144)	(473,323)
Operating lease payments		(95,784)	(75,266)
Technical support and maintenance fees		(148,861)	(205,014)
Commission and promotion expenses		(271,548)	(323,985)
Costs of software and hardware sold		(97,476)	(172,760)
Other operating expenses		(167,732)	(178,081)
Total operating expenses		(1,551,258)	(1,723,848)
Operating profit			
Financial income, net		93,371	65,683
Government grant	4	500,000	410,000
Share of results of associated companies		12,148	11,566
Profit before taxation	5	1,787,906	1,396,255
Taxation	6	(270,169)	(215,613)
Profit after taxation		1,517,737	1,180,642

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

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

	Note	Unaudited Six months ended June 30,	
		2016	2015
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(5,435)	(694)
Other comprehensive income for the period, net of tax		(5,435)	(694)
Total comprehensive income for the period		1,512,302	1,179,948
Profit attributable to:			
Owner of the Parent		1,489,894	1,156,369
Non-controlling interests		27,843	24,273
		1,517,737	1,180,642
Total comprehensive income attributable to:			
Owner of the Parent		1,484,459	1,155,675
Non-controlling interests		27,843	24,273
		1,512,302	1,179,948
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	7	0.51	0.40

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, 2015	2,926,209	3,334,380	4,058,000	257,629	10,576,218
Total comprehensive income for the period ended June 30, 2015	–	(694)	1,156,369	24,273	1,179,948
Deemed disposal of interest in a subsidiary	–	(1,163)	–	1,163	–
Capital injection from non-controlling equity shareholder of a subsidiary	–	–	–	3,911	3,911
Dividends relating to 2014	–	–	(389,186)	–	(389,186)
Appropriation to reserves	–	141,945	(141,945)	–	–
Balance at June 30, 2015	2,926,209	3,474,468	4,683,238	286,976	11,370,891

	Note	Unaudited				Total
		Attributable to Owner of the Parent				
		Paid-In capital	Reserves	Retained earnings	Non-controlling interests	
Balance at January 1, 2016		2,926,209	3,641,176	5,282,968	330,732	12,181,085
Total comprehensive income for the period ended June 30, 2016		–	(5,435)	1,489,894	27,843	1,512,302
Dividends relating to 2015	9	–	–	(485,751)	(981)	(486,732)
Appropriation to reserves	8	–	156,277	(156,277)	–	–
Balance at June 30, 2016		2,926,209	3,792,018	6,130,834	357,594	13,206,655

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,	
		2016	2015
Cash flows from operating activities			
Cash generated from operations	16	1,954,777	1,881,588
Refund of enterprise income tax		42	580
Enterprise income tax paid		(234,474)	(155,465)
Net cash provided by operating activities		1,720,345	1,726,703
Cash flows from investing activities			
Purchases of property, plant, equipment, intangible assets, lease prepayment for land use right and other long-term assets		(220,656)	(245,281)
Proceeds from disposal of property, plant and equipment		1,035	232
Maturities of deposits with banks with original maturity date over three months		495,742	949,824
Placements of deposits with banks with original maturity date over three months		(687,787)	(1,092,375)
Interest received		71,213	45,147
Net cash paid for acquisition of a subsidiary	19	(234,907)	–
Dividends received from associated companies		–	1,564
Decrease/(increase) in held-to-maturity financial assets		170,000	(340,000)
Increase in restricted bank deposits		(144,491)	(57,184)
Net cash used in investing activities		(549,851)	(738,073)
Cash flows from financing activities			
Proceeds from bank borrowings		274,355	–
Dividends paid to the Group shareholders		(485,751)	(11,640)
Dividend paid to non-controlling shareholders of subsidiaries		(981)	–
Capital injection from non-controlling equity shareholder of a subsidiary		–	3,911
Net cash used in financing activities		(212,377)	(7,729)
Net increase in cash and cash equivalents		958,117	980,901
Cash and cash equivalents at beginning of the period		2,242,661	1,994,953
Cash and cash equivalents attributable to held-for-sale assets		(490)	–
Effect of foreign exchange rate changes on cash and cash equivalents		1,865	(50)
Cash and cash equivalents at end of the period		3,202,153	2,975,804

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 101308, the PRC.

The condensed consolidated interim financial statements have not been audited and were approved for issue by the board of directors on August 26, 2016.

2. Principal accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, and have been reviewed by the Audit and Risk Management 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, 2015.

The Group has adopted new and amended standards and interpretations of International Financial Reporting Standards (“IFRSs”) that are effective for accounting period beginning on or after January 1, 2016. The accounting policies applied for the preparation of these condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended December 31, 2015.

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

3. Revenue

Revenue mainly comprises the fees earned by the Group for the provision of aviation information technology services, accounting, settlement and clearing services, system integration services and related data network services. A major portion of these revenue was generated from the shareholders of the Company. For the six months ended June 30, 2016, revenue generated from the significant recurring transactions carried out with the Group's related parties amounted to approximately RMB1,181 million (for the six months ended June 30, 2015: approximately RMB1,114 million).

4. Government grant

	Unaudited Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Government grant	500,000	410,000

Government grant is awarded to the Group by the local government agencies as incentive primarily to encourage and support the Group for the provision of aviation information technology services business development on Beijing Shunyi District Houshayu Town.

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

5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting) the following:

	Unaudited	
	Six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
After charging:		
Depreciation	86,723	109,323
Amortisation of intangible assets	97,334	108,682
Amortisation of leasehold improvements	5,662	12,191
Amortisation of lease prepayments for land use right	26,366	26,367
Loss on disposal of property, plant and equipment	35	824
Provision for impairment of receivables	33,667	49,831
Reversal of impairment of property, plant and equipment	(709)	–
Cost of software and hardware sold	97,476	172,760
Retirement benefits	59,182	52,418
Contribution to housing benefits	36,585	33,064
Research and development expenses	164,505	203,615
Staff costs arising from share appreciation rights	–	1,105
After crediting:		
Interest income	(68,740)	(50,662)
Exchange gain, net	(26,031)	(4,618)

Note:

For the six months ended June 30, 2016, operating lease rentals for lease of properties from China TravelSky Holding Company (“CTHC”), the ultimate holding company, amounted to approximately RMB25 million (for the six months ended June 30, 2015: approximately RMB21 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

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

6. Taxation

Taxation of the Group except for TravelSky Technology (Hong Kong) Limited, TravelSky Technology (Singapore) Limited, TravelSky Technology (Japan) Limited, TravelSky Technology (Korea) Limited, TravelSky Technology (Europe) GmbH, TravelSky Technology (USA) Ltd., TravelSky R&D USA, INC., TravelSky Technology (Taiwan) Limited, TravelSky Technology Australia Pty. Ltd., OpenJaw Technologies Limited, OpenJaw Technologies Iberica S.L., OpenJaw Technologies Polska Sp. Z.O.O. and OpenJaw Technologies AsiaPac Ltd is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the period at the rates of taxation prevailing in the locations in which the Group operates.

Under the Corporate Income Tax Law of the People's Republic of China ("CIT Law"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a preferential corporate income tax rate of 15% according to the CIT Law. The Company was approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements.

The latest review was conducted in October 2014, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as one of the "High and New Technology Enterprises", and was entitled to the preferential corporate income tax rate of 15% from Year 2014 to Year 2016 as a "High and New Technology Enterprise".

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the period, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded. The Company was certified as "Important Software Enterprise" under the National Planning Layout since Year 2006 to Year 2014. The latest certification was granted on January 2, 2014, pursuant to which the Company was granted the certification as a "Important Software Enterprise" under the National Planning Layout for Year 2013 and Year 2014. Accordingly, the company calculated the corporate income tax expense at the preferential corporate income tax rate of 10% for Year 2013 and Year 2014.

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission and Ministry of Industry and Information Technology of the People's Republic of China on May 4, 2016, the Company has applied for a preferential tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority. If the application is approved, the Company will enjoy a preferential tax rate of 10% for Year 2015, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% will be reflected in the profit or loss account of the enterprise when it is refunded.

As at June 30, 2016, the Company has not yet obtained the approval from the relevant authorities. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2015 and for the six months ended June 30, 2016.

The Company's subsidiaries in the PRC are entitled to different corporate income tax rates, ranging from 15% to 25% under the CIT Law.

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

7. 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,	
	2016	2015
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and diluted earnings per share	1,489,894	1,156,369
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue	2,926,209	2,926,209
Earnings per share (RMB)		
Basic and diluted	0.51	0.40

There were no potential dilutive ordinary shares outstanding during the period ended June 30, 2016 and 2015.

8. Reserves

The appropriation to the discretionary surplus reserve fund for the Year 2015 was approved in the annual general meeting held on June 28, 2016. Therefore, 10% of the Company's net profit of year 2015 (approximately RMB156.3 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2016.

9. Dividend distribution

The shareholders in the annual general meeting of the Company held on June 28, 2016 approved the distribution of a final cash dividend of RMB0.166 per share, in the aggregate sum of RMB485.8 million for Year 2015. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2016.

10. Property, plant and equipment, net

For the six months ended June 30, 2016, the Group acquired property, plant and equipment amounting to approximately RMB197.9 million (for the year ended December 31, 2015: approximately RMB1,004.7 million) in total.

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

11. Trade receivables, net

The group has a policy allowing its customers credit periods normally ranging from 10 to 90 days.

The ageing analysis of trade receivables is as follows:

	June 30, 2016 Unaudited RMB'000	December 31, 2015 Audited RMB'000
Within 6 months	673,472	669,063
Over 6 months but within 1 year	167,689	117,520
Over 1 year but within 2 years	106,046	89,520
Over 2 years but within 3 years	42,886	38,923
Over 3 years	59,383	39,867
Total trade receivables	1,049,476	954,893
Provision for impairment of trade receivables	(171,215)	(137,548)
Trade receivables, net	878,261	817,345

12. Due from related parties, net

These balances with related parties are trade related, interest free, unsecured and generally repayable within six months.

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

	June 30, 2016 Unaudited RMB'000	December 31, 2015 Audited RMB'000
Within 6 months	1,591,044	1,603,791
Over 6 months but within 1 year	861,007	584,490
Over 1 year but within 2 years	476,566	284,428
Over 2 years but within 3 years	2,557	3,678
Over 3 years	17,720	15,566
Total due from related parties	2,948,894	2,491,953
Provision for impairment of receivables	–	–
Due from related parties, net	2,948,894	2,491,953

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

13. Trade payables and accrued liabilities

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

	June 30, 2016 Unaudited RMB'000	December 31, 2015 Audited RMB'000
Within 6 months	85,683	321,227
Over 6 months but within 1 year	127,816	40,111
Over 1 year but within 2 years	34,214	72,102
Over 2 years but within 3 years	12,957	6,986
Over 3 years	26,407	19,421
Total trade payables	287,077	459,847
Accrued liabilities and other liabilities	2,782,413	1,894,895
Total trade payables and accrued liabilities	3,069,490	2,354,742

14. Borrowings

	June 30, 2016 Unaudited RMB'000	December 31, 2015 Audited RMB'000
Bank borrowings – unsecured	274,355	–

The unsecured bank borrowings are denominated in United States dollars (“USD”) with principal amount of USD41 million. These borrowings are interest-bearing at 2.04% per annum (At December 31, 2015: Nil). The Company issued standby letter of credit to the bank in obtaining the borrowings.

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

15. Assets and liabilities classified as held-for-sale

On 12 June, 2016, the Company entered into a sales contract with an independent third party in relation to the disposal of Beijing TravelSky Huayi Software Technology Co., Ltd (“TravelSky HY-Software”), a subsidiary of the Company, for a consideration of RMB6 million and the transaction is expected to be completed before the end of 2016. The net proceeds from the disposal are expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognised as at the end of the reporting period.

The major classes of assets and liabilities of the disposal group classified as held-for-sale at the end of the reporting period are as follows:

	June 30, 2016 Unaudited RMB'000
Goodwill	4,166
Property, plant and equipment, net	190
Intangible assets, net	60
Inventories	118
Trade receivables, net	1,454
Prepayments and other current assets	208
Cash and cash equivalents	490
Assets classified as held-for-sale	6,686
Trade payables and accrued liabilities	2,040
Liabilities associated with assets classified as held-for-sale	2,040
Total net assets of the disposal group classified as held-for-sale	4,646

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

16. Cash generated from operations

	Unaudited Six months ended June 30,	
	2016 RMB'000	2015 RMB'000
Profit before taxation	1,787,906	1,396,255
Adjustments for:		
Depreciation and amortisation	216,085	256,563
Loss on disposal of property, plant and equipment	35	824
Interest income	(68,740)	(50,662)
Reversal of impairment of property, plant and equipment	(709)	–
Provision for impairment of receivables	33,667	49,831
Share of results of associated companies	(12,148)	(11,566)
Staff costs arising from share appreciation rights	–	1,105
Foreign exchange gain	(5,138)	(135)
(Increase)/decrease in current assets:		
Trade receivables	(76,508)	(115,239)
Inventories	(3,387)	(12,974)
Prepayments and other current assets	(528,936)	74,245
Due from associated companies and related parties	(471,390)	174,138
Increase/(decrease) in current liabilities:		
Trade payables and accrued liabilities	722,202	201,272
Deferred revenue	17,413	16,368
Due to related parties	344,425	(98,437)
Cash generated from operating activities	1,954,777	1,881,588

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

17. Commitments

(a) CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	June 30, 2016 Unaudited RMB'000	December 31, 2015 Audited RMB'000
Authorised and contracted for		
– Computer System and others	114,673	40,494
– Assets under constructions	1,544,147	1,622,384
– Furniture, fixtures and other equipment	283	2,413
– Available-for-sale financial assets	1,750,000	–
Authorised but not contracted for		
– Computer System and others	518,402	636,168
Total	3,927,505	2,301,459

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 RMB75.6 million of capital commitments (At December 31, 2015: RMB63.3 million) has been contracted for at June 30, 2016 which was denominated in U.S. dollars.

(b) OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had the following commitments under operating leases for the office rental:

	June 30, 2016 Unaudited RMB'000	December 31, 2015 Audited RMB'000
Within one year	138,505	137,322
Over 1 year but within 5 years	89,090	126,958
Total	227,595	264,280

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

17. Commitments *(Continued)*

(c) EQUIPMENT MAINTENANCE FEE COMMITMENTS

As at June 30, 2016, the Group had equipment maintenance fee commitments of approximately RMB128.6 million (At December 31, 2015: RMB125.1 million).

18. 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 statement of profit or loss and other comprehensive income. No segment report has been prepared by the Group for the six months ended June 30, 2016 and 2015.

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

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

Main customers	Unaudited Six months ended June 30,			
	2016		2015	
	RMB'000	%	RMB'000	%
Air China Limited (a)	333,582	12%	327,391	12%
China Eastern Airlines Corporation Limited (a)	362,493	13%	335,740	13%
China Southern Airlines Company Limited (a)	318,923	12%	305,756	12%

a. Included its subsidiaries.

19. Business combinations

ACQUISITION OF A SUBSIDIARY IN THE CURRENT PERIOD

On May 5, 2016, TravelSky Technology (Singapore) Limited, a wholly-owned subsidiary of the Company, has acquired 100% equity interest in OpenJaw Technologies Limited (the “OpenJaw”) for a consideration of USD39.4 million (equivalent to approximately RMB258 million) from independent third parties (the “Acquisition”). OpenJaw is mainly engaged in the provision of services in relation to the travel technologies and products, whose principal business is related to the principal business of the Company. Therefore, the Board believes that the Acquisition will be beneficial to the enrichment of the product portfolio and the user-scale expansion of the Company which is consistent with the development strategy of the Company.

The acquisition was accounted for using the purchase method.

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

19. Business combinations *(Continued)*

ACQUISITION OF A SUBSIDIARY IN THE CURRENT PERIOD *(Continued)*

Net assets acquired in the transaction are as follows:

	Fair value at the date of acquisition RMB'000
Net assets acquired:	
Property, plant and equipment	1,816
Intangible assets	88,785
Trade receivables	24,084
Prepayments and other current assets	4,355
Cash and cash equivalents	21,883
Trade payables and accrued liabilities	(17,489)
Income tax payable	(632)
Deferred income tax liabilities	(10,500)
Net assets	112,302
Goodwill (Note)	144,488
Total consideration	256,790
	2016 RMB'000
Total consideration satisfied by:	
Cash	256,790
	256,790
Net cash inflow arising on acquisition:	
Cash consideration paid	(256,790)
Cash and cash equivalents acquired	21,883
Net cash inflow	(234,907)



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

19. Business combinations *(Continued)*

ACQUISITION OF A SUBSIDIARY IN THE CURRENT PERIOD *(Continued)*

Note:

The goodwill arose from a number of factors and the most significant factor is the synergies expected to arise after the acquisition of OpenJaw for the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the revenue and profit for the period are revenue of approximately RMB24.92 million and net profit of approximately RMB4.13 million attributable to the additional business generated by the newly acquired subsidiary for the period between the date of acquisition and June 30, 2016.

Had this business combination been effected on January 1, 2016, the revenue of the Group would be approximately RMB2,808.47 million and profit for the period of the Group would be approximately RMB1,531.39 million. The directors of the Group consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

20. Events after the end of the reporting period

- (a) On May 20, 2016, the Company entered into share subscription agreements separately in relation to the formation of two joint ventures, namely China Merchants RenHe Life Insurance Company Limited ("CMRH Life") and China Merchants RenHe Property and Casualty Insurance Company Limited ("CMRH P&C"). The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company will contribute RMB875 million to each of CMRH Life and CMRH P&C and will hold 17.5% equity interest in each of CMRH Life and CMRH P&C upon completion of the transactions. The formation of these joint ventures is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. Up to the date of this interim report, the abovementioned procedures are in progress. For details, please refer to the Company's announcement dated May 20, 2016.
- (b) On 12 June, 2016, the Company entered into a sales contract with an independent third party in relation to the disposal of TravelSky HY-Software, a subsidiary of the Company, for a consideration of RMB6 million. Upon the completion of the transaction, the 60% equity interest in TravelSky HY-Software held by the Company will be fully disposed. As at the date of this interim report, the transaction has not yet been completed.



MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

Business review for the first half of 2016

As the leading provider of information technology solutions for China's aviation and travel industry, the Group benefited from the robust demand in China's aviation market in the first half of 2016. The Group's Electronic Travel Distribution (ETD) system (including Inventory Control System ("ICS") services and Computer Reservation System ("CRS") services) has processed approximately 251.0 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 10.9% over the same period in 2015. Among which, the processed flight bookings on commercial airlines in China increased by approximately 11.3%, while those on foreign and regional commercial airlines increased by approximately 1.8%. More foreign and regional commercial airlines were using the Group's Airport Passenger Processing (APP) system service, multi-host connecting program service and the self-developed Angel Cue platform connecting service, resulting in the increase of the number of such users to 151, with approximately 6.6 million of passenger departures processed in 103 airports. Meanwhile, the number of foreign and regional commercial airlines with direct links to the Group's Computer Reservation System (CRS) increased to 132, with the sales percentage through direct links increased to approximately 99.8%.

In the first half of 2016, apart from expanding its customer base among domestic and overseas commercial airlines, the Group also further improved the aviation information technology and its extended services, with an aim to strongly support the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce and auxiliary services. As a strategic partner of the Fast Travel Project of International Air Transport Association (IATA), our self-developed self-help luggage processing system has already been put into operation in several commercial airlines in China. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 127 major domestic and overseas airports, and the online check-in service has been applied in 252 airports at home and abroad. Such products and services, together with the mobile check-in service and the SMS check-in service, processed a total of approximately 80.3 million departing passengers. New functions, including general forecast and inflight meal selection, were introduced into our self-developed mobile application, "Umetrip". The Company provided a general direct sales solution for commercial airlines and optimized products including the Carriers Direct Platform (CDP) and B2C e-commerce solutions (Travel Retail Platform) for commercial airlines, which were among the first products in the world being awarded the highest level of IATA New Distribution Capability (NDC) certification – Level 3. Focusing its efforts on the research and development and application of the "Easy add value" (增值易) product platform, the Group assisted several domestic and regional commercial airlines in expanding the auxiliary service business. The Group introduced key functions such as sale of seat selection products on aircraft in transit, refined sub-channel control following the initialization of flights and tier pricing of prepaid baggage fees, and facilitated commercial airlines in achieving 100% EMD for on-spot baggage in numerous domestic and international airports.

UMETRIP
YOUR COMPANION
IN THE AIR





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

Business review for the first half of 2016 *(Continued)*

In the first half of 2016, the development of the new-generation passenger service system (“New Generation System”) researched and developed by the Group together with the major domestic commercial airlines progressed at a steady pace. The new-generation flight management system, which supports O&D revenue management and automatic full life cycle flight management, has been fully transferred to its first batch of users for flight management operation, symbolizing the successful application of the system in full-service large-scale airlines. The successful switch of the open-platform based electronic ticketing system into a localized software environment marked the achievement of the key goals of the national CHB (Core electronic devices, High-end generic chips and Basic software) project. This has enhanced the processing capacity and reliability of the system, which is of utmost significance to the upgrading, reformation, safety and security of the core information platform in civil aviation in China.

In the first half of 2016, the Group continued to consolidate and expand the market of accounting, settlement and clearing services and stepped up its efforts in researching and developing and commencing the operation of the key systems. For the project of IATA’s Billing and Settlement Plan software (IBSPs), implementation was completed for 12 BSPs in Europe and the BSPs in Japan. In the first half of 2016, there were approximately 370.3 million transactions and approximately 133.1 million BSP bills processed with our accounting, settlement and clearing system. In the same period, passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees processed with our system amounted to approximately US\$4.3 billion, and the transaction amount of the electronic payment system was approximately RMB11.7 billion.

In the first half of 2016, the Group pursued greater efforts in marketing and researching and developing the airport information technology service products and actively participated in the airport information system construction projects of domestic airports while persistently reinforcing its market share in the traditional departure front-end service product market. With a dominance in the middle-sized and large-sized airports in China, the new generation APP departure front-end system facilitated China’s commercial airlines to provide check-in, transit and connecting flight services to passengers in 132 overseas or regional airports, processing approximately 17.6 million passenger departures, accounting for approximately 88.5% of overseas returning passengers of China’s commercial airlines. The new product of the airport ground operation product line, the security information platform, has been promoted to 3 airports including Zhalantun Airport, Boao Airport and Guoluo Airport. In respect of the low voltage systems and security inspection departure products for airports, the Group won the bidding for the reconstruction and expansion projects of 3 airports, namely Guangzhou Airport, Wuhan Airport and Chongqing Airport. The Group continued to research and develop the cloud system of Airport Shared Connectivity and Infrastructure Integration (ASCI), and provided cloud-based deployment solutions to 2 airports, including Harbin Airport and Wuhan Airport.

In the first half of 2016, the Group continued to expand customer base in the public information service sector with an emphasis on state-owned enterprises and governmental authorities. Focusing on setting up a group purchase platform for business trips of state-owned enterprises, the Group quickened steps in the transformation of its travel product distribution business. The Group took greater efforts in researching and developing and promoting its distribution information technological service products, including the business travel platform for small and medium enterprises (“1etrip” (行啊)), international ticketing business and management system (“IntlStar” (星際)) and international fare search engine, and intensified the application of air freight logistics information technology services, including e-freight. The air freight logistics information system handled approximately 8.0 million air waybills, representing an increase of 5.2% as compared with the corresponding period in 2015.





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

Business review for the first half of 2016 *(Continued)*

In the first half of 2016, the Group's ICS, CRS, APP and the core open system have maintained stable operation. The construction of Beijing Shunyi New Operating Centre and the relocation preparation work progressed on schedule. The reformation of the CRS system 6HOST was successfully completed, representing a major milestone in the capacity expansion of mainframe production system and the multi-host reformation project. With the self-developed safety production commanding platform, safety production visualization platform, safety incident management platform, application safety testing system and centralized operation and maintenance management system, the Group's production safety and information security protection capability were enhanced. The Group facilitated the construction of the cloud platform of the data center, an automatic network resources deployment system and new customer service channels, which, together with the self-developed automatic network deployment matching software, expanded the Group's channels and means of services and persistently enhanced its service delivery capability. The implementation of specific safety inspection and contingency skill drills secured the safe operation of the civil aviation passenger information system in its daily operations and also during the heavy security period around Chinese New Year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference and the Tianjin Davos Forum.

Financial conditions and operational performance for the first half of 2016

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 2016, the Group achieved a profit before tax of RMB1,787.9 million, representing an increase of 28.1% compared to the first half of 2015. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB1,935.3 million, representing an increase of 20.8% compared to the first half of 2015. Profit attributable to equity holders of the Company was RMB1,489.9 million, representing an increase of 28.8% compared to the first half of 2015. The increase in profit 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 were RMB0.51 for the first half of 2016.



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

Financial conditions and operational performance for the first half of 2016 *(Continued)*

TOTAL REVENUE

The total revenue of the Group in the first half of 2016 amounted to RMB2,733.6 million, representing an increase of RMB100.7 million or 3.8% from RMB2,632.9 million in the first half of 2015. Such increase in total revenue 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 service revenue represented 61.8% of the Group's total revenue in the first half of 2016, as compared to 57.8% in the first half of 2015. AIT service revenue increased by 11.0% to RMB1,688.6 million in the first half of 2016 from RMB1,521.3 million in the first half of 2015. 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 travellers.
- Accounting, settlement and clearing services revenue accounted for 9.0% of the Group's total revenue in the first half of 2016, as compared to 9.2% for the first half of 2015. Accounting, settlement and clearing services revenue increased by 1.2% to RMB246.2 million in the first half of 2016 from RMB243.4 million for the first half of 2015. The main source of the revenue was accounting, settlement and clearing services 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 accounting, settlement and clearing services.
- System integration service revenue accounted for 7.6% of the Group's total revenue in the first half of 2016, as compared to 11.2% for the first half of 2015. System integration service revenue decreased by 29.4% to RMB207.8 million in the first half of 2016 from RMB294.5 million for the first half of 2015. The main source of the revenue was the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The decrease of revenue was primarily due to the decrease in the number of contracted projects.
- Data network revenue and other revenue accounted for 21.6% of the Group's total revenue in the first half of 2016, as compared to 21.8% for the first half of 2015. Data network revenue and other revenue increased by 3.0% to RMB591.0 million in the first half of 2016 from RMB573.7 million for the first half of 2015. 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 and 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 revenue from other information technology services.



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

Financial conditions and operational performance for the first half of 2016 *(Continued)*

OPERATING EXPENSES

Total operating expenses for the first half of 2016 amounted to RMB1,551.3 million, representing a decrease of RMB172.5 million or 10.0%, as compared to RMB1,723.8 million for the first half of 2015. The changes in operating expenses are also reflected as follows:

- Depreciation and amortization decreased by 15.8%, mainly due to the full depreciation of some of the Group's equipment;
- Operating lease payments increased by 27.3%, mainly due to the rental increment of the Group's existing office premises;
- Technical support and maintenance fees decreased by 27.4%, mainly due to the intensifying efforts of the Group in research and development;
- Commission and promotion expenses decreased by 16.2%, mainly due to the Group's strict control over the cost of commission ; and
- Cost of software and hardware sold decreased by 43.6%, primarily due to the decrease in newly-signed system integration projects of the Group.

CORPORATE INCOME TAX

For details, please see Note 6 to the unaudited condensed consolidated interim 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 RMB333.5 million or 28.8% to RMB1,489.9 million in the first half of 2016 from RMB1,156.4 million in the first half of 2015.

LIQUIDITY AND CAPITAL STRUCTURE

The Group's working capital for the first half of 2016 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,720.3 million. The Group had not used any financial instruments for hedging purposes. As at June 30, 2016, cash and cash equivalents of the Group amounted to RMB3,202.2 million, of which 91.4%, 6.7% and 0.4% were denominated in Renminbi, US dollar and Hong Kong dollar, respectively.

As at June 30, 2016, the Group's total unsecured bank loan amounted to approximately 274.4 million (As at December 31, 2015: Nil). The unsecured bank loan was denominated in US dollar. The Group provided a standby letter of credit to the bank to secure the loan.

CHARGE ON ASSETS

As at June 30, 2016, the Group had no charge on its assets.

RESTRICTED BANK DEPOSITS

As at June 30, 2016, restricted bank deposits in the amount of RMB444.1 million (December 31, 2015: RMB299.6 million) mainly refer to the deposit placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.



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

Financial conditions and operational performance for the first half of 2016 *(Continued)*

GOVERNMENT GRANTS

The Group received an industry support development fund from Houshayu Town People's Government amounting to RMB500 million in June 2016. For details, please refer to the announcement dated June 30, 2016. The fund was received in July 2016 and has already been included in the unaudited condensed consolidated interim financial statements.

CAPITAL EXPENDITURE

The total capital expenditure of the Group amounted to RMB222.3 million for the first half of 2016, representing a decrease of RMB37.3 million as compared to that of RMB259.6 million for the first half of 2015. The capital expenditure of the Group for the first half of 2016 consisted principally of purchase of hardware and 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 the year 2016 will amount to approximately RMB1,801.0 million, which is mainly for construction of the new operating centre in Beijing, development of the new generation of aviation passenger service information system and promotion of other new businesses. In particular, the expenditure to be incurred for the new operating centre in Beijing is estimated to be approximately RMB1.056 billion for 2016. 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 2016 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

MAIN INVESTMENTS

- **Overseas Acquisition – Acquisition of OpenJaw**

TravelSky Technology (Singapore) Limited, a subsidiary of the Company, acquired 100% equity interest in OpenJaw Technologies Inc. ("OpenJaw") on May 5, 2016 (Eastern Canada Time), at a price of approximately US\$39.4 million. OpenJaw is a company incorporated under the laws of Ireland, and it is mainly engaged in the provision of services in relation to the travel technologies and products. Its principal business is related to the principal business of the Company. For details, please refer to the Company's announcements dated April 6, 2016 and May 6, 2016 and Note 19 to the unaudited condensed consolidated interim financial statements.

- **Discloseable Transactions – Formation of Two Joint Ventures**

On May 20, 2016, the Company entered into share subscription agreements separately in relation to the formation of two joint ventures, namely China Merchants RenHe Life Insurance Company Limited ("CMRH Life") and China Merchants RenHe Property and Casualty Insurance Company Limited ("CMRH P&C"). The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company will contribute RMB875 million to each of CMRH Life and CMRH P&C and will hold 17.5% equity interest in each of CMRH Life and CMRH P&C upon completion of the transactions. The formation of these joint ventures is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. As at June 30, 2016, the abovementioned procedures are in progress. For details, please refer to the Company's announcement dated May 20, 2016 and Note 20 to the unaudited condensed consolidated interim financial statements.

FOREIGN EXCHANGE RISKS

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



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

Financial conditions and operational performance for the first half of 2016 *(Continued)*

GEARING RATIO

As at June 30, 2016, the gearing ratio of the Group was 23.6% (as at December 31, 2015: 18.1%), which was computed by dividing the total liabilities (non-interest-bearing debts) by the total assets of the Group as at June 30, 2016.

CONTINGENT LIABILITIES

As at June 30, 2016, the Group had no material contingent liabilities.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at June 30, 2016, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited with commercial banks and in accordance with applicable laws and regulations.

EMPLOYEES

As at June 30, 2016, the total number of employees of the Group was 6,460. Staff costs amounted to approximately RMB516.1 million for the first half of 2016, representing approximately 33.3% of the total operating expenses of the Group for the first half of 2016.

The Group has different rates of remuneration for different employees (including executive directors and staff representative supervisors), according to factors including their performance, qualifications and experiences and duties 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, H share appreciation rights and benefit programs provided in compliance with the relevant regulations in the PRC, as amended from time to time, such as medical insurance, pension insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity.

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 receive director's fees and allowances, which are determined by reference to the requirements of the regulatory authorities, prevailing market price, their duties and personal qualifications and experiences, and any reasonable fees and expenses incurred by the 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 purchased by the Company for the 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 2016

In the second half of 2016, the Group will prudently assess the situation. By upholding the goal of "becoming one of the world's first-class comprehensive information service enterprises", the Group will remain open-minded, probe into matters thoroughly, embrace its goal of "growth stability, structural adjustment, risk prevention", quicken its pace in adjusting and refining its development strategies, define its business development pattern, emphasize innovation-driven technology, intensify system and mechanism reform and explore collaboration opportunities. The Group will also try its best to ensure that major projects will be completed on schedule at the desired quality and quantity.



INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2016.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at June 30, 2016 was 2,926,209,589 shares, with a par value of RMB1 each. As at June 30, 2016, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage of 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 2016, the Group had not purchased, sold or redeemed any securities of the Company.

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

As at June 30, 2016, 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 "SFO") are set out as follows:

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Templeton Asset Management Ltd.	55,763,491 H shares of RMB1 each (L)	Investment manager	5.98%	1.91%
JPMorgan Chase & Co.	88,195,808 H shares of RMB1 each (P)	Custodian-corporation/ approved lending agent	9.46%	3.01%
	102,793,205 H shares of RMB1 each (L):		11.02%	3.51%
	88,195,808 H shares (L)	Custodian-corporation/ approved lending agent		
	1,425,397 H shares (L)	Beneficial owner		
	13,172,000 H shares (L) (Note 3)	Investment manager		
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 4)	Beneficial owner	6.96%	1.48%
Norges Bank	52,850,340 H shares of RMB1 each (L)	Beneficial owner	5.67%	1.81%

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

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Citigroup Inc.	60,638,690 H shares of RMB1 each (P)	Custodian-corporation/ approved lending agent	6.50%	2.07%
	60,786,994 H shares of RMB1 each (L):		6.52%	2.08%
	60,638,690 H shares (L)	Custodian-corporation/ approved lending agent		
	148,304 H shares (L) (Note 5)	Interest of corporation controlled by the substantial shareholder		
BlackRock, Inc.	53,764,833 H shares of RMB1 each (L) (Note 6)	Interest of corporation controlled by the substantial shareholder	5.77%	1.84%
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 7)	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 8)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 9)	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 10)	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; (S) – Short position; (P) – lending pool.
- (2) Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at June 30, 2016; percentage of respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at June 30, 2016.
- (3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on June 27, 2016, JPMorgan Chase & Co. was deemed to be interested in 102,793,205 H shares (L) and 88,195,808 H shares (L)(P). These shares were held by J.P. Morgan Clearing Corp, JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Capital Financing Limited, J.P. Morgan Securities LLC, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Chase (UK) Holdings Limited, JPMorgan Asset Management Holdings (UK) Limited, J.P. Morgan Overseas Capital Corporation, JPMorgan Asset Management International Limited, JPMorgan Chase Bank, N.A., J.P. Morgan International Finance Limited and JPMorgan Asset Management (UK) Limited, which were directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (4) 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 of shares and percentage of shareholding as of June 30, 2016 is uncertain. The number of shares and the approximate percentage of respective class of share capital of Platinum International Fund stated in the above table were based on the disclosure of information on November 12, 2010.
- (5) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on June 21, 2016, Citigroup Inc. was deemed to be interested in 60,786,994 H shares (L) and 60,638,690 H shares (P). These shares were held by Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Morgan Stanley Smith Barney Holdings LLC, Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets International LLC, Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citibank N.A., Citicorp Holdings Inc, Citigroup Alternative Investments LLC, Citigroup Investments Inc., Automated Trading Desk Financial Services, LLC, Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc., Citigroup Acquisition LLC, Citigroup Trust - Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citigroup Global Markets Asia Limited, Citigroup Global Markets Hong Kong Holdings Limited, Citigroup Global Markets Overseas Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Cititrust (Bahamas) Limited, Citigroup Participation Luxembourg Limited, Citigroup International Luxembourg Limited, Citigroup Overseas Investments Bahamas Inc., Citibank Overseas Investment Corporation, Cititrust (Switzerland) Limited, Citigroup Global Markets Deutschland AG, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Citigroup Derivatives Markets Inc., Citigroup Global Markets Europe Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Citigroup First Investment Management Limited, which were directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (6) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by BlackRock, Inc. on June 30, 2016, BlackRock, Inc. was deemed to be interested in 53,764,837 H shares (L). These shares were held by Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Cayco Limited, BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock Asia-Pac Holdco, LLC, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Luxembourg Holdco S.à r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock Investment Management (Taiwan) Limited, which were directly or indirectly controlled by BlackRock, Inc.. BlackRock, Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (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 SFO.
- (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 SFO.
- (9) 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 SFO.



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

- (10) 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 SFO.
- (11) 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, 2016, 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 SFO) as recorded in the register required to be kept under Section 352 of the SFO, 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 for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) for the six months ended June 30, 2016.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management 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, 2016, 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, as well as disclosing information to all the market participants and regulatory authorities in a timely, accurate, complete and reliable manner to enhance the transparency of the Company. The Company has adopted the code provisions as stipulated in the "Corporate Governance Code" and "Corporate Governance Report" (the "Code Provisions") in Appendix 14 to the Listing Rules as the Company's code of corporate governance.

The Company has fully complied with the Code Provisions in the first half of 2016. For the six months ended June 30, 2016, the Company has adopted a set of code of conduct based on the required standard as 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, 2016.

By order of the Board
Cui Zhixiong
Chairman

August 26, 2016



BOARD

The fifth session of the Board of the Company established by election by shareholders on June 18, 2013 comprises:

Cui Zhixiong	The Chairman (effective from March 31, 2016), Executive Director
Xiao Yinhong	Executive Director, General Manager
Cao Jianxiong	Non-executive Director (appointed on December 23, 2014)
Li Yangmin	Non-executive Director (appointed on December 10, 2015)
Yuan Xin'an	Non-executive Director (appointed on December 10, 2015)
Cheung Yuk Ming	Independent Non-executive Director
Cao Shiqing	Independent Non-executive Director (appointed on January 26, 2016)
Ngai Wai Fung	Independent Non-executive Director (appointed on January 26, 2016)

AUDIT AND RISK MANAGEMENT COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cheung Yuk Ming	Chief Member (Chairman)
Cao Shiqing	Member (appointed on January 26, 2016)
Ngai Wai Fung	Member (appointed on January 26, 2016)

REMUNERATION AND EVALUATION COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cao Shiqing	Chief Member (Chairman) (appointed on January 26, 2016)
Cheung Yuk Ming	Member
Ngai Wai Fung	Member (appointed on January 26, 2016)
Yuan Xin'an	Member (appointed on December 10, 2015)

NOMINATION COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	Chief Member (Chairman) (appointed on December 2, 2014)
Cheung Yuk Ming	Member (appointed on January 26, 2016)
Cao Shiqing	Member (appointed on January 26, 2016)



STRATEGIC COMMITTEE

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Cui Zhixiong	Chief Member (Chairman) (appointed on December 2, 2014)
Xiao Yinhong	Member
Cao Jianxiong	Member (appointed on December 23, 2014)
Li Yangmin	Member (appointed on December 10, 2015)
Yuan Xin'an	Member (appointed on December 10, 2015)

EXECUTIVE COMMITTEE

On March 31, 2016, the Board resolved to cancel the Executive Committee, which was established by the fifth session of the Board of the Company on June 18, 2013. On March 31, 2016, the duty of the following Executive Committee members has been terminated.

Cui Zhixiong	Chief Member (Chairman) (appointed on December 2, 2014)
Xiao Yinhong	Member

DIRECTORS RESIGNED (INCLUDING THEIR RESPECTIVE DUTIES IN THE RELEVANT COMMITTEE)

Pan Chongyi	Independent Non-executive Director, Member of the Audit Committee, Chief Member of the Remuneration of Evaluation Committee, Member of the Nomination Committee (appointed on June 18, 2013, resigned on January 26, 2016)
Zhang Hainan	Independent Non-executive Director, Member of the Audit Committee, Member of the Remuneration of Evaluation Committee, Member of the Nomination Committee (appointed on June 18, 2013, resigned on January 26, 2016)

SUPERVISORY COMMITTEE

The fifth session of the Supervisory Committee established by election by shareholders on June 18, 2013 (other than the staff representative supervisors) comprises:

Huang Yuanchang	Chairperson of the Supervisory Committee (appointed on March 25, 2015), Staff Representative Supervisor (appointed by the staff representative committee of the Company on March 25, 2015)
Xiao Wei	Staff Representative Supervisor (appointed by the staff representative committee of the Company on January 10, 2014)
Zeng Yiwei	Supervisor
He Haiyan	Supervisor
Rao Geping	Independent Supervisor



SENIOR MANAGEMENT

Appointed by the fifth session of the Board of the Company on June 18, 2013 and comprises:

Rong Gang	Vice General Manager
Wang Wei	Vice General Manager
Sun Yongtao	Vice General Manager, Chief Financial Officer (Chief Accountant)
Zhu Xiaoxing	Vice General Manager
Yu Xiaochun	Company Secretary (Secretary to the Board)

AUDITORS

International auditors:

Baker Tilly Hong Kong Limited
2nd Floor, 625 King's Road, North Point, Hong Kong

PRC auditors:

Baker Tilly China
Building 12, Foreign Cultural and Creative Garden,
No. 19, Chegongzhuang West Road, Haidian District, Beijing 100048, PRC

LEGAL ADVISERS

as to Hong Kong law:

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

as to the PRC law:

Beijing Guantao Law Firm
18/F, Tower B, Xincheng Plaza, 5 Finance Street,
Xicheng District, Beijing 100032, PRC



PUBLIC RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
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Telephone: (852) 2527 1628
Facsimile: (852) 2527 1271
Email: sprg-travelsky@sprg.com.hk

CONTACT DETAILS FOR INVESTORS

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PRC Telephone: (8610) 5765 0696
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Email: ir@travelsky.com
Website: www.travelskyir.com

REGISTERED ADDRESS

7 Yu Min Da Street, Houshayu Town, Shunyi District
Beijing 101308, PRC

PLACE OF BUSINESS IN HONG KONG

Room 3606, 36/F, China Resources Building
26 Harbour Road, Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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



DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York Mellon

Regular Mail:

BNY Mellon Shareowner Services
P.O.BOX 30170
College Station, TX 77842-3170

Overnight Mail:

BNY Mellon Shareowner Services
211 Quality Circle, Suite 210
College Station, TX 77845

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:

www.travelskyir.com

You may obtain the financial reports, announcements, circulars, operation data and results presentation of the Company through this website.