



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, 2008

The Board of Directors (the “Board”) of TravelSky Technology Limited (the “Company”) hereby presents the unaudited Condensed Consolidated Interim Results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2008.

CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts expressed in thousands of Renminbi)

		As at June 30, 2008 <i>Unaudited</i>	As at December 31, 2007 <i>Audited</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment, net	7	975,802	1,033,148
Intangible assets, net		10,159	11,824
Investments in associated companies		92,604	85,996
Other long-term assets		8,881	8,881
Deferred income tax assets		9,051	9,229
		<u>1,096,497</u>	<u>1,149,078</u>

Current assets

Inventories		8,338	9,241
Accounts receivable, net	8	157,641	141,565
Due from associated companies		4,795	6,308
Due from related parties, net		477,053	389,561
Prepayments and other current assets		191,175	102,399
Held-to-maturity financial assets		100,000	100,000
Short-term bank deposits		1,423,458	1,843,949
Cash and cash equivalents		1,608,660	1,209,152

		3,971,120	3,802,175
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Total assets

		5,067,617	4,951,253
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EQUITY**Capital and reserves****attributable to equity holders**

Paid in capital		1,776,315	1,776,315
Reserves	5	1,412,235	1,296,834
Retained earnings			
— Proposed final cash dividend	6	—	230,921
— Others		1,180,782	1,028,659

		4,369,332	4,332,729
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Minority interest

		94,637	85,997
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Total equity

		4,463,969	4,418,726
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LIABILITIES

Non-current liabilities

Deferred income tax liabilities	121	129
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Current liabilities

Accounts payable and accrued liabilities	9	513,761	470,212
Due to related parties		40,846	39,960
Income tax payable		43,918	17,054
Deferred revenue		5,002	5,172

603,527	532,398
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Total liabilities	603,648	532,527
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Total equity and liabilities	5,067,617	4,951,253
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Net current assets	3,367,593	3,269,777
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Total assets less current liabilities	4,464,090	4,418,855
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CONDENSED CONSOLIDATED INCOME STATEMENT

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

		Unaudited	
		Six months ended June 30,	
	Note	2008	2007
Revenues			
Aviation information technology services		795,640	731,881
Data network and others		196,990	176,585
Total revenues	2	992,630	908,466
Operating expenses			
Business taxes and other surcharges		(32,785)	(30,597)
Depreciation and amortisation		(159,478)	(109,821)
Network usage		(39,522)	(41,462)
Personnel		(136,551)	(132,403)
Operating lease rentals		(34,191)	(31,732)
Technical support and maintenance fees		(75,139)	(64,232)
Commission and promotion expenses		(143,403)	(121,679)
Other operating expenses		(83,462)	(84,609)
Total operating expenses		(704,531)	(616,535)
Operating profit		288,099	291,931
Financial income, net		34,999	24,544
Share of results of associated companies		6,907	8,046
Profit before taxation		330,005	324,521
Income tax	5	(48,760)	(9,882)
Profit after taxation		281,245	314,639

Attributable to:

Equity holders of the Company		270,480	305,527
Minority interest		10,765	9,112
		<u>281,245</u>	<u>314,639</u>

**Earnings per share for profit
attributable to the equity holders
of the Company**

Basic and diluted (<i>RMB</i>)	4	<u>0.15</u>	<u>0.17</u>
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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

(Amounts expressed in Renminbi (“RMB”) unless otherwise stated)

1. Principal accounting policies and basis of presentation

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standard 34 “Interim financial reporting”, and have been reviewed by the Audit Committee of the Company. The accounting policies adopted for the purpose of preparing this condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended December 31, 2007.

2. Revenue

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

3. Taxation

The Company, registered as a new technology enterprise in October 2000 in Zhongguancun Haidian Science Park, has been approved by the Haidian State Tax Bureau to pay an enterprise income tax (“EIT”) at a rate of 15% commencing from January 1, 2006.

The relevant authorities jointly issued a notice dated February 26, 2008 recognizing the Company as an “Important Software Enterprise” in 2007 under the National Planning Layout. According to the relevant regulations, the Company is entitled to a preferential tax rate of 10% in the year of recognition. Since the Company had already paid EIT at a rate of 15% for the financial year ended December 31, 2007, the difference between the EIT paid by the Company at a tax rate of 15% over the preferential tax rate of 10% of RMB30,114,000 was recognised against income tax expenses in the condensed consolidated income statement for the six months ended June 30, 2008. The refund for the year 2006 of RMB30,180,000 has already recorded in the condensed consolidated income statement for the six months ended June 30, 2007.

The Corporate Income Tax Law of the People’s Republic of China implemented since January 1, 2008 unified the income tax rate of enterprises in China to 25%. On April 14, 2008, relevant governmental regulatory authorities released qualification criteria, application procedures and assessment processes for “High and New Technology Enterprises”. Enterprises recognized as “High and New Technology Enterprises” will be entitled to a favorable statutory tax rate of 15%. Solicitation of actual applications has not yet commenced by relevant governmental regulatory authorities. As the Company has not yet entered the final stage of such enlisting by the authorities, the Company provided EIT for the first half of 2008 at the statutory income tax rate of 25%. If the Company is ultimately approved by the taxation authorities, it will benefit from the preferential income tax policy, and the Company’s income tax expense will decrease.

4. Earnings per share

Earnings per share for the six months ended June 30, 2008 and June 30, 2007 have been computed by dividing the profit attributable to the equity holders of the Company of RMB270,480,000 and RMB305,527,000, by the weighted average number of 1,776,315,000 ordinary shares issued.

There were no potential dilutive ordinary shares outstanding for the six months ended June 30, 2007 and June 30, 2008.

5. Reserve

RMB118,357,000, representing 20% of the Company's net profit of year 2007, was transferred to the discretionary surplus reserves.

6. Dividend Distribution

The equity holders in the annual general meeting of the Company held on May 20, 2008 approved the final dividend in respect of 2007 of RMB0.13 per share amounting to a total of RMB230,920,950. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2008.

7. Property, Plant and Equipment

For the six months ended June 30, 2008, the Group acquired property, plant and equipment amounting to approximately RMB101,035,000.

8. Accounts Receivable, Net

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

The ageing analysis of accounts receivable is as follows:

	June 30, 2008 <i>Unaudited</i> RMB'000	December 31, 2007 <i>Audited</i> RMB'000
Within 6 months	126,188	126,837
Over 6 months but within 1 year	21,776	6,390
Over 1 year but within 2 years	5,954	4,578
Over 2 years but within 3 years	249	1,247
Over 3 years	8,299	7,338
Accounts receivable	162,466	146,390
Provision for impairment of receivables	(4,825)	(4,825)
Accounts receivable, net	<u>157,641</u>	<u>141,565</u>

9. Accounts Payable and Accrued Liabilities

The ageing analysis of accounts payable is as follows:

	June 30, 2008 <i>Unaudited</i> <i>RMB'000</i>	December 31, 2007 <i>Audited</i> <i>RMB'000</i>
Within 6 months	56,416	133,228
Over 6 months but within 1 year	93,316	13,078
Over 1 year but within 2 years	11,298	7,884
Over 2 years but within 3 years	6,982	17,481
Over 3 years	10,389	8,584
Total accounts payable	178,401	180,255
Accrued liabilities	335,360	289,957
Total accounts payable and accrued liabilities	<u>513,761</u>	<u>470,212</u>

10. Segment Reporting

The Group conducts its business within one business segment - the business of providing aviation information technology services and related services in the PRC. The Group's chief decision maker for operation is the Group's Chief Executive Officer (CEO). The information reviewed by the CEO is identical to the information presented in the consolidated financial statements. Hence, no segment information has been prepared by the Group for the period ended June 30, 2008 and June 30, 2007. 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 financial statements.

11. Subsequent events

The independent shareholders in the extraordinary general meeting of the Company held on July 31, 2008 approved the Company to acquire, the entire registered capital of Accounting Centre of China Aviation Limited Company (“ACCA”), the wholly-owned subsidiary of China TravelSky Holding Company and certain properties located in No. 11 Dongxing Li, Chaoyang District, Beijing, the PRC. Please refer to the circular to shareholders issued on June 16, 2008 and the announcement issued on July 31, 2008 for details.

BUSINESS REVIEW FOR THE FIRST HALF OF 2008

In the first half of 2008, the development of the China’s aviation and travel industry was affected by various factors such as specific security requirements for the upcoming 29th Olympic Games, consecutive natural disasters and unexpected incidents, such as the snowstorm in the south, “3.14 Lhasa Riots” and “5.12 Wenchuan Earthquake”, dampened consumer sentiment driven by structural price rise in domestic market as well as soaring crude oil prices in the global market, its growth slowed down markedly with a decreasing trend. Popularization of e-tickets coupled with the application of open technologies facilitated all participants along the value chain of China’s aviation and travel service distribution to make further use of information technology solutions for market expansion, cost reduction and improvement of service so as to enhance operational efficiency. In the first half of 2008, as the leading provider of information technology solutions for China’s aviation and travel industry, the Group, in accordance with the key missions planned in the beginning of the year, taking its development strategy as direction and the provision of information system security of aviation passenger service for the Olympic Games as opportunities, overcame the difficulties and continued to maintain a stable development.

In the first half of 2008, the Group’s Electronic Travel Distribution (ETD) system processed approximately 102.1 million bookings on domestic and overseas commercial airlines, representing an increase of approximately 7.0% over the corresponding period in 2007, among which, bookings on Chinese commercial airlines increased by approximately 6.8%, while that on foreign and regional commercial airlines increased by approximately 13.4%. In the first half of 2008, the number of passengers from foreign and regional commercial airlines processed by the Company’s Airport Passenger Processing (APP) system and multi-host connecting program reached approximately 1.4 million. In addition to 25 Chinese commercial airlines as the Company’s customers using the ETD system, APP systems and extended services, the number of foreign and regional commercial airlines with direct links with the Company’s Computer Reservation System (CRS) increased to 68.

The Company embarked on the first half of 2008 to press ahead with the improvement and promotion of product lines such as seat management, distribution information technology solutions and fare solutions for commercial airlines. In respect of aviation alliance, business simplification, hub operation and overseas operation, the Company has provided support to commercial airlines in the formation of alliance and hubs as well as international operations. In supporting aviation alliance, the Company strengthened the long-term cooperation in alliance services among Air China Limited, China Southern Airlines Company Limited and Shanghai Airlines Company Limited. Having assisted them in satisfying the minimum entry requirement of aviation alliance, the Company endeavored to improve their business after being member of alliance and the overall standard of information technology in aviation alliance. In simplifying business activities, the Company, a strategic partner of the “simplified business” of IATA, encouraged jointly with IATA the members of Chinese airlines for the achievement of the goal of paperless BSP tickets by the Chinese airlines members of IATA. The Company brought the Interline Electronic Ticketing (IET) into full play among Chinese commercial airlines and also realized the IET between 165 pairs of Chinese commercial airlines and foreign or regional commercial airlines. It also provided electronic ticketing websites hosting service for 11 Chinese commercial airlines such as Air China Limited and fostered system upgrades, product development and marketing of multi-channel check-in services. The Company’s self-developed Common Use Self Service (CUSS) system which meets the IATA standard had already been installed in major domestic airports such as Beijing Capital, Guangzhou and Hangzhou after upgrades. It helped Chinese commercial airlines such as China Southern Airlines Company Limited launch online self-help check-in services in domestic, foreign and regional airports such as Lanzhou, Hong Kong and Kuala Lumpur. As for hub operation, the Company had successfully implemented projects such as security information management systems (SMIS), airline ground operation management system (FGOS) and individual departure control interface (CAPSS) in Terminal 3 of Beijing Capital Airport. It was an unprecedented move for domestic commercial airlines to implement automatic operation of operational safety, resource allocation and passenger services in an airport of such large scale. In terms of overseas services, the Company further promoted the use of the Company’s APP system by Chinese commercial airlines in foreign or regional airports for the launch of transfer and through check-in services. The number of passenger departures processed amounted to approximately 4.9 million.

In the first half of 2008, on top of further improvement and upgrade of aviation information technology service and its extended services, the Company committed to expand its market scale and share of its core business. All APP back office systems of the major Chinese commercial airlines have been connected to the platform of the Company following the joining of China Eastern Airlines Corporation Limited during the first half of 2008. The business of APP multi-host connecting program also expanded rapidly. It has completed the commencement of business operation for 5 foreign commercial airlines, including Asiana Airlines and Lufthansa German Airlines, at Dalian, Qingdao and other airports.

In order to further raise the level of services provided to travel agencies, the Group continued to diversify and improve the distribution information technology service product line, further enhanced travel agencies' front-end products and improved the TravelWeb front end business system during the first half of 2008. Besides, the Group commenced the development of travel agency mobile distribution platform, which fostered the Group's competitive strengths in the market of information technology service products.

In the first half of 2008, the Company took a step further on the travel products distribution business in regard of the hotel reservation business. The number of hotel rooms distributed was approximately 167,300 hotels' room-nights, representing an increase of 10.1% over the corresponding period in 2007. In respect of aviation cargo information system service, the Company has entered into a framework agreement with China Eastern Airlines Corporation Limited on the use of aviation cargo information system, and completed installation works at various domestic and overseas sites for it. Regarding the information technology integration service, the Company developed and upgraded the aviation passenger security information system (APSYS) for terminal 3 of the Beijing Capital Airport. Meanwhile, the Company also assisted the Beijing Organising Committee for the Games of the XXIX Olympiad and governmental security departments in completion of certain information technology integration projects, including the development of Arrival and Departure information pretreatment and backup system (PBS) of the Olympic Games and the Paralympics Games. It has facilitated the Company's business growth in the field of China's aviation information safety.

The Company has completed the dual load balance and the capacity expansion of disaster recovery system of three main systems, namely Inventory Control System (“ICS”), CRS and APP, as well as the wireless emergency communication of APP communication security during the first half of 2008. It has also enhanced its emergency system and linkage mechanism for safe production, and launched emergency drills particularly for 17 major and alternate airports for the Olympic Games and over 180 emergency drills. Furthermore, the Company has intensified the application of open platform technology, such as the OPEN AV and OPEN ET, etc. As at a result, the system performance was improved, the processing capacity was increased and security was strengthened, which laid a solid foundation for providing sound aviation passenger information system security service for the upcoming Olympic Games. During the first half of 2008, the utilization ratios of the Company’s ICS, CRS and APP mainframe systems were approximately 99.9%, 99.9% and 99.9% respectively.

As set out in the Company’s Circular dated June 16, 2008, the Company entered into a conditional sale and purchase agreement (“Sale and Purchase Agreement”) with China Travelsky Holding Company (“CTHC”) pursuant to which the Company has agreed to acquire the entire registered capital of Accounting Centre of China Aviation Limited Company (“ACCA”) and certain properties located in No. 11 Dongxing Li, Chaoyang District, Beijing, the PRC, for an aggregate consideration of RMB1 billion (equivalent to approximately HK\$1.115 billion). The aggregate consideration will be satisfied by way of the Company issuing and allotting to CTHC or its nominees 174,491,393 new domestic shares of RMB1 each (“Consideration Shares”) at a price of HK\$6.39 (equivalent to approximately RMB5.73) per Consideration Share upon completion of such acquisition. As set out in the Company’s announcement dated July 31, 2008, the special resolutions for approving the Sale and Purchase Agreement and the issue of the Consideration Shares were duly passed by way of poll at the extraordinary general meeting of the Company held on the same date. At present, work relating to the above mentioned acquisition are still in progress.

The Directors believe that the aforesaid acquisition (if completed) will enhance the Company's profitability and market position, thereby is in the interest of the shareholders of the Company. As the Company's principal activities focus on the travel distribution and sales area while ACCA provides mainly clearing and accounting settlement services, the two businesses cover both upstream and downstream aviation, the Directors believe that the acquisition would strengthen the production line of aviation transportation and travel distribution information technology of the Company. As the operation structure of the Company and ACCA are similar, the Directors also believe that the acquisition of ACCA can provide cost synergies by integrating the research and development resources, data centers and market resources of the Company and ACCA, and thus reducing the aggregate operational cost and general expenditure. Meanwhile, since the Company and ACCA are the leading service providers in the respective areas, the Directors believe that the acquisition of ACCA, can enrich the Company's product and services portfolios to the airlines, travel agencies, airports and other industry participants, and also enhance the competitiveness of the Company's existing core businesses and new businesses to be developed. The Directors believe that the acquisition of the properties mentioned above, if completed, can reduce the number of connected transactions of the Company and reduced administrative cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary

For the first half of 2008, the Group achieved a profit before tax of RMB330.0 million, representing an increase of 1.7%, compared to the first half of 2007. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB447.3 million, representing an increase of 11.7%, compared to the first half of 2007. Profit attributable to equity holders of the Company was RMB270.5 million, representing an decrease of 11.5%, compared to the first half of 2007. The decrease in earnings of the Group was mainly attributable to the substantial increase of EIT expenses of the Company in the first half of 2008 arising from changes in the statutory tax rate levied on the Company (note 3 to the Unaudited Condensed Consolidated Financial Statements) as a result of the implementation of the Corporate Income Tax Law of the People's Republic of China since January 1, 2008.

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 RMB0.15 for the first half of 2008.

Total revenue

The total revenue of the Group in the first half of 2008 amounted to RMB992.6 million, representing an increase of RMB84.1 million, or 9.3%, from that of RMB908.5 million in the first half of 2007. Such increase was mainly attributable to the growth in bookings handled by the Group's system. The increase in total revenue is reflected as follows:

- Aviation information technology ("AIT") service revenue represented 80.2% of the Group's total revenue in the first half of 2008, as compared to 80.6% in the first half of 2007. AIT service revenue increased by 8.7% to RMB795.6 million in the first half of 2008 from RMB731.9 million in the first half of 2007. The increase of revenue resulted primarily from the growth in the number of air travelers.
- Data network revenue and other revenue accounted for 19.8% of the Group's total revenue in the first half of 2008, as compared to 19.4% for the first half of 2007. Data network revenue and other revenue increased by 11.6% to RMB197.0 million in the first half of 2008 from RMB176.6 million for the first half of 2007.

Operating expenses

Total operating expenses increased by RMB88.0 million, or 14.3% from RMB616.5 million in the first half of 2007 to RMB704.5 million in the first half of 2008. The increase in operating expenses is reflected as follows:

- Depreciation and amortisation expenses increased by 45.2%, mainly due to the fact that the significant increase in capital expenditure in the second half of 2007 led to depreciation;
- Commission and promotion expenses increased by 17.9%, mainly due to successful implementation of marketing plans and increase in related business;
- Technical support and maintenance fees increased by 17.0%, mainly due to the increase of third parties' support and maintenance as a guarantee of the information system security of aviation passenger service during the Olympic Games; and
- Personnel expenses increased by 3.1%, primarily due to an increase in the number of employees and salaries in order to support the development of the Group's businesses.

Enterprise income tax

For details, please see note 3 on page 6 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 decreased by RMB35.0 million or 11.5% to approximately RMB270.5 million in the first half of 2008 from RMB305.5 million in the first half of 2007.

Liquidity and capital structure

The Group's working capital for the first half of 2008 mainly came from operating activities. Net cash inflow for operating activities amounted to RMB326.0 million.

During the first half of 2008, the Group had no short-term or long-term bank loan. Nor did it use any financial instruments for hedging purposes.

As at June 30, 2008, cash and cash equivalents of the Group amounted to RMB1,608.7 million, of which 94.2%, 3.9% and 1.7% were denominated in Renminbi, US dollars and Hong Kong dollars respectively.

Held-to-maturity financial assets

As at June 30, 2008, the Group held RMB100 million treasury bonds of China with an interest rate of 3% per annum. The maturity date of the treasury bonds is on December 18, 2008.

Charge on assets

As at June 30, 2008, the Group had no charge on its assets.

Capital Expenditure

The total capital expenditure of the Group totaled RMB102.7 million in the first half of 2008, representing an increase of RMB18.5 million, as compared to that of RMB84.2 million in the first half of 2007. The capital expenditure of the Group in the first half of 2008 consisted principally of the purchase of hardware, software and equipment to implement the Group's business strategy.

The Board estimates that the Group's planned capital expenditure for year 2008 will amount to approximately RMB650.0 million, which is mainly for construction of new operating centre in Beijing and development and gradual implementation of the new generation aviation passenger service system and other new businesses. The sources of funding for the capital expenditure commitments will include internal cash flow generated from operations. The Board estimates that the sources of funding of the Group in year 2008 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

Exchange risks

The Group's foreign exchange risk arises from commercial transactions and recognised assets and liabilities. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Gearing ratio

As at June 30, 2008, the gearing ratio of the Group was 11.9% (December 31, 2007: 10.8%), which was computed by dividing the total amount of liabilities by the total assets of the Group as at June 30, 2008.

Contingent liabilities

As at June 30, 2008, the Group had no material contingent liabilities.

Employees

As at June 30, 2008, the total number of employees of the Group was 2,648. Personnel expenses amounted to RMB136.6 million for the first half of 2008, representing 19.4% of the total operating expenses of the Group for the first half of 2008. The remuneration of the Group's employees (including Executive Directors and Staff Representative Supervisors) includes salaries, bonuses, social security contribution and other welfare benefits. The Group has different rates of remuneration for different employees (including Executive Directors and Staff Representative Supervisors), according to their performance, experience, position and other factors in compliance with the relevant laws and regulations in the PRC. Currently, none of the Non-executive Directors receive any remuneration. Nevertheless, any reasonable expenses incurred by the Non-executive Directors during their service period will be borne by the Company. Independent Non-executive Directors do receive remuneration from the Company, which is determined by reference to the prevailing market price, and that any reasonable expenses incurred by the Independent Non-executive Directors during their service period will be borne by the Company.

In the first half of 2008, the Group continued to provide its employees with learning opportunities to acquire skills in relation to the aviation and travel industry, computer technologies and business management and provide training on the latest development in areas such as computer technologies, laws and economics.

LOOKING AHEAD FOR THE SECOND HALF OF 2008

In the second half of 2008, risk factors such as the soaring prices of raw materials, like oil and iron ores, the looming U.S. subprime mortgage crisis, and the inflation that coincidentally shaking up major economies in the world will inevitably cause unfavorable impacts on China's economy. The development of China's aviation and travel industry is continuing to be hindered by the slowdown of China's economic growth and special safety requirements for the Olympic Games. Facing the challenges and embarking on such crucial year of strategic adjustment and planning as 2008, the Group will continue to put emphasis on key missions planned in the beginning of the year. Not only will the Company ensure information system security of aviation passenger service during the Olympic Games but also gradually construct a unified, coordinated and well-ordered operation, research and development and market service systems through optimizing opportunities of the acquisition of clearing and accounting settlement business and focusing on resources optimization on operation and research and development. The Group will also foster the construction of the new operating centre in Beijing and the new generation aviation passenger service system. Apart from securing the dominant position of the existing core business, the Group will actively expand its aviation cargo logistics information service and e-commerce services of online/offline travel products distribution including hotels and air-tickets targeting at terminal passengers. Apart from endeavoring to capture new customers and providing the current customers with new services so as to expand its income source and income scale, the Group will enhance cost management by making use of available technologies, business and management methods. The Group will also further improve the corporate governance, introduce the equity incentive plan when appropriate and strengthen the implementation capacity in order to increase the operation efficiency of the Group in a sustained manner.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2008.

TRUST DEPOSITS AND OVERDUE TIME DEPOSITS

As at June 30, 2008, the Group did not have any trust deposits or irrecoverable overdue time deposits. Cash held by the Group is deposited with commercial banks and in accordance with the relevant laws and regulations.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2008, the Group did not purchase, sell or redeem any of the listed 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, 2008, and has also discussed among themselves matters including internal control and financial reporting.

CORPORATE GOVERNANCE

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

Save as deviations from the code provisions D.1.1 and D.1.2, the Company has fully complied with the Code in the first half of 2008. The Company has set out respective duties of the Board and the General Manager in its articles of association. However, it has not formulated specific guidelines in respect of other duties of the management and authority delegated to the management, which deviates from code provisions D.1.1 and D.1.2 of the Code. The Board is of the opinion that the Company's management, who is responsible for managing the Company's daily operation, is a management team led by the General Manager. The Company's current arrangement does not prejudice the interests of the Company. The Board is also considering to gradually set out explicitly the duties of the management through the improvement of the Company's internal control management system. Relevant details have been set out in the corporate governance report in the 2007 Annual Report of the Company.

For the six months ended June 30, 2008, the Company has adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code. After making specific enquiries to all Directors, the Company confirms that all Directors have acted in full compliance with the requirements regarding directors' securities transactions set out in the provisions of the Model Code and the Company's code of conduct during the six months ended June 30, 2008.

By order of the Board
TravelSky Technology Limited
Xu Qiang
Chairman

Beijing, the People's Republic of China
August 29, 2008

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

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| <i>Executive Directors</i> | : | Mr. Xu Qiang (Chairman), Mr. Zhu Xiaoxing, Mr. Ding Weiping and Mr. Song Jinxiang; |
| <i>Non-executive Directors</i> | : | Mr. Wang Quanhua, Mr. Luo Chaogeng, Mr. Gong Guokui, Mr. Rong Gang, Mr. Sun Yongtao, Mr. Liu Dejun, Mr. Xia Yi and Mr. Song Jian; |
| <i>Independent non-executive Directors</i> | : | Mr. Yick Wing Fat, Simon, Mr. Yuan Yaohui and Mr. Chua Keng Kim. |