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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)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2013

The board of directors (the “**Board**”) of TravelSky Technology Limited (the “**Company**”) hereby presents the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2013 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	Note	June 30, 2013 Unaudited	December 31, 2012 Audited
ASSETS			
Non-current assets			
Property, plant and equipment, net	7	1,290,253	896,951
Lease prepayment for land use right, net		1,940,405	1,966,772
Intangible assets, net		228,813	62,613
Goodwill		4,166	4,166
Investments in associated companies		169,016	163,140
Deferred income tax assets		24,578	24,588
Other long-term assets		96,262	191,585
		3,753,493	3,309,815
Current assets			
Inventories		50,669	29,323
Trade receivables, net	8	648,418	590,791
Due from related parties, net	9	1,803,158	1,910,716
Due from associated companies		66,016	41,483
Income tax recoverable		70,587	74,491
Prepayments and other current assets		463,680	353,699
Held-to-maturity financial assets		750,000	800,000
Short-term bank deposits		1,205,112	1,031,362
Cash and cash equivalents		1,966,682	1,739,232
		7,024,322	6,571,097
Total assets		10,777,815	9,880,912

	<i>Note</i>	June 30, 2013 Unaudited	December 31, 2012 Audited
Equity			
Capital and reserves attributable to owners of the Parent			
Paid-In capital		2,926,209	2,926,209
Reserves	5	2,987,275	2,891,879
Retained earnings			
– Proposed final cash dividend	6	–	389,186
– Others		2,593,249	2,055,944
		8,506,733	8,263,218
Non-controlling interests		183,821	168,430
Total equity		8,690,554	8,431,648
LIABILITIES			
Non-Current liabilities			
Deferred income tax liabilities		16,886	16,961
Current liabilities			
Trade payables and accrued liabilities	10	1,438,239	1,226,449
Due to related parties		594,136	181,607
Income tax payable		6,608	13,853
Deferred revenue		31,392	10,394
		2,070,375	1,432,303
Total liabilities		2,087,261	1,449,264
Total equity and liabilities		10,777,815	9,880,912
Net current assets		4,953,947	5,138,794
Total assets less current liabilities		8,707,440	8,448,609

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)

		Unaudited Six months ended June 30, 2013	2012
	Note		
Revenues			
Aviation information technology services		1,241,805	1,202,652
Accounting, settlement and clearing services		199,115	187,912
Data network and others		535,503	431,686
Total revenues	2	1,976,423	1,822,250
Operating expenses			
Business taxes and other surcharges		(13,096)	(68,833)
Depreciation and amortisation		(192,487)	(174,870)
Network usage fees		(26,212)	(43,504)
Personnel expenses		(368,881)	(330,849)
Operating lease payments		(65,134)	(54,173)
Technical support and maintenance fees		(108,383)	(110,608)
Commission and promotion expenses		(235,274)	(215,879)
Other operating expenses		(252,150)	(185,955)
Total operating expenses		(1,261,617)	(1,184,671)
Operating profit		714,806	637,579
Financial income, net		37,651	55,402
Share of results of associated companies		5,876	13,683
Profit before taxation		758,333	706,664
Taxation	3	(111,173)	(108,811)
Profit after taxation		647,160	597,853

		Unaudited	
		Six months ended June 30,	
	<i>Note</i>	2013	2012
Other comprehensive income:			
Currency translation differences		<u>(2,005)</u>	<u>108</u>
Other comprehensive income for the period, net of tax		<u>(2,005)</u>	<u>108</u>
Total comprehensive income for the period		<u>645,155</u>	<u>597,961</u>
Profit attributable to:			
Owners of the Parent		634,706	581,998
Non-controlling interests		<u>12,454</u>	<u>15,855</u>
		<u>647,160</u>	<u>597,853</u>
Total comprehensive income attributable to:			
Owners of the Parent		632,701	582,106
Non-controlling interests		<u>12,454</u>	<u>15,855</u>
		<u>645,155</u>	<u>597,961</u>
Earnings per share for profit attributable to owners of the Parent			
Basic and diluted (<i>RMB</i>)	4	<u>0.22</u>	<u>0.20</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. 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 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, 2012.

The Group has adopted new and amended standards and interpretations of International Financial Reporting Standards (“IFRSs”) that are effective for accounting period beginning on January 1, 2013. Except as described below, 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, 2012.

- **Amendments to IAS 1, Change of Grouping of Items Presented in Other Comprehensive Income**

Amendments to IAS 1 aim to present items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

- **IFRS 9 “Financial Instruments”, Classification, Measurement and Recognition of Financial Assets and Financial Liabilities**

IFRS 9 was issued by International Accounting Standards Board in November 2009 and revised in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination of the above classification is made at initial recognition of the financial assets. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch in profit or loss.

- **IFRS 10 “Consolidated Financial Statements”**

IFRS 10 builds on existing principles by identifying a new concept of control (e.g. “de facto” control) as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The accounting requirements in the existing IAS 27 on other consolidated related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

- **IFRS 12 “Disclosures of Interests in Other Entities”**

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, subsidiaries, special purpose entities and other off balance sheet entities.

- **IFRS 13 “Fair Value Measurement”**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements of the standard, which are largely aligned between the requirements of IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how fair value accounting should be applied where its use is already permitted by other standards within IFRSs and US GAAP.

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

2. Revenue

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

3. Taxation

In general, the statutory corporate income tax rate applicable to enterprises in China is 25% under the New Corporate Income Tax Law of the PRC (“new CIT Law”) enacted from January 1 2008. 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 CIT Law. 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.

In addition to the recognised “High and New Technology Enterprise” status, enterprises being approved and certified by relevant 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 tax paid at the rate of 15% over this preferential tax rate of 10% should be returned to the relevant enterprises subsequently. The “Important Software Enterprise” certification under the National Planning Layout is subject to an annual assessment and approval by the relevant authorities in China. The Company applied for and obtained its “Important Software Enterprise” approval from the relevant regulatory authorities from 2006 to 2010. On March 21, 2013, the Company has obtained its Important Software Enterprise certification under the National Planning Layout for year 2011 and 2012 from the relevant regulatory authorities.

Pursuant to relevant requirements, the Company has applied and confirmed with the relevant tax regulatory authorities and the corporate income tax be paid at the preferential tax rate of 10% for the financial year 2012. As the Company has paid its corporate income tax at the tax rate of 15% (i.e. the preferential corporate income tax rate applicable to High and New Technology Enterprise) for the financial year 2011, the Company has applied for the refund of overpayment of 5% income tax in the financial year 2011 from relevant tax regulatory authorities. Its impact will be reflected in the Company’s financial statements for the year when the tax refund has been actually received.

As stated in the first paragraph of this note, the Company’s corporate income tax expense was provided for at the rate of 15% for the six months ended June 30, 2013 pursuant to the relevant requirements.

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

Pursuant to the relevant requirements, all of the Group’s aviation information technology services and accounting and settlement and clearing services revenue generated in Beijing was subjected to Value Added Tax (“VAT”) instead of Business Tax starting from September 1, 2012. For details of the business tax and VAT of the Group, please see Note 10 to the “Notes to the Consolidated Financial Statements” on P. 93 of the 2012 Annual Report.

4. 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,	
	2013	2012
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and diluted earnings per share	634,706	581,998
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	0.22	0.20

There were no potential dilutive ordinary shares during the period ended June 30, 2013 and 2012.

5. Reserves

The appropriation to the discretionary surplus reserve fund for the year 2012 was approved in the annual general meeting held on June 18, 2013. Therefore, 10% of the Company's net profit of year 2012 (approximately RMB97.4 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2013.

6. Dividend distribution

The shareholders in the annual general meeting of the Company held on June 18, 2013 approved the distribution of a final cash dividend of RMB0.133 per share, in the aggregate sum of RMB389.2 million for Year 2012. The amount was accounted for in the shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2013.

7. Property, plant and equipment, net

For the six months ended June 30, 2013, the Group acquired property, plant and equipment amounting to approximately RMB503.6 million (for the year ended December 31, 2012: approximately RMB185.8 million) in total.

8. 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, 2013 Unaudited RMB'000	December 31, 2012 Audited RMB'000
Within 6 months	566,354	547,816
Over 6 months but within 1 year	79,907	34,632
Over 1 year but within 2 years	37,882	26,493
Over 2 years but within 3 years	12,774	8,960
Over 3 years	7,253	20,275
	<hr/>	<hr/>
Total trade receivables	704,170	638,176
Provision for impairment of trade receivables	(55,752)	(47,385)
	<hr/>	<hr/>
Trade receivables, net	648,418	590,791

9. Due from related parties, net

These balances with related parties 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, 2013 Unaudited RMB'000	December 31, 2012 Audited RMB'000
Within 6 months	1,212,355	1,358,720
Over 6 months but within 1 year	519,215	466,756
Over 1 year but within 2 years	66,342	69,575
Over 2 years but within 3 years	1,399	14,817
Over 3 years	3,847	848
	<hr/>	<hr/>
Due from related parties, net	1,803,158	1,910,716

10. Trade payables and accrued liabilities

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

	June 30, 2013 Unaudited RMB'000	December 31, 2012 Audited RMB'000
Within 6 months	133,970	127,826
Over 6 months but within 1 year	34,742	14,300
Over 1 year but within 2 years	7,944	11,447
Over 2 years but within 3 years	6,802	12,325
Over 3 years	16,867	8,880
Total trade payables	200,325	174,778
Accrued liabilities and other liabilities	1,237,914	1,051,671
Total trade payables and accrued liabilities	1,438,239	1,226,449

11. 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, 2013 and 2012.

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 these statements.

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

Main customers	Unaudited Six months ended June 30,			
	2013 RMB'000	%	2012 RMB'000	%
Air China Limited (a)	275,590	14%	280,501	15%
China Southern Airlines Company Limited (a)	257,208	13%	266,829	15%
China Eastern Airlines Corporation Limited (a)	290,191	15%	291,736	16%

a. Included its subsidiaries.

BUSINESS REVIEW FOR THE FIRST HALF OF 2013

The Group is a leading provider of information technology solutions for China's aviation and travel industry. In the first half of 2013, the oil price remained at generally low levels and Renminbi continued to appreciate, both driving the steady growth of the aviation market in China, despite of the complex economic climate both at home and abroad. Against this background, the Group maintained prudent progress according to its established development strategy and pushed forward numerous key projects, thereby maintaining stable safe production in general, achieving initial success in enhancement in management, realizing a smooth and steady development in its core businesses and maintaining a steady growth in its operating results.

In the first half of 2013, the Group's Electronic Travel Distribution (ETD) system has processed approximately 183.2 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.3% over the same period in 2012. Among which, the processed flight bookings on commercial airlines in China increased by approximately 10.7%, while those on foreign and regional commercial airlines increased by approximately 22.3%. 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 90, with approximately 3.5 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 111, with the sales percentage through direct links increased to approximately 99.8%.

In the first half of 2013, 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, e-commerce and auxiliary services. As a strategic partner of the Fast Travel Project of International Air Transport Association (IATA), the monitoring and management approach of the kiosk and self-service system, as well as the mobile check-in and booking system and approach have both obtained national technology invention patent. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 89 major domestic and overseas airports, and the online check-in service has been applied in 129 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 28.9 million departing passengers. With the application of the newly developed "Emergency self-service flight change in the event of severe flight delay" function, travelers may complete their self-service flight tickets endorsement through various self-service check-in channels, thereby effectively alleviating the pressure at the airport counters of Air China Limited at Beijing Capital Airport and China Eastern Airlines Corporation Limited at Shanghai Pudong Airport when facing severe flight delay. The Company's domestic B2C and B2B e-commerce websites and E-Build (an e-commerce supporting platform) were newly launched at 3 domestic and regional commercial airlines. Sales support for auxiliary service, based on the Electronic Miscellaneous Document (EMD) system, were also applied in 13 domestic and regional commercial airlines. As the Company's exploration of mobile terminal products,

leveraging on its authoritative and timely dissemination of information, our self-developed mobile application “Umetrip (航旅縱橫)” has enhanced passengers’ travel experience with civil airlines and was well-received by the market. In the first half of 2013, the Company also stepped up its effort in research and development of new-generation aviation passenger service information system (“New Generation System”) and launched key products and functions successively, including graphical front-end system for airlines business (Airline GUI) and load planning (LDP GUI), high performance seamless server which can support O&D revenue management, automatic flight schedule manager and revenue integration tools for groups.

In the first half of 2013, apart from continuously 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. As a working team member for IATA’s Simplify Interline Settlement (SIS) Project, the Group has helped 7 domestic commercial airlines (including Air China Limited, China Eastern Airlines Corporation Limited and China Southern Airlines Company Limited) and 3 overseas and regional commercial airlines (including Singapore Airlines and Air Macau) to bring SIS system into operation. The Group was the successful bidder of the e-commerce accounting and settlement management platform project of Air China Limited, which will also be provided the newly launched sales auditing services by the Group. Our self-developed agency bills online payment (BOP) business has significantly simplified the procedures for purchase of BSP bills by agents, thereby enhancing its operational efficiency. In the first half of 2013, there were approximately 298.8 million transactions and approximately 127.8 million BSP bills processed with our accounting, settlement and clearing system, and in the same period, passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees settled with our system amounted to approximately US\$3.0 billion.

In the first half of 2013, the Group pursued greater efforts in product development and market promotion of its airport information technology services. The newly developed self-service boarding products have been promoted to 2 airports including Beijing Capital Airport and Shenzhen Airport, bringing convenience to passengers. Airport Message Broker (AMB) has been promoted to 5 airports including Ordos Airport and Xining 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 101 overseas or regional airports, processing approximately 9.3 million passenger departures, and accounting for approximately 84.4% 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 3 airports including Tonghua Airport and Bijie Airport.

In the first half of 2013, the Group continued its effort in the optimization and promotion of the product lines for distribution information technology services, launching new products such as Mobile Business Travel Solution (差旅移動) and Front-end Mobile (前端移動) designed for agents. It also developed new functions such as itinerary printing of international flight tickets and online booking tools (OBT) carbon emission statistics, which have enriched the offering covered by the fare of international flights, continued to optimize the In-House service system of major clients and gradually established a strategic customer service system, so as to strengthen the support for customer services.

In the first half of 2013, the Group continued to establish its systematic platforms and improve its products and services with multi-channels promotion, thereby promoting the development of new businesses including distribution service of travel products such as hotels, air freight logistics information technology service and public information technology service. The Group distributed 386,500 hotel's room nights through its hotel distribution platform-Sohoto.com, representing a decrease of 12.8% as compared with the corresponding period in 2012, and handled approximately 5.8 million air freight bills through its air freight logistics information system, representing an increase of 20.8% as compared with the corresponding period in 2012. The public information service continued to explore customers with a focus on central enterprises and governmental authorities. The self-developed Cloud Data Replication (CDR) products and Travel Cloud (TCD) products have been adopted by various customers.

In the first half of 2013, the Group's ICS (Inventory Control System), CRS, APP, the core open system and the accounting, settlement and clearing mainframe systems have maintained stable operation, and the construction of Beijing Shunyi New Operating Centre has achieved stable progress. With the full use of various technical and managerial means, the reliability, potential resources, processing ability and maintenance efficiency of production system have been further improved. The Group implemented high frequency and energy consumption reduction of ICS, APP mainframe systems, expanded open platform resources and optimized network major equipment resources, implemented centralized monitor of site projects and energy consumption reduction projects of engine rooms. The Group also optimized safe production management system, strengthened technology trainings and safety checking, stepped up its efforts in contingency 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 2013

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 2013, the Group achieved a profit before tax of RMB758.3 million, representing an increase of 7.3% compared to the first half of 2012. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB912.0 million, representing an increase of 9.6% compared to the first half of 2012. Profit attributable to equity holders of the Company was RMB634.7 million, representing an increase of 9.1% compared to the first half of 2012. 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 was RMB0.22 for the first half of 2013.

Total revenue

The total revenue of the Group in the first half of 2013 amounted to RMB1,976.4 million, representing an increase of RMB154.1 million or 8.5%, from that of RMB1,822.3 million in the first half of 2012. 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 (“AIT”) service revenue represented 62.8% of the Group’s total revenue in the first half of 2013, as compared to 66.0% in the first half of 2012. AIT service revenue increased by 3.3% to RMB1,241.8 million in the first half of 2013 from RMB1,202.7 million in the first half of 2012. 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.
- Accounting, settlement and clearing services revenue accounted for 10.1% of the Group’s total revenue in the first half of 2013, as compared to 10.3% for the first half of 2012. Accounting, settlement and clearing services revenue increased by 6.0% to RMB199.1 million in the first half of 2013 from RMB187.9 million for the first half of 2012. The main source of the revenue was accounting, settlement and clearing services provided by the Group to the 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 27.1% of the Group’s total revenue in the first half of 2013, as compared to 23.7% for the first half of 2012. Data network revenue and other revenue increased by 24.0% to RMB535.5 million in the first half of 2013 from RMB431.7 million for the first half of 2012. 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 2013 amounted to RMB1,261.6 million, representing an increase of RMB76.9 million or 6.5%, as compared to RMB1,184.7 million for the first half of 2012. The changes in operating expenses are reflected as follows:

- Business tax and surcharges decreased by 81.0%, mainly due to the gradual pilot practice of levying value-added tax in lieu of business tax in transport industry and certain modern service industry in various regions in Mainland China;
- Network usage fees decreased by 39.7%, mainly due to the Group’s strenuous effort in circuits upgrade, enhancement of network capacities and consolidation of existing circuits;

- Operating lease payments increased by 20.2%, mainly due to the increase in operating leased area of the Group;
- Depreciation and amortization increased by 10.1%, mainly due to the Group's upgrade of equipment;
- Staff costs increased by 11.5%, 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 3 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 RMB52.7 million or 9.1% to RMB634.7 million in the first half of 2013 from RMB582.0 million in the first half of 2012.

Liquidity and capital structure

The Group's working capital for the first half of 2013 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB895.6 million. During the first half of 2013, the Group neither had short-term or long-term bank loans nor used any financial instruments for hedging purposes. As at June 30, 2013, cash and cash equivalents of the Group amounted to RMB1,966.7 million, of which 98.2%, 1.1% and 0.2% were denominated in Renminbi, US dollars and Hong Kong dollars respectively.

Charge on assets

As at June 30, 2013, the Group had no charge on its assets.

Capital expenditure

The total capital expenditure of the Group amounted to RMB725.9 million for the first half of 2013, representing an increase of RMB639.3 million as compared to that of RMB86.6 million for the first half of 2012. The capital expenditure of the Group for the first half of 2013 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 2013 will amount to approximately RMB1,760.2 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. 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 2013 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 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.

Gearing ratio

As at June 30, 2013, the gearing ratio of the Group was 19.4% (December 31, 2012: 14.7%), which was computed by dividing the total liabilities (no interest-bearing debts) by the total assets of the Group as at June 30, 2013.

Contingent liabilities

As at June 30, 2013, the Group had no material contingent liabilities.

Trust deposits and irrecoverable overdue time deposits

As at June 30, 2013, the Group did not have any trust deposits and irrecoverable overdue time deposits. Cash deposits held by the Group are deposited with commercial banks and in accordance with the relevant laws and regulations.

Employees

As at June 30, 2013, the total number of employees of the Group was 5,556. Staff costs amounted to approximately RMB368.9 million for the first half of 2013, representing approximately 29.2% of the total operating expenses of the Group for the first half of 2013.

The Group has different rates of remuneration for different employees (including executive directors and staff representative supervisors), according to factors including their performance, experience and 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, H share appreciation rights and fringe benefits 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 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 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 2013

In the second half of 2013, taking every condition of the moment into consideration, the Group will steadily promote the progress in safe production, business development, management enhancement, system development and infrastructure construction according to its established development strategy with reform and innovation as its key drivers: continue to strengthen safety awareness and implement the safety responsibility system so as to maintain continuous safety; continue to strengthen its business development ability by focusing on market research and optimizing resources distribution, improving product management, with a view to specialize in traditional businesses and expand into new businesses; practically pursue management enhancement, promote specific enhancement of key areas, actively exploring system and mechanism to improve efficiency of operation and management; optimize the construction of research and development system, accelerate the progress of the research and development of the New Generation System, facilitating the relevant construction to achieve successful outcomes; strengthen the responsibility system of key projects, promoting the progress of the construction of major projects such as Beijing Shunyi New Operating Centre as planned with quality guaranteed.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2013, the Group had not purchased, sold or redeemed any securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has discussed and reviewed with the Company's management the unaudited interim results of the Group for the six months ended June 30, 2013, 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.

Save as deviations from the Code Provisions D.1.1 and D.1.2, the Company has fully complied with the Code Provisions in the first half of 2013. The articles of association of the Company set out respective duties of the Board and the general manager. However, the Company has not formulated separate specific written guidelines for other duties and authorities delegated to the management, which is in compliance with from Code Provisions D.1.1 and D.1.2. 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 2012 Annual Report of the Company.

For the six months ended June 30, 2013, 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, 2013.

By order of the Board
TravelSky Technology Limited
Xu Qiang
Chairman

Beijing, the People's Republic of China
August 29, 2013

As at the date of this announcement, the Board comprises:

Executive Directors: Mr. Xu Qiang (*Chairman*), Mr. Cui Zhixiong and Mr. Xiao Yinhong;

Non-executive Directors: Mr. Wang Quanhua, Mr. Sun Yude and Mr. Cai, Kevin Yang;

Independent non-executive Directors: Mr. Cheung Yuk Ming, Mr. Pan Chongyi and Mr. Zhang Hainan.