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

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

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors (the "**Board**") of TravelSky Technology Limited (the "**Company**") hereby presents the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2017 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, 2017 Unaudited**	As at December 31, 2016 Audited
ASSETS			
Non-current assets			
Property, plant and equipment, net	*8*	**3,610,907**	3,401,218
Lease prepayment for land use right, net		**1,729,476**	1,755,842
Intangible assets, net		**349,972**	423,583
Goodwill		**148,399**	141,466
Investments in associated companies		**227,691**	209,623
Deferred income tax assets		**134,094**	134,095
Other long-term assets	*9*	**884,377**	48,555
Available-for-sale financial assets	*10*	**865,355**	1,180,000
Deposits with banks with original maturity date over three months		**323,612**	320,174
Restricted bank deposits		**4,943**	5,893
		8,278,826	7,620,449

	Note	**As at June 30, 2017 Unaudited**	As at December 31, 2016 Audited
Current assets			
Inventories		**48,176**	36,967
Trade receivables, net	*11*	**1,034,286**	1,096,241
Due from related parties, net	*12*	**2,529,038**	2,518,302
Due from associated companies		**29,061**	31,663
Income tax recoverable		**1,826**	1,399
Prepayments and other current assets		**698,218**	608,703
Held-to-maturity financial assets		**1,150,000**	840,000
Available-for-sale financial assets	*10*	**335,460**	–
Deposits with banks with original maturity date over three months		**1,607,735**	1,582,336
Restricted bank deposits		**63,061**	462,470
Cash and cash equivalents		**3,685,384**	3,332,134
		11,182,245	10,510,215
Total assets		**19,461,071**	18,130,664
EQUITY			
Capital and reserves attributable to Owner of the Parent			
Paid-In capital		**2,926,209**	2,926,209
Reserves	*6*	**4,236,956**	4,002,547
Retained earnings	*7*	**7,191,844**	6,856,345
		14,355,009	13,785,101
Non-controlling interests		**408,261**	379,809
Total equity		**14,763,270**	14,164,910

	Note	**As at June 30, 2017 Unaudited**	As at December 31, 2016 Audited
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**35,483**	35,087
Deferred revenue		**7,545**	10,045
		43,028	45,132
Current liabilities			
Trade payables and accrued liabilities	*13*	**4,039,703**	3,503,630
Due to related parties		**382,163**	136,123
Income tax payable		**135,125**	249,099
Deferred revenue		**97,782**	31,770
		4,654,773	3,920,622
Total liabilities		**4,697,801**	3,965,754
Total equity and liabilities		**19,461,071**	18,130,664
Net current assets		**6,527,472**	6,589,593
Total assets less current liabilities		**14,806,298**	14,210,042

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Amounts expressed in thousands of Renminbi, except per share data)

		Unaudited Six months ended June 30,	
	Note	**2017**	2016
Revenue			
Aviation information technology services		**1,900,098**	1,688,549
Accounting, settlement and clearing services		**272,195**	246,245
System integration services		**230,658**	207,848
Data network and others		**720,548**	591,003
Total revenue	*2*	**3,123,499**	2,733,645
Operating expenses			
Business taxes and other surcharges		**(12,430)**	(12,359)
Depreciation and amortisation		**(239,964)**	(216,085)
Network usage fees		**(39,931)**	(25,269)
Personnel expenses		**(589,341)**	(516,144)
Operating lease payments		**(87,891)**	(95,784)
Technical support and maintenance fees		**(216,252)**	(148,861)
Commission and promotion expenses		**(299,616)**	(271,548)
Costs of software and hardware sold		**(159,157)**	(97,476)
Other operating expenses		**(105,594)**	(167,732)
Total operating expenses		**(1,750,176)**	(1,551,258)
Operating profit		**1,373,323**	1,182,387
Financial income, net		**41,779**	93,371
Government grant	*3*	**–**	500,000
Share of results of associated companies		**18,068**	12,148
Profit before taxation		**1,433,170**	1,787,906
Taxation	*4*	**(214,342)**	(270,169)
Profit after taxation		**1,218,828**	1,517,737

	Note	Unaudited Six months ended June 30, 2017	 2016
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**8,826**	(5,435)
Changes in fair value of available-for-sale financial assets		**20,815**	–
Other comprehensive income/(expense) for the period, net of tax		**29,641**	(5,435)
Total comprehensive income for the period		**1,248,469**	1,512,302
Profit after taxation attributable to			
Owner of the Parent		**1,189,886**	1,489,894
Non-controlling interests		**28,942**	27,843
		1,218,828	1,517,737
Total comprehensive income attributable to			
Owner of the Parent		**1,219,527**	1,484,459
Non-controlling interests		**28,942**	27,843
		1,248,469	1,512,302
Earnings per share for profit attributable to Owner of the Parent			
Basic and diluted *(RMB)*	*5*	**0.41**	0.51

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for the available-for-sale financial assets which are stated at fair values and in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting", and have been reviewed by the Audit and Risk Management Committee of the Company. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

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, 2017. 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, 2016.

2. Revenue

Revenue mainly comprises the fees earned by the Group for the provision of aviation information technology services, accounting, settlement and clearing services, system integration services and related data network services. A major portion of these revenue was generated from the shareholders of the Company. For the six months ended June 30, 2017, revenue generated from the significant recurring transactions carried out with the Group's related parties amounted to approximately RMB1,359 million (for the six months ended June 30, 2016: approximately RMB1,181 million).

3. Government grant

	Unaudited	
	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Government grant	–	500,000

Government grant was awarded to the Group by the local government agencies as incentive primarily to encourage and support the Group for the provision of aviation information technology services business development on Beijing Shunyi District Houshayu Town. It was a one-off grant and the grant was not aimed to compensate any expenses or losses and/or assets associated with the relevant business activities.

4. Taxation

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

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

The latest review was conducted in October 2014, pursuant to which the Company was granted the written certification by the relevant tax authorities, maintained its status as the "High and New Technology Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2014 to Year 2016 and as at June 30, 2017 as a "High and New Technology Enterprise". The Company is applying for renewal the identification of "High and New Technology Enterprise".

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

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on May 4, 2016, the Company has applied for a preferential tax rate of 10% for Year 2015 regarding to the "Important Software Enterprise" to the relevant authority. As at November 9, 2016, the difference between the tax amount paid at the rate of 15% for Year 2015 and the tax amount calculated at the preferential corporate income tax rate of 10% was refunded and reflected in the profit or loss account in Year 2016.

Application for a preferential tax rate of 10% regarding to the "Important Software Enterprise" for Year 2016 was conducted in Year 2017. Thus, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for Year 2016. As at June 30, 2017, the Company has applied for a preference tax rate of 10% regarding to the "Important Software Enterprise" to the relevant authority for Year 2016. As at August 24, 2017, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% has been received. The amount will be reflected in the Company's financial statements in Year 2017. Details of the relevant information are set out in the Company's announcement dated August 24, 2017.

According to the relevant requirements, application for a preference tax rate of 10% regarding to the "Important Software Enterprise" of this year will be conducted in next year. Thus, refer to paragraph 3 of this note, pursuant to the relevant regulatory requirement, the Company has calculated the corporate income tax expense at the preferential tax rate of 15% for the six months ended June 30, 2017.

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

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,	
	2017	2016
Earnings *(RMB'000)*		
Earnings for the purpose of calculating the basic and diluted earnings per share	**1,189,886**	1,489,894
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	**0.41**	0.51

There were no potential dilutive ordinary shares outstanding during the period ended June 30, 2017 and 2016.

6. **Reserves**

The appropriation to the discretionary surplus reserve fund for the Year 2016 was approved in the annual general meeting held on June 27, 2017. Therefore, 10% of the Company's net profit of year 2016 (approximately RMB204.8 million), was transferred to the discretionary surplus reserve fund for the six months ended June 30, 2017.

7. **Dividend distribution**

The shareholders in the annual general meeting of the Company held on June 27, 2017 approved the distribution of a final cash dividend of RMB0.222 per share, in the aggregate sum of RMB649.6 million for Year 2016. The amount was accounted for in shareholders' equity as an appropriation of retained earnings for the six months ended June 30, 2017.

8. **Property, plant and equipment, net**

For the six months ended June 30, 2017, the Group acquired property, plant and equipment amounting to approximately RMB326 million (for the year ended December 31, 2016: approximately RMB855 million) in total.

9. **Other long-term assets**

For the six months ended June 30, 2017, other long-term assets for the Group mainly comprised of deposits paid for acquisition of property, plant and equipment, intangible assets and available-for-sale financial assets.

During the six months ended June 30, 2017, the Company contributed a deposit of RMB875 million to China Merchants RenHe Life Insurance Company Limited ("**CMRH Life**"). CMRH Life has been subsequently established on July 4, 2017 and the Company holds 17.5% equity interest in CMRH Life. Such deposit will be subsequently reclassified into available-for-sale financial assets upon the completion of the investment transaction. For details, please refer to Note 15.

10. Available-for-sale financial assets

	June 30, 2017 Unaudited *RMB'000*	December 31, 2016 Audited *RMB'000*
Managed fund, the PRC	**1,200,815**	1,180,000
The carrying amount of available-for-sale financial assets are analysed as follows:		
Non-current portion	**865,355**	1,180,000
Current portion	**335,460**	–
	1,200,815	1,180,000

For the six months ended June 30, 2017, the Group held the entrusted wealth management product issued by Bosera Asset Management Company Ltd. with principal amount of RMB850 million and the Company expects annual rate of return approximately 4.5%, and held the commercial bank wealth management product issued by the Bank of Hangzhou Co., Ltd. with principal amount of RMB330 million and the Company expects annual rate of return approximately 3.3%.

11. Trade receivables, net

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

The ageing analysis of trade receivables is as follows:

	June 30, 2017 Unaudited *RMB'000*	December 31, 2016 Audited *RMB'000*
Within 6 months	**796,500**	907,413
Over 6 months but within 1 year	**176,846**	107,119
Over 1 year but within 2 years	**124,359**	128,254
Over 2 years but within 3 years	**48,826**	52,696
Over 3 years	**54,036**	70,664
Total trade receivables	**1,200,567**	1,266,146
Provision for impairment of trade receivables	**(166,281)**	(169,905)
Trade receivables, net	**1,034,286**	1,096,241

12. Due from related parties, net

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

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

	June 30, 2017 Unaudited *RMB'000*	December 31, 2016 Audited *RMB'000*
Within 6 months	**1,620,002**	1,529,257
Over 6 months but within 1 year	**582,903**	499,689
Over 1 year but within 2 years	**312,956**	473,437
Over 2 years but within 3 years	**635**	1,531
Over 3 years	**12,542**	14,388
Total due from related parties	**2,529,038**	2,518,302
Provision for impairment of receivables	**–**	–
Due from related parties, net	**2,529,038**	2,518,302

13. Trade payables and accrued liabilities

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

	June 30, 2017 Unaudited *RMB'000*	December 31, 2016 Audited *RMB'000*
Within 6 months	**353,475**	392,222
Over 6 months but within 1 year	**202,072**	23,600
Over 1 year but within 2 years	**142,302**	159,284
Over 2 years but within 3 years	**32,926**	46,279
Over 3 years	**47,318**	22,946
Total trade payables	**778,093**	644,331
Accrued liabilities and other liabilities	**3,261,610**	2,859,299
Total trade payables and accrued liabilities	**4,039,703**	3,503,630

14. Segment reporting

The Group conducts its business within one business segment – the business of providing aviation information technology and related services in the PRC. The Group's chief operating decision maker is the Group's general manager. The information reviewed by the general manager is identical to the information presented in the interim consolidated statement of profit or loss and other comprehensive income. No segment report has been prepared by the Group for the six months ended June 30, 2017 and 2016.

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

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

	Unaudited			
	Six months ended June 30,			
Main customers	**2017**		2016	
	RMB'000	***%***	*RMB'000*	*%*
Air China Limited *(a)*	**360,043**	**12%**	333,582	12%
China Eastern Airlines Corporation Limited *(a)*	**408,812**	**13%**	362,493	13%
China Southern Airlines Company Limited *(a)*	**344,335**	**11%**	318,923	12%

a. Included its subsidiaries.

15. Events after the end of the reporting period

On May 20, 2016, the Company entered into share subscription agreements separately in relation to the formation of joint ventures, namely CMRH Life and China Merchants RenHe Property and Casualty Insurance Company Limited ("**CMRH P&C**"). For details, please refer to the Company's announcement dated May 20, 2016. The registered capital of CMRH Life and CMRH P&C are both RMB5 billion, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company contributed RMB875 million to CMRH Life during the six months ended June 30, 2017. CMRH Life has been subsequently established on July 4, 2017 and the Company holds 17.5% equity interest on CMRH Life. The Company will contribute RMB875 million to CMRH P&C and will hold 17.5% of equity interest in CMRH P&C upon completion of such transaction. The formation of CMRH P&C is conditional upon obtaining the approval by regulatory authorities and the completion of other applicable approval procedures. As at the date of this announcement, the abovementioned procedures are still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE

BUSINESS REVIEW FOR THE FIRST HALF OF 2017

As the leading provider of information technology solutions for China's aviation and travel industry, the Group benefited from the robust demand in China's aviation market in the first half of 2017. The Group's Electronic Travel Distribution (ETD) system (including Inventory Control System ("**ICS**") services and Computer Reservation System ("**CRS**") services) has processed approximately 280.9 million flight bookings on domestic and overseas commercial airlines, representing an increase of approximately 11.9% over the same period in 2016. Among which, the processed flight bookings on commercial airlines in China increased by approximately 12.2%, while those on foreign and regional commercial airlines increased by approximately 5.4%. More foreign and regional commercial airlines were using the Group's Airport Passenger Processing (APP) system service, multi-host connecting program service and the self-developed Angel Cue platform connecting service, resulting in the increase of the number of such users to 100, with approximately 7.3 million of passenger departures processed in 103 airports. Meanwhile, the number of foreign and regional commercial airlines with direct links to the Group's Computer Reservation System (CRS) increased to 143 with the sales percentage through direct links increased to approximately 99.8%.

In the first half of 2017, apart from actively expanding its customer base among domestic and overseas commercial airlines, the Group also further improved the aviation information technology and its extended services, with an aim to strongly support the demand of commercial airlines for the information technology solutions on travel convenience, e-commerce and auxiliary services. As a strategic partner of the Fast Travel Project of International Air Transport Association (IATA), our self-developed self-help luggage check-in processing system that has been introduced recently has already been put into operation in 4 airports for 5 commercial airlines in China. The commonly used self-service check-in system (CUSS), the Company's self-developed product that conforms to IATA standards, has been launched in 151 major domestic and overseas airports, and the online check-in service has been applied in 274 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 105.9 million departing passengers. In the first half of 2017, the Group provided whole-process fast and convenient clearance technology solution for commercial airlines in China, helping to enhance the service experience of travelers in areas such as security inspection and boarding. Our self-developed mobile application, "Umetrip" witnessed stable growth in numbers of users and introduced new functions such as international travel online check-in of several international itineraries. The Group provided a general direct sales solution for commercial airlines and optimized products including the Carriers Direct Platform (CDP) and B2C e-commerce solutions (Travel Retail Platform) for commercial airlines. The Group assisted commercial airlines in providing neutralized auxiliary services at reception desks in airports, realizing sales functions including piece count and billing of luggage exceeding weight limit, payment, sales of luggage of round trip passengers and multi-scenario ticket refund.

In the first half of 2017, the development of the new-generation passenger service system (the "**NG-PSS**") researched and developed by the Group together with the major commercial airlines of China progressed at a steady pace. The new-generation flight management system has completed difference analysis works regarding function development, system consolidation, production transfer of major commercial airlines in China, laying technological foundation for production execution. The national CHB (Core electronic devices, High-end generic chips and Basic software) project has been completed and we have passed financial and technological testing in advance, which is of utmost significance to the upgrading, reformation, safety and security of the core information platform in civil aviation in China.

In the first half of 2017, the Group continued to consolidate and expand the market of accounting, settlement and clearing services and stepped up its efforts in researching and developing and commencing the operation of the key systems. For the project of IATA's Billing and Settlement Plan software (IBSPs), we facilitated the development and relevant implementation work in groups and batches for data processing center of BSPs in Spain. In the first half of 2017, there were approximately 410.3 million transactions processed with our accounting, settlement and clearing system and approximately 172.9 million BSP tickets processed with our BSP data processing services. In the same period, passenger, cargo and mail sales revenues, miscellaneous fees as well as international and domestic clearing amount processed with our system amounted to approximately USD4.5 billion, and the transaction amount of the electronic payment system was approximately RMB32.17 billion.

In the first half of 2017, the Group pursued greater efforts in marketing, researching and developing the airport information technology service products and actively participated in the airport information system construction projects of domestic airports while persistently reinforcing its market share in the traditional departure front-end service product market. With a dominance in the middle-sized and large-sized airports in China, the new-generation APP departure front-end system facilitated commercial airlines to provide check-in, transit and connecting flight services to passengers in 141 overseas or regional airports, processing approximately 18.7 million passenger departures, accounting for approximately 90.1% of overseas returning passengers of China's commercial airlines. We sought to develop and promote core products of production and service of smart airports, among which self-service luggage check-in system has been promoted to 7 airports including Capital, Chengdu and Qingdao. We won the bidding for airport operation command platform in airports including Changsha and Dalian.

In the first half of 2017, the Group continued to expand customer base in the public information technology service sector with an emphasis on state-owned enterprises, governmental authorities, financial and Internet enterprises, actively promoting business regarding high-level data center cooperation. Focusing on setting up a group purchase platform for business trips of state-owned enterprises, the Group expedited the transformation of its travel product distribution business and took greater efforts in promoting business travel platform for small and medium enterprises overseas. We intensified the application of air freight logistics information technology services, including e-freight. The air freight logistics information system handled approximately 8.2 million air waybills, representing an increase of 2.5% as compared with the corresponding period in 2016.

In the first half of 2017, the Group's ICS, CRS, APP and the core open system have maintained stable operation. The construction and relocation work of Beijing Shunyi New Operating Centre progressed in an orderly manner. Relocation of some of our computer centers was completed successfully. At the same time, we continued to undertake detailed safety circumstance analyses, enhancing overall support capabilities of information security. Our usability analysis platform of construction business realized quantitative analysis and health status indication of business usability based on historical data. We undertook, in a target-oriented manner, the implementation of specific safety inspection and contingency skill drills which 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, the Bo'ao Forum, and the "Belt and Road" Summit Forum.

FINANCIAL CONDITIONS AND OPERATIONAL PERFORMANCE FOR THE FIRST HALF OF 2017

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 2017, the Group achieved a profit before tax of RMB1,433.2 million, representing a decrease of 19.8% compared to the first half of 2016. Earnings before interest and tax, depreciation and amortization (EBITDA) amounted to RMB1,633.1 million, representing a decrease of 15.6% compared to the first half of 2016. Profit attributable to equity holders of the Company was RMB1,189.9 million, representing a decrease of 20.1% compared to the first half of 2016. The decrease in profit of the Group was mainly attributable to the fact that the Group had RMB500 million of government subsidies in the corresponding period of last year and eliminating the factor of subsidy, the profit before tax for the first half of 2017 increased by 11.3% compared to the first half of 2016.

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 RMB0.41 for the first half of 2017.

Total Revenue

The total revenue of the Group in the first half of 2017 amounted to RMB3,123.5 million, representing an increase of RMB389.9 million or 14.3% from RMB2,733.6 million in the first half of 2016. Such increase in total revenue was mainly attributable to the growth in the business volume of the Group. The increase in total revenue is reflected as follows:

- Aviation Information Technology service revenue represented 60.8% of the Group's total revenue in the first half of 2017, as compared to 61.8% in the first half of 2016. AIT service revenue increased by 12.5% to RMB1,900.1 million in the first half of 2017 from RMB1,688.6 million in the first half of 2016. The main sources of the revenue were Inventory Control System ("**ICS**") service, Computer Reservation System ("**CRS**") service and Airport Passenger Processing ("**APP**") service, as well as other extended information technology services related to the above core businesses provided by the Group to commercial airlines. The increase of revenue resulted primarily from the growth in the number of air travellers.

- Accounting, settlement and clearing services revenue accounted for 8.7% of the Group's total revenue in the first half of 2017, as compared to 9.0% for the first half of 2016. Accounting, settlement and clearing services revenue increased by 10.5% to RMB272.2 million in the first half of 2017 from RMB246.2 million for the first half of 2016. The main source of the revenue was accounting, settlement and clearing services provided by the Group to third parties including commercial airlines, airports, agencies and government bodies. The increase of revenue resulted primarily from the increase in business volume of accounting, settlement and clearing services.

- System integration service revenue accounted for 7.4% of the Group's total revenue in the first half of 2017, as compared to 7.6% for the first half of 2016. System integration service revenue increased by 11.0% to RMB230.7 million in the first half of 2017 from RMB207.8 million for the first half of 2016. The main source of the revenue was the hardware integration, software integration and data and information integration services provided by the Group to airports, commercial airlines and other corporate clients. The increase of revenue was primarily due to the increase in the number of contracted projects.

- Data network revenue and other revenue accounted for 23.1% of the Group's total revenue in the first half of 2017, as compared to 21.6% for the first half of 2016. Data network revenue and other revenue increased by 21.9% to RMB720.5 million in the first half of 2017 from RMB591.0 million for the first half of 2016. The main sources of the revenue were distribution information technology service provided to agencies, travel distribution service provided to travel product providers like hotels and air freight logistics information technology service provided to commercial airlines, airports and cargo shippers, as well as airport information technology service and other business etc. provided by the Group. The increase of revenue resulted primarily from the increase in revenue from other information technology services.

Operating expenses

Total operating expenses for the first half of 2017 amounted to RMB1,750.2 million, representing an increase of RMB198.9 million or 12.8%, as compared to RMB1,551.3 million for the first half of 2016. The changes in operating expenses are also reflected as follows:

- Depreciation and amortization increased by 11.1%, mainly due to the increase of the Group's equipment resulting in an increase in depreciation;

- Operating lease payments decreased by 8.2%, mainly due to the reduction of the Group's leased office area;

- Technical support and maintenance fees increased by 45.3%, mainly due to the intensifying research and development efforts of the Group in new products and new technology;

- Commission and promotion expenses increased by 10.3%, mainly due to the business development and increase of system usage of the Group; and

- Cost of software and hardware sold increased by 63.3%, primarily due to the increase in newly-signed system integration projects of the Group.

Corporate income tax

For details, please see Note 4 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 decreased by RMB300.0 million or 20.1% to RMB1,189.9 million in the first half of 2017 from RMB1,489.9 million in the first half of 2016.

Liquidity and capital structure

The Group's working capital for the first half of 2017 mainly came from operating activities. Net cash inflow from operating activities amounted to RMB2,157.4 million. The Group had not used any financial instruments for hedging purposes. As at June 30, 2017, cash and cash equivalents of the Group amounted to RMB3,685.4 million, of which 90.4%, 8.2% and 0.5% were denominated in Renminbi, US dollar and Hong Kong dollar, respectively.

Charge on assets

As at June 30, 2017, the Group had no charge on its assets.

Restricted bank deposits

As at June 30, 2017, restricted bank deposits in the amount of RMB68.0 million (December 31, 2016: RMB468.4 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.

Capital expenditure

The total capital expenditure of the Group amounted to RMB350.2 million for the first half of 2017, representing an increase of RMB127.9 million as compared to that of RMB222.3 million for the first half of 2016. The capital expenditure of the Group for the first half of 2017 consisted principally of purchase of hardware and software and construction of infrastructure in accordance with the Group's development strategies.

The Board estimates that the Group's planned total capital expenditure for the year 2017 will amount to approximately RMB2,205.0 million, which is mainly for construction of the new operating centre in Beijing, development of the new generation of aviation passenger service information system and promotion of other new businesses. In particular, the expenditure to be incurred for the new operating centre in Beijing is estimated to be approximately RMB1.14 billion for 2017. 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 2017 will be sufficient for its capital expenditure commitments, daily operations and other purposes.

Main investments

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

  On May 20, 2016, the Company entered into the share subscription agreements in relation to the establishment of two joint ventures, namely China Merchants RenHe Life Insurance Company Limited (招商局仁和人壽保險股份有限公司) ("**CMRH Life**") and China Merchants RenHe Property and Casualty Insurance Company Limited (招商局仁和財產保險股份有限公司) ("**CMRH P&C**"), respectively. The registered capital of each of CMRH Life and CMRH P&C shall be RMB5 billion, respectively, which will be contributed by the shareholders of each of the two joint ventures in cash. The Company will make capital contribution of RMB875 million to each of CMRH Life and CMRH P&C respectively, and will hold 17.5% equity interest in both CMRH Life and CMRH P&C after the completion of the transaction. The formation of such joint ventures is conditional upon obtaining the approval from regulatory authorities and other applicable approval procedures. As at June 30, 2017, the application of preparation of CMRH P&C was under process. The approval for business operation of CMRH Life was obtained from regulatory authorities, while the industry and commerce registration was completed on July 4, 2017. The capital contribution made by the Company amounted to RMB875 million.

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, 2017, the gearing ratio of the Group was 24.1% (as at December 31, 2016: 21.9%), which was computed by dividing the total liabilities by the total assets of the Group as at June 30, 2017.

Contingent liabilities

As at June 30, 2017, the Group had no material contingent liabilities.

Trust deposits and irrecoverable overdue time deposits

As at June 30, 2017, the Group did not have any trust deposits and irrecoverable overdue time deposits. All cash deposits held by the Group are deposited with commercial banks and in accordance with applicable laws and regulations.

Employees

As at June 30, 2017, the total number of employees of the Group was 7,286. Staff costs amounted to approximately RMB589.3 million for the first half of 2017, representing approximately 33.7% of the total operating expenses of the Group for the first half of 2017.

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

Currently, none of the non-executive directors of the Company receive any remuneration. Nevertheless, any reasonable fees and expenses incurred by the non-executive directors during their tenure of service will be borne and indemnified by the Company. Independent non-executive directors of the Company receive director's fees and allowances, which are determined by reference to the requirements of the regulatory authorities, prevailing market price, their duties and personal qualifications and experiences, and any reasonable fees and expenses incurred by the independent non-executive directors during their tenure of service will be borne and indemnified by the Company. All directors of the Company (the "**Director(s)**") are entitled to liability insurance purchased by the Company for the Directors.

The Group also provides its employees with opportunities to acquire skills in areas such as the aviation and travel industry, computer information technologies and business administration, and provides training on the latest development in areas such as computer information technologies, personal qualities, laws, regulations and economics.

PROSPECTS FOR THE SECOND HALF OF 2017

In the second half of 2017, the Group will uphold the goal of "becoming one of the world's first-class comprehensive information service enterprises", strengthening its core businesses, developing new businesses, raising its capabilities and strengthening areas of weakness through pursuing its strategies and carrying out reforms. We will ensure that the relocation and operation of Beijing Shunyi New Operating Centre proceed smoothly, continually enhancing its support capabilities of operational safety and information security.

INTERIM DIVIDEND

The Board recommends the Company not to pay an interim dividend for the first half of 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

In the first half of 2017, the Group had not purchased, sold or redeemed any securities of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has discussed and reviewed with the Company's management the unaudited interim results of the Group for the six months ended June 30, 2017, 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 2017. For the six months ended June 30, 2017, 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, 2017.

By order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

Beijing, PRC
August 25, 2017

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

Executive Directors:	*Mr. Cui Zhixiong (Chairman) and Mr. Xiao Yinhong;*
Non-executive Directors:	*Mr. Cao Jianxiong, Mr. Li Yangmin and Mr. Yuan Xin'an;*
Independent non-executive Directors:	*Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.*