中国航信 TravelSky

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
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE TRANSACTIONS UNDER THE SERVICE AGREEMENT WITH TRAVELSKY MOBILE TECH

Reference is made to the announcement of the Company dated 29 June 2020, in relation to (among other things) the Service Agreement between the Company and TravelSky Mobile Tech for a term commencing from 1 August 2016 to 31 July 2021.

The Board agreed that, upon the expiry of the existing term on 31 July 2021, the term of the transactions under the Service Agreement will be extended for two years, which is from 1 August 2021 to 31 July 2023.

As at the date of this announcement, TravelSky Mobile Tech is a 30%-controlled company of CTHCL, the substantial Shareholder of the Company. TravelSky Mobile Tech is therefore a connected person of the Company pursuant to the Listing Rules. As such, the transactions under the Service Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio calculated with reference to the proposed annual caps under the Service Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Service Agreement and the proposed annual caps are subject to the announcement and annual review requirements but exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

I BACKGROUND

Reference is made to the announcement of the Company dated 29 June 2020, in relation to (among other things) the Service Agreement between the Company and TravelSky Mobile Tech for a term commencing from 1 August 2016 to 31 July 2021.

The Board agreed that, upon the expiry of the existing term on 31 July 2021, the term of the transactions under the Service Agreement will be extended for two years, which is from 1 August 2021 to 31 July 2023.

II SERVICE AGREEMENT

Date:	29 July 2021
Parties:	(1) the Company (as the service provider); and
	(2) TravelSky Mobile Tech (as the service recipient)
Term:	A total of two (2) years commencing from 1 August 2021 to 31 July 2023
Scope of services:	The Company continuously provides cloud services and computer system services to TravelSky Mobile Tech, mainly including, the provision of cloud computing infrastructure services (including but not limited to the lease of related servers, provision of storage services and ancillary database, backup and disaster recovery, computer room and operation and maintenance services), and services relating to advanced interactive executive for engines in cloud industry, etc.
Service fees:	Service fees are as follows:

The pricing of the aforementioned provision of services is determined through arm's length negotiation between the Company and TravelSky Mobile Tech with reference to the costs relating to the specific services and the processing volume and complexity of such services, and after taking into account the market conditions from time to time. Based on the market price and the actual costing data, the Company will update the quotation for relevant services every six months. Among which: in respect of cloud computing infrastructure services, the pricing relating to the lease of related servers depends on the calculation performance (such as the kernels and memories) and operation and maintenance level of specific servers (the more advanced the calculation performance and operation and maintenance level involved, the higher the cost), and the unit price ranges from RMB1,234.09 per year (inclusive of tax) to RMB11,842.03 per year (inclusive of tax); the pricing of the storage services depends on the storage capacity and storage performance (the more advanced the storage capacity and storage performance involved, the higher the cost), and the unit price ranges from RMB2.41 per year (inclusive of tax) to RMB123.66 per year (inclusive of tax); the miscellaneous fees will be charged for other ancillary services in accordance with the pricing principles mentioned above; and the unit price of advanced interactive executive for engines in the cloud industry is not more than RMB2.15 (inclusive of tax), among which, relevant services shall be tiered pricing (i.e. the higher the transaction volume, the lower the unit price, if applicable).

According to the Service Agreement, TravelSky Mobile Tech shall pay an annual minimum service fee of no less than RMB40 million in aggregate to the Company in respect of the aforementioned services. If less than a year, aforementioned minimum service fee shall be calculated based on the days of actual provision of services. If the actual service fee payable exceeds aforementioned minimum service fee, it shall pay in accordance with the actual service fee. The calculation method of minimum service fee is determined through arm's length negotiation between the Company and TravelSky Mobile Tech with reference to the unit price of the aforementioned services, the historical transaction volume and the future business demand. The Company is of the view that the pricing method of aforementioned services and the setting of relevant minimum service fee are fair and reasonable so far as the Company is concerned.

Payment: The service fees of the aforementioned services shall generally be calculated on an interim or monthly basis and settled to the Company's designated bank accounts.

III INTERNAL CONTROL AND MECHANISM TO REGULATE THE TRANSACTIONS

To ensure that the transactions are carried out in accordance with relevant regulatory guidelines and terms as disclosed herein and those agreed in the Service Agreement, the Company has in place the following internal control procedures and mechanism:

Such services under the Service Agreement are provided and carried out through the Company's large scale computerized automated system with pre-set technology parameters based on the pricing terms as agreed under the Service Agreement. Such parameters mainly include, if applicable, the costs of such services, the business processing volume and unit price. Changes of such pre-set technology specifications can only be made after receiving joint approvals from various internal departments of the Company, such as the business sales department, the market management department and the finance department, thus to ensure that the terms of the transactions under the Service Agreement are adherent and strictly followed.

Further, the auditor of the Company will conduct annual review of the transactions under the Service Agreement to confirm that, among other things, such transactions are in accordance with the pricing policies of the Company and have been entered into in accordance with the relevant agreement governing the transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor will also carry out annual system auditing on the Company's computerized automated system to, among other things, verify the system's reliability and stability, and evaluate the internal control procedures for the authorization of making changes to the system parameters and programme.

As such, the Company is of the view that it possesses adequate mechanism, internal control procedures and external supervision in place to ensure the terms of the transactions are adherent and strictly followed in accordance with relevant regulatory guidelines and the Service Agreement.

IV HISTORICAL TRANSACTION RECORDS

Set out below is a summary of the historical transactions amounts between the Company and TravelSky Mobile Tech under the Service Agreement from 22 September 2020 (i.e. the completion date of the Capital Increase) to 31 December 2020 and the five months ended 31 May 2021:

	From 22 September 2020 to 31 December 2020 *(RMB)*	**For the five months ended 31 May 2021** *(RMB)*
Service fees	13,219,250	21,669,801

Note: The historical transaction figure from 22 September 2020 to 31 December 2020 is the audited figure of the Group and the historical transaction figure for the five months ended 31 May 2021 is internal management account figure of the Group. The reason for the low historical transaction amounts is mainly due to the impact from the COVID-19 epidemic since early 2020. The PRC civil aviation industry is expected to recover and the gross passenger transportation volume is expected to increase after the COVID-19 epidemic is kept under control.

V PROPOSED ANNUAL CAPS AND BASIS FOR THE PROPOSED ANNUAL CAPS

(1) Proposed Annual Caps

	For the year ending 31 December		**For the seven months ending 31 July**
	2021	**2022**	**2023**
	(RMB)	*(RMB)*	*(RMB)*
Service fees	66,000,000	79,200,000	55,440,000

(2) Basis of the Proposed Annual Caps

The proposed annual caps for the transactions under the Service Agreement for the two years ending 31 December 2022 and the seven months ending 31 July 2023 are determined with reference to: (i) the historical transaction amounts; (ii) the promising aviation market in China and the estimated increase in demand of the civil aviation transportation market as influenced by various factors such as the “One Belt and One Road” strategy; and (iii) in the first half of 2021, China's national economic recovery trend is generally good, strongly supporting the recovery of the civil aviation industry, and the air passenger transportation steadily recovered. In the future, as the recovery of the national economy continues to be stable and good, the basis for the recovery and development of China's civil aviation industry will be further strengthened, and the gross air passenger transportation volume in China is expected to increase after the COVID-19 epidemic is kept under control.

VI REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group will receive service fees for provision of cloud services and computer system services to TravelSky Mobile Tech and thus the transactions contemplated under the Service Agreement will increase the total revenue of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Service Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VII IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, TravelSky Mobile Tech is a 30%-controlled company of CTHCL, the substantial Shareholder of the Company. TravelSky Mobile Tech is therefore a connected person of the Company pursuant to the Listing Rules. As such, the transactions under the Service Agreement constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio calculated with reference to the proposed annual caps under the Service Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Service Agreement and the proposed annual caps are subject to the announcement and annual review requirements but exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

Mr. Cui Zhixiong and Mr. Xiao Yinhong (executive Directors of the Company who also hold positions in CTHCL), Mr. Xi Sheng (non-executive Director of the Company who also holds position in CEA Holding and Eastern Airlines) and Mr. Luo Laijun (non-executive Director of the Company who also holds position in Southern Air Holding), have abstained from voting on the Board meeting for approving the transactions under the Service Agreement. Save as stated above, none of the Directors has a material interest in the transactions under the Service Agreement and none of them has abstained from voting on the relevant Board resolution.

VIII GENERAL INFORMATION

Information on the Group

The Group is principally engaged in the provision of aviation information technology services in the PRC as well as the provision of settlement and clearing services and information system development and support services to domestic and worldwide airline companies.

Information on TravelSky Mobile Tech

TravelSky Mobile Tech is a limited liability company incorporated in the PRC, and takes "Umetrip (航旅縱橫)" Application as its main product and provides mobile internet civil aviation information services, information technology services, software development, sale of computer software and hardware and so on. As at the date of this announcement, TravelSky Mobile Tech is held as to 31.61% by the Company, 8.39% by Yicheng Technology, 12% by Southern Airlines Capital, 12% by Eastern Airlines Investment, 12% by Air Traffic Investment Company and 24% by TravelSky Capital, respectively.

Information on Yicheng Technology

Yicheng Technology is an employees' shareholding platform of TravelSky Mobile Tech invested by the key and core employees of TravelSky Mobile Tech and established for the purpose of employees' incentive project of TravelSky Mobile Tech. As at the date of the announcement, Mr. Bo Manhui, a Chinese citizen, the director and general manager of TravelSky Mobile Tech and the sole general partner of Yicheng Technology, serves as the executive partner of Yicheng Technology. The limited partnership interest of Yicheng Technology is ultimate beneficially owned by 17 Chinese citizens, all of whom are employees of TravelSky Mobile Tech with no control on the investments of Yicheng Technology. The scope of business of Yicheng Technology includes technology consulting, technology services and corporate management.

Information on Southern Airlines Capital

Southern Airlines Capital is a wholly-owned subsidiary of Southern Air Holding as at the date of this announcement and is principally engaged in equity investment, investment management services, investment consulting services and project investment.

Southern Air Holding is a state-owned enterprise established in the PRC. As at the date of this announcement, it holds approximately 9.18% of the total issued share capital of the Company. The principal business activities of Southern Air Holding are (i) operating China Southern Airlines Company Limited and its subsidiaries and other enterprises which China Southern Airlines Company Limited and its subsidiaries invested in and which constitutes wholly state-owned assets and state-owned equity formed through the state's investments; and (ii) engaging in operations in air transportation, as well as other relevant industries including civil aviation passenger and cargo agency, import and export trading, financing, construction and development and media and advertising through Southern Air Holding's subsidiaries.

Information on Eastern Airlines Investment

Eastern Airlines Investment is a wholly-owned subsidiary of CEA Holding as at the date of this announcement and is principally engaged in industry investment, assets management, asset entrustment management, research and development and innovation of investment and financing business, commission and entrustment investment, investment consultancy and enterprise management service.

CEA Holding is a wholly state-owned enterprise in the PRC. As at the date of this announcement, it holds approximately 7.24% of the total issued share capital of the Company. It is principally engaged in the management of the state-owned assets and state-owned equity interests resulting from investments of the state in CEA Holding and its invested entities.

Information on Air Traffic Investment Company

Air Traffic Investment Company is ultimate beneficially owned by Civil Aviation Administration of China Air Traffic Management Bureau* (中國民用航空局空中交通管理局) and acts as the investor on its behalf. And it is responsible for the operation and management, resources integration, assets reorganization, operation evaluation and other matters of the enterprises invested and controlled by civil aviation air traffic system.

Information on TravelSky Capital

TravelSky Capital is a wholly-owned subsidiary of CTHCL as at the date of the announcement and is principally engaged in equity investment, investment management, asset management and investment consulting business.

Information on CTHCL

CTHCL is a wholly PRC state-owned enterprise. As at the date of this announcement, it is a substantial Shareholder of the Company and holds approximately 29.29% of the total issued share capital of the Company. It is principally engaged in the management of the state-owned assets and state-owned equity interests resulting from investments of the state in the group companies and its invested entities.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, each of Yicheng Technology, Southern Airlines Capital, Eastern Airlines Investment and Air Traffic Investment Company and their ultimate beneficial owners is an independent third party of the Company and its connected persons.

IX DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

"30%-controlled company"	has the same meaning as ascribed to it under the Listing Rules
"Air Traffic Investment Company"	Air Traffic Management Investment Corporation* (民航空管投資管理有限公司), a limited liability company incorporated under the laws of the PRC
"Board"	the board of Directors
"Capital Increase"	the capital increase to TravelSky Mobile Tech made by Southern Airlines Capital, Eastern Airlines Investment, Air Traffic Investment Company, TravelSky Capital and Yicheng Technology, the details of which is disclosed in the announcement of the Company dated 12 June 2020
"CEA Holding"	China Eastern Airlines Corporation Limited* (中國東方航空集團有限公司), a limited liability company incorporated under the laws of the PRC
"Company"	TravelSky Technology Limited, a company incorporated under the laws of the PRC whose H shares are listed on the Main Board of the Stock Exchange and whose American depositary shares are traded on the over-the-counter market in the United States of America
"connected person(s)"	has the same meaning as ascribed to it under the Listing Rules
"CTHCL"	China TravelSky Holding Company Limited* (中國民航信息集團有限公司), a substantial Shareholder of the Company as at the date of this announcement
"Director(s)"	the director(s) of the Company
"Eastern Airlines"	China Eastern Airlines Corporation Limited* (中國東方航空股份有限公司), a limited liability company incorporated under the laws of the PRC
"Eastern Airlines Investment"	Eastern Airlines Industry Investment Company Limited* (東方航空產業投資有限公司), a limited liability company incorporated under the laws of the PRC

"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Service Agreement"	the service agreement entered into between the Company and TravelSky Mobile Tech on 8 October 2016 and renewed for two years on 30 July 2021 to 31 July 2023 in relation to the provision of cloud services and computer system services by the Company to TravelSky Mobile Tech (as supplemented by the supplemental agreement dated 26 May 2020)
"Shareholder(s)"	the shareholder(s) of the Company
"Southern Air Holding"	China Southern Air Holding Limited Company (中國南方航空集團有限公司), a limited liability company incorporated under the laws of the PRC
"Southern Airlines Capital	China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司), a limited liability company incorporated under the laws of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning as ascribed to it under the Listing Rules
"TravelSky Capital"	TravelSky Capital Management Limited* (中航信啟航資本管理有限公司), a limited liability company incorporated under the laws of the PRC
"TravelSky Mobile Tech"	TravelSky Mobile Technology Limited* (中航信移動科技有限公司), a limited liability company incorporated under the laws of the PRC
"Yicheng Technology"	Tianjin Yicheng Technology Partnership (Limited Partnership)* (天津易程科技合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC

"%"	per cent

By order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

Beijing, the PRC
29 July 2021

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

Executive Directors:	*Mr. Cui Zhixiong (Chairman) and Mr. Xiao Yinhong;*
Non-executive Directors:	*Mr. Zhao Xiaohang, Mr. Xi Sheng and Mr. Luo Laijun;*
Independent non-executive Directors:	*Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.*