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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
SOUTHERN AIRLINES TRANSACTIONS

Reference is made to the announcements of the Company dated 28 December 2016 and 27 June 2017 in relation to the continuing connected transactions under the Original Southern Airlines Agreement, pursuant to which ACCA agreed to provide revenue management application system products and services and passenger and cargo revenue settlement and clearing services to Southern Airlines for a term of two years ending 31 December 2018.

In order to renew the Southern Airlines Transactions, on 28 December 2018, ACCA and Southern Airlines entered into the New Southern Airlines Agreement, pursuant to which ACCA agreed to provide revenue management application system products and services and passenger and cargo revenue settlement and clearing services to Southern Airlines for a term of two years ending 31 December 2020.

ACCA is a wholly-owned subsidiary of the Company as at the date of this announcement. Southern Holding is a substantial Shareholder of the Company. Southern Airlines, being a subsidiary of Southern Holding, is therefore a connected person of the Company pursuant to the Listing Rules. As such, the New Southern Airlines Agreement and the Southern Airlines Transactions contemplated thereunder constitute continuing connected transactions of the Company.

Since the highest applicable Percentage Ratio with reference to the largest annual cap for the transactions under the New Southern Airlines Agreement exceeds 0.1% but is less than 5%, the New Southern Airlines Agreement and the Southern Airlines Transactions contemplated thereunder are subject to the annual review and announcement requirements but exempt from the independent Shareholders' approval requirement of Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcements of the Company dated 28 December 2016 and 27 June 2017 in relation to the continuing connected transactions under the Original Southern Airlines Agreement, pursuant to which ACCA agreed to provide revenue management application system products and services and passenger and cargo revenue settlement and clearing services to Southern Airlines for a term of two years ending 31 December 2018.

In order to renew the Southern Airlines Transactions, on 28 December 2018, ACCA and Southern Airlines entered into the New Southern Airlines Agreement, pursuant to which ACCA agreed to provide revenue management application system products and services and passenger and cargo revenue settlement and clearing services to Southern Airlines for a term of two years ending 31 December 2020.

2. NEW SOUTHERN AIRLINES AGREEMENT

2.1 Details of the New Southern Airlines Agreement

Parties: *Service provider:*
ACCA

Service recipient:
Southern Airlines

Date: 28 December 2018

Terms: Two years from 1 December 2019 to 31 December 2020

Services: The scope of services consists of the following:

- (1) the provision of application system products and services, which include, among others, (i) domestic and international passengers transport revenue accounting management system, (ii) cargo mail revenue management platform, (iii) passengers transport commercial analysis system, (iv) cargo transport commercial analysis system, (v) passengers transport promotion and incentive accounting management system, (vi) civil aviation domestic routes mail sale system, (vii) subsidy management system; as well as relevant application support and infrastructure services for the aforementioned system products, which include the implementation

of application system products, the application support for daily operation, customized development, the maintenance of system operation as well as the configuration of software and hardware required for the operation of application systems.

- (2) the provision of agency settlement services, which include, among others, (i) passengers transport settlement services, (ii) cargo transport settlement services, (iii) service fees settlement services, and (iv) domestic mails settlement services (including stock control, sales control, sales audit, uplift revenue pro-ration, accounting processing, sales and uplift matching, clearing and settlement services).
- (3) the provision of international and domestic clearing services through international clearing platforms and domestic clearing platforms.

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

- (1) the pricing of the provision of application system products and services as well as relevant application support and infrastructure services are not governed by any regulatory pricing guidelines but are determined through arm's length negotiation between ACCA and Southern Airlines as follows:
 - (i) the pricing of the aforementioned provision of domestic and international passengers transport revenue accounting management system and relevant application support and infrastructure services is determined 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 RMB1.65 for international passengers, with the customized development fee of RMB2,500 per person per day.
 - (ii) similar to the pricing term as stated in item (i), the pricing of the aforementioned provision of cargo mail revenue management platform and relevant application support and infrastructure services is determined with reference to the costs of services to be provided and varies depending on the transaction volume. The rate of unit price for such services is not more than RMB1.8 for domestic cargo and RMB5.2 for international cargo.

- (iii) the pricing of the aforementioned provision of passengers transport commercial analysis system and relevant application support and infrastructure services mainly consists of a system implementation fee of RMB2,500 per person per day; a customized development fee of RMB2,500 per person per day; and a system services fee of not more than RMB2,880,000 per year.
 - (iv) the pricing of the aforementioned provision of cargo transport commercial analysis system and relevant application support and infrastructure services mainly consists of a system implementation fee of RMB2,500 per person per day; a customized development fee of RMB2,500 per person per day; and a system services fee of RMB3,400,000 per year.
 - (v) the pricing of the aforementioned passengers transport promotion and incentive accounting management system and relevant application support and infrastructure services mainly consists of a system implementation fee of RMB2,500 per person per day; a customized development fee of RMB2,500 per person per day; and system services fees including (a) not more than RMB50,000 for monthly payment; and (b) not more than RMB120,000 for quarterly payment.
 - (vi) ACCA also provides the aforementioned civil aviation domestic routes mail sale system for free as ancillary services for Southern Airlines Transactions.
 - (vii) the pricing of the aforementioned subsidy management system and relevant application support and infrastructure services mainly consists of a system implementation fee of RMB2,500 per person per day; a customized development fee of RMB2,500 per person per day; and a service fee with the rate of unit price of RMB80,000 for monthly payment.
- (2) the pricing of the aforementioned settlement services is generally subject to the maximum guidance prices prescribed by CAAC, and are generally calculated based on certain percentage rates as follows:
- (i) the pricing of passengers transport settlement services is no more than 0.9% of the total amount involved in the settlement services, depending on each individual type of settlement services with the exception that the international passenger

transport sales data 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 not more than 10% of the adjusted amount.

- (ii) the pricing of cargo transport settlement services is no more than 0.9% of the total amount involved in the settlement services, depending on each individual type of settlement services.
 - (iii) the pricing of service fees settlement services is 0.9% of the total amount involved in the settlement services.
 - (iv) the pricing of domestic mails settlement services is 5.5% of the total amount involved in the settlement services.
- (3) the pricing of the aforementioned international and domestic clearing services through international clearing platforms and domestic clearing platforms is generally calculated based on certain percentage rates as follows:
- (i) the pricing of the international clearing services through international clearing platforms is generally referred to the maximum guidance prices prescribed by IATA Clearing House, which consists of (1) a fixed annual fee of USD8,000 on the assumption that the transaction amount is not more than USD1 million; (2) if the transaction amount is above USD1 million but less than USD10 million, then the exceeding part will be charged at a rate of 0.09%; and (3) if the transaction amount is above USD10 million, then the exceeding part will be charged at a rate of 0.06%.
 - (ii) the pricing of the domestic clearing services through domestic clearing platforms consists of (1) a fixed monthly fee of RMB5,000 on the assumption that the transaction amount is not more than RMB1 million; and (2) if the transaction amount is above RMB1 million, then the exceeding part will be charged at a rate of 0.06%.

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

The Directors (including the independent non-executive 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 Southern Airlines Transactions

To procure that the Southern Airlines Transactions are carried out in accordance with relevant regulatory guidelines and terms as disclosed herein, the Group has in place sound internal control procedures and mechanism.

The Southern Airlines Transactions are provided and carried out through the Group's large scale computerized automated system with pre-set technology parameters and pricing policies as agreed under the New Southern Airlines Agreement. Such parameters mainly include, if applicable, the costs of such services, the business processing volume and unit price. Changes of such preset technology specifications and pricing terms can only be made after receiving joint approvals from various internal departments of the Group, which include the aviation business sales department, the market management department and the finance department, thus to procure that the pricing terms of the Southern Airlines Transactions are adherent and strictly followed.

Further, the auditors of the Group will conduct annual review of the Southern Airlines Transactions to confirm that, among other things, such transactions are in accordance with the pricing policies of the Group 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 auditors will also carry out annual system auditing on the Group'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 Group is of the view that it possesses adequate mechanism, internal control procedures and external supervision in place to procure the pricing terms of the Southern Airlines Transactions by ACCA to Southern Airlines are adherent and strictly followed in accordance with relevant regulatory guidelines and the New Southern Airlines Agreement.

3. HISTORICAL TRANSACTION RECORDS

Set out below is a summary of the aggregated amounts of the Southern Airlines Transactions for the three years ended 31 December 2017 and the eleven months ended 30 November 2018:

	Year ended 31 December			eleven months ended 30
	2015 (RMB)	2016 (RMB)	2017 (RMB)	November 2018 (RMB)
Southern Airlines Transactions	68,046,900 (equivalent to approximately HK\$76,892,997)	74,211,410 (equivalent to approximately HK\$83,858,893)	87,854,000 (equivalent to approximately HK\$99,275,020)	109,671,000 (equivalent to approximately HK\$123,928,230)

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 eleven months ended 30 November 2018 is extracted from the internal management accounts.

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 Southern Airlines Transactions proposed for the two years ending 31 December 2020:

	Year ending 31 December	
	2019 (RMB)	2020 (RMB)
Southern Airlines Transactions under the New Southern Airlines Agreement	147,000,000 (equivalent to approximately HK\$166,110,000)	169,000,000 (equivalent to approximately HK\$190,970,000)

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

The Proposed Annual Caps represent an estimated annual growth rate of 15% in the transaction volume calculated based on the existing annual cap for the Southern Airlines Transactions for the year of 2018 (i.e. RMB127,000,000). The Proposed Annual Caps and the estimated 15% annual transaction volume growth rate are determined with reference to (i) the highest annual growth rate of approximately 18% in the historical transaction amounts of such type of transactions between the Group and Southern Airlines for the preceding three years ended 31 December 2017; (ii) the average yearly increment of at

least 10% of the PRC's gross passenger transportation volume from 2016 to 2020 as estimated by the Group based on the publicly available information of CAAC; (iii) the increasing demand of the civil aviation transportation market as influenced by various factors such as the "One Belt and One Road" strategy; and (iv) the expansion of Southern Airlines' businesses from time to time through acquisition of other airlines or establishing more branches.

5. REASONS FOR AND BENEFITS OF THE SOUTHERN AIRLINES TRANSACTIONS

The provision of the Southern Airlines Transactions is in the ordinary and usual course of business of the Group. The Group will receive service fees for provision of such services and products 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 Southern 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 Southern Airlines 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. Southern Holding is a substantial Shareholder of the Company. Southern Airlines, being a subsidiary of Southern Holding, is therefore a connected person of the Company pursuant to the Listing Rules. As such, the New Southern Airlines Agreement and the Southern Airlines Transactions contemplated thereunder constitute continuing connected transactions of the Company.

Since the highest applicable Percentage Ratio with reference to the largest annual cap for the transactions under the New Southern Airlines Agreement exceeds 0.1% but is less than 5%, the New Southern Airlines Agreement and the Southern Airlines Transactions contemplated thereunder are subject to the annual review and announcement requirements but exempt from the independent Shareholders' approval requirement of Chapter 14A of the Listing Rules.

Mr. Han Wensheng, a non-executive Director, has abstained from voting on relevant Board resolution in respect of the New Southern Airlines Agreement and Southern Airlines Transactions as he is an employee of Southern Airlines and Southern Holding. Save as disclosed above, none of the Directors has a material interest in the Southern 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 the 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 Southern Airlines

Southern Airlines is principally engaged in the provision of domestic, Hong Kong and Macau and international passenger, cargo and mail airline services. It is also a company listed on the Main Board of the Stock Exchange.

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), 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 shares are listed on the Main Board of the Stock Exchange and whose American depository 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“IATA”	International Air Transportation Association (國際航空運輸協會)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“New Southern Airlines Agreement”	the written agreement entered into by ACCA and Southern Airlines on 28 December 2018, pursuant to which both parties agreed to the provision of revenue management application system products and services and passenger and cargo revenue settlement and clearing services by ACCA to Southern Airlines for a term of two years ending 31 December 2020
“Original Southern Airlines Agreement”	the written agreement dated 28 December 2016 entered into between ACCA and Southern Airlines in respect of the Southern Airlines Transactions for a term of two years ending 31 December 2018
“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 Caps”	the proposed maximum aggregate annual amounts of the Southern Airlines Transactions for each of the two years ending 31 December 2020, as set out in section 4 headed “Proposed Annual Caps and Basis for the Proposed Annual Caps” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

“Southern Airlines”	China Southern Airlines Company Limited* (中國南方航空股份有限公司), a subsidiary of Southern Holding as at the date of this announcement
“Southern Airlines Transactions”	the continuing connected transactions between ACCA and Southern Airlines in relation to the provision of the various services by the Group to Southern Airlines as set out in this announcement
“Southern Holding”	China Southern Air Holding Company Limited* (中國南方航空集團有限公司), a substantial shareholder of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	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
28 December 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.