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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)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
EASTERN AIRLINES SYSTEM SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 13 December 2017 in relation to, among other things, the renewal of the Eastern Airlines Transactions. The existing written agreement between ACCA and Eastern Airlines (for itself and on behalf of Shanghai Airlines) in relation to the Eastern Airlines Transactions will expire on 31 December 2018.

On 23 November 2018, ACCA, Eastern Airlines and Shanghai Airlines entered into the Eastern Airlines System Services Agreement, pursuant to which ACCA, Eastern Airlines and Shanghai Airlines agreed to the provision of passenger transport revenue management system services and settlement and clearing services by ACCA to Eastern Airlines and Shanghai Airlines, from 1 December 2018 to 31 December 2020.

ACCA is a wholly-owned subsidiary of the Company as at the date of this announcement. Eastern Airlines is a subsidiary of Eastern Holding and Shanghai Airlines is a wholly-owned subsidiary of Eastern Airlines as at the date of this announcement. Eastern Holding is a substantial shareholder of the Company. Each of Eastern Airlines and Shanghai Airlines is therefore a connected person of the Company pursuant to the Listing Rules. As such, the transactions under the Eastern Airlines System Services Agreement constitute continuing connected transactions of the Company.

Since the highest applicable Percentage Ratio calculated with reference to the Proposed Annual Caps under the Eastern Airlines System Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Eastern Airlines System Services 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.

1. BACKGROUND

Reference is made to the announcement of the Company dated 13 December 2017 in relation to, among other things, the renewal of the Eastern Airlines Transactions. The existing written agreement between ACCA and Eastern Airlines (for itself and on behalf of Shanghai Airlines) in relation to the Eastern Airlines Transactions will expire on 31 December 2018.

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2. EASTERN AIRLINES TRANSACTIONS UNDER THE EASTERN AIRLINES SYSTEM SERVICES AGREEMENT

2.1 Details of the Eastern Airlines Transactions under the Eastern Airlines System Services Agreement

Parties: *Service provider:*
ACCA

Service recipient:
Eastern Airlines and Shanghai Airlines

Terms: From 1 December 2018 to 31 December 2020

Services: The scope of services consists of the following:

- (1) the provision of application systems in relation to passenger transport, which include, among others, (i) domestic and international passengers transport revenue accounting management system, (ii) passenger transport business analysis system, (iii) passenger transport promotion and incentive accounting management system, (iv) subsidy management system; as well as relevant support and maintenance services for the abovementioned system products, which include the systematic infrastructure services required for the operation of application systems, the implementation of application system products, the application support and maintenance for daily operation as well as the customized program development.

- (2) the provision of revenue accounting services, which include, among others, (i) the passenger revenue accounting services (i.e., the passenger combined transport audit services, UATP accounting services and the passenger sales audit services), and (ii) the service fee accounting services.
- (3) the provision of clearing services through domestic and/or international clearing platforms.

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

- (1) the pricing of the provision of application systems in relation to passenger transport as well as relevant support and maintenance services is as follows:
 - (i) the pricing of the abovementioned provision of domestic and international passengers transport revenue accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA, Eastern Airlines and Shanghai Airlines with reference to the costs of services to be provided and varies depending on the transaction volume (i.e. the higher the transaction volume, the lower the rate). The rate of unit price for such services is not more than RMB0.4 for domestic passengers and not more than RMB1.65 for international passengers.
 - (ii) the pricing of the abovementioned provision of passenger transport business analysis system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA, Eastern Airlines and Shanghai Airlines. Such fees mainly consist of an annual fee of not more than RMB2,000,000 for the usage and technology support of business analysis system products; a system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day.
 - (iii) the pricing of the abovementioned passenger transport promotion and incentive accounting management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is

determined through arm's length negotiation between ACCA, Eastern Airlines and Shanghai Airlines. Such fees mainly consist of a service fee with the rate of unit price not more than RMB50,000 for monthly payment for international services and not more than RMB120,000 for quarterly payment for the technology support of the system products; a system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day.

- (iv) the pricing of the abovementioned subsidy management system and relevant support and maintenance services is not governed by any regulatory pricing guidelines but is determined through arm's length negotiation between ACCA, Eastern Airlines and Shanghai Airlines. Such fees mainly consist of a service fee with the rate of unit price of RMB100,000 for monthly payment for the technology support of the system products; a system implementation fee of RMB2,500 per person per day; and a customized development fee of RMB2,500 per person per day.
- (2) the pricing of the provision of revenue accounting services is as follows:
- (i) the pricing of the passenger revenue accounting services is generally subject to the maximum guidance prices prescribed by CAAC, and is generally calculated based on certain percentage rates, ranging from 0.3% to 0.9% of the total amount involved in the revenue accounting services, depending on each individual type of revenue accounting services with the exception that the passenger sales audit services fee is calculated based on the volume of tickets at a rate of not more than RMB0.8 per ticket plus an adjusted fee charged at a rate of 10% of the adjusted amount.
 - (ii) the pricing of the service fee accounting services is generally subject to the maximum guidance prices prescribed by CAAC, and is generally calculated by 0.9% of the total amount involved in the service fee accounting services.

- (3) the pricing of the abovementioned clearing services is generally subject to the maximum guidance prices prescribed by CAAC. For the clearing services provided through domestic platforms, the services fees mainly consist of: (i) a fixed monthly fee of RMB5,000 on the assumption that the transaction amount is not more than RMB1 million; and (ii) if the transaction amount is above RMB1 million, then the exceeding part will be charged at a rate of 0.06%. For the clearing services provided through international platforms, the services fees mainly consist of (i) a fixed annual fee of USD8,000 on the assumption that the transaction amount is not more than USD1 million; (ii) if the transaction amount is above USD1 million but not more than USD10 million, the exceeding part will be charged at a rate not more than 0.09%; and (iii) if the transaction amount is above USD10 million, then the exceeding part will be charged at a rate not more than 0.06%.

The service fees shall generally be calculated on a monthly basis and shall be settled in cash through clearing house. Such service fees shall generally be paid on a monthly basis.

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

2.2 Internal Control and Mechanism to Regulate the Eastern Airlines Transactions under the Eastern Airlines System Services Agreement

To ensure that the Eastern Airlines Transactions are carried out in accordance with relevant regulatory guidelines and terms as disclosed herein and those to be agreed in the Eastern Airlines System Services Agreement, the Company has in place the following internal control procedures and mechanism:

Such services under the Eastern Airlines Transactions 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 Eastern Airlines System Services 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, which include the business sales department, the market management department and the finance department, thus to ensure that the terms of the Eastern Airlines Transactions under the Eastern Airlines System Services Agreement are adherent and strictly followed.

Further, the auditors of the Company will conduct annual review of the Eastern Airlines Transactions under the Eastern Airlines System Services 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 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 Eastern Airlines Transactions are adherent and strictly followed in accordance with relevant regulatory guidelines and the Eastern Airlines System Services Agreement.

3. HISTORICAL TRANSACTION RECORDS

Set out below is a summary of the historical transactions amounts between ACCA and Eastern Airlines (for itself and on behalf of Shanghai Airlines) under the Eastern Airlines System Services Agreement for the three years ended 31 December 2017 and the ten months ended 31 October 2018:

	Year ended 31 December			ten months
	2015	2016	2017	ended 31
	(RMB)	(RMB)	(RMB)	October 2018
				(RMB)
continuing connected	74,482,600	76,084,910	81,909,000	97,345,000
transactions with Eastern	(equivalent to	(equivalent to	(equivalent to	(equivalent to
Airlines (for itself and on	approximately	approximately	approximately	approximately
behalf of Shanghai Airlines)	HK\$84,165,338)	HK\$85,975,948)	HK\$92,557,170)	HK\$109,999,850)

Note: The historical transaction figures for the three years ended 2015, 2016 and 2017 are audited figures of the Group and the figure for the ten months ended 31 October 2018 is internal management account figure.

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

4.1 Proposed Annual Caps

Set out below is a summary of the Proposed Annual Caps for the three years ending 31 December 2020 for the Eastern Airlines Transactions under the Eastern Airlines System Services Agreement:

	Year ending 31 December		
	2018 (RMB)	2019 (RMB)	2020 (RMB)
Eastern Airlines Transactions	125,000,000 (equivalent to approximately HK\$141,250,000)	148,000,000 (equivalent to approximately HK\$167,240,000)	175,000,000 (equivalent to approximately HK\$197,750,000)
	<i>(Note)</i>		

Note: The original annual cap for the Eastern Airlines Transactions under the existing written agreement in relation to the Eastern Airlines Transactions for the year ending 31 December 2018 is RMB110,000,000 (equivalent to approximately HK\$124,300,000). The aggregated annual cap for the Eastern Airlines Transactions under the Eastern Airlines System Services Agreement for the year ending 31 December 2018 is determined based on the original annual cap for the Eastern Airlines Transactions under the existing written agreement in relation to the Eastern Airlines Transactions for the year ending 31 December 2018 and the estimated business demand of Eastern Airlines and Shanghai Airlines provided by ACCA. The Board further confirms that each original annual cap for the year ending 31 December 2018 under the existing written agreement in relation to the Eastern Airlines Transactions has not yet been exceeded as at the date of this announcement.

4.2 Basis of the Proposed Annual Caps for the Eastern Airlines Transactions

The Proposed Annual Caps for the Eastern Airlines Transactions under the Eastern Airlines System Services Agreement for the three years ending 31 December 2020 represent an estimated annual growth rate of 18% in the Proposed Annual Cap of the Company in 2018 under the Eastern Airlines System Services Agreement in the continuing connected transactions with Eastern Airlines (for itself and on behalf of Shanghai Airlines). The Proposed Annual Caps and the estimated 18% annual transaction volume growth rate are determined with reference to (i) the historical transaction amounts of such type of transactions between ACCA and Eastern Airlines (for itself and on behalf of Shanghai Airlines) for the preceding three years ended 31 December 2017 and the ten months ended 31 October 2018; (ii) the actual growth rate of approximately 20% of the international passenger transportation volume for the first half of 2018 as compared with the corresponding period in the previous year and the actual growth rate of approximately 10% of the domestic passenger transportation volume for the first half of 2018 as compared with the corresponding period in the previous year; (iii) the anticipated average yearly increment of approximately 10.4% of the PRC's gross passenger transportation volume from 2016 to 2020 under the 13th Five-Year Plan based on the projections of CAAC; (iv) the estimated increase in demand of the civil aviation transportation market as influenced by various factors such as the "One Belt and One Road" strategy; and (v) the expansion of Eastern Airlines' business from time to time through acquisition of other airlines or establishing more branches.

5. REASONS FOR AND BENEFITS OF THE EASTERN AIRLINES TRANSACTIONS

The Eastern Airlines Transactions between ACCA, Eastern Airlines and Shanghai Airlines under the Eastern Airlines System Services Agreement are in the ordinary and usual course of business of the Group. The Group will receive service fees for provision of such products and services and thus such transactions will increase the total revenue of the Group.

The Directors (including the independent non-executive 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 that the terms of the transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. IMPLICATIONS UNDER THE LISTING RULES

ACCA is a wholly-owned subsidiary of the Company as at the date of this announcement. Eastern Airlines is a subsidiary of Eastern Holding and Shanghai Airlines is a wholly-owned subsidiary of Eastern Airlines as at the date of this announcement. Eastern Holding is a substantial shareholder of the Company. Each of Eastern Airlines and Shanghai Airlines is therefore a connected person of the Company pursuant to the Listing Rules. As such, the transactions under the Eastern Airlines System Services Agreement constitute continuing connected transactions of the Company.

Since the highest applicable Percentage Ratio calculated with reference to the Proposed Annual Caps under the Eastern Airlines System Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Eastern Airlines System Services 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. Li Yangmin, a non-executive Director then, has abstained from voting on relevant Board resolution in respect of the Eastern Airlines Transactions as he is a director of Eastern Airlines and an employee of Eastern Holding. Save as disclosed 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.

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 accounting, settlement and clearing services and information system development and support services to domestic and worldwide airline companies.

Information on ACCA

ACCA is principally engaged in the provision of accounting, settlement and clearing services and information system development and support services to commercial airlines and other aviation companies.

Information on Eastern Airlines

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

Information on Shanghai Airlines

Shanghai Airlines is a wholly-owned subsidiary of Eastern Airlines as at the date of this announcement and is principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

8. DEFINITIONS

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

“ACCA”	Accounting Centre of China Aviation Limited Company* (中國航空結算有限責任公司), a wholly-owned subsidiary of the Company as at the date of this announcement
“Board”	the board of Directors
“CAAC”	Civil Aviation Administration of China* (中國民用航空局)
“Company”	TravelSky Technology Limited, a company incorporated under the laws of the PRC whose 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
“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 date of this announcement

“Eastern Airlines System Services Agreement”	the system services and agency settlement and clearing services agreement entered into by ACCA, Eastern Airlines and Shanghai Airlines on 23 November 2018, pursuant to which the parties agreed to the provision of passenger transport revenue management system services and settlement and clearing services by ACCA to Eastern Airlines and Shanghai Airlines from 1 December 2018 to 31 December 2020
“Eastern Airlines Transactions”	the continuing connected transactions between ACCA, Eastern Airlines and Shanghai Airlines in relation to the provision of passenger transport revenue management system services and settlement and clearing services by ACCA to Eastern Airlines and Shanghai Airlines as set out in this announcement
“Eastern Holding”	China Eastern Air Holding Company Limited* (中國東方航空集團有限公司) which has a shareholding of 11.22% in the Company and is a substantial shareholder of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries, including ACCA
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Percentage Ratio(s)”	the percentage ratio(s) described under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Proposed Annual Cap(s)”	the proposed maximum aggregate annual amount of the Eastern Airlines Transactions contemplated under the Eastern Airlines System Services Agreement for each of the three years ending 31 December 2020
“RMB”	Renminbi, the lawful currency of the PRC

“Shanghai Airlines”	Shanghai Airlines Co., Ltd* (上海航空有限公司), a wholly-owned subsidiary of Eastern Airlines as at the date of this announcement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules
“USD”	the lawful currency of the United States
“%”	per cent

* *for identification purposes only*

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB1 = HK\$1.13 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.

By the order of the Board
TravelSky Technology Limited
Cui Zhixiong
Chairman

Beijing, PRC
23 November 2018

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

Executive Directors: Mr. Cui Zhixiong (Chairman) and Mr. Xiao Yinhong;

Non-executive Directors: Mr. Cao Jianxiong, Mr. Tang Bing and Mr. Han Wensheng;

Independent non-executive Directors: Mr. Cao Shiqing, Dr. Ngai Wai Fung and Mr. Liu Xiangqun.