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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, 2009

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, 2009.

CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts expressed in thousands of Renminbi)

		As at June 30, 2009	As at December 31, 2008
	<i>Note</i>	<i>Unaudited</i>	<i>Audited</i> (Note 3)
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	989,821	1,004,445
Intangible assets, net		102,336	17,070
Lease prepayment for land use right, net	8	110,584	19,314
Investments in associated companies		105,016	103,665
Other long-term assets		8,961	8,962
Deferred income tax assets		6,768	6,810
		1,323,486	1,160,266

Current assets

Inventories		4,923	9,877
Accounts receivable, net	9	188,758	164,400
Due from associated companies		10,457	6,556
Due from related parties, net		1,070,894	944,759
Income tax receivable		69,553	45,104
Prepayments and other current assets		235,701	313,368
Short-term bank deposits		2,012,538	2,324,728
Cash and cash equivalents		1,941,764	1,326,473

		5,534,588	5,135,265
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Total assets

		6,858,074	6,295,531
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EQUITY**Capital and reserves****attributable to equity holders**

Paid in capital		1,950,806	1,776,315
Reserves	6	2,302,400	2,171,729
Retained earnings			
— Proposed final cash dividend	7	—	362,850
— Others		1,386,428	1,126,290

		5,639,634	5,437,184
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Minority interest

		104,612	98,810
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Total equity

		5,744,246	5,535,994
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LIABILITIES**Non-current liabilities**

Deferred income tax liabilities		180	180
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Current liabilities

Accounts payable and accrued liabilities	10	811,248	696,607
Due to related parties		293,261	47,428
Income tax payable		6,637	12,138
Deferred revenue		2,502	3,184
		1,113,648	759,357
Total liabilities		1,113,828	759,357
Total equity and liabilities		6,858,074	6,295,531
Net current assets		4,420,940	4,375,908
Total assets less current liabilities		5,744,426	5,536,174

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		Unaudited	
		Six months ended June 30,	
	Note	2009	2008
			(Note 3)
Revenues			
Aviation information technology services		847,409	795,640
Accounting, settlement and clearing services		122,893	133,150
Data network and others		221,264	197,128
Total revenues	2	1,191,566	1,125,918
Operating expenses			
Business taxes and other surcharges		(42,204)	(40,287)
Depreciation and amortisation		(169,951)	(168,778)
Network usage		(45,384)	(39,522)
Personnel		(197,442)	(182,221)
Operating lease rentals		(32,072)	(38,617)
Technical support and maintenance fees		(71,868)	(70,154)
Commission and promotion expenses		(127,868)	(144,067)
Other operating expenses		(110,544)	(100,752)
Total operating expenses		(797,333)	(784,398)
Operating profit		394,233	341,520
Financial income, net		46,768	43,164
Share of results of associated companies		5,911	6,907
Profit before taxation		446,912	391,591
Income tax	4	(73,817)	(64,236)
Profit after taxation		373,095	327,355

Other Comprehensive income:

Currency translation differences	(247)	(2,957)
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Other Comprehensive income

for the period, net of tax	(247)	(2,957)
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Total comprehensive income

for the period	372,848	324,398
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Profit attributable to:

Equity holders of the Company	364,106	316,590
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Minority interest	8,989	10,765
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	373,095	327,355
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Total comprehensive income**attributable to:**

Equity holders of the Company	363,859	313,633
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Minority interest	8,989	10,765
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	372,848	324,398
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Earnings per share for profit**attributable to the equity holders****of the Company**

Basic and diluted (<i>RMB</i>)	5	0.19	0.17
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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.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009:

- IAS 1 (revised), ‘Presentation of financial statements’;
- IFRS 8, ‘Operating segments’; and
- IFRS 1 (Amendment), ‘First time adoption of IFRS’ and IAS 27 ‘Consolidated and separate financial statements’.

2. Revenue

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

3. Business combination

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

As both the Company and ACCA are under common control of CTHC before and after the acquisition, the acquisition of ACCA will be accounted for as a common control business combination. The Company adopted merger accounting for common control combination. Hence, the comparative amounts in the consolidated financial statement are presented as if ACCA had been acquired at the earliest period presented. Below is the impact of the acquisition to the condensed financial statement.

June 30, 2009

	The Group before acquiring ACCA RMB'000	ACCA RMB'000	Adjustments (Note) RMB'000	Consolidated RMB'000
ASSETS				
Non-current assets	1,503,499	148,170	(328,183)	1,323,486
Current assets	4,661,598	877,890	(4,900)	5,534,588
Total assets	6,165,097	1,026,060	(333,083)	6,858,074
EQUITY				
Paid in capital	1,950,806	759,785	(759,785)	1,950,806
Reserve	1,925,806	(55,008)	431,602	2,302,400
Retained earnings	1,272,069	114,359	—	1,386,428
Minority interest	104,612	—	—	104,612
Total equity	5,253,293	819,136	(328,183)	5,744,246
LIABILITY				
Non-current liabilities	180	—	—	180
Current liabilities	911,624	206,924	(4,900)	1,113,648
Total liabilities	911,804	206,924	(4,900)	1,113,828
Total equity and liabilities	6,165,097	1,026,060	(333,083)	6,858,074

Note: There above adjustments were i) the adjustment to offset the inter-group balance of current assets and liabilities between the Company and ACCA; ii) the adjustment to offset the long-term investment between the Company and ACCA.

December 31, 2008

	The Group before acquiring ACCA RMB'000	ACCA RMB'000	Adjustments (Note) RMB'000	Consolidated RMB'000
ASSETS				
Non-current assets	1,007,222	153,044	—	1,160,266
Current assets	4,233,985	906,180	(4,900)	5,135,265
Total assets	<u>5,241,207</u>	<u>1,059,224</u>	<u>(4,900)</u>	<u>6,295,531</u>
EQUITY				
Paid in capital	1,776,315	759,785	(759,785)	1,776,315
Reserve	1,466,952	(55,008)	759,785	2,171,729
Retained earnings	1,416,679	72,461	—	1,489,140
Minority interest	<u>98,810</u>	<u>—</u>	<u>—</u>	<u>98,810</u>
Total equity	<u>4,758,756</u>	<u>777,238</u>	<u>—</u>	<u>5,535,994</u>
LIABILITY				
Non-current liabilities	180	—	—	180
Current liabilities	482,271	281,986	(4,900)	759,357
Total liabilities	<u>482,451</u>	<u>281,986</u>	<u>(4,900)</u>	<u>759,537</u>
Total equity and liabilities	<u>5,241,207</u>	<u>1,059,224</u>	<u>(4,900)</u>	<u>6,295,531</u>

Note: The above adjustments were i) the adjustment to offset the inter-group balance of current assets and liabilities between the Company and ACCA; ii) the adjustment to the increase in the reserve of the Company as a result of the acquisition of ACCA.

4. Taxation

The Corporate Income Tax Law of the People’s Republic of China (“new CIT Law”) was implemented since January 1, 2008 as approved by the National People’s Congress on March 16, 2007, pursuant to which, the new CIT Law unified the income tax rate of enterprises in China to 25%, starting from January 1, 2008. Pursuant to relevant requirements, enterprises recognized as “High and New Technology Enterprises” are entitled to a favorable statutory tax rate of 15% under the new CIT Law. In December 2008, the Company was again approved and certified by relevant authorities as a “High and New Technology Enterprise” under the new CIT Law, and was entitled to the preferential tax rate of 15% from 2008 to 2010.

In addition to being approved as a “High and New Technology Enterprise”, the Company was also approved and certified by relevant authorities as an “Important Software Enterprise” for the year 2006, 2007 and 2008 which allows the Company to enjoy a preferential income tax rate of 10%. According to the relevant regulations, the differences that resulted from the enterprise income tax paid by the Company at the rate of 15% over this preferential income tax rate of 10% should be recognized in the period which the Company obtained its “Important Software Enterprise” certification.

5. 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,	
	2009	2008
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share	364,106	316,590
Numbers of shares ('000)		
Weighted average number of ordinary shares in issue (<i>Note</i>)	1,938,476	1,913,814
Earnings per share (RMB)		
Basic and dilutive	0.19	0.17

Note: The number of shares in issue for the six months ended June 30, 2009 and 2008 have been adjusted for the 137,499,218 share issued to CTHC on March 3, 2009 (Note 3) for the acquisition of ACCA as if these shares were issued for all periods presented.

6. Reserve

The appropriation to the discretionary surplus reserve fund for the year 2008 was approved in the annual general meeting held on June 5, 2009.

RMB103,967,000, representing 20% of the Company's net profit of year 2008, was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2009.

7. Dividend Distribution

The equity holders in the annual general meeting of the Company held on June 5, 2009 approved the distribution of a final dividend of RMB206,850,000 and a special dividend of RMB156,000,000 in cash, aggregating to RMB362,850,000 (RMB0.186 per share) for Year 2008. The dividends are related to the undistributed profit generated before January 1, 2008. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2009.

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

As described in Note 3, the building element of the Property is recognised as a property, plant and equipment amounting to RMB109,000,000, and the land element of the Property is recognised as lease prepayment for land use right amounting to RMB92,000,000.

For the six months ended June 30, 2009, the Group acquired property, plant and equipment amounting to approximately RMB135,463,000 in total.

9. 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, 2009 Unaudited RMB'000	December 31, 2008 Audited RMB'000
Within 6 months	150,388	130,562
Over 6 months but within 1 year	34,857	22,285
Over 1 year but within 2 years	22,776	15,952
Over 2 years but within 3 years	1,661	868
Over 3 years	7,171	7,384
Accounts receivable	216,853	177,051
Provision for impairment of receivables	(28,095)	(12,651)
Accounts receivable, net	<u>188,758</u>	<u>164,400</u>

10. Accounts payable and accrued liabilities

The ageing analysis of accounts payable is as follows:

	June 30, 2009 Unaudited RMB'000	December 31, 2008 Audited RMB'000
Within 6 months	9,423	20,882
Over 6 months but within 1 year	12,516	20,018
Over 1 year but within 2 years	34,790	41,845
Over 2 years but within 3 years	4,616	6,677
Over 3 years	9,920	10,124
Total accounts payable	71,265	99,546
Accrued liabilities and other liabilities	739,983	597,061
Total accounts payable and accrued liabilities	811,248	696,607

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 consolidated financial statement. No segment information has been prepared by the Group for six months ended June 30, 2009 and 2008. 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.

BUSINESS REVIEW FOR THE FIRST HALF OF 2009

The Group is the leading provider of information technology solutions for air transportation and travel industry in China. In the first half of 2009, various factors, such as the continuous deepening impact of the global economic crisis and the rapid spread of H1N1 influenza crippled external trade and the international travel and tourism market, thereby adversely affecting the performance of the Group's business dependent on international demand. An array of proactive fiscal policies and loosened monetary policies aiming at promoting steady economic growth were introduced in China, which quickened its economic recovery in a way that outpaced others around the world, thereby further facilitating a faster development of the Group's business dependent on domestic demand. In view of this, the Group embarked in the first half of 2009 on actively seizing market opportunities in line with its development strategies, improving products and services and fostering innovative systems and the restructuring of workflows. Hence, in various aspects such as safe production, business development and internal management, remarkable progress had been made and financial performance was satisfactory.

In the first half of 2009, the Group's electronic travel distribution (ETD) system processed approximately 115.4 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 13.0 % over the same period in 2008. Among which, the processed flight bookings on commercial airlines in China increased by approximately 14.1%, while those on foreign and regional commercial airlines decreased by approximately 13.2%.

In the first half of 2009, apart from using the Group's information technology products and services along the value chain of the air transportation, ranging from bookings, ticketing, check-in, boarding and load planning, accounting, settlement and clearing to value-added services for travelers in China, major commercial airlines in China also started rendering services to travelers by using the APP front system of the Company at 82 overseas or regional airports. Passenger departures processed amounted to approximately 5.8 million, representing up to 78.5% of the number of inbound passengers of commercial airlines in China. The number of foreign and regional commercial airlines with direct links to the Company's Computer Reservation System (CRS) increased to 79, with the direct-sale percentage up to as high as 99.0%. The number of foreign and regional commercial airlines using the Company's APP system service, multi-host connecting program service and the self-developed Angel Cute platform connecting service also increased to 44, with approximately 1.3 million of passenger departures processed in 39 airports.

In the first half of 2009, the Company further optimized and promoted product lines like seat management, distribution business solutions and fare solutions for commercial airlines whilst moving forward to expand the market scale and share in aviation information technology services and its extended services. In order to bolster the development of direct sales business of commercial airlines, subsequent to the fulfillment of the goal of paperless BSP tickets in China in 2008, the Company designed, researched and developed an e-commerce supporting platform for commercial airlines namely E-build, a brand-new product comprising modules such as calendar search, up-to-date international fare levels and travelers' online value-added services, which had been widely used on websites of commercial airlines. The Company also established overseas websites for China Eastern Airlines Corporation Limited in Hong Kong and other places. It also actively promoted and took part in the task of "simplifying the business" kick-started by the Chinese government and IATA whilst formulating and promoting the application for the standard of two-dimensional (2D) Bar Coded Boarding Passes (BCBP) in the industry. Moreover, it helped major commercial airlines in China launch online self-help check-in services in 27 domestic, foreign and regional airports such as Beijing Capital Airport. Having consolidated existing resources and strengths of its ETD, APP and open platforms, the handy travelling products (E-trip) designed and developed by the Company had commenced production in Shenzhen Airlines Company Limited. Integrating its technology expertise on internet and mainframe booking, the Company's self-developed auxiliary supporting system for inventory revenue (Newsky) and service system for travelers (SkyPassenger) have been applied by certain commercial airlines in China to assist in distribution control, sales and services with precise positioning. The Company also provided fare solutions to all commercial airlines in China and some foreign and regional commercial airlines, with the utilization ratio of the auto-computation of domestic private fare and fare display surpassing 96.0%. The newly introduced international fare computation service had commenced in 7 commercial airlines in China.

With the airport renovation and expansion proposed under the government's RMB4 trillion infrastructure construction projects, the Group seized the opportunity by actively submitting tenders for the setup of airport information systems in the first half of 2009. It amounted to a total revenue of RMB63.9 million arising from agreements in relation to the setup of systems such as APP front and security inspection products. Its self-developed multi-channel check-in service product made travelling easier, while Common Use Self Service (CUSS) system had already been used in 45 major domestic airports processing up to 5.1 million of passenger departures. The check-in mobile products also has commenced operation in Beijing Capital Airport. Airports such as Dalian Zhoushuizi Airport used the transit passenger information service system developed by the Company, which had improved its ground service for travelers. Airports such as those in Xian and Hangzhou used the airport data service system developed by the Company to provide support to the decision-making process in airports. The Company further promoted the Aviation Passenger Security Information System (APSIS) to government departments and airports and the application of which made remarkable success.

In the first half of 2009, the Group continued to strengthen the setup of the product line in the distribution information technology service. On top of its ongoing effort to upgrade the level of direct links with foreign and regional commercial airlines and achieve e-ticketing functions, the Group spared no effort in developing the travel agency mobile distribution platform and the payment vehicle for BSP booking, perfecting its products such as TravelWeb front-end business system, IBE and E-data whist rolling out new products such as short message service platform, one-stop commercial system and BlueSky. As such, it greatly improved operational efficiency and management service level of travel service distributors and increased revenue from various avenues for the Company.

In the first half of 2009, by perfecting information technology solutions for the hotel distribution system and insurance products distribution, reinforcing its collaboration with travel product providers, travel service distributors, hotels' GDS and insurance brokerage institutions, three product segments have been gradually taking shape, namely direct links with hotels, exchange platform and distribution channels. In addition, the travel product distribution service had been further expanded and approximately 315.4 thousand hotels' room-nights were successfully distributed, representing an increase of 88.5% as compared with the same period in 2008.

In the first half of 2009, the Group proactively worked on the system upgrade, product development and marketing promotions in respect of air freight logistics information technology, with approximately 3.7 million airway bills processed. While the Company upgraded the freight system already used by users such as the Xiamen Airport, new freight logistics information technology system is used at the Guangzhou Baiyun International Airport with a view to accommodating needs of neutral cargo terminals which require multi-tasking management, upstream-downstream cooperation and meticulous business management. The customs platform for freight information developed by the Group had been used by airports such as the Hangzhou Xiao Shan Airport, enabling users to meet the requirement of the new customs manifests system in a simple and convenient manner.

As set out in the 2008 annual report of the Company, the acquisition of the entire registered capital of the Accounting Center of China Aviation Limited Company (“ACCA”) by the Company was completed on 3 March, 2009. ACCA is principally engaged in the provision of accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation corporations. As the downstream businesses of the Company’s principal activities in air travel distribution and sales, the above businesses strengthened the Company’s information technology business in the air transportation and travel industry. Apart from being the second largest service provider of IATA BSP Data Processing (“BSP DP”) in the world, ACCA is also the largest provider of outsourced services and system products in revenue settlement and clearing in the air transportation industry in China. Its major customers include domestic passenger and cargo airlines, overseas and regional commercial airlines, domestic airports, government organizations and IATA.

During the first half of 2009, there were approximately 162.5 million transactions and approximately 62.5 million BSP bills processed with respect to the system service business of ACCA, while settlement and clearing of passenger and cargo revenues as well as international settlement fees amounted to US\$1.4 billion. Apart from continuing to upgrade the international passengers settlement system and consolidate the existing businesses in the first half of 2009, ACCA successfully transferred business operations of 11 foreign and regional commercial airlines settled by Beijing Capital Airport and part of the businesses settled by airports such as Harbin Airport, Changchun Airport and Changsha Airport to its system platform. Furthermore, ACCA made preparations for the staff, workflows and technologies associated with BSP transfer projects in stages pursuant to the requirements set out in the agreement signed with IATA. It ensured the takeover of backup, development and maintenance tasks of 42 BSP data processing services and application systems by March 2010.

During the first half of 2009, pursuant to its mission of maintaining continuous safety, the Group further increased investment in fundamental facilities, stepped up technological renovation, expanded resources capacity of open platforms, optimized resources allocation of mainframe systems and developed and applied such open technology as OPEN AV. In addition, the Group further enhanced the safe operation reliability and emergency handling capability of its systems by strengthening the safety control of production, perfecting the operational workflows, conducting security audit and perfecting emergency mechanism.

In the first half of 2009, by making full use of technologies, business and management instruments and via various measures such as integrating existing resources in research and development and data centers, controlling utilization of mainframe resources, sorting out system resources such as PID and IBE, renovating the machine rooms for energy-saving and consumption reduction purpose as well as securing the outsourcing contract of the data center of China Galaxy Securities Company Limited, the Group enhanced the utilization efficiency of resources, realized cost-saving operation and increased revenues from various channels.

In the first half of 2009, the utilization ratios of the Group's ICS, CRS, APP and settlement and clearing mainframe systems were around 99.9%, 99.9%, 99.9% and 99.8% respectively.

FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2009

Summary

The management's discussion and analysis on the consolidated financial conditions and operational performance (as stated in Note 3 to the Unaudited Condensed Consolidated Financial Statements) are as follows:

For the first half of 2009, the Group achieved a profit before tax of RMB446.9 million, representing an increase of 14.1% compared to the first half of 2008. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB572.0 million, representing an increase of 11.6%, compared to the first half of 2008. Profit attributable to equity holders of the Company was RMB364.1 million, representing an increase of 15.0% compared to the first half of 2008. The increase in earnings of the Group was mainly attributable to the strict control of operating cost 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 RMB0.19 for the first half of 2009.

Total revenue

The total revenue of the Group in the first half of 2009 amounted to RMB1,191.6 million, representing an increase of RMB65.7 million, or 5.8%, from that of RMB1,125.9 million in the first half of 2008. Such increase was mainly attributable to the growth in the business volume of the Group. The increase in total revenue is reflected as follows:

- Aviation information technology (“AIT”) service revenue represented 71.1% of the Group’s total revenue in the first half of 2009, as compared to 70.7% in the first half of 2008. AIT service revenue increased by 6.5% to RMB847.4 million in the first half of 2009 from RMB795.6 million in the first half of 2008. The increase of revenue resulted primarily from the growth in the number of air travelers.
- Accounting, settlement and clearing services revenue accounted for 10.3% of the Group’s total revenue in the first half of 2009, as compared to 11.8% for the first half of 2008. Accounting, settlement and clearing services revenue decreased by 7.7% to RMB122.9 million in the first half of 2009 from RMB133.2 million for the first half of 2008. The decrease of revenue resulted primarily from the decrease in business volume of international accounting, settlement and clearing services.
- Data network revenue and other revenue accounted for 18.6% of the Group’s total revenue in the first half of 2009, as compared to 17.5% for the first half of 2008. Data network revenue and other revenue increased by 12.2% to RMB221.3 million in the first half of 2009 from RMB197.1 million for the first half of 2008. The increase of revenue resulted primarily from the increase in the revenue from data network services.

Operating expenses

Total operating expenses increased by RMB12.9 million, or 1.6% from RMB784.4 million in the first half of 2008 to RMB797.3 million in the first half of 2009. The changes in operating expenses are reflected as follows:

- Network usage fees increased by 14.8%, mainly due to the expansion of international and domestic transmission line capacity resulted from the increase in the business volume.;
- Commission and promotion expenses decreased by 11.2%, mainly due to the reduction of expenditure in commission resulted from the Company’s adjustment to the commission policy of APP system and its promotions of APP system products;

- Operating lease payments decreased by 16.9%, mainly due to no further payment of rentals for the property located in Dongxng Li, Chaoyang District, Beijing, the People’s Republic of China (“PRC”) after the completion of property acquisition by the Company as set out in the announcement dated 26 May 2008 and the circular dated 16 June 2008;
- Personnel expenses increased by 8.4%, primarily due to an increase in the number of employees in order to support the development of the Group’s businesses.

Enterprise income tax

For details, please see Note 4 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 RMB47.5 million or 15.0% to RMB364.1 million in the first half of 2009 from RMB316.6 million in the first half of 2008.

Liquidity and capital structure

The Group’s working capital for the first half of 2009 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB379.3 million.

During the first half of 2009, 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, 2009, cash and cash equivalents of the Group amounted to RMB1,941.8 million, of which 98.9%, 0.8% and 0.3% were denominated in Renminbi, US dollars and Hong Kong dollars respectively.

Charge on assets

As at June 30, 2009, the Group had no charge on its assets.

Capital Expenditure

The total capital expenditure of the Group totaled RMB331.1 million in the first half of 2009, representing an increase of RMB228.4 million, as compared to that of RMB102.7 million in the first half of 2008. The capital expenditure of the Group in the first half of 2009 consisted principally of the purchase of hardware, software and equipment pursuant to the Group's business strategy.

The Board estimates that the Group's planned capital expenditure for year 2009 will amount to approximately RMB1,141.3 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 2009 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 foreign currency denominated assets and liabilities. Fluctuation of the exchange rates of Renminbi against foreign currencies could affect the Group's results of operations.

Gearing ratio

As at June 30, 2009, the gearing ratio of the Group was 16.2% (December 31, 2008: 12.1%), which was computed by dividing the total liabilities (no interest-bearing debts) by the total assets of the Group as at June 30, 2009.

Contingent liabilities

As at June 30, 2009, the Group had no material contingent liabilities.

Employees

As at June 30, 2009, the total number of employees of the Group was 3,953. Personnel expenses amounted to RMB197.4 million for the first half of 2009, representing 24.8% of the total operating expenses of the Group for the first half of 2009.

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. The Group continued to provide its employees with learning opportunities to acquire skills in areas such as the aviation and travel industry, computer information technologies and business administration, and provide training on the latest development in areas such as computer information technologies, laws and economics.

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 receive remuneration from the Company, which is determined by reference to the prevailing market price, and any reasonable expenses incurred by the Independent Non-executive Directors during their service period will be borne by the Company.

PROSPECTS FOR THE SECOND HALF OF 2009

As the adverse impacts of global financial crisis and H1N1 influenza on the air transportation and travel market are projected to remain in the second half of 2009, the international air transportation industry will still suffer from a persistent weakness in demand. However, thanks to the countermeasures adopted by the PRC government and the turnaround of macro-economic situation, domestic aviation demand is expected to maintain its rapid growth momentum. In adherence to its existing development strategies, the Group will continue to put emphasis on key tasks planned in the beginning of the year: the safety fundamentals will be further reinforced for the unification of continuous safety and science development; attending to the development trend of the industry, market and customers, and focusing on the aviation and travel industry, the Group will extend its existing businesses vertically, horizontally and geographically along the passenger service value chain, proactively exploring domestic and overseas markets; on top of strengthening its existing businesses, the Group intends to break a new ground by nursing the emerging businesses such as hotel distribution, air freight logistics information technology service and the third party data center outsourcing service; through the acquisition of accounting, settlement and clearing business, the Group aims to achieve the resources integration and sharing in business/products, research and development, operation and maintenance, thereby enjoying the synergy effect; the Group will also actively work on the establishment of key projects such as the new generation aviation passenger service information system, the new operating centre in Beijing and public information service center, which are vital to the long-term development of the Group; regional technology service and market development capacity will be enhanced by adjusting and optimizing the Group's overall allocation of resources; at the same time, the Group will carry out cost management and improve the internal management system and process for higher operation efficiency; to enhance the vitality, the Group will proactively attract and recruit talents, launch more aggressive reforms in personnel management, labor and income allocation systems, explore equity incentive plan and other incentive and restraint schemes.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2009.

TRUST DEPOSITS AND OVERDUE TIME DEPOSITS

As at June 30, 2009, 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 2009, the Company and any of its subsidiaries did not purchase, sell or redeem any of its securities.

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, 2009, and has also discussed among themselves matters such as internal control, risk management and financial reporting.

CORPORATE GOVERNANCE

The Company is committed to establishing and maintaining high level of corporate governance, making the information disclosure to all the market participants and regulatory authorities in a timely, accurate, complete, and reliable manner to enhance the transparency of the Company. The Company has adopted the code provisions as stipulated in the "Code on Corporate Governance Practices" (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 2009. The Company has set out respective duties of the Board and the General Manager in its articles of association. However, it has not formulated specific guidelines for other duties and authority delegated to the management, which is not in full compliance with the code provisions D.1.1 and D.1.2 of the Code. The Board is of the opinion that the Company's current arrangement does not prejudice the interests of the Company. The Board is also considering to explicitly delegate duties to the management through the improvement of the Company's internal control system. Relevant details have been set out in the corporate governance report in the 2008 Annual Report of the Company.

For the six months ended June 30, 2009, the Company has adopted a code of conduct on terms no less exacting than the required standard set out in the “Model Code for Securities Transactions by Directors of Listed Issuers” (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, 2009.

By order of the Board
TravelSky Technology Limited
Xu Qiang
Chairman

Beijing, the People’s Republic of China
August 28, 2009

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

<i>Executive Directors:</i>	Mr Xu Qiang (<i>Chairman</i>), Mr Cui Zhixiong and Mr Xiao Yinhong;
<i>Non-executive Directors:</i>	Mr Wang Quanhua, Mr Luo Chaogeng and Mr Cao Guangfu;
<i>Independent Non-executive Directors:</i>	Mr Yick Wing Fat, Simon, Mr Yuan Yaohui and Mr Chua Keng Kim.