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If you have sold or transferred all your shares in TravelSky Technology Limited, you should at once hand this circular together with the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

**CONTINUING CONNECTED TRANSACTIONS:
EASTERN AIRLINES TRANSACTIONS AND WAIVER IN RELATION TO
EASTERN AIRLINES TRANSACTIONS
AND
NOTICE OF EGM**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee is set out on page 18 of this circular. A letter from VBG Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 34 of this circular.

A notice convening the EGM to be held at the conference room of Headquarters Building, TravelSky High-tech Industrial Park, Shunyi District, Beijing, the PRC at 9:30 a.m. on Wednesday, 18 November 2020, is set out on pages 42 to 43 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the liaison office of the Company in Beijing at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending in person, and voting at, the EGM or any adjournment thereof if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the liaison office of the Company in Beijing, on or before Wednesday, 28 October 2020.

24 September 2020

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CAAC”	Civil Aviation Administration of China* (中國民用航空局), the administrative authority in the civil aviation industry in 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
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Eastern Airlines”	China Eastern Airlines Corporation Limited* (中國東方航空股份有限公司), a subsidiary of Eastern Holding as at the Latest Practicable Date, and reference to Eastern Airlines in this circular shall exclude its subsidiaries and associates unless the context otherwise requires
“Eastern Airlines Group”	Eastern Airlines and its subsidiaries, exclude its associates
“Eastern Airlines Services Agreement”	the written agreement dated 16 May 2018 entered into between the Company and Eastern Airlines in respect of the Eastern Airlines Transactions for a term of two years from 1 January 2017 to 31 December 2018

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“Eastern Airlines Transactions”	the continuing connected transactions between the Company and Eastern Airlines in relation to the provision of the technology services by the Company to the Eastern Airlines Group as set out in this circular
“Eastern Holding”	China Eastern Air Holding Company Limited* (中國東方航空集團有限公司), a substantial Shareholder of the Company as at the Latest Practicable Date
“Eastern Renewal Agreement”	the renewal written agreement in respect of the Eastern Airlines Transactions for the years from 2021 to 2023
“EGM”	the extraordinary general meeting of the Company to be convened at 9:30 a.m. on Wednesday, 18 November 2020, and the notice of which is set out in this circular
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and are traded in Hong Kong dollars (Stock Code: 00696)
“H Shareholder(s)”	holder(s) of H Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“Independent Board Committee”	the independent board committee of the Company formed by the Company to advise the Independent Shareholders in respect of the Eastern Airlines Transactions and the Proposed Annual Caps as set out in this circular
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Eastern Airlines Transactions and the Proposed Annual Caps, and a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

DEFINITIONS

“Independent Shareholders”	the shareholders of the Company who are not required to abstain from voting in respect of the Eastern Airlines Transactions and the Proposed Annual Caps at the EGM
“Latest Practicable Date”	18 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Waiver”	the previous waiver from strict compliance with the requirement of having written agreements under Rules 14A.34 and 14A.51 of the Listing Rules granted by the Stock Exchange in October 2017 in relation to, among others, the provision of technology services by the Company to Eastern Airlines and its subsidiaries for a term of three years from 1 January 2018 to 31 December 2020
“Proposed Annual Cap(s)”	the proposed maximum aggregate annual amount(s) of the Eastern Airlines Transactions for each of the three years ending 31 December 2023, as set out in section 2.4 headed “Proposed Annual Caps and Basis for the Proposed Annual Caps” in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	H Shares and Domestic Shares
“Shareholder(s)”	H Shareholder(s) and Domestic Shareholder(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules

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“Waiver” a waiver from strict compliance with the requirement of having written agreements under Rules 14A.34 and 14A.51 of the Listing Rules with respect to the Eastern Airlines Transactions. Such waiver is for a three-year term from 1 January 2021 to 31 December 2023

“%” per cent

For the purpose of this circular, unless otherwise indicated, the exchange rate at RMB1 = HK\$1.10 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged.

** For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Cui Zhixiong (*Chairman*)

Mr. Xiao Yinhong

Non-executive Directors:

Mr. Zhao Xiaohang

Mr. Xi Sheng

Mr. Luo Laijun

Independent non-executive Directors:

Mr. Cao Shiqing

Dr. Ngai Wai Fung

Mr. Liu Xiangqun

Registered office in the PRC:

7 Yu Min Da Street,

Houshayu Town,

Shunyi District,

Beijing 101308,

the PRC

Principal place of business in

Hong Kong:

Room 3606, 36/F.,

China Resources Building

26 Harbour Road,

Wan Chai,

Hong Kong

24 September 2020

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS:
EASTERN AIRLINES TRANSACTIONS AND WAIVER IN RELATION TO
EASTERN AIRLINES TRANSACTIONS
AND
NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the Company's announcement dated 11 September 2020 in relation to the Eastern Airlines Transactions and the Waiver. The Stock Exchange has granted the Waiver from strict compliance with the requirement of having written agreements under Rules 14A.34 and 14A.51 of the Listing Rules with respect to the renewal of the Eastern Airlines Transactions for a three-year term from 1 January 2021 to 31 December 2023. The Company proposes to seek a general mandate with a three-year term ending 31 December 2023 from the Independent Shareholders to carry out the Eastern Airlines Transactions under the Waiver. In the event that the terms of the Eastern Renewal Agreement to be subsequently entered into between the Group and the Eastern Airlines

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Group are materially different from those being approved by the Independent Shareholders, the Company will re-comply with the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purposes of this circular are to provide you with, among other things, (i) further details of the Eastern Airlines Transactions; (ii) a letter from VBG Capital containing its advice to the Independent Board Committee and the Independent Shareholders on the Eastern Airlines Transactions and the Proposed Annual Caps; and (iii) the recommendation of the Independent Board Committee regarding the Eastern Airlines Transactions and the Proposed Annual Caps to the Independent Shareholders.

2. EASTERN AIRLINES TRANSACTIONS

2.1 Background and Reasons for Application for the Waiver

References are made to the announcement of the Company dated 8 November 2017 and the circular of the Company dated 13 December 2017 in relation to, among other things, the Eastern Airlines Transactions and the Previous Waiver. The latest agreement entered into between the Company and Eastern Airlines in relation to the Eastern Airlines Transactions was for a term of two years from 1 January 2017 to 31 December 2018 and there is no signed written agreement governing the ongoing Eastern Airlines Transactions at the current stage. The Previous Waiver will expire on 31 December 2020. The Company will continue such Eastern Airlines Transactions after such date. However, the Company expects that the Eastern Renewal Agreement between the Group and the Eastern Airlines Group may not be entered into on or before 31 December 2020.

The Group has been playing a strategic and critical role in the proper functioning of civil aviation in the PRC for quite a long time and the services provided by the Group are akin to public services. It has provided public service covenants with CAAC to provide stable, reliable and zero-interruption booking services for the PRC airline industry. It is in no position to stop or even partially cease providing its services to the commercial airlines simply for the absence of written agreements with them, as any such interruption would bring insufferable inconvenience and financial loss to all market participants including related industries such as tourism and hospitality sectors, which in turn will constitute a breach of its public services covenants with CAAC.

The Group has been actively procuring the renewal of Eastern Airlines Services Agreement with the Eastern Airlines Group for the years from 2019 to 2020 since November 2018. Since the outbreak of the Novel Coronavirus ("COVID-19") epidemic in early 2020, the government has imposed several restrictions on travelling and gathering, thus the negotiation between the Company and the Eastern Airlines has been interrupted and delayed to certain degree. Despite the ongoing epidemic and recent requirements for prevention and control of its spread, the Company has also taken the initiative to negotiate with Eastern Airlines about further renewal of the

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Eastern Airlines Transactions for the years from 2021 to 2023 since June 2020. At current stage, the Company has initiated several rounds of discussions at the working level with the Eastern Airlines to go through relevant technical issues in relation to the renewal of the Eastern Airlines Services Agreement. The Eastern Airlines, as a large scaled airline enterprise, has adopted relatively prudent and stringent internal procedures for the signing of agreements. The negotiation and internal procedures of Eastern Airlines as mentioned above may also create genuine practical difficulties in the Company's attempt to enter into the Eastern Renewal Agreement by the end of 2020 in compliance with Rules 14A.34 and 14A.51 of the Listing Rules.

Taking into account the negotiation and internal procedures of Eastern Airlines as mentioned above, in view of the uncertainty of the requirements regarding prevention and control stipulated by governmental departments due to the COVID-19 epidemic, the Company reasonably expects that additional time is required to enter into the Eastern Renewal Agreement.

In view of the foregoing, the Company has applied to the Stock Exchange for and the Stock Exchange has granted the Waiver from strict compliance with the requirements of having written agreements under Rules 14A.34 and 14A.51 of the Listing Rules with respect to the renewal of the Eastern Airlines Transactions. The Waiver is for a three-year period from 1 January 2021 to 31 December 2023. Pursuant to the Waiver, the Company shall publish an announcement in relation to the Waiver. In the event that the terms of the Eastern Renewal Agreement to be subsequently entered into with Eastern Airlines are materially different from those being approved by the Independent Shareholders, the Company will re-comply with the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2.2 Continuing Connected Transactions under the Waiver

A Details of the Eastern Airlines Transactions under the Waiver

Parties:	<i>Service provider:</i> The Group (excluding Accounting Centre of China Aviation Limited Company* (中國航空結算有限責任公司)) <i>Service recipient:</i> The Eastern Airlines Group
Terms:	1 January 2021 to 31 December 2023
Services:	The scope of technology services consists of the following:

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- (i) flight control system services which include, among others, the provision of consolidated information, flight information, flight control, flight tickets sales, automatic tickets sales and announcement of freight price, and relevant products (if applicable);
- (ii) computer distribution system services which include, among others, the provision of flight information display, real-time flight reservation, automatic tickets sale, tickets price display and other travel-related services, and relevant products (if applicable);
- (iii) airport passenger processing system services which include, among others, the provision of check-in, departure control and load planning services, and relevant products (if applicable); and
- (iv) civil aviation and commercial data network services which include, among others, the provision of network transmission services and connection services, and relevant products (if applicable).

Service fees: The fees for the technology services are as follows:

- (i) the “flight control system services” as mentioned in (i) under the sub-section “Services” and the “computer distribution system services” as mentioned in (ii) under the sub-section “Services” above are generally referred to as the “airlines passenger booking system services”. The pricing of such airlines passenger booking system services is subject to the maximum guidance prices prescribed by CAAC, being the progressive per segment booking fee ranging from RMB4.5 to RMB6.5 for domestic flights and RMB6.5 to RMB7 for international and regional flights (depending on the monthly booking volume).

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The Company has a tiered pricing mechanism in place for the provision of the flight control system services by the Group, which is universally applicable to all airlines companies (including Eastern Airlines). The tiered pricing mechanism is linked to the processing volume. The more processing volume purchased by an airlines company, the lower unit price that it will enjoy. The highest unit price under such tiered pricing mechanism does not exceed the maximum amount prescribed by CAAC. As such, even the processing volume of such services provided by the Group to the airlines group is very small, the highest unit price applies which is not more than the maximum amount prescribed by CAAC. The Company strictly follows such tiered pricing mechanism when charging relevant services fees with the airlines companies. For the avoidance of doubt, the tiered pricing mechanism is independently determined by the Company and no individual airlines company has influence over such pricing mechanism;

- (ii) the pricing of the “airport passenger processing system services” as mentioned in (iii) under the sub-section “Services” above is also subject to the maximum guidance prices prescribed by CAAC, being (a) RMB7 per segment for international and regional flights and RMB4 per segment for domestic flights; and (b) RMB500 per aircraft for load planning services. The Company may also determine the actual prices for airport passenger processing system services through arm’s-length negotiation with Eastern Airlines, having taken into account a number of factors such as types of the flights, transportation volume, level of services and size of the aircraft, and in any event the prices shall not exceed the above maximum guidance prices prescribed by CAAC;

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- (iii) for the services as mentioned in (i), (ii) and (iii) under the sub-section "Services" above, the maximum fee shall not be more than RMB9.9 per segment when charged on an aggregate basis. The actual aggregate service fees charged will be subject to tiered pricing which is linked to the total processing volume of Eastern Airlines per month (i.e. the more the processing volume per month, the lower the unit price charged by the Company);
- (iv) the pricing of physical identified device ("PID") connection and maintenance services under the "civil aviation and commercial data network services" as mentioned in (iv) under the sub-section "Services" above is determined with reference to the guidance price prescribed by CAAC of RMB200 per PID per month; and
- (v) the pricing of the provision of relevant products associated with the technical services and other types of services under the aforementioned type (iv) the "civil aviation and commercial data network services" (other than PID connection and maintenance services) as mentioned in (iv) under the sub-section "Services" above is not governed by the guidelines of CAAC or the framework of any other PRC airlines regulatory body. The pricing policies of such services or products will be mutually negotiated by both parties, and are mainly determined by the Company after taking into account two factors: (a) the costs of provision of such products or services; and (b) the processing volume and complexity of such products or services.

The service fees shall be calculated on a monthly basis and shall be paid on a quarterly basis.

The Directors are of the view that the basis of determination of the service fees mentioned above is fair and reasonable.

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B Internal Control and Mechanism to Regulate the Eastern Airlines Transactions

The latest agreement entered into between the Company and Eastern Airlines in relation to the Eastern Airlines Transactions was for a term of two years from 1 January 2017 to 31 December 2018 and there is no signed written agreement governing the ongoing Eastern Airlines Transactions at the current stage. The Eastern Airlines Transactions have been and will be carried out in accordance with relevant regulatory guidelines and terms (including but not limited to the pricing terms) as disclosed in the circular of the Company dated 13 December 2017 as well as in this circular, or, will be carried out in accordance with those to be agreed in the Eastern Renewal Agreement (if entered into). To ensure such compliance, the Company has in place the following internal control procedures and mechanism:

- (1) for the aforementioned type (i), (ii), (iii) and (iv) services under the Eastern Airlines Transactions, they are provided and carried out through the Company's large scale computerized automated system with pre-set technology parameters and pricing policies as agreed under the Eastern Renewal Agreement, or, if the Eastern Renewal Agreement has not yet been entered into, the terms as disclosed herein. According to the internal regulations in relation to the pricing of products, external system services and technical services issued by the Company in April 2018 (the "**Regulations**") to regulate pricing policies, the changes of such pre-set technology specifications and pricing terms can only be made after receiving joint approvals from various internal departments of the Company, which include the aviation business sales department, the market management department and the finance department, thus to ensure that the terms of the Eastern Airlines Transactions are adherent and strictly followed; and
- (2) for other types of services under the aforementioned type (iv) civil aviation and commercial data network services (other than PID connection and maintenance services) and relevant products provided associated with the technical services under the Eastern Airlines Transactions where separate service agreements may be entered into, the entering into of such individual agreements will be scrutinized by a number of internal departments of the Company in accordance with the Regulations, which include the aviation business sales department, the market management department and the finance department, to ensure that the terms of such agreements will be in compliance with relevant regulatory guidelines, where applicable, and will not deviate from the terms of the Eastern Renewal Agreement, or, if the Eastern Renewal Agreement has not yet been entered into, the terms as disclosed

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herein. And such pricings are not more favourable than those applied by the Company to independent third parties in respect of transactions of similar kind under same conditions.

Further, the auditors of the Company will conduct annual review of the Eastern Airlines Transactions 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 agreements (if have been entered into) governing the transactions in accordance with Rule 14A.56 of the Listing Rules. The auditors 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 provision of the Eastern Airlines Transactions are adherent and strictly followed in accordance with relevant regulatory guidelines and the Eastern Renewal Agreement, or, if the Eastern Renewal Agreement has not yet been entered into, the terms as disclosed herein.

2.3 Historical Transaction Records

Set out below is a summary of the aggregated amounts of the Eastern Airlines Transactions for the three years ended 31 December 2019 and the six months ended 30 June 2020:

Years ended 31 December			Six months ended 30
2017	2018	2019	June
(RMB)	(RMB)	(RMB)	2020
(thousand)	(thousand)	(thousand)	(thousand)
			(unaudited)
749,254	766,681	809,172	176,767
(equivalent to	(equivalent to	(equivalent to	(equivalent to
approximately	approximately	approximately	approximately
HK\$824,179.4	HK\$843,349.1	HK\$890,089.2	HK\$194,443.7
thousand)	thousand)	thousand)	thousand)

Notes:

- The historical transaction figures for the years ended 2017, 2018 and 2019 are audited figures of the Group and the figure for the six months ended 30 June 2020 is internal management account figure. The annual caps of the Eastern Airlines Transactions for the four years ending 31 December 2020 are RMB818,707,158 (equivalent to

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approximately HK\$900,577,873.8), RMB925,139,000 (equivalent to approximately HK\$1,017,652,900), RMB1,045,407,000 (equivalent to approximately HK\$1,149,947,700) and RMB1,181,310,000 (equivalent to approximately HK\$1,299,441,000), respectively.

2. The low transaction amount for the six months ended 30 June 2020 was mainly due to the outbreak of COVID-19 epidemic in early 2020. After the epidemic fades, the PRC economy is expected to resume growth momentum which may in turn boost the demand for civil aviation industry. As such, the Proposed Annual Caps, as considered by the Directors and management of the Company, should not be set with reference to the historical transaction amount for the six months ended 30 June 2020.

2.4 Proposed Annual Caps and Basis for the Proposed Annual Caps

A. *Proposed Annual Caps*

Set out below is a summary of the Proposed Annual Caps for the Eastern Airlines Transactions provided to the Eastern Airlines Group for the three years ending 31 December 2023:

Years ending 31 December		
2021	2022	2023
(RMB)	(RMB)	(RMB)
(thousand)	(thousand)	(thousand)
943,818	1,019,324	1,100,870
(equivalent to	(equivalent to	(equivalent to
approximately	approximately	approximately
HK\$1,038,199.8	HK\$1,121,256.4	HK\$1,210,957
thousand)	thousand)	thousand)

B. *Basis of the Proposed Annual Caps for the Eastern Airlines Transactions*

The Proposed Annual Caps represent an estimated annual growth rate of 8% in the transaction volume calculated based on the transaction amount for the Eastern Airlines Transactions for the year of 2019 (i.e. approximately RMB809 million). The Proposed Annual Caps and the estimated 8% annual transaction volume growth rate are determined with reference to (i) the maximum annual growth rate of approximate 5.54% of the historical transaction amount for the two years ended 31 December 2019; (ii) the utilization rate of 91.52%, 82.87% and 77.4% of annual caps under the Eastern Airlines Transactions for the year ended 31 December 2017, 2018 and 2019, respectively; (iii) the Proposed Annual Caps would provide an adequate buffer for the Group to accommodate any unanticipated revenue from the Eastern Airlines Transactions and thus avoid unnecessary administrative costs associated with obtaining further approvals from shareholders for those unanticipated revenue which exceeds the Proposed Annual Caps; (iv) the expansion of Eastern Airlines' businesses from time to time through potential establishment of more branches and subsidiaries; (v) the

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estimated increase in demand of the civil aviation transportation market as influenced by various factors such as the “One Belt and One Road” strategy; (vi) the promising aviation market in China in the near future which will become the largest civil aviation transportation market in the mid-2020s as anticipated by IATA (International Air Transport Association); and (vii) the anticipated growth of the PRC’s gross passenger transportation volume after the COVID-19 epidemic is kept under control.

2.5 Reasons for and Benefits of the Continuing Connected Transactions

The provision of the various services as described in the section 2.2 headed “Continuing Connected Transactions under the Waiver” is in the ordinary and usual course of business of the Group. The Group will receive service fees for provision of such services and thus such transactions will increase the total revenue of the Group. In addition, it is the Group’s obligation to fulfill its public service covenant with CAAC by renewing the Eastern Airlines Transactions in providing stable, reliable and zero-interruption booking services for the PRC airline industry.

The Directors are of the view that the Eastern Airlines Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Eastern Airlines Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.6 Implications under the Listing Rules

Eastern Holding is a substantial Shareholder of the Company as at the Latest Practicable Date. Eastern Airlines, being a subsidiary of Eastern Holding, is therefore a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Eastern Airlines Transactions constitute continuing connected transactions of the Company.

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Eastern Airlines Transactions exceeds 5%, the Eastern Airlines Transactions are subject to the reporting, announcement, annual review and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Xi Sheng, a non-executive Director, has abstained from voting on the Board meeting for approving the Eastern Airlines Transactions as he takes positions in Eastern Holding and Eastern Airlines. Save as stated above, none of the Directors has a material interest in the Eastern Airlines Transactions and none of them has abstained from voting on the relevant Board resolution.

LETTER FROM THE BOARD

The Company proposes to seek a general mandate for a period of three years ending 31 December 2023 from the Independent Shareholders in order to continue the Eastern Airlines Transactions under the Waiver. In the event that the terms of the Eastern Renewal Agreement to be subsequently entered into with Eastern Airlines are materially different from those being approved by the Independent Shareholders, the Company will re-comply with the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2.7 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 provision of settlement and clearing services and information system development and support services to domestic and worldwide airline companies.

Information on Eastern Holding

Eastern Holding is a wholly state-owned enterprise in the PRC. As at the Latest Practicable Date, it is a substantial shareholder of the Company and holds approximately 12.21% 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 Eastern Holding and its invested entities.

Information on Eastern Airlines

Eastern Airlines is a company listed on the Shanghai Stock Exchange (Stock Code: 600115), the Stock Exchange (Stock Code: 670) and the New York Stock Exchange (ADR: CEA), and is principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

3. EGM

A notice convening the EGM to be held at the conference room of Headquarters Building, TravelSky High-tech Industrial Park, Shunyi District, Beijing, the PRC at 9:30 a.m. on Wednesday, 18 November 2020, is set out on pages 42 to 43 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the liaison office of

LETTER FROM THE BOARD

the Company in Beijing at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending in person, and voting at, the EGM or any adjournment thereof if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the reply slip to the liaison office of the Company in Beijing at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC, on or before Wednesday, 28 October 2020.

For the purpose of determining Shareholders' entitlement to attend the EGM, the Domestic Shares and the H Shares register of members of the Company will be closed from Monday, 19 October 2020 to Wednesday, 18 November 2020 (both days inclusive), during which period no transfer of any Shares will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration at the liaison office of the Company in Beijing, at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders) or the Registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), no later than 4:30 p.m. on Friday, 16 October 2020. Domestic Shareholders and H Shareholders whose names appear on the Register of Members of the Company on Wednesday, 18 November 2020 will be eligible to attend the EGM.

Pursuant to the Listing Rules, shareholders with a material interest in a transaction and their respective associates shall abstain from voting on the relevant resolution(s). As such, Eastern Holding and its associates, holding an aggregate of 357,298,500 Domestic Shares, will abstain from voting on the resolution in respect of the Eastern Airlines Transactions and the Proposed Annual Caps.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the Articles of Association. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the EGM.

4. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular in connection with the Eastern Airlines Transactions and the Proposed Annual Caps. Your attention is also drawn to the letter of advice from VBG Capital to the Independent Board Committee and the Independent Shareholders in connection with the Eastern Airlines Transactions and the Proposed Annual Caps and the principal factors and reasons considered by it in arriving at such advice set out on pages 19 to 34 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of VBG Capital, considers that (i) the Eastern Airlines Transactions are on normal commercial terms and conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Eastern Airlines Transactions and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution for approving the Eastern Airlines Transactions and the Proposed Annual Caps at the EGM.

The Directors (including the independent non-executive Directors) consider that the resolution as set out in the notice of the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of such resolution at the EGM.

5. GENERAL

Your attention is also drawn to the information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

24 September 2020

To the Independent Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS:
EASTERN AIRLINES TRANSACTIONS AND WAIVER IN RELATION TO
EASTERN AIRLINES TRANSACTIONS**

We refer to the circular issued by the Company to its Shareholders dated 24 September 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the Eastern Airlines Transactions and the Proposed Annual Caps. VBG Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from VBG Capital set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, VBG Capital set out in its letter of advice as contained in the Circular, we consider that (i) the Eastern Airlines Transactions are on normal commercial terms and conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Eastern Airlines Transactions and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Eastern Airlines Transactions and the Proposed Annual Caps at the EGM.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Cao Shiqing Dr. Ngai Wai Fung Mr. Liu Xiangqun

Independent Non-executive Directors

LETTER FROM VBG CAPITAL

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Eastern Airlines Transactions and the Proposed Annual Caps for the purpose of inclusion in this circular.



建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

24 September 2020

*To: The independent board committee and the independent shareholders
of TravelSky Technology Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS: EASTERN AIRLINES TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Eastern Airlines Transactions and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 24 September 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

References are made to the announcement of the Company dated 8 November 2017 and the circular of the Company dated 13 December 2017 in relation to, among other things, the Eastern Airlines Transactions and the Previous Waiver. The Eastern Airlines Services Agreement was entered into between the Company and Eastern Airlines for a term of two years from 1 January 2017 to 31 December 2018 on 16 May 2018, which was almost one and a half year after the expiration of the previous agreement on 31 December 2016. There is no signed written agreement governing the ongoing Eastern Airlines Transactions at present, and the Previous Waiver will expire on 31 December 2020. The Group will continue the Eastern Airlines Transactions after such date, but expects that the Eastern Renewal Agreement between the Company and Eastern Airlines may not be entered into on or before 31 December 2020. Accordingly, the Company applied to the Stock Exchange for a waiver from strict compliance with the requirement of having written agreement under Rules 14A.34 and 14A.51 of the Listing Rules with respect to the renewal of the Eastern Airlines Transactions for the period of three years commencing from 1 January 2021 to 31 December 2023. The Stock Exchange has subsequently granted the Waiver to the Company.

LETTER FROM VBG CAPITAL

According to the Letter from the Board, the Eastern Airlines Transactions constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek a general mandate for a period of three years ending 31 December 2023 from the Independent Shareholders in order to continue the Eastern Airlines Transactions under the Waiver. As represented by the Directors, in the event that the terms of agreement to be subsequently entered into with Eastern Airlines are materially different from those being approved by the Independent Shareholders, the Company shall re-comply with the report, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Eastern Airlines Transactions (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Eastern Airlines Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Eastern Airlines Transactions and the Proposed Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Eastern Airlines Transactions and the Proposed Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not

LETTER FROM VBG CAPITAL

misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Eastern Airlines Group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Eastern Airlines Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the Proposed Annual Caps are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenues or costs to be recorded from the Eastern Airlines Transactions. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded from the Eastern Airlines Transactions will correspond with the Proposed Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Eastern Airlines Transactions and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of the Eastern Airlines Transactions

Principal business of the Group

As a leading provider of information technology solutions for the PRC's aviation and travel industry, the Company has been devoted to serving the needs of all industry participants ranging from commercial airlines, airports, travel products and services providers, travel agencies, travel service

LETTER FROM VBG CAPITAL

distributors or agents, corporate clients, travelers and cargo shippers, as well as major international organisations such as the International Air Transport Association (“IATA”) and government bodies.

The Group derives its revenue mainly from the provision of four major categories of services, namely the aviation information technology (“AIT”) services, the settlement and clearing services, the system integration services and the data network services. The provision of AIT services is the main revenue source of the Group.

With reference to the annual report of the Company for the year ended 31 December 2019, the Company’s AIT services consist of series of products and solutions, and are provided to 41 Chinese commercial airlines and over 350 foreign and regional commercial airlines. The AIT services comprise Electronic Travel Distribution (“ETD”) services (including inventory control system services, computer reservation system (“CRS”) services) and airport passenger processing (“APP”) system services, together with other extended information technology solutions related to the above core businesses. In 2019, the Group’s ETD system processed approximately 689.3 million system capacity on domestic and overseas commercial airlines, representing an increase of approximately 7.1% as compared to the prior year. Among which, the processed system capacity on commercial airlines of the PRC increased by approximately 6.9%, while those on foreign and regional commercial airlines increased by approximately 10.0%. The number of foreign and regional commercial airlines with direct links to the CRS of the Group reached 151, with sales percentage through direct links exceeding approximately 99.8%. A rising number of foreign and regional commercial airlines were using the Group’s APP system services, multi-host connecting program services and the self-developed Angel Cue platform connecting services. The number of such users increased to 155, with approximately 19.5 million of passenger departures processed in 100 airports.

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The following table depicts the audited financial information as well as the key operating statistics of the Group for the five years ended 31 December 2019 as extracted from the annual reports of the Company for the prior years concerned and the Company's website at <https://www.travelskyir.com/>:

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	8,121,673	7,472,114	6,734,245	6,223,267	5,471,831
– AIT services	4,517,199	4,160,144	3,878,516	3,496,437	3,134,973
– Settlement and clearing services	596,977	579,343	555,185	517,682	492,659
– System integration services	1,168,024	946,939	744,338	950,332	643,429
– Data network services	485,098	512,283	1,556,206	1,258,816	1,200,770
– Others	1,354,375	1,273,405	–	–	–
Profit attributable to equity holders of the Company	2,542,861	2,325,129	2,248,653	2,421,114	1,914,362
	('000)	('000)	('000)	('000)	('000)
Bookings on seats of commercial airlines of the PRC	663,834	620,799	563,493	502,090	449,170
Bookings on seats of foreign and regional commercial airlines	25,447	23,144	22,750	22,081	21,578
Total bookings on seats	689,281	643,943	586,243	524,171	470,748

As depicted by the above table, the Group's revenue and net profit have both demonstrated a promising stable growth. The Group recorded total revenue of approximately RMB8,121.7 million in 2019, increasing significantly by approximately 48.4% in the five-year period. Over the same years, the Group's net profit also expanded significantly by approximately 32.8% from approximately RMB1,914.4 million in 2015 to approximately RMB2,542.9 million in 2019. With regard to bookings on seats, the total bookings on seats of

LETTER FROM VBG CAPITAL

commercial airlines jumped considerably by approximately 46.4% from 2015 to 2019. As advised by the Company, the Group's promising business performance is a strong indicator of its success in business advancement and domination in the PRC's aviation and travel industry.

The outbreak of COVID-19 epidemic in early 2020 has caused a serious impact on the worldwide air transportation industry. As a key participant of the PRC's aviation and travel industry, the Group encountered challenges in its various businesses, resulting in a decrease of its revenue by approximately 40.5% to approximately RMB2,286.6 million for the six months ended 30 June 2020 as compared to the corresponding period of 2019. The Group also suffered from net loss of approximately RMB306.3 million for the six months ended 30 June 2020.

To tackle the impact of COVID-19 epidemic and prepare the Group for the expected rapid market recovery after the epidemic, the Group has made comprehensive efforts and seized every opportunity to improve its businesses and services. The Group steadily carried out the upgrading and rebuilding of e-commerce platforms, and advanced the second phase construction of digital retail platform for airlines. Continued efforts have been devoted to strengthen the market of settlement and clearing services. The Group also promoted the research and development and production of, and expanded the market of, the key products of its distribution of information technology services. Facing an overall downturn in the overseas sales market, the Group stepped up efforts to consolidate its overseas sales base. While securing the market share of its traditional departure front end services and products, the Group kept abreast of airport construction, and enhanced the update and promotion of airport information technology services and products. With the aforesaid efforts, the Company believe that the Group shall be able to capture the potential boost in civil aviation demand after the epidemic fades and the PRC economy resumes the growing momentum.

Information on Eastern Airlines

As extracted from the Letter from the Board, Eastern Airlines is a company listed on the Shanghai Stock Exchange (stock code: 600115), the Stock Exchange (stock code: 670) and the New York Stock Exchange (ADR: CEA). The Eastern Airlines Group is principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

LETTER FROM VBG CAPITAL

Set out below is the audited financial information as well as the key operating statistics of the Eastern Airlines Group as extracted from the annual report of Eastern Airlines for the year ended 31 December 2019:

	For the year ended 31 December		Change
	2019	2018	(%)
Revenue (<i>RMB million</i>)	120,986	115,278	5.0
Net profit attributable to equity holders of the company (<i>RMB million</i>)	3,192	2,698	18.3
Passenger transportation data			
Number of passengers carried (<i>'000</i>)	130,297.36	121,199.70	7.5
Available seat kilometers (" ASK ") (<i>million</i>) (<i>Note 1</i>)	270,254.00	244,841.00	10.4
Revenue passenger kilometers (" RPK ") (<i>million</i>) (<i>Note 2</i>)	221,779.11	201,485.95	10.1
Freight transportation data			
Weight of freight carried (<i>million kilograms</i>)	976.57	915.12	6.7
Available freight tonne kilometers (<i>million</i>) (<i>Note 3</i>)	9,132.69	7,900.78	15.6
Revenue freight tonne kilometers (<i>million</i>) (<i>Note 4</i>)	2,971.40	2,588.34	14.8

Notes:

- (1) Means the sum of the maximum number of seats made available for sale multiplied by the distance flown for every route.
- (2) Means the passenger traffic volume, the sum of the number of passengers carried multiplied by the distance flown for every route.
- (3) Means the sum of the maximum tonnes of capacity available for the carriage of cargo and mail multiplied by the distance flown for every route.

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- (4) Means the freight traffic volume, the sum of cargo and mail load in tonnes multiplied by the distance flown for every route.

We noted from the above table that the Eastern Airlines Group has been performing satisfactorily in recent years, with expanding revenue and profit, and mounting passenger and freight carriage capability.

Overview of the PRC's civil aviation and travel industry

According to the data released by IATA, the growth of global aviation passenger transportation continued in 2019, with the number of passengers carried reaching approximately 4.5 billion, representing a year-on-year increase of approximately 3.8%. The year-on-year increase in passenger transportation capacity (calculated in ASK) and passenger traffic volume (calculated in RPK) was approximately 3.4% and 4.2%, respectively.

On the other hand, according to the data released by CAAC, in 2019, the PRC's civil aviation and travel industry had a total traffic volume of approximately 129.3 billion tonne kilometers, representing a year-on-year increase of approximately 7.2%; of which the increase in domestic routes' and international routes' traffic volume was approximately 7.5% and 6.6%, respectively. The total number of passengers carried was approximately 0.7 billion, representing a year-on-year increase of approximately 7.9%; of which the increase in passengers travelling on domestic routes and international routes was approximately 6.9% and 16.6%, respectively. The passenger traffic volume (calculated in RPK) was approximately 1,170.5 billion passenger kilometers, representing a year-on-year increase of approximately 9.3%; of which the increase in domestic routes' and international routes' passenger traffic volume was approximately 8.0% and 12.8%, respectively.

As also revealed by CAAC, the PRC had 238 certified civil aviation airports at the end of 2019, an increase of 3 over the previous year. In 2019, there was a total of 126 airport construction projects which were newly commenced or in progress. The national civil aviation airport completed passenger throughput of approximately 1.4 billion passengers in 2019, representing a year-on-year increase of approximately 6.9%. During the same year, the cargo and mail throughput completed was approximately 17.1 million tonnes, representing a year-on-year increase of approximately 2.1%.

It is expected that the Asia-Pacific region will be the biggest driver of civil aviation demand in the next few years. In addition, leveraging on the continuous economic growth of the PRC and its transformation into a consumption-oriented economy, civil aviation demand will be further enhanced in the long term. As forecasted by IATA, the PRC will surpass the United States of America as the world's largest civil aviation transportation market by mid-2020s.

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Lastly, notwithstanding that the outbreak of COVID-19 epidemic has caused a serious impact on the worldwide air transportation industry, as shown by the latest statistics released by CAAC as set out in the following table, it is likely that the PRC's aviation and travel industry is on the track of gradual revitalisation:

	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Traffic handled						
Total						
transport turnover (100 million tonne kilometers)	101.0	25.2	39.0	39.5	53.9	60.5
Passenger volume (10,000 passengers)	5,060.2	834.0	1,514.6	1,671.5	2,583.1	3,074.0
Cargo and mail volume (10,000 tonnes)	60.6	29.7	48.4	48.4	54.9	57.8
Passenger turnover (100 million passenger kilometers)	928.2	162.1	246.1	248.4	369.9	439.8
Cargo and mail turnover (100 million tonne kilometers)	20.4	11.2	17.3	17.3	20.9	21.3
Traffic handled by airport						
Passenger through-put (10,000 passengers)	10,326.2	1,704.6	3,090.1	3,448.7	5,294.6	6,314.3
Cargo and mail through-put (10,000 tonnes)	134.7	67.6	114.1	120.7	136.4	135.8

LETTER FROM VBG CAPITAL

Reasons for the Eastern Airlines Transactions

Shareholders may refer to the section headed “Principal terms of the Eastern Airlines Transactions” of this letter of advice for details regarding the various technology services to be provided by the Group to the Eastern Airlines Group. The Group will receive service fees for provision of such services which contribute to a secure revenue source of the Group.

As stated in the Letter from the Board, the Group plays a strategic and critical role in the proper functioning of civil aviation in the PRC and the services provided by the Group are akin to public services. It is in no position for the Group to stop or even partially cease providing its services to the commercial airlines simply for the absence of written agreements with them, as any such interruption would bring insufferable inconvenience and financial loss to all market participants as well as the related industries such as tourism and hospitality sectors. It also constitutes a breach of the Company’s public service covenant with CAAC to provide stable, reliable and zero-interruption booking services for the PRC airline industry.

The Eastern Airlines Transactions are a continuity of the transactions entered into between the Group and the Eastern Airlines Group for the three years ending 31 December 2020 as the nature and terms (including the scope of services) of both transactions are substantially the same.

Taking into account the above reasons for the Eastern Airlines Transactions, we concur with the Directors that the Eastern Airlines Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Eastern Airlines Transactions

The principal terms of the Eastern Airlines Transactions are summarised as follows:

Parties:	<i>Service provider:</i> The Group (excluding Accounting Centre of China Aviation Limited Company* (中國航空結算有限責任公司)) <i>Service recipient:</i> The Eastern Airlines Group
Term:	Three years from 1 January 2021 to 31 December 2023.

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Scope of technology services to be provided by the Company:

- (i) Flight control system services which include, amongst others, the provision of consolidated information, flight information, flight control, flight tickets sales, automatic tickets sales and announcement of freight price, and relevant products (if applicable);
- (ii) Computer distribution system services which include, amongst others, the provision of flight information display, real-time flight reservation, automatic tickets sales, tickets price display and other travel-related services, and relevant products (if applicable);
- (iii) Airport passenger processing system services which include, amongst others, the provision of check-in, departure control and load planning services, and relevant products (if applicable); and
- (iv) Civil aviation and commercial data network services which include, amongst others, the provision of the network transmission services and connection services, and relevant products (if applicable).

Service fees:

Determined in accordance with the existing pricing schedules prescribed by CAAC.

As aforementioned, the service fees for the various technology services to be provided by the Company to the Eastern Airlines Group are determined in accordance with the existing pricing schedules prescribed by CAAC. We have discussed with the Directors in this regard and were informed that the service fees to be charged by the Group are governed by the pricing schedules prescribed by CAAC in the following manner:

1. The “flight control system services” as mentioned in (i) above and the “computer distribution system services” as mentioned in (ii) above are generally referred to as the “airlines passenger booking system services”.

LETTER FROM VBG CAPITAL

The pricing of the airlines passenger booking system services is subject to the maximum guidance prices prescribed by CAAC, being the progressive per segment booking fee ranging from RMB4.5 to RMB6.5 for domestic flights and RMB6.5 to RMB7.0 for international and regional flights (depending on the monthly booking volume).

The Company has a tiered pricing mechanism in place for the provision of the flight control system services by the Group, which is universally applicable to all airlines companies (including Eastern Airlines). The tiered pricing mechanism is linked to the processing volume. The more processing volume purchased by an airlines company, the lower unit price that it will enjoy. The highest unit price under such tiered pricing mechanism will not exceed the maximum amount prescribed by CAAC. As such, even if the processing volume of such services provided by the Group to an airlines company is very small, the highest unit price applies should still not be more than the maximum amount prescribed by CAAC. As confirmed by the Company, the Company strictly follows such tiered pricing mechanism when charging the relevant services fees with the airlines companies. For the avoidance of doubt, the tiered pricing mechanism is independently determined by the Company and no individual airlines company has influence over such pricing mechanism.

2. The pricing of the “airport passenger processing system services” as mentioned in (iii) above is subject to the maximum guidance prices prescribed by CAAC, being (a) RMB7.0 per segment for international and regional flights and RMB4.0 per segment for domestic flights; and (b) RMB500 per aircraft for load planning services. The Company may also determine the actual prices for airport passenger processing system services through arm’s length negotiation with Eastern Airlines, having taken into account a number of factors such as types of the flights, transportation volume, level of services and size of the aircraft. In any event the prices shall not exceed the above maximum guidance prices prescribed by CAAC.
3. For the services as mentioned in (i), (ii) and (iii) above, the maximum fee shall not be more than RMB9.9 per segment when charged on an aggregate basis. The actual aggregate service fees charged will be subject to the tiered pricing mechanism as mentioned in (1) above which is linked to the total processing volume of Eastern Airlines per month (i.e. the higher the processing volume per month, the lower the amount charged by the Company).

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4. The pricing of physical identified device (“PID”) connection and maintenance services under the “civil aviation and commercial data network services” as mentioned in (iv) above is determined with reference to the guidance price prescribed by CAAC of RMB200 per PID per month.
5. The pricing of the provision of relevant products associated with the technical services and other types of services under the “civil aviation and commercial data network services” as mentioned in (iv) above (other than PID connection and maintenance services) is not governed by the guidelines of CAAC or the framework of any other PRC airlines regulatory body but is subject to mutual negotiation between the parties and are mainly determined by the Company after taking into account two factors: (a) the costs of provision of such products or services; and (b) the processing volume and complexity of such products or services.

To sum up, the pricing of the services set out under the Eastern Airlines Transactions is largely subject to the relevant maximum guidance prices prescribed by CAAC. The Company is also free to negotiate with Eastern Airlines on the actual prices for the airport passenger processing system services, as long as the prices do not exceed the maximum guidance prices prescribed by CAAC. For our due diligence purpose, we have obtained the relevant CAAC’s guidelines, and checked the aforesaid pricing basis of the Eastern Airlines Transactions against the pricing schedules as stipulated therein.

In addition, we have requested, obtained and reviewed (i) the historical agreements entered into by the Group and other independent airlines companies in relation to the provision of technology services by the Group which are similar to the Eastern Airlines Transactions; and (ii) the Eastern Airlines Services Agreement, and noted that their pricing basis were largely comparable and in accordance with the pricing schedules prescribed by CAAC. As further advised by the Company, the pricing schedules prescribed by CAAC are applicable to all airlines companies operating in the PRC, and the service fees that are charged by all PRC airlines companies shall be within the relevant prescribed price ranges. In view of the above, we consider that the service fees for the Eastern Airlines Transactions, which are based on the pricing schedules prescribed by CAAC, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Proposed Annual Caps

The following table illustrates (i) the aggregate amounts of the Eastern Airlines Transactions for the three years ended 31 December 2019 and the six months ended 30 June 2020; and (ii) the Proposed Annual Caps for the three years ending 31 December 2023:

LETTER FROM VBG CAPITAL

	2017	2018	2019	For the six months ended 30 June 2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Aggregate amounts of the Eastern Airlines Transactions	749,254	766,681	809,172	176,767
		2021	2022	2023
		(RMB'000)	(RMB'000)	(RMB'000)
The Proposed Annual Caps		943,818	1,019,324	1,100,870

As referred to in the Letter from the Board, the Proposed Annual Caps represent an estimated annual growth rate of 8% in the transaction volume calculated based on the aggregate amount of the Eastern Airlines Transactions in 2019. As advised by the Directors, the Proposed Annual Caps and the estimated 8% annual transaction volume growth rate are determined with reference to:

- (i) the maximum annual growth rate of approximately 5.5% of the aggregate amount of the Eastern Airlines Transactions for the two years ended 31 December 2019;
- (ii) the utilisation rate of approximately 91.5%, 82.9% and 77.4% of the annual caps for the Eastern Airlines Transactions for the years ended 31 December 2017, 2018 and 2019, respectively;
- (iii) the Proposed Annual Caps would provide an adequate buffer for the Group to accommodate any unanticipated revenue from the Eastern Airlines Transactions and hence avoid unnecessary administrative costs associated with obtaining further approvals from Shareholders for those unanticipated revenue which exceeds the Proposed Annual Caps;
- (iv) the expansion of Eastern Airlines' businesses from time to time through potential establishment of more branches and subsidiaries;
- (v) the estimated increase in civil aviation demand as influenced by various factors such as the "One Belt and One Road" strategy;
- (vi) the positive prospects of the PRC's aviation and travel industry which will become the largest civil aviation transportation market in the mid-2020s as forecasted by IATA; and

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- (vii) the anticipated growth of the PRC's gross passenger transportation volume after the COVID-19 epidemic is kept under control.

We are of the opinion that the growth rate and the amount of the Proposed Annual Caps for the three years ending 31 December 2023 are fair and reasonable so far as the Independent Shareholders are concerned, taking into account:

- (i) the Group's historical business performance with both revenue and net profit, together with the total bookings on seats of commercial airlines demonstrating a promising stable growth over the past five years;
- (ii) the expansion in revenue and profit, together with the mounting passenger and freight carriage capability of the Eastern Airlines Group in recent years;
- (iii) the positive prospects of the PRC's aviation and travel industry as supported by the relevant favourable statistics released by IATA and CAAC. Notwithstanding that the outbreak of COVID-19 epidemic has caused a serious impact on the worldwide air transportation industry, the PRC's aviation and travel industry is likely to be on the track of gradual revitalisation;
- (iv) the efforts that the Group has made recently to improve its businesses and services in order to tackle the impact of COVID-19 epidemic and prepare the Group for the expected rapid market recovery after the epidemic. The Directors expected that the Group shall be able to capture the potential boost in civil aviation demand after the epidemic fades and the PRC economy resumes the growing momentum;
- (v) the surge of the aggregate amount of the Eastern Airlines Transactions of approximately 5.5% in 2019 as compared to 2018; and
- (vi) given that the aggregate annual amount of the Eastern Airlines Transactions represent around 80% of the Proposed Annual Caps on average, the Proposed Annual Caps would provide reasonable buffer for the Group to accommodate any unanticipated revenue from the Eastern Airlines Transactions and hence avoid unnecessary administrative costs associated with obtaining further approvals from Shareholders for those unanticipated revenue which exceeds the Proposed Annual Caps.

4. Internal control and compliance with the Listing Rules

As referred to in the Letter from the Board, the Group has formulated a series of internal control measures to supervise the Eastern Airlines Transactions.

LETTER FROM VBG CAPITAL

Furthermore, the Company confirmed that it shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Eastern Airlines Transactions must be restricted by the Proposed Annual Caps for the years concerned; (ii) the terms of the Eastern Airlines Transactions (together with the Proposed Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Eastern Airlines Transactions (together with the Proposed Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. Moreover, as stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Eastern Airlines Transactions are carried out in accordance with the pricing policies of the Company, and the Proposed Annual Caps are not being exceeded. In the event that the total amounts of the Eastern Airlines Transactions exceed the Proposed Annual Caps, or that there is any material amendment to the terms of the Eastern Airlines Transactions, the Company, as confirmed shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the internal control measures of the Group as well as the aforesaid stipulated requirements for continuing connected transactions of the Listing Rules in place, the Eastern Airlines Transactions will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Eastern Airlines Transactions (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Eastern Airlines Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Eastern Airlines Transactions and the Proposed Annual Caps, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 15 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or are required to be entered in the register maintained in accordance with Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

As at the Latest Practicable Date, each of China TravelSky Holding Company Limited (中國民航信息集團有限公司), China National Aviation Holding Company Limited (中國航空集團有限公司), China Southern Air Holding Company Limited (中國南方航空集團有限公司) and Eastern Holding had interest in the Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date,

- (a) Mr. Cui Zhixiong (an executive Director) was chairman and general manager of China TravelSky Holding Company Limited;
- (b) Mr. Xiao Yinhong (an executive Director) was a director of China TravelSky Holding Company Limited;
- (c) Mr. Zhao Xiaohang (a non-executive Director) was an employee of China National Aviation Holding Company Limited;
- (d) Mr. Xi Sheng (a non-executive Director) was an employee of Eastern Holding; and
- (e) Mr. Luo Laijun (a non-executive Director) was an employee of China Southern Air Holding Company Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or supervisors of the Company is a director, supervisor or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, supervisors and chief executive of the Company, the interests and short positions of the following persons (other than the Directors, supervisors and chief executive of the Company) in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out below:

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)
China TravelSky Holding Company Limited	857,226,589 Domestic Shares of RMB1 each (L)	Beneficial owner	43.00%	29.29%
Eastern Holding	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 3)	Interest of controlled corporation	1.26%	0.86%
	3,900,000 Domestic Shares of RMB1 each (L) (Note 4)	Interest of controlled corporation	0.20%	0.13%
China National Aviation Holding Company Limited	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 5)	Interest of controlled corporation	0.94%	0.64%

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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)
China Southern Air Holding Company Limited	202,781,500 Domestic Shares of RMB1 each (L)	Beneficial owner	10.17%	6.93%
	65,773,500 Domestic Shares of RMB1 each (L) (Note 6)	Interest of controlled corporation	3.30%	2.25%
China Mobile Capital Holding Co., Ltd.	146,600,000 Domestic Shares of RMB1 each (L)	Beneficial owner	7.35%	5.01%
Citigroup Inc.	55,689,785 H Shares of RMB1 each (L) (Note 7)		5.97%	1.90%
	658,122 H Shares (L)	Interest of corporation controlled by the substantial shareholder		
	900,000 H Shares (L)	Person having a security interest in shares		
	54,131,663 H Shares (L)	Approved lending agent		
	55,000 H Shares of RMB1 each (S) (Note 7)	Interest of corporation controlled by the substantial shareholder	0.00%	0.00%
	54,131,663 H Shares of RMB1 each (P) (Note 7)	Approved lending agent	5.80%	1.85%
JPMorgan Chase & Co.	54,381,994 H Shares of RMB1 each (L) (Note 8)		5.83%	1.86%
	6,293,829 H Shares (L)	Interest of corporation controlled by the substantial shareholder		
	714,000 H Shares (L)	Investment manager		

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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)
	1,794,690 H Shares (L)	Person having a security interest in shares		
	45,579,475 H Shares (L)	Approved lending agent		
	3,262,189 H Shares of RMB1 each (S) (Note 8)	Interest of corporation controlled by the substantial shareholder	0.34%	0.11%
	45,579,475 H Shares of RMB1 each (P) (Note 8)	Approved lending agent	4.88%	1.56%
UBS Group AG	58,222,525 H Shares of RMB1 each (L) (Note 9)	Interest of corporation controlled by the substantial shareholder	6.24%	1.99%

Notes:

- (1) (L) – Long position; (S) – Short position; (P) – Lending pool.
- (2) The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued as at the Latest Practicable Date. Percentage of total share capital is based on 2,926,209,589 shares of the total issued share capital of the Company as at the Latest Practicable Date; percentage of 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 the Latest Practicable Date.
- (3) These Shares were held by Eastern Airlines, a subsidiary of Eastern Holding. Eastern Holding was deemed to be interested in the shares held by Eastern Airlines by virtue of the SFO.
- (4) These Shares were held by China Eastern Airlines Wuhan Company Limited, a subsidiary of Eastern Holding. Eastern Holding was deemed to be interested in the shares held by China Eastern Airlines Wuhan Company Limited by virtue of the SFO.
- (5) These Shares were held by Shenzhen Airlines Company Limited, a subsidiary of China National Aviation Holding Company Limited. China National Aviation Holding Company Limited was deemed to be interested in the shares held by Shenzhen Airlines Company Limited by virtue of the SFO.

- (6) These Shares were held by Xiamen Airlines Company Limited, a subsidiary of China Southern Air Holding Company Limited. China Southern Air Holding Company Limited was deemed to be interested in the shares held by Xiamen Airlines Company Limited by virtue of the SFO.
- (7) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Citigroup Inc. on September 4, 2020, Citigroup Inc. was deemed to be interested in 55,689,785 H Shares (L), 55,000 H Shares (S) and 54,131,663 H Shares (P). These Shares were held by Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Inc., Citigroup Global Markets Holdings Bahamas Limited, Citigroup Global Markets Limited, Citicorp Trust Delaware, National Association, Citicorp Trust South Dakota, which were directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed to be interested in the shares held by such companies by virtue of the SFO.
- (8) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. on August 13, 2020, JPMorgan Chase & Co. was deemed to be interested in 54,381,994 H Shares (L), 3,262,189 H Shares (S) and 45,579,475 H Shares (P). These shares were held by China International Fund Management Co., Ltd., JPMorgan Asset Management (Taiwan) Limited, J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, JPMorgan Asset Management (Asia Pacific) Limited, J.P. MORGAN SECURITIES PLC, JPMORGAN ASSET MANAGEMENT (UK) LIMITED, JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED, JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED, JPMorgan Asset Management Holdings Inc., JPMorgan Chase Holdings LLC, JPMorgan Asset Management (Asia) Inc., J.P. Morgan Broker-Dealer Holdings Inc., JPMorgan Chase Bank, National Association, J.P. MORGAN CAPITAL HOLDINGS LIMITED, J.P. Morgan International Finance Limited, 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.
- (9) Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by UBS Group AG on September 15, 2020, UBS Group AG was deemed to be interested in 58,222,525 H Shares (L). These shares were held by UBS AG, UBS Financial Services Inc., UBS Switzerland AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS Trustees (Jersey) Limited, which were directly or indirectly controlled by UBS Group AG. UBS Group AG was deemed to be interested in the shares held by such companies 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 (www.hkexnews.hk).

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, supervisors and chief executive of the Company, no other person (other than the Directors, supervisors and chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE AGREEMENT

As at the Latest Practicable Date, none of the Directors or supervisors had entered or proposed to enter into a service agreement with any member of the Group (which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. MATERIAL CHANGES

References are made to the announcements of the Company dated 20 March 2020, 29 June 2020, 17 July 2020 and 28 July 2020 in relation to, among other things, the profit warning for the first half of 2020, as well as the announcement of the Company dated 27 August 2020 in relation to the interim results of the Group for the six months ended 30 June 2020. Since the occurrence of the COVID-19 epidemic, the PRC and foreign countries have adopted various strict measures to curb the spread of the COVID-19, which led to slump in passengers travel demand and significant decline in the number of passenger transportation in civil aviation industry, resulting in a decrease of 115.1% in the profit before tax of the Group for the first half of 2020 as compared to the first half of 2019. As at the Latest Practicable Date, the duration and extent of the COVID-19 around the world still remain uncertain, which may aggravate the impact on or lead to the delay of the resumption of demand for air travel. The Company has been strictly controlling the operating expenses and will continue to assess the risks and uncertainties related to the COVID-19, striving to mitigate the adverse impact of the COVID-19.

Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors, or supervisors of the Company had any interest, direct or indirect, in any assets which had been since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contracts or arrangement subsisting as at the date hereof which was significant in relation to the business of the Group.

8. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

9. EXPERT

- (a) VBG Capital is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders in respect of the Eastern Airlines Transactions and the Proposed Annual Caps dated as of the date of this circular was given for the purpose of incorporation herein.
- (b) As at the Latest Practicable Date, VBG Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, VBG Capital did not have any interest, direct or indirect, in any assets which had been since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) VBG Capital has given and has not withdrawn its written consent to the issue of this circular with copy of its letter and the reference to its name and its advice included in this circular in the form and context in which they respectively appear.

10. DOCUMENT AVAILABLE FOR INSPECTION

The copy of the following agreement will be available for inspection at the office of Baker & McKenzie at 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong during normal business hours (public holidays excepted) from the date of this circular up to and including the date of the EGM:

- (a) the agreement between the Company and Eastern Airlines in relation to the Eastern Airlines Transactions from 1 January 2017 to 31 December 2018.

11. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of TravelSky Technology Limited (the "**Company**") will be held at the conference room of Headquarters Building, TravelSky High-tech Industrial Park, Shunyi District, Beijing, the PRC at 9:30 a.m. on Wednesday, 18 November 2020 to consider and, if thought fit, approve the following resolution of the Company (unless otherwise indicated, capitalized terms in this notice shall have the same meanings as those defined in the circular of the Company dated 24 September 2020):

ORDINARY RESOLUTION

1. To consider and, if thought fit, approve the following resolution as an ordinary resolution:

"THAT:

- (a) the grant of a general mandate for a period of three years ending 31 December 2023 to the Directors to carry out the Eastern Airlines Transactions and all the transactions contemplated thereunder; and
- (b) the Proposed Annual Caps for the Eastern Airlines Transactions for the three years ending 31 December 2023,

be and are hereby approved and that the Board be and is hereby authorized to take any step as they consider necessary, desirable or expedient in connection with the Eastern Airlines Transactions and the transactions contemplated thereunder."

By order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

Beijing, the PRC
24 September 2020

NOTICE OF EGM

Notes:

1. Details of the above resolution are set out in the circular of the Company dated 24 September 2020.
2. For the purpose of determining Shareholders' entitlement to attend the EGM, the Domestic Shares and the H Shares register of members of the Company will be closed from Monday, 19 October 2020 to Wednesday, 18 November 2020 (both days inclusive), during which period no transfer of any Shares will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration at the liaison office of the Company in Beijing, at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders) or the Registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), no later than 4:30 p.m. on Friday, 16 October 2020. Domestic Shareholders and H Shareholders whose names appear on the Register of Members of the Company on Wednesday, 18 November 2020 will be eligible to attend the EGM.
3. Each Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on behalf of him/her. A proxy needs not to be a Shareholder of the Company.
4. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, should be completed and deposited at the liaison office of the Company in Beijing (for Domestic Shareholders) or the Registrar of the Company (for H Shareholders), at least 24 hours before the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
5. In case of joint shareholdings and the Shareholder or the proxy attending the EGM is more than one person, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose seniority will be determined by the order in which the names appear in the register of members of the Company in respect of the joint shareholdings.
6. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to the liaison office of the Company in Beijing, at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC, on or before Wednesday, 28 October 2020 in person, by mail or by fax.
7. The EGM is expected to last for half a day. Shareholders (or their proxies) attending the EGM shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when they attend the EGM.
8. **In the event that the containment of the COVID-19 epidemic is still ongoing at the time of the EGM, in order to cooperate with the prevention and control of the epidemic so as to safeguard the health and safety of the Shareholders and the participants of the meeting, at the same time ensuring that the Shareholders may exercise their respective Shareholders' rights, the Company recommends the Shareholders intending to attend the EGM to vote by completing and submitting the proxy form, i.e. to indicate how you wish your votes to be casted in the proxy form, and appoint the Chairman of the EGM as your proxy to vote on your behalf on site.**

In case the Shareholders or their proxies choose to attend the meeting in person by then, they must comply with the policies and requirements of Beijing regarding the containment of COVID-19 epidemic. On the way to, from and at the venue of the EGM, please adopt proper personal preventive measures. Upon arrival at the venue of the EGM, please follow the arrangement and guidance of the staff and cooperate with the epidemic prevention and control requirements including, among others, attendee registration, temperature check and wearing of masks. The Company does not intend to diminish the opportunity available to the Shareholders to exercise their rights and vote in any way. However, to safeguard the health and safety of the Shareholders and the participants of the meeting, anyone declining to implement the epidemic prevention and control measures or suffering from a fever or otherwise unwell may be refused from entering into the venue of the EGM.