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

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

(Stock Code: 0696)

Interim Report 2014

The board of directors (the "**Board**") of TravelSky Technology Limited (the "**Company**") hereby presents the unaudited interim report of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2014 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in thousands of Renminbi)

	Note	As at June 30, 2014 Unaudited	As at December 31, 2013 Audited
ASSETS			
Non-current assets			
Property, plant and equipment, net	10	**1,544,864**	1,458,073
Lease prepayment for land use right, net		**1,887,673**	1,914,040
Intangible assets, net		**172,911**	201,876
Goodwill		**4,426**	4,166
Investments in associated companies		**166,231**	156,980
Deferred income tax assets		**33,635**	33,622
Due from an associate company		**–**	15,000
Other long-term assets		**115,251**	184,571
Restricted bank deposits		**124,768**	126,080
		4,049,759	4,094,408
Current assets			
Inventories		**8,298**	8,748
Trade receivables, net	11	**973,930**	752,996
Due from related parties, net	12	**2,107,726**	1,852,547
Due from associated companies		**50,769**	36,243
Income tax recoverable		**56,342**	81,109
Prepayments and other current assets		**584,194**	397,957
Held-to-maturity financial assets		**1,493,000**	410,000
Short-term bank deposits		**1,218,455**	1,132,444
Restricted bank deposits		**28,253**	26,258
Cash and cash equivalents		**2,009,896**	2,348,825
		8,530,863	7,047,127
Total assets		**12,580,622**	11,141,535

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(Amounts expressed in thousands of Renminbi)

	Note	As at June 30, 2014 Unaudited	As at December 31, 2013 Audited
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves	8	**3,193,146**	3,090,477
Retained earnings			
– Proposed final cash dividend	9	**–**	409,669
– Others		**3,682,339**	2,651,336
		9,801,694	9,077,691
Non-controlling interests		**246,119**	222,788
Total equity		**10,047,813**	9,300,479
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**16,377**	16,678
Deferred revenue		**345**	945
		16,722	17,623
Current liabilities			
Trade payables and accrued liabilities	13	**2,070,238**	1,578,891
Due to related parties		**396,054**	192,497
Income tax payable		**9,034**	18,843
Deferred revenue		**40,761**	33,202
		2,516,087	1,823,433
Total liabilities		**2,532,809**	1,841,056
Total equity and liabilities		**12,580,622**	11,141,535
Net current assets		**6,014,776**	5,223,694
Total assets less current liabilities		**10,064,535**	9,318,102

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	Unaudited Six months ended June 30, 2014	2013
Revenues			
Aviation information technology services		**1,369,780**	1,241,805
Accounting, settlement and clearing services		**209,075**	199,115
Data network and others		**962,636**	535,503
Total revenues	3	**2,541,491**	1,976,423
Operating expenses			
Business taxes and other surcharges		**(10,450)**	(13,096)
Depreciation and amortisation		**(209,243)**	(192,487)
Network usage fees		**(23,715)**	(26,212)
Personnel expenses		**(434,429)**	(368,881)
Operating lease payments		**(74,147)**	(65,134)
Technical support and maintenance fees		**(187,669)**	(108,383)
Commission and promotion expenses		**(264,244)**	(235,274)
Other operating expenses		**(605,905)**	(252,150)
Total operating expenses		**(1,809,802)**	(1,261,617)
Operating profit		**731,689**	714,806
Financial income, net		**58,670**	37,651
Government grant	4	**500,000**	–
Share of results of associated companies		**9,251**	5,876
Profit before taxation	5	**1,299,610**	758,333
Taxation	6	**(146,550)**	(111,173)
Profit after taxation		**1,153,060**	647,160

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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

		Unaudited	
		Six months ended June 30,	
	Note	2014	2013
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		430	(2,005)
Other comprehensive income for the period, net of tax		430	(2,005)
Total comprehensive income for the period		1,153,490	645,155
Profit attributable to:			
Owner of the Parent		1,133,242	634,706
Non-controlling interests		19,818	12,454
		1,153,060	647,160
Total comprehensive income attributable to:			
Owner of the Parent		1,133,672	632,701
Non-controlling interests		19,818	12,454
		1,153,490	645,155
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted (RMB)	7	0.39	0.22

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in thousands of Renminbi)

	Unaudited				
	Attributable to Owner of the Parent				
	Paid-In capital	Reserves	Retained earnings	Non-controlling interests	Total
Balance at January 1, 2013	2,926,209	2,891,879	2,445,130	168,430	8,431,648
Total comprehensive income for the period ended June 30, 2013	–	(2,005)	634,706	12,454	645,155
Capital injections from non-controlling interests	–	–	–	5,420	5,420
Dividends relating to 2012	–	–	(389,186)	(2,483)	(391,669)
Appropriation to reserves	–	97,401	(97,401)	–	–
Balance at June 30, 2013	2,926,209	2,987,275	2,593,249	183,821	8,690,554

		Unaudited				
		Attributable to Owner of the Parent				
	Note	**Paid-In capital**	**Reserves**	**Retained earnings**	**Non-controlling interests**	**Total**
Balance at January 1, 2014		**2,926,209**	**3,090,477**	**3,061,005**	**222,788**	**9,300,479**
Total comprehensive income for the period ended June 30, 2014		**–**	**430**	**1,133,242**	**19,818**	**1,153,490**
Acquisition of a subsidiary	19	**–**	**–**	**–**	**3,593**	**3,593**
Dividends relating to 2013	9	**–**	**–**	**(409,669)**	**(80)**	**(409,749)**
Appropriation to reserves	8	**–**	**102,239**	**(102,239)**	**–**	**–**
Balance at June 30, 2014		**2,926,209**	**3,193,146**	**3,682,339**	**246,119**	**10,047,813**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in thousands of Renminbi)

	Note	Unaudited Six months ended June 30, 2014	2013
Cash flows from operating activities			
Cash generated from operations	14	**1,162,146**	1,010,175
Enterprise income tax paid		**(131,906)**	(114,579)
Net cash provided by operating activities		**1,030,240**	895,596
Cash flows from investing activities			
Purchases of property, plant, equipment and intangible assets		**(156,971)**	(589,695)
Proceeds from disposal of property, plant and equipment		**254**	180
Maturities of short-term bank deposits		**615,998**	463,709
Placements of short-term bank deposits		**(702,008)**	(637,513)
Interest received		**62,788**	42,182
Net cash received from acquisition of a subsidiary	19	**960**	–
Dividends received from associated companies		**10,052**	–
(Increase)/decrease in held-to-maturity financial assets		**(1,083,000)**	50,000
Increase in restricted bank deposits		**(683)**	–
Net cash used in investing activities		**(1,252,610)**	(671,137)
Cash flows from financing activities			
Dividends paid to the Group shareholders		**(116,501)**	(2,483)
Dividend paid to non-controlling shareholders of subsidiaries		**(80)**	–
Capital injection from non-controlling equity shareholders of subsidiaries		**–**	5,420
Net cash (used in)/generated from financing activities		**(116,581)**	2,937
Net (decrease)/increase in cash and cash equivalents		**(338,951)**	227,396
Cash and cash equivalents at beginning of the period		**2,348,825**	1,739,232
Effect of foreign exchange rate changes on cash and cash equivalents		**22**	54
Cash and cash equivalents at end of the period		**2,009,896**	1,966,682

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

TravelSky Technology Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on October 18, 2000 to engage in the provision of aviation information technology services and related services in the PRC. The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on February 7, 2001.

The address of its registered office is 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, the PRC.

The condensed consolidated interim financial statements have not been audited and were approved for issue on August 28, 2014.

2. Principal accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", and have been reviewed by the Audit 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, 2013.

The Group has adopted new and amended standards and interpretations of International Financial Reporting Standards ("IFRSs") that are effective for accounting period beginning on or after January 1, 2014. 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, 2013.

AMENDMENTS TO IAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

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

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

3. Revenue

Revenue mainly comprises the fees earned by the Group for the provision of aviation information technology services, data network services, accounting, settlement and clearing services, sale of equipment and equipment installation projects and related services. A major portion of these revenue was generated from the shareholders of the Company. For the six months ended June 30, 2014, revenue generated from the significant recurring transactions carried out with the Group's related parties amounted to approximately RMB1,013 million (for the six months ended June 30, 2013: approximately RMB927 million).

4. Government grant

	Unaudited	
	Six months ended June 30,	
	2014	2013
	RMB'000	RMB'000
Government grant	**500,000**	–

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

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

5. Profit before taxation

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

	Unaudited Six months ended June 30,	
	2014	2013
	RMB'000	RMB'000
After charging:		
Depreciation	**96,383**	100,434
Amortisation of intangible assets	**73,956**	56,108
Amortisation of leasehold improvements	**12,537**	9,578
Amortisation of lease prepayments for land use right	**26,367**	26,367
Loss on disposal of property, plant and equipment	**328**	55
Provision for impairment of receivables	**39,249**	8,431
Cost of equipment sold	**378,800**	84,654
Retirement benefits	**45,122**	49,046
Contribution to housing benefits	**28,639**	32,065
Exchange loss, net	**–**	1,130
Research and development expenses	**307,922**	220,584
Staff costs arising from share appreciation rights	**565**	3,710
After crediting:		
Interest income	**(53,632)**	(38,781)
Exchange gain, net	**(5,039)**	–

Note:

For the six months ended June 30, 2014, operating lease rentals for lease of properties from China TravelSky Holding Company ("CTHC"), the ultimate holding company, amounted to approximately RMB21 million (for the six months ended June 30, 2013: approximately RMB21 million). The pricing of operating lease rentals for buildings is based on agreed rates with CTHC.

6. Taxation

Taxation of the Group except for TravelSky Hong Kong, TravelSky Singapore, TravelSky Japan, TravelSky Korea, TravelSky Europe, TravelSky USA, TravelSky R&D USA, TravelSky Taiwan and TravelSky Australia is provided based on the tax laws and regulations applicable to the PRC enterprises. The Group provides for the PRC enterprise income tax on the basis of its income for statutory financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for tax purposes. Taxation on overseas profit has been calculated on the assessable profit for the year at the rates of taxation prevailing in the locations in which the Group operates.

Under the Corporate Income Tax Law of the People's Republic of China ("New CIT Law"), in general, the applicable income tax rate of enterprises in China is 25%. Pursuant to relevant requirements, enterprises recognised as "High and New Technology Enterprises" are entitled to a favorable statutory tax rate of 15% according to the New CIT Law. The Company has been approved and certified by relevant authorities as a "High and New Technology Enterprise" since its establishment, and was reviewed to renew the identification of "High and New Technology Enterprise" in accordance with relevant regulatory requirements. The relevant taxation authority has confirmed in writing that, as a High and New Technology Enterprise, the Company may use a preferential tax rate of 15% in computing corporate income tax from 2011 to 2013. As of June 30, 2014, the Company is in process of reapplying for its "High and New Technology Enterprises" certification.

In addition to the recognised "High and New Technology Enterprise", enjoying a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Important Software Enterprise" under the National Planning Layout for the year, it can further enjoy a preferential income tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded.

On January 2, 2014, the Company obtained the certificate for "Important Software Enterprise" under the National Planning Layout for Year 2013 and Year 2014. Accordingly, the Company has calculated the income tax expense at the tax rate of 10% for Year 2013. Meanwhile, in October 2013, relevant tax regulatory bodies approved and refunded of the 5% excess income tax paid for Year 2011 to the Company. Such impact was reflected in the corresponding financial statements for Year 2013 of the Company. Details of this have been made in the Company's announcement dated January 2, 2014.

As stated in the third paragraph of this note, the Company's corporate income tax expense was provided for at the rate of 10% for the six months ended June 30, 2014 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.

7. Earnings per share

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

	Unaudited Six months ended June 30, 2014	2013
Earnings (RMB'000)		
Earnings for the purpose of calculating the basic and diluted earnings per share	**1,133,242**	634,706
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	**0.39**	0.22

There were no potential dilutive ordinary shares outstanding during the period ended June 30, 2014 and 2013.

8. Reserves

The appropriation to the discretionary surplus reserve fund for the year 2013 was approved in the annual general meeting held on June 5, 2014. Therefore, 10% of the Company's net profit of year 2013 (approximately RMB102.2 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2014.

9. Dividend distribution

The shareholders in the annual general meeting of the Company held on June 5, 2014 approved the distribution of a final cash dividend of RMB0.14 per share, in the aggregate sum of RMB409.7 million for Year 2013. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2014.

10. Property, plant and equipment, net

For the six months ended June 30, 2014, the Group acquired property, plant and equipment amounting to approximately RMB195.5 million (for the year ended December 31, 2013: approximately RMB752.2 million) in total.

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

11. 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, 2014 Unaudited RMB'000	December 31, 2013 Audited RMB'000
Within 6 months	**847,014**	671,501
Over 6 months but within 1 year	**149,157**	72,125
Over 1 year but within 2 years	**25,496**	38,202
Over 2 years but within 3 years	**17,849**	17,021
Over 3 years	**14,479**	14,146
Total trade receivables	**1,053,995**	812,995
Provision for impairment of trade receivables	**(80,065)**	(59,999)
Trade receivables, net	**973,930**	752,996

12. 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, 2014 Unaudited RMB'000	December 31, 2013 Audited RMB'000
Within 6 months	**1,249,352**	1,196,581
Over 6 months but within 1 year	**653,776**	373,950
Over 1 year but within 2 years	**192,584**	270,187
Over 2 years but within 3 years	**7,311**	7,533
Over 3 years	**4,703**	4,296
Total due from related parties	**2,107,726**	1,852,547
Provision for impairment of receivables	**–**	–
Due from related parties, net	**2,107,726**	1,852,547

13. Trade payables and accrued liabilities

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

	June 30, 2014 Unaudited RMB'000	December 31, 2013 Audited RMB'000
Within 6 months	**274,959**	333,749
Over 6 months but within 1 year	**101,046**	4,819
Over 1 year but within 2 years	**17,520**	15,958
Over 2 years but within 3 years	**3,631**	4,637
Over 3 years	**7,979**	12,504
Total trade payables	**405,135**	371,667
Accrued liabilities and other liabilities	**1,665,103**	1,207,224
Total trade payables and accrued liabilities	**2,070,238**	1,578,891

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

14. Cash generated from operations

	Unaudited Six months ended June 30,	
	2014	2013
	RMB'000	RMB'000
Profit before taxation	**1,299,610**	758,333
Adjustments for:		
Depreciation and amortisation	**209,243**	192,487
Loss on disposal of property, plant and equipment	**328**	55
Interest income	**(53,632)**	(38,781)
Provision for impairment of receivables	**39,249**	8,431
Share of results of associated companies	**(9,251)**	(5,876)
Staff costs arising from share appreciation rights	**565**	3,710
Foreign exchange loss/(gain)	**612**	(966)
(Increase)/decrease in current assets:		
Trade receivables	**(240,221)**	(66,058)
Inventories	**450**	(21,346)
Prepayments and other current assets	**(208,208)**	(113,382)
Due from associated companies and related parties	**(264,757)**	83,025
Increase in current liabilities:		
Trade payables and accrued liabilities	**177,642**	166,202
Deferred revenue	**6,959**	20,998
Due to related parties	**203,557**	23,343
Cash generated from operating activities	**1,162,146**	1,010,175

15. Share appreciation rights schemes

The share appreciation rights scheme of the Group was approved by the State-Owned Assets Supervision and Administration Commission of the State Council ("SASAC"), the PRC on April 21, 2011, and approved by the annual general meeting of the Company on June 28, 2011. Under this scheme, share appreciation rights are granted in units with each unit representing one H share of the Company.

Under this scheme, all share appreciation rights had a contractual life of seven years from the date of its grant. A recipient of share appreciation rights shall not exercise the rights within the first two years after the date of its grant.

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

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

On August 29, 2011, 14,004,000 units of the share appreciation rights were granted to 3 executive directors, 10 senior management and 43 key technical and managerial personnel of the Group by the Company at an exercise price calculated at the higher of the closing price of the H-shares of the Company on August 29, 2011 and the average closing price of the H-shares of the Company for five consecutive trading days prior to August 29, 2011.

During April 2014, 4,668,000 units out of 14,004,000 units of share appreciation rights were exercised.

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

15. Share appreciation rights schemes *(Continued)*

For the six months ended June 30, 2014, the Group has recorded expenses of RMB0.57 million in relation to the share appreciation rights. The liability and staff cost of share appreciation rights liability were recorded in accrued bonus and benefits under trade payables and accrued expenses and operating expenses, respectively.

The fair value of share appreciation rights of HKD1.92 per share appreciation right as at June 30, 2014 was determined by using the Binomial Model. The significant inputs into the model were fair value per share of HKD7.27 at June 30, 2014, exercise price shown above, share price volatility of 31.81%, dividend yield of 0%, share appreciation rights life of 4.2 years, and an annual risk-free interest rate of 1.15%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the Company over the last four years.

Pursuant to stipulated requirement of SASAC, the amount received or receivable by the eligible candidate of the scheme should not exceed certain percentages of their total individual emoluments for two consecutive years when the rights were granted.

The number of granted share appreciation rights outstanding is set out below:

	June 30, 2014 Thousand share	December 31, 2013 Thousand share
At the beginning of the period/year	**14,004**	14,004
Exercised during the period/year	**(4,668)**	–
At the end of the period/year	**9,336**	14,004

16. Fair value measurement of financial instruments

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in IFRS 13, Fair value measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The following table presents the Group's liabilities that are measured at fair value at the end of the reporting periods:

As at June 30, 2014

	The Group and the Company			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Liabilities				
Share appreciation rights	**–**	**15,491**	**–**	**15,491**

As at December 31, 2013

	The Group and the Company			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Share appreciation rights	–	23,460	–	23,460

The fair value of share appreciation rights is determined based on the valuation using the Binomial Model. Measurement inputs include stock price on measurement date, exercise price of the investment, expected volatility, weight average expected life of the instruments, expected dividends and risk-free interest rate. Services and non-market performance conditions attached to the transactions are not taken into account in determination of the fair value. For certain measurement inputs used, please refer to Note 15 for details.

There were no transfers between Level 1 and 2 during the period.

There were no changes in valuation techniques during the period.

17. Commitments

(A) CAPITAL COMMITMENTS

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

	June 30, 2014 Unaudited RMB'000	December 31, 2013 Audited RMB'000
Authorised and contracted for		
– Computer System	**12,145**	31,901
– Assets under constructions	**715,562**	842,092
– Furniture, fixtures and other equipment	**–**	968
– Leasehold improvement	**–**	1,490
Authorised but not contracted for		
– Computer System and others	**580,356**	662,631
– Land use right and building	**914,608**	919,576
Total	**2,222,671**	2,458,658

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

An amount of approximately RMB29.7 million of capital commitments has been contracted for at June 30, 2014 which was denominated in U.S. dollars.

(B) OPERATING LEASE COMMITMENTS

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

	June 30, 2014 Unaudited RMB'000	December 31, 2013 Audited RMB'000
Within one year	**114,321**	115,646
Over 1 year but within 5 years	**52,957**	109,021
Total	**167,278**	224,667

(C) EQUIPMENT MAINTENANCE FEE COMMITMENTS

As at June 30, 2014, the Group had equipment maintenance fee commitments of approximately RMB107.1 million (at December 31, 2013: RMB54.7 million).

18. Segment reporting

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief operating decision maker is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the interim consolidated income statement. No segment report has been prepared by the Group for six months ended June 30, 2014 and 2013.

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

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

	Unaudited Six months ended June 30,			
Main customers	**2014 RMB'000**	**%**	2013 RMB'000	%
Air China Limited (a)	**300,584**	**12%**	275,590	14%
China Southern Airlines Company Limited (a)	**281,623**	**11%**	257,208	13%
China Eastern Airlines Corporation Limited (a)	**304,728**	**12%**	290,191	15%

a. Included its subsidiaries.

19. Business combinations

On May 23, 2014, the Company has acquired 51% equity interest in Guangzhou Skyecho Information Technology Limited ("Skyecho") for a consideration of RMB4 million from independent third parties (the "Acquisition"). Skyecho is principally engaged in the provision of software and hardware technical support services. The Acquisition is aimed at strengthening the information technology development of the existing business of the Group.

The acquisition was accounted for using the purchase method.

Net assets acquired in the transaction are as follows:

	2014 Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	**448**
Intangible assets	**4,850**
Trade receivables	**779**
Prepayments and other current assets	**2,048**
Cash and cash equivalents	**2,960**
Other payables and accrued liabilities	**(772)**
Payable to shareholders	**(2,980)**
Net assets	**7,333**
Non-controlling interests	**(3,593)**
Goodwill (Note)	**260**
	4,000

19. Business combinations *(Continued)*

	2014 RMB'000
Total consideration satisfied by:	
Cash	2,000
Other payables	2,000
	4,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(2,000)
Cash and cash equivalents acquired	2,960
Net cash inflow	960

Note:

The goodwill arose from a number of factors. Most significant amongst these is the synergies expected to arise after the acquisition of Skyecho for the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the revenue and profit for the period are revenue of approximately RMB410,000 and net loss of approximately RMB109,000 attributable to the additional business generated by the acquired subsidiary for the period between the date of acquisition and June 30, 2014.

Had this business combination been effected on January 1, 2014, the revenue of the Group would be approximately RMB2,545 million and profit for the year of the Group would be approximately RMB1,204 million. The directors of the Group consider this 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point only for comparison in future periods.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

Business review for the first half of 2014

The Group is a leading provider of information technology solutions for China's aviation and travel industry. In the first half of 2014, despite the slackened growth in domestic economy, complex economic climate abroad, fluctuations in oil prices and depreciation of Renminbi, the aviation market in China remained strong with the core support of the increase in residents' disposable income. Against this background, the Group maintained a continuous growth in its operating results by focusing on safety, maintaining growth, implementing reforms and pursuing a number of key projects in an orderly manner according to its established development strategy.

In the first half of 2014, the Group's Electronic Travel Distribution (ETD) system has processed approximately 201.8 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 10.5% over the same period in 2013. 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 7.5%. 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 increase of the number of such users to 97, with approximately 4.5 million of passenger departures processed in 60 airports. Meanwhile, the number of foreign and regional commercial airlines with direct links to the Company's Computer Reservation System (CRS) increased to 113, with the sales percentage through direct links increased to approximately 99.8%.

In the first half of 2014, 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 Company has been taking efforts in research and development and innovation in this sector. As the first self-help luggage processing product developed fully based on the IATA standards in North Asia, our self-developed self-help luggage processing system has already been brought into operation in the airports in Guangzhou and Tianjin, etc. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 97 major domestic and overseas airports, and the online check-in service has been applied in 190 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 37.7 million departing passengers. The Company provided E-Build (an e-commerce supporting platform) product or relevant overall solutions to 46 domestic e-commerce websites owned by 24 commercial airlines, including the launch of the international B2C and B2B websites in regional or overseas markets for 7 domestic and regional commercial airlines including China Eastern Airlines Corporation Limited and Hong Kong Airlines Ltd. The newly developed flight monitoring system, "Safety Guard", has been put into operation at Hainan Airlines Company Limited. Sales support for auxiliary service, based on the Electronic Miscellaneous Document (EMD) system, was also applied in 14 domestic and regional commercial airlines. In the first half of 2014, the new-generation civil aviation passenger service information system ("New Generation System") researched and developed by the Company together with the major domestic commercial airlines was fully launched in stages, with different focus at each stage. For the new-generation flight management system, which supports O&D revenue management, refined sales channel management and automatic full flight lifecycle management, main body transformation and function development were fully completed and the system will be gradually implemented for key customers.

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

Business review for the first half of 2014 *(Continued)*

In the first half of 2014, the Group continued to consolidate its existing market of accounting, settlement and clearing services and stepped up its efforts in key system research and development. Two rounds of user inspection and acceptance test were finished on schedule for the project of new-generation revenue management system for international passengers (International Passenger Revenue Accounting System, or IPRA) in Singapore Airlines Limited. The development and series testing work were fully completed for the project of IATA's global New Generation BSP Data Processing System, which has passed the parallel test of six BSPs in China, Japan, Singapore, Sweden, New Zealand and Australia. Electronic management of paper-based refund vouchers is achieved with the completion of the development of China's BSP refund voucher management system implementation project, thereby saving papers, storage and transportation costs and enhancing the efficiency of communication, management and auditing. The general design of the domestic clearing platform project was finished. An industry-wide uniform system platform will be set up to create a new paper-free domestic interline settlement model. In the first half of 2014, there were approximately 319.1 million transactions and approximately 131.2 million BSP bills processed with our accounting, settlement and clearing system. In the same period, passenger, cargo and postal revenues, miscellaneous fees as well as international and domestic clearing fees settled with our system amounted to approximately US$3.4 billion, and the transaction amount of the electronic payment system was approximately RMB4.7 billion.

In the first half of 2014, the Group kept on enriching its airport information technology service product lines. The Group pursued greater efforts in new product development and marketing while reinforcing its market share in the traditional departure front-end service product market. Apart from its dominance in the middle-sized and large-sized airports in China, the new generation APP departure front-end system also facilitated China's commercial airlines to provide check-in, transit and connecting flight services to passengers in 106 overseas or regional airports, processing approximately 11.5 million passenger departures, accounting for approximately 85.6% 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 lower than the top 60 airports in terms of passenger throughput in China, was extended to another 6 airports including Enshi Airport and Lvliang Airport. The security inspection information system from the airport ground operation product line has been promoted to 9 airports including Nanjing Airport and Nanning Airport, whereas the Airport Message Broker (AMB) platform has been promoted to 7 airports including Liupanshui Airport and Qinhuangdao Airport. The airport WIFI project based on the internet economic model was successfully introduced to Jinan Airport, representing a new initiative of the airport business to seek business growth in the internet information era.

In the first half of 2014, the Group remained committed in the research and development, service system establishment and marketing of the product lines for distribution information technology services. Diversified and personalized fare search engine interface products were introduced to enrich search results. As for channel agency customers, the Group set up a coordination and cooperation mechanism between the headquarters and branches and kept refining the agency service system so as to enhance the effectiveness of solving customers' problems and requests. The Group also continued to develop other major e-commerce channel customers by increasing the product penetration with contract customers including Taobao, eLong and China Post.

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

Business review for the first half of 2014 *(Continued)*

In the first half of 2014, the Group continued to establish its systematic platforms and improve its products and services with multi-channels promotion with a view to achieving breakthroughs in 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 236,500 hotel's room-nights through its hotel distribution platform — Sohoto.com, representing a decrease of 38.8% as compared with the corresponding period in 2013 due to aggravated market competition, and handled approximately 7.4 million air freight bills through its air freight logistics information system, representing an increase of 27.6% as compared with the corresponding period in 2013. The public information service expanded its customer base with a focus on central enterprises and governmental authorities. With advanced technology including cloud computing, big data and disaster recovery as the basic platform, the Group provided its self-developed Cloud Data Replication (CDR) products and Travel Cloud (TCD) products to various customers.

In the first half of 2014, 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. To improve the reliability, potential resources, processing capability and maintenance efficiency of the production system, a combination of technical and managerial means has been employed. The Group implemented the mainframe system upgrade and expansion planning project, mainframe system high frequency and energy consumption reduction project, key network optimization project and data centre infrastructure efficiency enhancement and consumption reduction project. The Group also strengthened technical innovation and cooperation and facilitated equipment localization. Further, the Group refined the safe production management system, rationalized the information security system and designed a safety structure for the New Generation System. By strengthening the information security standards and system and stepping up its efforts in safety threat inspection and contingency skill drills, the Group secured the safe operation of the civil aviation passenger information system in its daily operations and also during the heavy security period around Chinese New year, the convention of meetings of the National People's Congress and the People's Political Consultative Conference, and during the Conference on Interaction and Confidence-Building Measures in Asia.

Financial conditions and operational performance for the first half of 2014

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 2014, the Group achieved a profit before tax of RMB1,299.6 million, representing an increase of 71.4% compared to the first half of 2013. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB1,455.2 million, representing an increase of 59.6% compared to the first half of 2013. Profit attributable to equity holders of the Company was RMB1,133.2 million, representing an increase of 78.5% compared to the first half of 2013. The increase in profit of the Group was mainly attributable to the strict control of operating expenses amid a growth in revenue.

The revenue and results of the operation of the Group were mainly derived from its operations in the PRC. The earnings per share of the Group were RMB0.39 for the first half of 2014.

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

Financial conditions and operational performance for the first half of 2014 *(Continued)*

TOTAL REVENUE

The total revenue of the Group in the first half of 2014 amounted to RMB2,541.5 million, representing an increase of RMB565.1 million or 28.6% from RMB1,976.4 million in the first half of 2013. 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 53.9% of the Group's total revenue in the first half of 2014, as compared to 62.8% in the first half of 2013. AIT service revenue increased by 10.3% to RMB1,369.8 million in the first half of 2014 from RMB1,241.8 million in the first half of 2013. 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 8.2% of the Group's total revenue in the first half of 2014, as compared to 10.1% for the first half of 2013. Accounting, settlement and clearing services revenue increased by 5.0% to RMB209.1 million in the first half of 2014 from RMB199.1 million for the first half of 2013. The main source of the revenue was accounting, settlement and clearing services provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of revenue resulted primarily from the increase in business volume of international accounting, settlement and clearing services.

- Data network revenue and other revenue accounted for 37.9% of the Group's total revenue in the first half of 2014, as compared to 27.1% for the first half of 2013. Data network revenue and other revenue increased by 79.8% to RMB962.6 million in the first half of 2014 from RMB535.5 million for the first half of 2013. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels and air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service and other business etc. provided by the Group. The increase of revenue resulted primarily from the increase in revenue from data network services.

OPERATING EXPENSES

Total operating expenses for the first half of 2014 amounted to RMB1,809.8 million, representing an increase of RMB548.2 million or 43.5%, as compared to RMB1,261.6 million for the first half of 2013. The changes in operating expenses are reflected as follows:

- Business tax and surcharges decreased by 20.2%, mainly due to the gradual introduction of value-added tax in lieu of business tax in transport industry and certain modern service industry in various regions in Mainland China;

- Staff costs increased by 17.8%, primarily due to the increase in the number of staff for supporting the Group's business development and appropriate adjustment of the remuneration structure;

- Technical support and maintenance fees increased by 73.2%, mainly due to the continuous efforts of the Group in research and development of new products and technologies;

Financial conditions and operational performance for the first half of 2014 *(Continued)*

OPERATING EXPENSES *(Continued)*

- Operating lease payments increased by 13.8%, mainly due to the increase in leased office space by the Group; and
- Other operating expenses increased by 140.3%, primarily due to the swift development of the IT integration business of the Group.

CORPORATE INCOME TAX

For details, please see Note 6 to the unaudited condensed consolidated interim financial statements.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above factors, the profit attributable to equity holders of the Group increased by RMB498.5 million or 78.5% to RMB1,133.2 million in the first half of 2014 from RMB634.7 million in the first half of 2013.

LIQUIDITY AND CAPITAL STRUCTURE

The Group's working capital for the first half of 2014 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB1,030.2 million. During the first half of 2014, the Group neither had short-term or long-term bank loans nor used any financial instruments for hedging purposes. As at June 30, 2014, cash and cash equivalents of the Group amounted to RMB2,009.9 million, of which 93.6%, 5.6% and 0.4% were denominated in Renminbi, US dollars and Hong Kong dollars, respectively.

CHARGE ON ASSETS

As at June 30, 2014, the Group had no charge on its assets.

RESTRICTED BANK DEPOSITS

As at June 30, 2014, restricted bank deposits in the amount of RMB153.0 million (December 31, 2013: RMB152.3 million) mainly refer to the deposit placed at designated bank accounts as guarantee deposits to secure, amongst others, the construction of the new operating centre in Beijing.

GOVERNMENT GRANTS

The Group received an industry support development fund from Houshayu Town People's Government amounting to RMB500 million in January 2014. For details, please refer to the announcement dated January 29, 2014. The fund was received in March 2014 and has already been included in the unaudited condensed consolidated interim financial statements.

CAPITAL EXPENDITURE

The total capital expenditure of the Group amounted to RMB236.0 million for the first half of 2014, representing a decrease of RMB489.9 million as compared to that of RMB725.9 million for the first half of 2013. The capital expenditure of the Group for the first half of 2014 consisted principally of purchase of hardware and software and construction of infrastructure in accordance with the Group's development strategies.

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

Financial conditions and operational performance for the first half of 2014 *(Continued)*

CAPITAL EXPENDITURE *(Continued)*

The Board estimates that the Group's planned total capital expenditure for the year 2014 will amount to approximately RMB2,458.7 million, which is mainly for construction of the new operating centre in Beijing, development of the new generation of aviation passenger service information system and promotion of other new businesses. In particular, the expenditure to be incurred for the new operating centre in Beijing is estimated to be approximately RMB1.73 billion for 2014. 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 2014 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

FOREIGN EXCHANGE RISKS

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

GEARING RATIO

As at June 30, 2014, the gearing ratio of the Group was 20.1% (as at December 31, 2013: 16.5%), which was computed by dividing the total liabilities (non-interest-bearing debts) by the total assets of the Group as at June 30, 2014.

CONTINGENT LIABILITIES

As at June 30, 2014, the Group had no material contingent liabilities.

TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at June 30, 2014, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited with commercial banks and in accordance with applicable laws and regulations.

Financial conditions and operational performance for the first half of 2014 *(Continued)*

EMPLOYEES

As at June 30, 2014, the total number of employees of the Group was 5,940. Staff costs amounted to approximately RMB434.4 million for the first half of 2014, representing approximately 24.0% of the total operating expenses of the Group for the first half of 2014.

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

Currently, none of the non-executive directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the non-executive directors during their tenure of service will be borne and indemnified by the Company. Independent non-executive directors of the Company receive director's fees and allowances, which are determined by reference to the requirements of the regulatory authorities, prevailing market price, their duties and personal qualifications and experiences, and 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 2014

In the second half of 2014, by firmly adhering to the established development strategies, the Group will refine the security work, promote growth and pursue reforms by accelerating its pace of innovation and infrastructure construction. Safety control capability will be enhanced from the perspectives of national strategy and national safety for the purpose of laying a solid foundation for safety control. The Group will create new information security control methods and actively respond to information security incidents. Besides, the Group will facilitate the steady growth of its operating results by improving the business expansion ancillary protection mechanism, identifying new points of market growth and expediting the development of overseas business. Various reforms will be pursued and renovation in terms of running new businesses in the form of share-based companies will be considered. The Group will perfect the management of authorized operations of low-level units, allocate internal resources through marketization, improve the incentive and binding mechanism and strengthen the development of the management talent pipeline. Technological innovation will be expedited and the study on industrial standards will be strengthened. For the New Generation System, the Group will try the best to protect the operating environment, provide service support, conduct key project research and development and facilitate its implementation. Lastly, the Group will ensure that major projects such as the Beijing Shunyi New Operating Centre will be completed on schedule at the desired quality and quantity.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2014.

SHARE CAPITAL STRUCTURE

The issued share capital of the Company as at June 30, 2014 was 2,926,209,589 shares, with a par value of RMB1 each. As at June 30, 2014, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage of the total number of shares in issue (%)
Domestic shares	1,993,647,589	68.13
H shares	932,562,000	31.87
Total	2,926,209,589	100

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2014, the Group had not purchased, sold or redeemed any securities of the Company.

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

As at June 30, 2014, the interests and short positions of any persons (other than Directors, supervisors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") are set out as follows:

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
Templeton Asset Management Ltd.	113,058,591 H shares of RMB1 each (L)	Investment manager	12.12%	3.86%
The Bank of New York Mellon Corporation	59,515,859 H shares of RMB1 each (L) (Note 3)	Interest of controlled corporation	6.38%	2.03%
	59,459,859 H shares of RMB1 each (P)	Interest of controlled corporation	6.38%	2.03%

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

Name of shareholder	Number and class of shares (Note 1)	Capacity	Approximate percentage of respective class of share capital (Note 2)	Approximate percentage of total share capital (Note 2)
JPMorgan Chase & Co.	108,077,600 H shares of RMB1 each (L)(P) (Note 4)	Custodian-corporation/ approved lending agent	11.59%	3.69%
	4,137,500 H shares of RMB1 each (L) (Note 4)	Beneficial owner	0.44%	0.14%
	1,828,000 H shares of RMB1 each (S) (Note 4)	Beneficial owner	0.20%	0.06%
Platinum International Fund	43,293,433 H shares of RMB1 each (L) (Note 5)	Beneficial owner	6.96%	2.22%
Keywise Capital Management (HK) Limited	50,369,000 H shares of RMB1 each (L)	Investment manager	5.40%	1.72%
Norges Bank	46,637,500 H shares of RMB1 each (L)	Beneficial owner	5.00%	1.59%
China TravelSky Holding Company	857,226,589 domestic shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
China Southern Air Holding Company	349,381,500 domestic shares of RMB1 each (L)	Beneficial owner	17.52%	11.94%
	65,773,500 domestic shares of RMB1 each (L) (Note 6)	Interest of controlled corporation	3.30%	2.25%
China Eastern Air Holding Company	328,243,500 domestic shares of RMB1 each (L)	Beneficial owner	16.46%	11.22%
	25,155,000 domestic shares of RMB1 each (L)(Note 7)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 domestic shares of RMB1 each (L) (Note 8)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company	268,300,500 domestic shares of RMB1 each (L)	Beneficial owner	13.46%	9.17%
	18,720,000 domestic shares of RMB1 each (L) (Note 9)	Interest of controlled corporation	0.94%	0.64%

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

Notes:

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

(2) Percentage of the total share capital is based on 2,926,209,589 shares representing the total issued share capital of the Company as at June 30, 2014. Percentage of the respective class of share capital is based on 1,993,647,589 domestic shares and 932,562,000 H shares of the Company as at June 30, 2014.

(3) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by The Bank of New York Mellon Corporation on April 2, 2014, the 59,515,859 H shares in which The Bank of New York Mellon Corporation was deemed to be interested were held through The Bank of New York Mellon (which was 100% controlled by The Bank of New York Mellon Corporation).

(4) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on July 2, 2014, JPMorgan Chase & Co. was deemed to be interested in 112,215,100 H shares (L) and 1,828,000 H shares (S). These shares were held by JPMorgan Chase Bank, N.A., J.P.Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P.Morgan International Inc., J.P. Morgan Securities plc, J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan Clearing Corp, J.P. Morgan Securities LLC and J.P. Morgan Broker-Dealer Holdings Inc, which were directly or indirectly controlled by JPMorgan Chase & Co.. JPMorgan Chase & Co. was deemed to be interested in the shares held by such companies by virtue of the SFO.

(5) As the latest filing date of Platinum International Fund was November 12, 2010, which was prior to the date of the distribution of bonus shares of the Company, the number of H shares held and the percentage of shareholding filed by it did not reflect the impact of the distribution of bonus shares of the Company in 2011, and its number and percentage of shareholding as of June 30, 2014 could not be ascertained.

(6) These shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company. China Southern Air Holding Company was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.

(7) These shares were held by China Eastern Airlines Corporation Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Corporation Limited by virtue of the SFO.

(8) These shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of China Eastern Air Holding Company. China Eastern Air Holding Company was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.

(9) These shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company. China National Aviation Holding Company was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

(10) For the latest disclosure of interests filings of the substantial shareholders of the Company's H shares, please refer to the "Disclosure of Interests" section on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk).

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY OTHER ASSOCIATED CORPORATIONS

As at June 30, 2014, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. None of the Directors, supervisors or chief executives of the Company or their respective associates had been granted or had exercised any rights to subscribe for the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) for the six months ended June 30, 2014.

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, 2014, and has also discussed among themselves matters such as internal control, risk management and financial reporting.

CORPORATE GOVERNANCE

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

The Company has fully complied with the Code Provisions in the first half of 2014.

For the six months ended June 30, 2014, the Company has adopted a set of code of conduct based on the required standard as set out in the Model Code. After making specific enquiries to all Directors, the Company confirms that all Directors have acted in full compliance with the requirements regarding directors' securities transactions set out in the provisions of the Model Code and the Company's code of conduct during the six months ended June 30, 2014.

By order of the Board
Xu Qiang
Chairman

August 28, 2014

BOARD

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

Xu Qiang	Chairman (appointed on June 18, 2013), Executive Director
Cui Zhixiong	Executive Director
Xiao Yinhong	Executive Director, General Manager (appointed on June 18, 2013)
Wang Quanhua	Non-executive Director
Sun Yude	Non-executive Director
Cai, Kevin Yang	Non-executive Director
Cheung Yuk Ming	Independent Non-executive Director
Pan Chongyi	Independent Non-executive Director
Zhang Hainan	Independent Non-executive Director

AUDIT COMMITTEE

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

Cheung Yuk Ming	Chief Member (Chairman)
Pan Chongyi	Member
Zhang Hainan	Member

REMUNERATION AND EVALUATION COMMITTEE

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

Pan Chongyi	Chief Member (Chairman)
Cheung Yuk Ming	Member
Zhang Hainan	Member
Wang Quanhua	Member

NOMINATION COMMITTEE

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

Xu Qiang	Chief Member (Chairman)
Pan Chongyi	Member
Zhang Hainan	Member

STRATEGIC COMMITTEE

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

Xu Qiang	Chief Member (Chairman)
Cui Zhixiong	Member
Xiao Yinhong	Member
Wang Quanhua	Member
Sun Yude	Member
Cai, Kevin Yang	Member

EXECUTIVE COMMITTEE

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

Xu Qiang	Chief Member (Chairman)
Cui Zhixiong	Member
Xiao Yinhong	Member

SUPERVISORY COMMITTEE

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

Li Xiaojun	Chairperson of the Supervisory Committee (appointed on June 18, 2013), Staff Representative Supervisor (appointed by the staff representative committee of the Company on January 10, 2014)
Xiao Wei	Staff Representative Supervisor (appointed by the staff representative committee of the Company on January 10, 2014)
Zeng Yiwei	Supervisor
He Haiyan	Supervisor
Rao Geping	Independent Supervisor

SENIOR MANAGEMENT

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

Rong Gang	Vice General Manager
Wang Wei	Vice General Manager
Sun Yongtao	Vice General Manager, Chief Financial Officer (Chief Accountant)
Zhu Xiaoxing	Vice General Manager
Huang Yuanchang	Vice General Manager
Li Jinsong	General Counsel (resigned in March 2014)
Yu Xiaochun	Company Secretary (Secretary to the Board)

AUDITORS

International auditors:

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

PRC auditors:

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

LEGAL ADVISERS

as to Hong Kong law:

Baker & McKenzie
23rd Floor, One Pacific Place, 88 Queensway, Central, Hong Kong

as to the PRC law:

Guantao Law Firm
17/F, Tower 2, Yingtai Center
No. 28, Finance Street, Xicheng District, Beijing 100140, PRC

CONTACT DETAILS FOR INVESTORS

Postal address:	No.157 Dongsi West Street, Dongcheng District, Beijing 100010, PRC
Telephone:	(8610) 5765 0696 Secretarial Office to the Board
Facsimile:	(8610) 5765 0695
E-mail:	ir@travelsky.com

REGISTERED ADDRESS

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

PLACE OF BUSINESS IN HONG KONG

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00696

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

DEPOSITARY OF SPONSORED LEVEL I AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Bank of New York
Shareholder
P.O. Box 11258
Church Street Station
New York, NY 10286–1258, U.S.A.

COMPANY'S WEBSITES

Website of consolidated information of the Company:

www.travelsky.net

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

www.travelskyir.com

Shareholders can obtain a copy of this interim report through the website of the Company at www.travelskyir.com.