

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

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

Reference is made to the announcement of the Company dated 29 July 2021, in relation to (among other things) the Service Agreement between the Company and TravelSky Mobile Tech for a term commencing from 1 August 2021 to 31 July 2023.

The Board agreed that, upon the expiry of the existing term on 31 July 2023, the term of the transactions under the Service Agreement will be extended for three years, which is from 1 August 2023 to 31 July 2026.

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

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

I. BACKGROUND

Reference is made to the announcement of the Company dated 29 July 2021, in relation to (among other things) the Service Agreement between the Company and TravelSky Mobile Tech for a term commencing from 1 August 2021 to 31 July 2023.

The Board agreed that, upon the expiry of the existing term on 31 July 2023, the term of the transactions under the Service Agreement will be extended for three years, which is from 1 August 2023 to 31 July 2026.

II. SERVICE AGREEMENT

Date: 28 July 2023

Parties: (1) the Company (as the service provider); and
(2) TravelSky Mobile Tech (as the service recipient)

Term: A total of three (3) years, which is from 1 August 2023 to 31 July 2026. If both the Company and TravelSky Mobile Tech have not raised objection in writing, the Service Agreement will be renewed for three years upon expiration and may be renewed twice. Under such circumstances, the Company will duly perform its compliance obligations in accordance with the applicable provisions of the Listing Rules.

Scope of services: The Company continuously provides cloud services and computer system services to TravelSky Mobile Tech, mainly including the provision of cloud computing infrastructure services (including but not limited to the lease of related servers, provision of storage services and ancillary database, backup and disaster recovery, computer room and operation and maintenance services), and services relating to advanced interactive executive for engines in cloud industry, etc.

Service fees:

Service fees are as follows:

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

During the term of the Service Agreement, the total amount of various service fees paid by TravelSky Mobile Tech to the Company in each calendar year shall be no less than RMB40 million (“**Minimum Service Fee**”), and the shortfall shall be made up, and the excess shall be paid according to the actual expenses. If the actual performance days of the Service Agreement are less than one calendar year due to early termination or other reasons (or the year in which the Service Agreement is early terminated is less than one calendar year), the Minimum Service Fee (or the Minimum Service Fee in the year in which the Service Agreement is early terminated) shall be calculated based on the standard of the actual performance days/365 * RMB40 million.

Payment: The service fees of the aforementioned services shall generally be calculated on a semi-annual or monthly basis and settled to the Company’s designated bank accounts.

III. INTERNAL CONTROL AND MECHANISM TO REGULATE THE TRANSACTIONS

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

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

Further, the auditor of the Company will conduct annual review of the transactions under the Service Agreement to confirm that, among other things, such transactions are in accordance with the pricing policies of the Company and have been entered into in accordance with the relevant agreement governing the transactions in accordance with Rule 14A.56 of the Listing Rules. The auditor will also carry out annual system auditing on the Company’s large scale 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 measures in place to ensure the terms of the transactions are adherent and strictly followed in accordance with relevant regulatory guidelines and the Service Agreement.

IV. HISTORICAL TRANSACTION RECORDS

Set out below is a summary of the historical transaction amounts between the Company and TravelSky Mobile Tech under the Service Agreement for the two years ended 31 December 2022 and the six months ended 30 June 2023:

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the six months ended 30 June 2023 (RMB'000)
Service fees	44,174	40,000	30,000

Note: The historical transaction figure for the two years ended 31 December 2022 is the audited figure of the Group and the historical transaction figure for the six months ended 30 June 2023 is the internal management account figure of the Group. The reason for the low historical transaction amounts is mainly due to the impact from the COVID-19 epidemic since early 2020. The PRC civil aviation industry is expected to recover and the gross passenger transportation volume is expected to increase after the COVID-19 epidemic is kept under control.

V. PROPOSED ANNUAL CAPS AND BASIS FOR THE PROPOSED ANNUAL CAPS

(1) Proposed Annual Caps

	For the five months ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)	For the year ending 31 December 2025 (RMB'000)	For the seven months ending 31 July 2026 (RMB'000)
Service fees	50,000	144,000	172,800	120,000

(2) Basis for the Proposed Annual Caps

The proposed annual caps for the transactions under the Service Agreement for the five months ending 31 December 2023, the two years ending 31 December 2025 and the seven months ending 31 July 2026 are determined in comprehensive consideration of: (i) the promising aviation market in China and the estimated increase in demand of the civil aviation transportation market after the COVID-19 epidemic is kept under control. In the future, as the recovery of the national economy continues to be stable and good, the basis for the recovery and development of China's civil aviation industry will be further strengthened, and the gross air passenger transportation volume in China is expected to increase dramatically; (ii) in the first six months of 2023, China's national economic recovery trend is generally good, strongly supporting the recovery of the civil aviation industry, and the air passenger transportation is steadily recovered; (iii) the estimation made by the marketing department of the Company and TravelSky Mobile Tech based on an optimistic scenario and in consideration of providing adequate buffer for the rising demands due to the expected growth of the business of the Company and TravelSky Mobile Tech in the future.

VI. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

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

VII. IMPLICATIONS UNDER THE LISTING RULES

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

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

Mr. Huang Rongshun, Mr. Liu Jianping, Mr. Xi Sheng and Mr. Luo Laijun, due to their positions in the shareholders of TravelSky Mobile Tech, have abstained from voting on the Board meeting for approving the transactions under the Service Agreement. Save as stated above, none of the Directors has a material interest in the transactions under the Service Agreement and none of them has abstained from voting on the relevant Board resolution.

VIII. GENERAL INFORMATION

Information on the Group

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

Information on TravelSky Mobile Tech

TravelSky Mobile Tech is a limited liability company incorporated in the PRC, and takes “Umetrip (航旅縱橫)” Application as its main product and provides mobile internet civil aviation information services, information technology services, software development, sale of computer software and hardware and so on. As at the date of this announcement, TravelSky Mobile Tech is held as to 23.83% by the Company, 18.09% by TravelSky Capital, 9.05% by Air Traffic Investment Company, 12.00% by Eastern Airlines Investment, 12.00% by Southern Airlines Capital, 8.54% by Yicheng Technology, 9.00% by Xitong Culture, and 7.50% by Shanghai Tongzonghui respectively.

Information on TravelSky Capital

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

Information on Air Traffic Investment Company

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

Information on Eastern Airlines Investment

Eastern Airlines Investment is a wholly-owned subsidiary of CEA Holding as at the date of this announcement and is principally engaged in industry investment, assets management, asset entrustment management, research and development and innovation of investment and financing business, commission and entrustment investment, investment consultancy and enterprise management service. CEA Holding is a wholly state-owned enterprise in the PRC. As at the date of this announcement, it holds approximately 6.25% of the total issued share capital of the Company. It is principally engaged in the management of all of the state-owned assets and state-owned equity interests resulting from investments of the state in CEA Holding and its invested entities.

Information on Southern Airlines Capital

Southern Airlines Capital is a wholly-owned subsidiary of Southern Air Holding as at the date of this announcement and is principally engaged in equity investment, investment management services, investment consulting services and project investment. Southern Air Holding is a state-owned enterprise established in the PRC. As at the date of this announcement, it holds approximately 6.25% of the total issued share capital of the Company. The principal business activities of Southern Air Holding are (i) operating China Southern Airlines Company Limited and its subsidiaries and other enterprises which China Southern Airlines Company Limited and its subsidiaries invested in and which constitutes all of the state-owned assets and state-owned equity formed through the state's investments; and (ii) engaging in operations in air transportation, as well as other relevant industries including civil aviation passenger and cargo agency, import and export trading, financing, construction and development and media and advertising through Southern Air Holding's subsidiaries.

Information on Yicheng Technology

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

Information on Xitong Culture

Xitong Culture is a limited liability company mainly engaged in technology development, Internet information services and other businesses. It has certain development and commercial operation experience in the fields of digital marketing, Internet medical and Internet finance. As at the date of the announcement, the ultimate beneficial owner of Xitong Culture is Mr. Zhao Chao, a Chinese citizen.

Information on Shanghai Tongzonghui

Shanghai Tongzonghui is a special purpose vehicle that meets the qualification requirements for the subject of the second-step capital increase project, the establishment of which is lead by an industrial investment platform of Shanghai Airport. As at the date of the announcement, the ultimate beneficial owner of Shanghai Tongzonghui is Shanghai Airport, a state-owned enterprise under the Shanghai State-owned Assets Supervision and Administration Commission. It is principally engaged in equity investment.

Information on CTHCL

CTHCL is a wholly PRC state-owned enterprise. As at the date of this announcement, it is a substantial shareholder of the Company and holds approximately 29.55% of the total issued share capital of the Company. It is principally engaged in the management of the state-owned assets and state-owned equity interests resulting from investments of the state in the group companies and its invested entities.

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

IX. DEFINITIONS

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

“30%-controlled company”	has the same meaning as ascribed to it under the Listing Rules
“Air Traffic Investment Company”	Air Traffic Management Investment Corporation* (民航空管投資管理有限公司), a limited liability company incorporated under the laws of the PRC
“Board”	the board of Directors of the Company

“CEA Holding”	China Eastern Airlines Corporation Limited* (中國東方航空集團有限公司), a limited liability company incorporated under the laws of the PRC
“Company”	TravelSky Technology Limited, a company incorporated under the laws of the PRC whose H Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited 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
“continuing connected transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“CTHCL”	China TravelSky Holding Company Limited* (中國民航信息集團有限公司), a substantial shareholder of the Company as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Eastern Airlines”	China Eastern Airlines Corporation Limited* (中國東方航空股份有限公司), a limited liability company incorporated under the laws of the PRC
“Eastern Airlines Investment”	Eastern Airlines Industry Investment Company Limited* (東方航空產業投資有限公司), a limited liability company incorporated under the laws of the PRC
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Service Agreement”	the service agreement entered into between the Company and TravelSky Mobile Tech on 8 October 2016, supplemented by the supplemental agreement dated 26 May 2020 and renewed on 29 July 2021 and on 28 July 2023 respectively in relation to the provision of cloud services and computer system services by the Company to TravelSky Mobile Tech
“Shanghai Airport”	Shanghai Airport (Group) Co., Ltd.* (上海機場(集團)有限公司), a limited liability company incorporated under the laws of the PRC
“Shanghai Tongzonghui”	Shanghai Tongzonghui Consulting Management Co., Ltd.* (上海潼宗匯諮詢管理有限公司), a limited liability company incorporated under the laws of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Southern Air Holding”	China Southern Air Holding Limited Company (中國南方航空集團有限公司), a limited liability company incorporated under the laws of the PRC
“Southern Airlines Capital”	China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司), a limited liability company incorporated under the laws of the PRC
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“TravelSky Capital”	TravelSky Capital Management Limited* (中航信啟航資本管理有限公司), a limited liability company incorporated under the laws of the PRC
“TravelSky Mobile Tech”	TravelSky Mobile Technology Limited* (中航信移動科技有限公司), a limited liability company incorporated under the laws of the PRC
“Xitong Culture”	Beijing Xitong Culture Technology Co., Ltd.* (北京西潼文化科技有限公司), a limited liability company incorporated under the laws of the PRC

“Yicheng Technology” Tianjin Yicheng Technology Partnership (Limited Partnership)*
(天津易程科技合夥企業(有限合夥)), a limited partnership
incorporated under the laws of the PRC

“%” per cent

By order of the Board
TravelSky Technology Limited
Huang Rongshun
Chairman

Beijing, the People’s Republic of China

28 July 2023

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

Executive Directors: Mr. Huang Rongshun (Chairman) and Mr. Liu Jianping;

Non-executive Directors: Mr. Zhao Xiaohang, Mr. Xi Sheng and Mr. Luo Laijun;

Independent non-executive Directors: Mr. Liu Zehong, Mr. Chan Wing Tak Kevin and Mr. Xu Hongzhi.

* For identification purposes only