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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, stock broker, solicitor, professional accountant or other appropriate independent advisers.

**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 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: 0696)**

**PROPOSED BONUS ISSUE OF SHARES,  
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION,  
PROPOSED GRANT OF GENERAL MANDATES TO ISSUE  
AND REPURCHASE SHARES,  
PROPOSED H SHARE APPRECIATION RIGHTS SCHEME  
AND  
NOTICES OF AGM AND CLASS MEETINGS**

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A letter from the Board is set out on pages 5 to 19 of this circular.

Notices convening the AGM and the Class Meetings to be held at Conference Room, Prime Hotel, 2 Wangfujing Ave., Dongcheng District, Beijing, the PRC at 10:00 a.m. on Tuesday, 28 June 2011 are set out on pages 42 to 58 of this circular. Whether or not you intend to be present at the said meeting(s), you are requested to complete the accompanying forms 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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in case of holders of H Shares) or the registered office of the Company at 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, the PRC (in case of holders of Domestic Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the forms of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish.

12 May 2011

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## EXPECTED TIMETABLE

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The expected timetable is shown below:

**2011**

|  |  |
|--|--|
| Last day of dealings in H Shares on a cum-entitlement basis . . . . .  | Wednesday, 25 May  |
| First day of dealings in H Shares on an ex-entitlement basis . . . . .   | Thursday, 26 May   |
| Latest time for lodging transfer of the H Shares in order<br>to be entitled to the Bonus Issue<br>and the Dividends. . . . . | 4:30 pm on Friday, 27 May  |
| Closure of the register of members of H Shares . . . . .   | Saturday, 28 May to<br>Tuesday, 28 June<br>(both days inclusive) |
| Latest time for lodging proxy forms for AGM . . . . .  | 10:00 am on Monday, 27 June                                      |
| Relevant record date . . . . .   | Tuesday, 28 June   |
| AGM to approve the relevant proposals . . . . .  | 10:00 am on Tuesday, 28 June                                     |
| Announcement on the results of AGM and Class Meetings . . . . .  | Tuesday, 28 June   |
| Re-opening of the register of members of the H Shares . . . . .  | Wednesday, 29 June   |
| Certificates for the Bonus H Shares to be despatched<br>on or before . . . . .   | Thursday, 11 August  |
| Commencement of dealing in the Bonus H Shares . . . . .  | Monday, 15 August  |
| Payment of the Dividends . . . . .   | Friday, 26 August  |

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## DEFINITIONS

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

|                           |   |
|---------------------------|---|
| “AGM”                     | the annual general meeting of the Company to be held at 10:00 a.m. on Tuesday, 28 June 2011 for the purpose of, among other things, approving the Scheme, the Bonus Issue (including the proposed amendments to the Articles), the grant of the Issue Mandate and the Repurchase Mandate, the notice of which is set out on pages 42 to 58 of this circular |
| “Articles”                | the articles of association of the Company  |
| “associate(s)”            | have the same meaning ascribed to it under Chapters 1 and 19A of the Listing Rules  |
| “Board”                   | the board of Directors  |
| “Bonus Domestic Share(s)” | 664,549,196 new Domestic Shares to be allotted and issued pursuant to the Bonus Issue   |
| “Bonus H Share(s)”        | 310,854,000 new H Shares to be allotted and issued pursuant to the Bonus Issue  |
| “Bonus Issue”             | the proposed issue of Bonus Shares to the Shareholders on the basis of one Bonus Share for every two Shares held on the Record Date upon and subject to the terms of this circular  |
| “Bonus Shares”            | 975,403,196 new Shares to be allotted and issued by the Company to the Shareholders pursuant to the Bonus Issue   |
| “CCASS”                   | the Central Clearing and Settlement System established and operated by HKSCC  |
| “Class Meetings”          | the class meeting for holders of H Shares to be held immediately after the conclusion of the AGM and the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares, the respective notices of which are set out on pages 42 to 58 of this circular                         |

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## DEFINITIONS

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|                        |  |
|------------------------|--|
| “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  |
| “Company Law”          | the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time  |
| “connected person(s)”  | has the meaning ascribed to it under the Listing Rules   |
| “Directors”            | the directors of the Company   |
| “Dividends”            | the proposed final cash dividend of RMB306.3 million, which represented RMB0.157 per Share (pre-tax)   |
| “Domestic Share(s)”    | domestic share(s) of book value of RMB1.00 each in the share capital of the company  |
| “Group”                | the Company and its subsidiaries   |
| “HKSCC”                | the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of the Hong Kong Exchange and Clearing Limited  |
| “HK\$”                 | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”            | the Hong Kong Special Administrative Region of the PRC   |
| “H Share(s)”           | H share(s) of book value of RMB1.00 each in the share capital of the company   |
| “Incentive Recipients” | the recipients who will be proposed to receive the Share Appreciation Rights under the Scheme  |
| “Issue Mandate”        | a general and unconditional mandate proposed to be granted to the Board to exercise the power of the Company to allot, issue or otherwise deal with, and to make or grant offers, agreements and options in respect thereof, Shares up to a maximum of 20% of each of the Domestic Shares and H Shares in issue as at the date of passing the relevant resolution at the AGM |

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## DEFINITIONS

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|                           |  |
|---------------------------|--|
| “Latest Practicable Date” | 6 May 2011, 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  |
| “Mandatory Provisions”    | the Mandatory Provisions for the Articles of Association of the Companies to be Listed Overseas (《到境外上市公司章程必備條款》)  |
| “PRC” or “China”          | the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong and the Macau Special Administrative Region   |
| “Record Date”             | 28 June 2011, the record date by reference to which entitlements to the Bonus Issue and the Dividends will be determined   |
| “Registrar”               | the Hong Kong branch share 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   |
| “Repurchase Mandate”      | subject to the conditions set out in the proposed resolutions approving the repurchase mandate at the AGM and the Class Meetings, the general mandate to the Board to exercise the power of the Company to repurchase H Shares, the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal value of H Shares in issue in the capital of the Company as at the date of passing of the said resolutions |
| “RMB”                     | Renminbi, the lawful currency of the PRC   |
| “SAFE”                    | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)   |
| “SASAC”                   | State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)   |

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## DEFINITIONS

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|                             |   |
|-----------------------------|---|
| “Scheme”                    | the H Share Appreciation Rights Scheme to be adopted by the Company for certain Directors, senior management and employees of the Company   |
| “Share(s)”                  | shares of book value of RMB1.00 each in the share capital of the Company  |
| “Share Appreciation Rights” | the share appreciation rights granted under the Scheme, representing the rights conferred to the Incentive Recipients to receive stipulated earnings from the increase in share price of H Shares, subject to specific timeframe and conditions |
| “Shareholder(s)”            | the shareholder(s) of the Company   |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited   |
| “Takeovers Code”            | The Code on Takeovers and Mergers and Share Repurchases   |
| “%”                         | per cent.   |

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## LETTER FROM THE BOARD

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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: 0696)

*Directors:*

Xu Qiang (*Chairman*)

Cui Zhixiong

Xiao Yinhong

Wang Quanhua<sup>#</sup>

Luo Chaogeng<sup>#</sup>

Sun Yude<sup>#</sup>

Cheung Yuk Ming<sup>##</sup>

Zhou Deqiang<sup>##</sup>

Pan Chongyi<sup>##</sup>

*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

<sup>#</sup> *Non-executive Directors*

<sup>##</sup> *Independent non-executive Directors*

12 May 2011

*To the Shareholders*

Dear Sir/Madam

**PROPOSED BONUS ISSUE OF SHARES,  
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION,  
PROPOSED GRANT OF GENERAL MANDATES TO ISSUE  
AND REPURCHASE SHARES,  
PROPOSED H SHARE APPRECIATION RIGHTS SCHEME  
AND  
NOTICES OF AGM AND CLASS MEETINGS**

### INTRODUCTION

As set out in the Company's announcements dated 21 December 2010 and 6 May 2011, the Board recommended the Bonus Issue to the Shareholders, whose names appear on the registers of members of the Company on the Record Date, on the basis of one Bonus Share for every two Shares then held. The Board also proposes to amend the Articles to, among other matters, reflect the increase in the registered capital of the Company consequential to the Bonus Issue. On 29 March 2011, the Board also proposed the distribution of the Dividends.

The Board also proposes (i) that the Issue Mandate and the Repurchase Mandate to be granted to the Board at the AGM; and (ii) to adopt the Scheme.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, details of (i) the Bonus Issue; (ii) the proposed amendments to the Articles; (iii) the proposed grant of the Issue Mandate; (iv) the proposed grant of the Repurchase Mandate; (v) the Scheme; and (vi) notices of the AGM and the Class Meetings.

### **PROPOSED BONUS ISSUE**

The Board recommended the Bonus Issue to the Shareholders.

Holders of H Shares and Domestic Shares whose names appear on the register of holders of H Shares and the register of holders of Domestic Shares of the Company respectively on the Record Date will be entitled to the Bonus Issue. Subject to the fulfillment of the conditions set out in the paragraph headed “Conditions to the Bonus Issue” below, the Bonus Shares will be credited as fully paid by way of capitalization of the Company’s reserves and retained earnings.

### **Conditions to the Bonus Issue**

The Bonus Issue is conditional upon, among other things, the following having been satisfied:

- (i) the Bonus Issue and the corresponding amendments to the Articles having been approved by the Shareholders at the AGM and the Class Meetings of Shareholders by way of special resolutions;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus H Shares issued pursuant to the Bonus Issue; and
- (iii) the approval of the Bonus Issue by the relevant authorities (if any) and compliance with the applicable laws and regulations in the PRC.

### **Basis of the Bonus Issue**

The Bonus Issue will be made on the basis of (i) one Bonus H Share for every two (2) H Shares and (ii) one Bonus Domestic Share for every two (2) Domestic Shares, credited as fully paid, held by the Shareholders whose names appear on the registers of members of the Company on the Record Date. The issue of the Bonus Domestic Shares and the issue of the Bonus H Shares are interconditional to each other.

### **Status of the Bonus Shares**

The Bonus Shares will, subject to the Articles, rank *pari passu* in all respects with the existing H Shares or Domestic Shares as the case may be, in issue as at the Record Date. Holders of the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date on which the Bonus Shares are allotted and issued, but will not be entitled to the Dividends and the dividends declared by the Company

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## LETTER FROM THE BOARD

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before the date of allotment and issue of the Bonus Shares. Other than the expenses incurred in relation to the Bonus Issue and relevant accounting impact, the implementation of the Bonus Issue will not have any adverse impact on the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole.

### Fractions of the Bonus Shares

The Company will not allot any fraction of Bonus Shares under the Bonus Issue. So far as practicable, the Bonus Shares representing fractional entitlement (if any) will be aggregated and arrangement will be made to sell such aggregated fractional Bonus Shares in the market and the net proceeds will be retained by the Company for its own benefit.

### Effect to the shareholding on the Bonus Issue

As at the Latest Practicable Date, the registered and issued share capital of the Company is RMB1,950,806,393 which is divided into 621,708,000 H Shares and 1,329,098,393 Domestic Shares. Immediately after completion of the Bonus Issue and on the basis that an aggregate of 1,950,806,393 Shares are in issue with no further H Shares nor Domestic Shares issued or repurchased after the Latest Practicable Date and before the Record Date, the Bonus Shares will comprise 310,854,000 Bonus H Shares and 664,549,196 Bonus Domestic Shares.

Immediately after the issuance of the Bonus Shares and assuming that no further H Shares nor Domestic Shares will be issued or repurchased after the Latest Practicable Date and before such issuance, the Company will have an aggregate of 932,562,000 H Shares and 1,993,647,589 Domestic Shares in issue, and the registered capital of the Company will be increased from RMB1,950,806,393 to RMB2,926,209,589.

Upon completion of the Bonus Issue, the following holders of Domestic Shares will hold 10% or more of the existing issued share capital of the Company:

| Name of Domestic Shares holders    | Number of Domestic Shares held as at the Latest Practicable Date | Number of Domestic Shares held upon issue of the Bonus Domestic Shares | Approximate percentage holding of Domestic Shares | Approximate percentage holding of total issued Shares |
|------------------------------------|--|--|---|---|
| China TravelSky Holding Company    | 571,484,393  | 857,226,589  | 43.00%  | 29.29%  |
| China Southern Air Holding Company | 232,921,000  | 349,381,500  | 17.52%  | 11.94%  |
| China Eastern Air Holding Company  | 218,829,000  | 328,243,500  | 16.46%  | 11.22%  |

As at the Latest Practicable Date, the Company does not have outstanding options, warrants or convertible securities to subscribe for the Shares.

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## LETTER FROM THE BOARD

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The trading or dealing in all Domestic Shares need to be made in accordance with the applicable laws in the PRC. Domestic Shares owned by state-owned legal person are required to be traded in the Assets and Equity Exchange in the PRC.

### **Share certificates**

Subject to the fulfillment of the conditions of the Bonus Issue as set out in the paragraph headed “Conditions to the Bonus Issue” above, and in the absence of any specific instruction to the contrary received in writing by the Registrar, certificates in respect of the Bonus H Shares will be sent to the persons entitled thereto at their respective addresses shown in the register of holders of H Shares of the Company or in the case of joint holders, to the address of the joint holder whose name stands first in the register of holders of H Shares of the Company in respect of the joint holding. It is expected that certificates for the Bonus H Shares will be posted to those entitled thereto at their own risk on or before 11 August 2011.

### **Listing and dealings**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus H Shares. The H Shares are not listed or dealt in any other stock exchange nor is listing or permission to deal in the same being or proposed to be sought from any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Bonus H Shares on the Stock Exchange, the Bonus H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the date of commencement of dealings in such Bonus H Shares or such other date as determined by HKSCC.

Upon the Bonus Issue being unconditional, dealings in the Bonus H shares on the Stock Exchange are expected to commence on 15 August 2011 and will be subject to stamp duty in Hong Kong.

### **Closure of register of holders of H Shares**

The register of holders of H Shares of the Company will be closed from 28 May 2011 to 28 June 2011, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for the Bonus Issue, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 27 May 2011.

### **Reasons for the Bonus Issue**

The Bonus Issue is a return to the support of the Shareholders and can facilitate the liquidity of the Shares in the market. The Board also considers that the terms and conditions of the Bonds Issue are fair and reasonable.

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## LETTER FROM THE BOARD

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### General

To the best knowledge and belief of the Company, no Shareholders would be required to abstain from voting at the relevant meeting(s) of the Shareholders in relation to the resolutions to be proposed in respect of the Bonus Issue and the amendments to the Articles.

### Overseas Shareholders

As at the Latest Practicable Date, the Company has one holder of H Shares whose address as shown on the register of holders of H Shares of the Company is located in places outside Hong Kong (the “Overseas Shareholders”).

If, based on the register of holders of H Shares of the Company as at the Record Date, there is any Overseas Shareholder, the Board will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for the Company’s offering the Bonus H Shares to the Overseas Shareholders.

Overseas Shareholders will not be allotted the Bonus H Shares if the laws of the jurisdiction at which their registered address is located prohibit the Company from allotting the Bonus H Shares to them, or require the Company to comply with any requirements (such as filing of any registration statement or prospectus or other special formalities) which the Directors consider to be impracticable. Instead, the Bonus H Shares otherwise falling to be allotted to them would be sold in the market as soon as practicable after dealings in the Bonus H Shares commence if a premium, net of expenses, can be obtained. Any net proceeds of such sale for each Overseas Shareholder, after deduction of expenses, of HK\$100 or more will be distributed in Hong Kong dollars to the relevant Overseas Shareholders, by ordinary post at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company.

### Warning of Risks of Dealing in Shares

**Holders of H Shares should note that H Shares will be dealt with on an ex-entitlements basis commencing on 26 May 2011. The Bonus Issue is conditional upon the conditions set out in the paragraph headed “Conditions to the Bonus Issue” above. Any Shareholder or other person dealing in the Shares prior to the Company fulfilling the conditions for the Bonus Issue will accordingly bear the risk that the Bonus Issue cannot become unconditional and may not be able to receive the Bonus Shares.**

**Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

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## LETTER FROM THE BOARD

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### AMENDMENTS TO THE ARTICLES

If the Bonus Issue is approved in the AGM and the Class Meetings, the registered capital, the total issued share capital, the respective issued share capital of the H Shares and the Domestic Shares of the Company will need to be increased. The number of Shares held by promoters of the Company will increase upon completion of the Bonus Issue. The Articles will be required to be amended accordingly as follows:

(i) Article 20 of the Articles:

(aa) By adding the following paragraph immediately after the existing third paragraph of the existing Article 20 as the fourth paragraph, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 1,993,647,589 of which were issued to holders of domestic shares of the Company, representing 68.13% of the issued share capital of the Company.”.

(bb) By deleting the existing fourth paragraph of the existing Article 20 and replacing with the following paragraph as the fifth paragraph, “Number of shares held by promoter: Shareholder 1 holds 857,226,589 shares; Shareholder 2 holds 349,381,500 shares; Shareholder 3 holds 328,243,500 shares; Shareholder 4 holds 268,300,500 shares; Shareholder 5 holds 25,155,000 shares; Shareholder 6 holds 65,773,500 shares; Shareholder 7 holds 33,150,000 shares; Shareholder 8 holds 22,678,500 shares; Shareholder 9 holds 18,720,000 shares; Shareholder 10 holds 13,045,500 shares; Shareholder 11 holds 5,167,500 shares; Shareholder 12 holds 3,900,000 shares; Shareholder 13 holds 2,398,500 shares; Shareholder 14 holds 507,000 shares.”.

(ii) Article 21 of the Articles:

By adding the following paragraph immediately after the existing fourth paragraph of the existing Article 21, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 932,562,000 of which were issued to holders of H shares of the Company, representing 31.87% of the issued share capital of the Company.”.

(iii) Article 24 of the Articles:

By deleting the words “RMB1,950,806,393” and substituting therefor the words “RMB2,926,209,589”.

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## LETTER FROM THE BOARD

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In addition, due to the change of names of two Domestic Shareholders, the Articles need to be amended accordingly as follows:

Article 1 of the Articles:

- (i) By deleting the words “中國新華航空有限責任公司” and substituting therefor the words “中國新華航空集團有限公司”.
- (ii) By deleting the words “四川航空集團公司” and substituting therefor the words “四川航空集團有限責任公司”.

Furthermore, in order to increase the revenue of the Company, it has applied for the expansion of its business scope so as to include specialized undertaking of engineering projects related to computer system integration, electronic engineering and airport air traffic control and weak-current systems of terminals into the scope and the Articles need to be amended accordingly as follows:

Article 13 of the Articles:

By adding the following sentence immediately after the last sentence of the existing Article 13, “specialized undertaking of engineering projects related to computer system integration, electronic engineering and airport air traffic control and weak-current systems of terminals”.

The proposed amendments to the Articles are subject to the approval of the Shareholders by way of a special resolution at the AGM and the Class Meetings (in the case of amendments to Articles 20, 21 and 24).

### **PROPOSED DISTRIBUTION OF FINAL CASH DIVIDEND**

Reference is made to the announcement of the Company dated 29 March 2011. The Board proposed the distribution of the Dividends to the Shareholders whose names appear on the registers of members of the Company on the Record Date.

The register of holders of H Shares of the Company will be closed from 28 May 2011 to 28 June 2011, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for the entitlement to the Dividends, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 27 May 2011.

The distribution of the Dividends is subject to Shareholders’ approval at the AGM.

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## **LETTER FROM THE BOARD**

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### **ENTERPRISE INCOME TAX PAYABLE BY NON-RESIDENT ENTERPRISE SHAREHOLDERS**

In accordance with the Enterprise Income Tax Law of the PRC and the Rules for the Implementation of the Enterprise Income Tax Law of the PRC, both implemented in 2008, with effect from 1 January 2008, the Company shall be obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders with a tax rate of 10% when the Company distributes any dividends or bonus shares to non-resident enterprise shareholders whose names appear on the register of members of H Shares of the Company. As such, any H Shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be H Shares held by non-resident enterprise shareholder(s) and the PRC enterprise income tax shall be withheld from any dividends payable thereon. The Company shall comply with the relevant rules and regulations to withhold and pay the PRC enterprise income tax on behalf of the relevant H Shareholders who are listed in the register of members of H Shares of the Company as of the Record Date.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax issued by the relevant taxation authority in the PRC, PRC enterprise income tax payable by non-resident enterprise shareholders may be exempted if undistributed profits made prior to year 2008 are distributed after year 2008. As the Company will capitalize the retained earnings of the Company, part of which were made prior to year 2008, for the Bonus Issue, the Company intends to apply to the relevant taxation authority in the PRC for calculation of such exempted amount.

The Company will make further announcement(s) on the arrangements in relation to the payment of the Dividends and withholding of tax (including the result of application for exemption to pay PRC enterprise income tax) after the AGM and the Class Meetings, including the date of payment of the Dividends and mechanism of withholding the income tax payable by non-resident enterprise Shareholders.

### **PROPOSED GRANT OF THE ISSUE MANDATE**

According to Article 56 of the Articles, Shareholders can, in general meetings of the Company, authorise the Board to carry out the authorised matters.

At the AGM, a special resolution will be proposed that the Board be granted the Issue Mandate to exercise the power of the Company to authorise, allot, issue or otherwise deal with, and to make or grant offers, agreements and options in respect thereof, Shares up to a maximum of 20% of each of the Domestic Shares and H Shares in issue as at the date of passing the relevant resolution at the AGM.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 1,950,806,393 Shares, comprising 1,329,098,393 Domestic Shares and 621,708,000 H Shares, were in issue. Subject to the passing of the proposed resolution approving the grant of the Issue Mandate to the Board and on the basis that no Share will be issued or repurchased by the Company prior to the AGM, the Board will be allowed under the Issue Mandate to issue a maximum of 265,819,678 Domestic Shares and 124,341,600 H Shares respectively. The Directors believe that it is in the best interests of the Company and the Shareholders to grant the Issue Mandate to the Board to issue new Shares. Whilst it is not possible to anticipate in advance any specific circumstances in which the Directors might think it appropriate to issue Shares, the ability to do so would give them the flexibility to capture the opportunity if it so arises.

The Issue Mandate would expire on the earlier of (a) twelve months from the date of passing of the resolution; (b) the conclusion of the next annual general meeting of the Company; or (c) the date on which such authority is revoked or varied by a special resolution of the Shareholders in any general meeting.

### **PROPOSED GRANT OF THE REPURCHASE MANDATE**

#### **Legal and regulatory requirements**

The Company Law, the Mandatory Provisions and the Articles provide for certain restrictions on the repurchase of Shares which are applicable to all classes of Shares.

The Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its shares, or granting incentive shares to its staff and workers, or the shareholders' requesting the company to purchase its own shares where the shareholders oppose the decision on merger or division of the company made at a general meeting of shareholders. The Mandatory Provisions, which the Company has incorporated in the Articles, provide that subject to obtaining the approval of the relevant PRC regulatory authorities and in compliance with the Articles, the Company may repurchase its issued Shares for the purpose of reducing its share capital, or in connection with a merger between itself and another entity that holds its Shares, or in other circumstances permitted by laws or administrative regulations.

Rule 10.06(1)(a) and Rule 19A.25 of the Listing Rules permit the shareholders of a PRC joint stock limited company to grant a general mandate to its directors to repurchase shares of such company that is listed on the Stock Exchange. Such mandate is required to be given by way of a special resolution passed by its shareholders in general meeting and by way of special resolutions passed by holders of domestic shares and holders of overseas listed foreign shares at separate class meetings.



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## LETTER FROM THE BOARD

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The repurchase of H Shares by the Company is subject to the approvals of various PRC governmental authorities, which include SASAC, SAFE and/or (if appropriate) any other regulatory authorities as required by the laws, standards and system of the PRC. The approval of SAFE is required as H Shares are traded on the Stock Exchange in Hong Kong dollars and the price payable by the Company upon any repurchase of H Shares will, therefore, be paid in Hong Kong dollars. The Company has also been advised by its PRC legal advisers that the passing of a special resolution to approve the grant to the Directors of the Repurchase Mandate would constitute a reduction in the registered capital of the Company when such mandate is actually exercised by the Directors.

In accordance with the requirements of the Articles applicable to capital reduction (as incorporated from the Mandatory Provisions), the Company will have to notify its creditors of the passing of the resolution for the reduction of the registered capital of the Company. According to Article 28 of the Articles, such notification is to be given to the Company's creditors within ten days after the passing of such resolution and also by way of publication on three occasions of a press announcement in the PRC within 30 days after the passing of such special resolution. Creditors of the Company then have a period of up to 30 days after the Company's notification or if no such notification has been received, up to 90 days after the first publication of the aforesaid press announcement to require the Company to repay amounts due to them or to provide guarantees in respect of such amounts. Further, the registered capital of the Company shall not be reduced to an amount lower than the statutory minimum amount.

In addition, the Company Law, the Articles and the Mandatory Provisions provide that the shares repurchased by a company will have to be cancelled and the registered capital of that company will therefore be reduced by an amount equivalent to the aggregate nominal value of the shares so cancelled. In the event of a reduction of registered capital, the company shall inform its creditor(s) by way of written notice and announcement within a prescribed period after the passing of the relevant shareholders' resolutions approving such reduction. The creditors shall be entitled to request the company for repayment of loan and/or provision of guarantee. Penalty will be imposed on a company for any failure to notify the creditors. The statutory notification requirement allows the creditors an opportunity for the recovery and/or security of the debt where a company's registered capital is to be reduced.

The Company has been advised by its PRC legal advisers that subject to the granting of the Repurchase Mandate to the Directors and the obtaining of the above mentioned approvals by the relevant PRC regulatory authorities by the Company, the Company will only be required to give such notification to its creditors in the event that the Directors shall decide to exercise their powers under the Repurchase Mandate and the registered capital of the Company shall be reduced thereby.

In light of the above and provided that other conditions precedent are fulfilled, the Directors will exercise the power to repurchase H Shares after the notification duty is discharged and the possible disputes over debts can be reduced thereby and in compliance with the relevant requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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### **Reasons and conditions for the Repurchase Mandate**

In order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to repurchase any H Shares (including where such repurchase may lead to an enhancement of the net asset value per Share and/or the earnings per Share), approval is proposed to be sought from the Shareholders for the grant of the Repurchase Mandate to the Board. In accordance with the legal and regulatory requirements described above, the AGM and the Class Meetings are proposed to be convened and, at each of such meetings, a special resolution will be proposed to grant to the Board the Repurchase Mandate, i.e. a conditional general mandate to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value not exceeding 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of such special resolution. As at the Latest Practicable Date, the Company had a total of 621,708,000 H Shares in issue. Assuming that the number of H Shares remains unchanged up to the date of the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 62,170,800 H Shares.

The exercise of the Repurchase Mandate will be conditional upon (a) the approvals of SASAC and SAFE (or their respective successor authorities) and/or (if appropriate) any other regulatory authorities as required by the laws, standards and system of the PRC being obtained; and (b) the Company not being required by any of its creditors to repay or to provide guarantees in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure under Article 28 of the Articles. If the Company determines to repay any amount to any of its creditors in circumstances described under condition (b) above, it currently expects to do so out of its internal resources. If the above conditions are not fulfilled, the Repurchase Mandate will not be exercisable by the Directors.

The Repurchase Mandate would expire on the earlier of (a) the conclusion of the next annual general meeting of the Company; or (b) the date on which the authority conferred by the special resolutions is revoked or varied by a special resolution of the Shareholders in a general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares at their respective class meetings.

### **Listing Rules requirements**

Under the Listing Rules, the Company is required to give to the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at each of the AGM and the Class Meetings. An explanatory statement for such purpose is set out in Appendix I to this circular.

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## LETTER FROM THE BOARD

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### PROPOSED H SHARE APPRECIATION RIGHTS SCHEME

Reference is made to the announcement of the Company dated 21 December 2010 in relation to the intention of adopting the Scheme to provide medium to long term incentive to the Directors, senior management and employees of the Company and promote the continuous development of the business of the Group. The Company obtained the approval of the Scheme from SASAC on 21 April 2011 and the Scheme is still subject to the Shareholders' approval at the AGM.

A summary of the major terms of the Scheme is set out below.

|  |   |   |
|--|---|---|
| Effective Date of the Scheme                             | : | the date on which the Scheme is approved and adopted by the Shareholders in a general meeting   |
| Duration   | : | 10 years from the effective date of the Scheme  |
| Frequency of grant                                       | : | once every two years  |
| Incentive Recipients                                     | : | Directors (excluding independent non-executive Directors), senior management of the Company who have assumed leading responsibilities and key technical and managerial personnel of the Company with outstanding contributions to the Company   |
| Maximum limit of Share Appreciation Rights to be granted | : | 10% of the entire issued share capital of the Company as at the effective date of the Scheme  |
| Exercise price   | : | subject to final decision of the Board, the higher of (i) the closing price of the H Share as at the date of the grant of the Share Appreciation Rights; (ii) the average closing price of the H Share of the five trading days immediately preceding the date of grant of the Share Appreciation Rights; or (iii) the par value of the H Shares of the Company |
| Effective date of grant                                  | : | as determined by the Board and informed to the Incentive Recipients   |
| Exercise period  | : | seven years from the effective date of grant of the Share Appreciation Rights   |

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## LETTER FROM THE BOARD

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Full details regarding the Scheme are set out in Appendix II to this circular. Pursuant to the Scheme, the Incentive Recipients will be granted certain Share Appreciation Rights. Each unit of Share Appreciation Rights is notionally linked to one H Share and represents the rights conferred to the relevant Incentive Recipient to receive in cash stipulated earnings from the increase in market share price of the relevant H Share. However, no H Shares will actually be issued to any Incentive Recipient. The Scheme does not involve the grant of options over new Shares or other new securities issuable by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Listing Rules.

When the Company submitted the Scheme to SASAC for obtaining its approval, it proposed that approximately 9.76 million of initial Share Appreciation Rights (the “Initial Grant”) be granted to 59 persons, comprising 3 executive Directors and 56 senior management and key technical and managerial personnel, upon satisfaction of the initial granting conditions, subject to the approval of the Scheme by the Shareholders at the AGM.

Further details of the Initial Grant are as follows:

| <b>Incentive Recipients</b>  | <b>Approximate number<br/>of units of Share<br/>Appreciation Rights<br/>to be granted</b> |
|--|---|
| 3 executive Directors, namely Xu Qiang,<br>Cui Zhixiong and Xiao Yinhong | 990,000   |
| 10 senior management   | 2,240,000   |
| 46 key technical and managerial personnel                                | 6,532,000   |
| <b>Total:</b>  | <b>9,762,000</b>  |

The grant of the Share Appreciation Rights is subject to the fulfillment of the following conditions:

- (i) the results of the Group for the financial year immediately before the grant of the Share Appreciation Rights fulfill the following conditions:
  - (a) the return on net assets shall not be lower than 13%;
  - (b) the three-year compound growth rate of the operation revenue shall not be lower than 10%;
  - (c) the proportion of profits from principal operations to total profits shall not be lower than 99%;

and all the above shall not be lower by 50 percentile as compared with peer benchmark companies; and

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## LETTER FROM THE BOARD

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- (ii) the performance assessment results of the relevant Incentive Recipient for the financial year immediately before the grant of the Share Appreciation Rights having a grade of pass.

As at the Latest Practicable Date, the above conditions have been fulfilled.

The above list of Incentive Recipients and their entitlements for the Initial Grant are proposals only as at the Latest Practicable Date, and the Board currently plans to determine the timetable and reconfirm the list of Incentive Recipients and their entitlements for the Initial Grant only after the Scheme has been approved at the AGM, and further announcement will be made by the Company accordingly. The Company will comply with the provisions (including the restrictions on grant of Share Appreciation Rights) of the Scheme. As at the Latest Practicable Date, the proposed grant of the Share Appreciation Rights to the executive Directors had been approved by the independent non-executive Directors and no Incentive Recipients of the Initial Grant holds more than 5% of the Shares carrying voting rights in the Company.

### **AGM AND CLASS MEETINGS**

The AGM will be held at Conference Room, Prime Hotel, 2 Wangfujing Ave., Dongcheng District, Beijing, the PRC at 10:00 a.m. on Tuesday, 28 June 2011 to consider and, if thought fit, approve, among other matters, the Scheme, the Bonus Issue (including the proposed amendments to the Articles), the distribution of the Dividends, the grant of the Issue Mandate and the Repurchase Mandate. The Class Meeting for holders of H Shares will be held immediately after the conclusion of the AGM and the Class Meeting for holders of Domestic Shares will be held immediately after the conclusion of the Class Meeting for the holders of H Shares, to consider and, if thought fit, approve the Bonus Issue and the grant of the Repurchase Mandate. Notices of the AGM and the Class Meetings are set out on pages 42 to 58 of this circular.

Forms of proxy for use at the AGM and the Class Meetings are enclosed with this circular. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in case of holders of H Shares) or the Company's registered office at 7 Yu Min Da Street, Houshayu Town, Shunyi District, Beijing 101308, the PRC (in case of holders of Domestic Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the forms of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

### **VOTING AT THE AGM AND THE CLASS MEETINGS**

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the AGM and the Class Meetings must be taken by poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Board considers that the resolutions to approve the Scheme, the Bonus Issue (including the proposed amendments to the Articles) and the grant of the Issue Mandate and the Repurchase Mandate 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 resolutions at the AGM and/or the Class Meetings.

The Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be exercised when the Directors believe that such repurchases of H Shares will benefit the Company and the Shareholders.

### 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.

### DOCUMENTS FOR INSPECTION

Copies of the Articles and the annual reports of the Company for the years 2009 and 2010 are available for inspection at the office of Bird & Bird at 33rd Floor, Three Pacific Place, 1 Queen's Road East, Wan Chai, Hong Kong during normal business hours on any weekday (public holidays excepted) from the date of this circular up to and including the 14th day from the date of this circular.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
By order of the Board  
**TravelSky Technology Limited**  
**Xu Qiang**  
*Chairman*

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide you with requisite information as to the Repurchase Mandate.

### **LISTING RULES RELATING TO THE REPURCHASE OF SHARES**

The Listing Rules permit a PRC issuer listed on the Stock Exchange to repurchase its shares of all classes listed on the Stock Exchange, subject to certain restrictions. Among such restrictions applicable to a PRC issuer, the Listing Rules provide that the shares of such PRC issuer must be fully paid up and all repurchases of shares by such PRC issuer must be approved in advance by a special resolution of shareholders in a general meeting and of holders of domestic shares and holders of overseas listed foreign shares at separate meetings conducted in accordance with such PRC issuer's articles of association for approving share repurchases, either by way of a general mandate or by specific approval of a particular transaction.

### **REASONS FOR THE REPURCHASE MANDATE**

The Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to and in the best interest of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at such time, lead to an enhancement of the net asset value and/or earnings per Share. Such repurchases will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders. The Directors have no present intention to exercise the Repurchase Mandate.

### **REGISTERED CAPITAL**

At as the Latest Practicable Date, the registered capital of the Company was RMB1,950,806,393.00 comprising 1,329,098,393 Domestic Shares and 621,708,000 H Shares.

### **EXERCISE OF THE REPURCHASE MANDATE**

Subject to the passing of the special resolution numbered 11 set out in the notice of the AGM and the special resolution numbered 2 set out in the notice of the Class Meetings respectively, the Repurchase Mandate will be conditionally granted to the Directors until the end of the earlier of (i) the conclusion of the next annual general meeting following the passing of the said special resolutions; or (ii) the date on which the authority conferred by the special resolutions is revoked or varied by a special resolution of the Shareholders in any general meeting or by a special resolution of the holders of Domestic Shares or the holders of H Shares at their respective class meetings. The exercise of the Repurchase Mandate is subject to (a) the approvals of SASAC and SAFE (or their respective successor authorities) and/or (if appropriate) any other regulatory authorities as required by the laws, standards and system of the PRC being obtained and (b) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure under Article 28 of the Articles.

The exercise in full of the Repurchase Mandate (on the basis of 621,708,000 H Shares in issue as at the Latest Practicable Date and assuming such number of H Shares would remain unchanged as at the date of the AGM and the Class Meetings) would result in up to 62,170,800 H Shares repurchased by the Company, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolutions.

### **FUNDING OF REPURCHASES**

The Company is empowered by the Articles to repurchase the H Shares. Any repurchases by the Company may only be made out of either the capital paid up on the relevant shares to be repurchased, or the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose or from sums standing to the credit of the share premium account of the Company.

In repurchasing the H Shares, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles and the applicable laws, rules and regulations of the PRC.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared to the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2010) in the event that the Repurchase Mandate is to be exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of H Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regarded to the circumstances then prevailing, in the best interests of the Company.

### **STATUS OF REPURCHASED H SHARES**

The Listing Rules provide that the listing of all the H Shares repurchased by the Company shall automatically be cancelled and the relevant share certificates shall be cancelled and destroyed. Under the PRC laws and the Articles, the H Shares repurchased by the Company will be cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled.



**PRICES OF H SHARES**

The highest and lowest prices at which the H Shares have been traded on the Stock Exchange in each of the 12 calendar months immediately preceding the Latest Practicable Date are as follows:

|   | <b>Highest</b><br><i>HK\$</i> | <b>Lowest</b><br><i>HK\$</i> |
|---|-------------------------------|------------------------------|
| <b>2010</b>                             |                               |                              |
| April                                   | 6.80                          | 6.25                         |
| May                                     | 6.60                          | 5.07                         |
| June                                    | 6.54                          | 5.25                         |
| July                                    | 7.27                          | 6.51                         |
| August                                  | 7.43                          | 6.51                         |
| September                               | 8.00                          | 6.46                         |
| October                                 | 8.27                          | 7.40                         |
| November                                | 9.08                          | 7.55                         |
| December                                | 8.65                          | 7.54                         |
| <b>2011</b>                             |                               |                              |
| January                                 | 8.35                          | 7.70                         |
| February                                | 8.07                          | 6.73                         |
| March                                   | 7.62                          | 6.75                         |
| April                                   | 8.18                          | 7.40                         |
| May (up to the Latest Practicable Date) | 8.08                          | 7.76                         |

**PREVIOUS REPURCHASE**

No repurchase of H Shares has been made by the Company for the previous six months (whether on the Stock Exchange or otherwise) immediately preceding the Latest Practicable Date.

**THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING**

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase H Shares pursuant to the Repurchase Mandate (if approved to be granted at the AGM and the Class Meetings), such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, China TravelSky Holding Company (中國民航信息集團公司), the largest substantial shareholder (as defined in the Listing Rules) and a promoter of the Company, held 571,484,393 Domestic Shares, which represented approximately 29.29% of the total number of Shares in issue.

In the event that the Directors exercise in full the power to repurchase H Shares in accordance with the terms of the Repurchase Mandate, the total interests of China TravelSky Holding Company in the registered capital of the Company would be increased to approximately 30.26%, and this will result in China TravelSky Holding Company and party acting in concert with it obliged to make a mandatory offer under Rule 26 of the Takeovers Code. Save as disclosed above, the Directors are not aware of any other consequences which will arise under either or both of the Takeovers Code and any similar applicable laws as a result of any repurchases to be made under the Repurchase Mandate. Moreover, the Directors will not make share repurchase on the Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

The Directors have no intention to exercise the Repurchase Mandate to an extent that it may result in a public shareholding of the H Shares to be less than 25%.

#### **GENERAL**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws, rules and regulations of the PRC.

None of the Directors and to the best of their knowledge having made all reasonable enquiries, none of their associates presently intend to sell H Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved and the conditions to which the Repurchase Mandate is subject are fulfilled.

The Company has not been notified by any connected person of the Company that they have a present intention to sell any H Shares to the Company, or that they have undertaken not to sell any H Shares held by them to the Company in the event that the Repurchase Mandate is approved by the Shareholders and the conditions to which the Repurchase Mandate is subject are fulfilled.

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**1. DEFINITIONS**

In the Scheme, the following expressions shall have the meanings set out below:

|                                      |  |
|--------------------------------------|--|
| ”the Scheme”                         | H Share Appreciation Rights Scheme of TravelSky Technology Limited, hereinafter referred to as “the Scheme”.   |
| “the Company”                        | TravelSky Technology Limited, hereinafter referred to as “TravelSky”.  |
| “Share(s)”                           | ordinary share(s) of the Company.  |
| “Tradable Share(s)”                  | the issued ordinary share(s) being traded on the Hong Kong Stock Exchange, also referred as to “H Shares”.   |
| “Share Appreciation Rights”          | the rights conferred to the Incentive Recipients by Company to receive stipulated earnings from the increase in share price, subject to specific timeframe and conditions. |
| “Units of Share Appreciation Rights” | the basic unit in appreciation on the tradable shares of the Company to be obtained under the Scheme.  |
| “Scheme Effective Date”              | the date as stipulated in 5.1 of Clause 5 of the Scheme.   |
| “Scheme Period”                      | the period as stipulated in 5.2 of Clause 5 of the Scheme.   |
| “Board”                              | the board of Directors of the Company.   |
| “Supervisory Committee”              | the supervisory committee of the Company.  |
| “Executive Director(s)”              | director(s) holding any executive positions as an employee who has entered into an employment contract with the Company and is entitled to monthly remuneration.           |
| “Supervisor(s)”                      | the member(s) of the Supervisory Committee of the Company.   |

|  |  |
|--|--|
| “External Supervisor(s)”                       | non-employee supervisor(s) who is/are independent to the shareholders of the Company and does/do not hold any management position in the Company; and is/are not close relatives of the related parties and the management of the Company nor has/have any economic interests in the aforesaid persons.  |
| “Remuneration and Evaluation Committee”        | the special committee established under the Board, the members of which are directors and shall be appointed by the Board. More than half of the members of the Remuneration and Appraisal Committee are not associated persons, i.e. “Independent Non-Executive Directors” ,of which the Chairman of the Committee is appointed from the Independent Non-Executive Directors. |
| “Grantee(s)”                                   | employee(s) who has/have been granted Share Appreciation Rights under the Scheme.  |
| “Date of Grant”                                | the date when the Share Appreciation Rights are granted to the grantee(s) pursuant to the Scheme.  |
| “Effective Date of Share. Appreciation Rights” | the date(s) in respect of part or all the granted Share Appreciation Rights on or after which the holder(s) of such Share Appreciation Rights is/are entitled to the gain based on the difference between the market price on the Exercise Date and Exercise Price.  |
| “Exercise Date”                                | the date on which Share Appreciation Rights can be exercised at the Exercise Price.  |
| “Exercise”                                     | the exercise of Share Appreciation Rights.   |
| “Lapse Date”                                   | the date on which the Share Appreciation Rights as provided in this Scheme shall lapse.  |
| “Effective Period”                             | the period from the Grant Date to the Lapse Date of Share Appreciation Rights.   |
| “Lock-up Period”                               | the period from the Grant Date of the Share Appreciation Rights until the Effective Date, during which no Share Appreciation Rights shall be exercised.  |

|                            |   |
|----------------------------|---|
| “Restriction Schedule”     | an arrangement allowing Share Appreciation Rights granted in one batch to be effective by batches in different times or to be effective in one batch in the same time.  |
| “Window Period”            | the period during which a grantee shall be allowed to exercise valid Share Appreciation Rights. Such period shall be subject to the relevant requirements of the Hong Kong Stock Exchange.  |
| “Exercise Price”           | the price fixed in accordance with 7.1 of Clause 7 of the Scheme .  |
| “Fair Market Price”        | the fair market price of the Tradable Share on a particular Trading Day is referred to the closing price of H Share on the Stock Exchange on such day, unless otherwise determined by the Scheme.   |
| “Trading Day”              | the date the Hong Kong Stock Exchange is open for trading marketable securities.  |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the PRC.   |
| “Hong Kong Stock Exchange” | the Stock Exchange of Hong Kong Limited.  |
| “Listing Rules”            | the rules governing the listing of securities on the Hong Kong Stock Exchange.  |
| “Incapability”             | the permanent and total disability to work.   |
| “Retirement”               | an employee retiring from his existing working position due to his age reaching or exceeding statutory retirement age and discharged from the employment contract, or the Company agreeing to his early retirement pursuant to the state regulations and standards on long-term incapability. |
| “Transfer”                 | a transfer from existing position beyond the control of an employee which must be complied with unconditionally.  |
| “Change of Control”        | defined as the Article 10.8 of Rule 10 of the Scheme.   |

Unless otherwise specified, a vocabulary implying any gender shall include all genders.

**2. PURPOSE OF THE SHARE APPRECIATION RIGHTS SCHEME**

The purpose of the Share Appreciation Rights Scheme of TravelSky Technology Limited is to establish a long-term incentive mechanism closely linked to the operating performance and long-term strategies of the Company, so as to optimize the overall remuneration structure and create a competitive advantage in human resources which will contribute to the long-term and sustainable growth of the operating results of the Company. The Company expects to:

- (i) establish a long-term incentive mechanism that links the remuneration of the Directors, senior management and key personnel of the Company with the operating results of the Company so as to ensure incentive recipients are acting in line with the strategic objectives of the Company and to contribute to the accomplishment of the Company's long-term strategic objectives;
- (ii) link closely the interests of the shareholders with those of the senior management of the Company through share incentives with an aim to maximise shareholders' value; and
- (iii) ensure competitiveness of the remuneration package offered by the Company in the domestic human resources market, so as to attract, retain and motivate the key personnel required for the accomplishment of the strategic objectives of the Company.

**3. CORPORATE GOVERNANCE STRUCTURE AND FORMULATION AND MANAGEMENT OF THE SCHEME**

The corporate governance structure of the Company shall be regulated and shall comprise the shareholders' general meeting, the Board, the Supervisory Committee and the management team, which shall perform their respective duties, operate in a coordinative manner and conduct balancing the powers effectively. The Board shall include more than three independent non-executive directors who shall be able to perform their duties effectively.

The Scheme has been prepared by the Board. The Board has authorized the Remuneration and Evaluation Committee to manage the Scheme. According to the Board's resolution, the Remuneration and Evaluation Committee shall be responsible for studying the remuneration system and incentive schemes of the Company, monitoring and evaluating the effects of implementation of the Scheme, and advising on the improvement of the Scheme. The Remuneration and Evaluation Committee shall make recommendations on the list of the Grantees and their respective number of Share Appreciation Rights to the Board for review and approval. When the Board takes a poll for the aforesaid matter, interested persons therein shall abstain from voting. Without prejudice to the provisions of the Scheme, the Board shall exercise its conclusive right in respect of the date, incentive recipients and the respective numbers of Share Appreciation Rights to be granted. The Remuneration and Evaluation Committee has authorized relevant management departments to be responsible for the due implementation of the Scheme.



#### **4. BASIS FOR DETERMINATION OF INCENTIVE RECIPIENTS AND THE SCOPE OF INCENTIVE RECIPIENTS**

##### **4.1 Basis for Determination of Incentive Recipients**

Depending on their importance to the business development of the Company, incentive recipients of the Scheme mainly include key personnel in key positions necessary for the accomplishment of the strategic objectives of the Company. In this respect, the specific number of incentive recipients and that of Share Appreciation Rights to be granted shall be subject to adjustment case-by-case depending on the changes in development of the Company's business and the performance assessment results of the relevant individuals. The Board shall have the right to make the final decision.

##### **4.2 Scope of Incentive Recipients**

In principle, recipients of long-term incentives shall include:

- i. the Directors (excluding independent non-executive Directors) of the listed Company;
- ii. the senior management of the Company who have assumed leading responsibilities with respect to decision-making, operations and management of the Company, including the General Manager, Deputy General Manager, Financial Controller (including any other persons who have to perform the above-mentioned duties), Board Secretary and other persons stipulated in the Articles of Association of the Company;
- iii. the key technical and managerial personnel of the Company as determined by the Board based on the characteristics and development needs of the Company; and
- iv. other senior management and key technical and managerial personnel with outstanding contributions to the Company as nominated by the Remuneration and Evaluation Committee and approved by the Board.

##### **4.3 Participation of Specified Persons in the Scheme and Restrictions on Grant of Share Appreciation Rights to Specified Persons**

- i. According to the Scheme, the grant of Share Appreciation Rights to any Director, chief executives or any of their respective associates (as defined in the Listing Rules) shall be subject to the approval of the independent non-executive Directors of the Company.
- ii. On the Date of Grant, any person who holds more than 5% of the Shares carrying voting rights in the Company shall not participate in the Scheme unless approved by the shareholders' general meeting.

- iii. Where a person in charge of the parent company (being the controlling company) of the Company holds office in the Company, such person is entitled to participate in the Scheme on the condition that he/she may participate in the share appreciation rights scheme of only one listed company.
- iv. The scope of the incentive recipients shall be conclusively determined by and construed according to the interpretations of the Board.

## **5. SCHEME PERIOD**

### **5.1 The Effective Date of the Share Appreciation Rights Scheme**

The implementation of the Share Appreciation Rights Scheme is conditional on the fulfilment of the following conditions: (i) the Share Appreciation Rights Scheme being approved and adopted at a shareholders' general meeting of the Company by way of a resolution; and (ii) being granted approval by State-owned Assets Supervision and Administration Commission of the State Council.

The Effective Date of the Share Appreciation Rights Scheme shall be the date on which the above conditions are fulfilled.

Prior to the Effective Date, the Company shall not grant any share appreciation right, nor is anyone entitled to any right or benefit under the Scheme.

### **5.2 Effective Period of the Share Appreciation Rights Scheme**

Unless it is early terminated as provided in Clause 13 of the Scheme, the Share Appreciation Right Scheme shall be valid for a period of ten (10) years commencing on the Effective Date. Upon the expiry of the Scheme, the Board shall not grant any share appreciation rights pursuant to the Scheme. However, other provisions under the Scheme shall remain in full force and effect in all aspects. For the avoidance of doubt, to exercise any share appreciation right granted before the Effective Period of the Share Appreciation Rights Scheme, share appreciation rights granted under the Scheme which have become effective shall remain valid, while those granted but not yet effective shall continue to be subject to the Restriction Schedule on exercise and other relevant provisions under the Scheme.

## 6. GRANT OF SHARE APPRECIATION RIGHTS

### 6.1 Maximum Number of Share Appreciation Rights to be Granted

The maximum number of share appreciation rights to be granted initially shall not exceed one percent (1%) of the total issued share capital of the Company.

If any grant of share appreciation rights would render:

- i. the number of units of share appreciation rights (number of shares) granted or to be granted under the Scheme to exceed ten per cent (10%) of the total issued share capital of the Company, the Company shall not offer or grant any share appreciation rights in respect of H shares;
- ii. the number of share appreciation rights (including exercised and outstanding) granted to a particular person within any 12-month period during the Effective period of the Scheme to exceed one percent (1%) of the total issued share capital of the Company, the Company shall not grant any more share appreciation rights in respect of H shares to such person under the Scheme.

Without prejudice to the maximum number as set out in the previous paragraph, the number of share appreciation rights to be granted to any person may be adjusted with reference to the performance appraisal of such person. Grant of share appreciation rights to chief executives of the Company shall also comply with the relevant provisions of the SASAC.

### 6.2 Time Limit on the Grant and Exercise of Share Appreciation Rights

The Board shall not grant share appreciation rights to employees after a price-sensitive event has occurred or a price-sensitive matter may arise as an outcome of a resolution, until such time that the price-sensitive information has been announced or disclosed pursuant to the disclosure requirements of the Listing Rules of the Hong Kong Stock Exchange. No share appreciation rights granted shall be exercised by a holder of such share appreciation rights who has become aware of such price-sensitive information until relevant announcement has been made.

No grant or exercise of share appreciation rights shall be made within one month immediately preceding the earlier of:

- i. the date of a Board meeting for the approval of the annual results, half-year results, quarterly results or other interim results; and
- ii. the deadline by which the Company is required by the Listing Rules to publish its annual results, half-year results, quarterly results or other interim results.

Such time limit shall end on the actual announcement date. The time limit on the grant and exercise of share appreciation rights shall include the period for which the publication of results is postponed.

Upon the exercise of share appreciation rights by the Grantee, the Company shall, within one month from the Date of Exercise, make payments to the grantee according to the schedule between by both parties. The Company shall establish a dedicated account for administering such payments, and cause the Remuneration and Evaluation Committee to monitor. The Remuneration and Evaluation Committee is liable for determining detailed rules and procedures.

### **6.3 Confirmation of Grant of Share Appreciation Rights**

Grant of share appreciation rights shall be notified to the grantee in written form as decided by the board. A notice of grant shall specify the time of grant, quantity, exercise price, conditions to be fulfilled by the grantee for holding the share appreciation rights, and the principal terms of the Scheme.

If a grantee fails to accept the grant in accordance with the procedures as set out on the notice of grant within the prescribed time, the offer shall be deemed as unaccepted and shall become void.

### **6.4 Frequency of Grant of Share Appreciation Rights**

Unless otherwise arranged, the Board shall, at an interval of every two years, decide on whether to grant share appreciation rights to qualified persons who have met the necessary criteria, and also on the specific arrangement for grant. The Board shall determine the number of share appreciation rights to be granted to the grantee with reference to his/her duty and performance appraisal.

## **7. PRINCIPAL TERMS AND CONDITIONS**

### **7.1 Determination of the Exercise Price**

The Exercise Price of the Share Appreciation Rights shall be determined with reference to the Fair Market Price pursuant to the Listing Rules. In addition,

- i. For Share Appreciation Rights granted upon the listing of H Shares on the Hong Kong Stock Exchange, the Exercise Price shall be determined with reference to the Fair Market Price fixed pursuant to the Listing Rules on the 30th trading day following the initial public offering of the Company ;
- ii. For any grant made following the listing of the Company in Hong Kong, the Exercise Price of the Share Appreciation Rights shall be determined by the Board and notified to the Grantee, which shall be the highest of the following:
  - (a) The closing price of the H Shares of the Company as stated in the daily quotations sheet of the Hong Kong Stock Exchange on the Date of Grant;
  - (b) The average closing price of the H Shares of the Company as stated in the daily quotations sheet of the Hong Kong Stock Exchange for five consecutive trading days prior to the Date of Grant; or
  - (c) The par value of the H Shares of the Company.

## **7.2 Effective Period of the Share Appreciation Rights**

The Share Appreciation Rights granted under the Scheme shall be valid for seven (7) years from the Date of Grant. Upon expiry of the Effective Period, the outstanding Share Appreciation Rights will automatically lapse and shall not be exercised retrospectively.

## **7.3 Effective Period Arrangement**

All Grantees of Share Appreciation Rights under the Scheme shall not exercise their rights within two years from the Date of Grant. The Share Appreciation Rights shall become effective in the following manner and in the proportion set out in Clause 7.4:

- i. By the end of the second anniversary (24 months) from the Date of Grant, one third of the Share Appreciation Rights being granted to each Grantee under one grant shall become Effective;
- ii. By the end of the third anniversary (36 months) from the Date of Grant, one third of the Share Appreciation Rights being granted to each grantee under one grant shall become Effective;
- iii. By the end of the fourth anniversary (48 months) from the Date of Grant, the remaining one third of the Share Appreciation Rights being granted to each grantee under one grant shall become Effective.

Only the Share Appreciation Rights which have become effective may be exercised. The portion which has not become effective shall not be exercised.

## **7.4 Performance-based Effective Conditions of the Share Appreciation Rights**

In addition to the Effective Period arrangement described in Clause 7.3, the Board shall have the right to set particular performance indicators and targets, and use the same, subject to approval at a Shareholders' general meeting, as additional vesting conditions for the Share Appreciation Rights, and adjust the number of Share Appreciation Rights to become effective with reference to the satisfaction of performance-related criteria. Specific performance-related criteria shall be determined and notified to the employees by the Board upon the grant of Share Appreciation Rights. The Board shall have the right of interpretation of the performance-related criteria for Share Appreciation Rights to become effective.

## **7.5 Rights of the Grantees**

Under the Scheme, the granting of Share Appreciation Rights will not affect the total number of H Shares in issue. The Share Appreciation Rights will not affect the number of issued shares of the Company nor have any dilution effect on the shares of the Company. The Grantees have no material ownership in the H shares of the Company, nor any underlying rights to voting, rights issue or bonus issue.

**7.6 Cancellation of Exercise of Share Appreciation Rights**

The Board shall have the right to cancel any exercisable Share Appreciation Rights in any particular year by way of a resolution if any of the following events occurred on the Company:

- i. the annual performance appraisal on the Company fails to meet the criteria set out in the Share Appreciation Rights Scheme;
- ii. the registered accountant has issued a qualified opinion or is unable to express an opinion on the financial statements for that year; or
- iii. the Supervisory Committee or the audit department has raised significant disagreement with the results or the annual financial statements of the Company.

**8. EXERCISE OF THE SHARE APPRECIATION RIGHTS****8.1 Timing for Exercise**

Under the Scheme, a Grantee or his/her legal beneficiaries may exercise the Share Appreciation Rights on any date which does not fall within any trading-sensitive period (or other Lock-up Period (if applicable)) as stipulated by the Hong Kong Stock Exchange within the Effective Period of the Share Appreciation Rights. Meanwhile, the timing for exercise must also comply with the relevant requirements of the Company.

**8.2 Confirmation of Exercise**

Any exercise of rights can be considered valid only upon receipt of an application by the Company that satisfies all the following conditions on a valid Exercise Date (or within the Window Period):

- i. A written notice submitted and duly signed by the Grantee or his/her legal personal representative stating the number of Share Appreciation Rights to be exercised. The date of the notice shall be the Exercise Date; therefore the date of notice must be a trading day of the Hong Kong Stock Exchange;
- ii. The number of Share Appreciation Rights being requested for exercise must be less than or equal to the number of effective Share Appreciation Rights specified on the certificate of Share Appreciation Rights. If the number of rights being requested for exercise exceeds the number of effective Share Appreciation Rights specified on the certificate of Share Appreciation Rights, the department responsible for management of the Share Appreciation Rights of the Company or a third party administrative agency of Share Appreciation Rights entrusted by the Company is entitled to reduce the number of Share Appreciation Rights being requested for exercise to the number of effective Share Appreciation Rights specified on his/her certificate.

If the closing price of H Shares on the intended Exercise Date is higher than the exercise price of the Share Appreciation Rights, the fair market value at the time of exercise shall be the closing price of that trading day. Upon completion of exercise, the Company shall promptly issue a confirmation of exercise to the Grantee within one week thereafter, and subject to compliance with Clause 6.1, shall pay the actual gains (after tax) to the exerciser within two (2) weeks.

### 8.3 Actual Gains (After Tax) of the Share Appreciation Rights

- i. For exercisers who finally pay their individual income tax within the territory of the PRC:

Actual after-tax gains on the exercise of Share Appreciation Rights (in RMB) = number of Share Appreciation Rights exercised X (fair market price of H Shares on the date of exercise – exercise price) X prevailing exchange rate (the median exchange rate of HK\$1 against RMB published by PBOC on the date of exercise) – individual income tax payable;

- ii. For exercisers who do not finally pay their individual income tax within the territory of the PRC:

Actual after-tax gains on the exercise of the Share Appreciation Rights (in HK\$) = number of Share Appreciation Rights exercised X (fair market price of H Shares on the date of exercise – exercise price) – individual income tax payable (if applicable).

## 9. TRANSFER OF SHARE APPRECIATION RIGHTS

### 9.1 Non-negotiable Share Appreciation Rights

The Share Appreciation Rights shall belong to the Grantee and shall not be transferred. The Grantee shall not sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Share Appreciation Rights or enter into any agreement to do any of the foregoing, and shall not create or hamper any interest of a third party directly or indirectly related to the Share Appreciation Rights. If a Grantee is in violation of the aforesaid provisions, the Share Appreciation Rights being transferred shall become void automatically. The Company is also entitled to forfeit any remaining Share Appreciation Rights held by such Grantee (to the extent of outstanding).

### 9.2 Transfer under Special Circumstances

Share Appreciation Rights shall only be exercised by the relevant Grantee during his/her lifetime. Share Appreciation Rights may be transferred after the death of the Grantee under the following circumstances:

Share Appreciation Rights may be transferred according to the will of the Grantee or in accordance with the law of inheritance;

The transfer may be made to a qualified successor in accordance with the relevant requirements of the Share Appreciation Rights Scheme and applicable laws and regulations of the PRC.

## **10. TREATMENT UNDER SPECIAL CIRCUMSTANCES**

### **10.1 On Change of Duties, Retirement, Death or Loss of Civil Ability of Incentive Recipients**

If a Grantee terminates employment due to normal change of duties, retirement, death and loss of civil ability, the share appreciation rights granted to such person (to the extent exercisable) can be exercised within a half-year period from his departure if he has satisfied the lock-up requirement and the performance targets for that year, otherwise such Share Appreciation Rights shall become void.

### **10.2 On Dismissal and Lay-off of Incentive Recipients**

If a Grantee resigns or is dismissed, the outstanding rights shall become void. The Board shall have the right to decide how to dispose of such rights.

### **10.3 Termination of Employment for other Reasons**

If a Grantee terminates employment with the Company for any reason other than those referred to above, the share appreciation rights granted to such person outstanding at that time shall lapse on the date of termination. The Termination Date shall be the last day on which such person was at work with the Company or the relevant entity whether salary is paid or not.

### **10.4 General Provisions**

All the effective arrangements contained in this provision are subject to the validity of the Share Appreciation Rights Scheme. If the above dates fall beyond the Effective period of the Share Appreciation Rights Scheme, then they shall be subject to the Effective period of the Share Appreciation Rights Scheme.

## **11. ADJUSTMENT TO THE SHARE APPRECIATION RIGHTS**

In the event of any change in the Company's shareholding structure (limited to a capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of capital) whilst any share appreciation rights remain exercisable, the Board has the right to make corresponding adjustment to the exercise price of the share appreciation rights (if not exercised) granted under this Scheme and/or the number of share appreciation rights, provided that any decision made by the Board is subject to approval at a general meeting of the Company. Any adjustment shall give a grantee the same gains to which he is entitled from the share appreciation as before. However, no adjustment is necessary if the change in the Company's shareholding structure arises from an issue of equity as a consideration in a transaction.



An independent financial adviser to or the auditors for the time being of the Company shall issue a written opinion to the Board in respect of such adjustments (if any), confirming such adjustments are fair and reasonable. All costs in connection with the independent financial adviser or the auditors shall be borne by the Company.

## **12. TAXATION**

The beneficiaries of share appreciation rights shall pay their taxation in connection with the Scheme according to the relevant provisions in the PRC, Hong Kong and the taxation jurisdiction where the grantee of Share appreciation rights is located. (According to the relevant laws and regulations, the Company shall withhold and pay such tax on behalf of the Grantee.)

- i. All beneficiaries who are taxpayers in the PRC must acknowledge unconditionally and give up any right of claim against the Company for making personal income tax payment on their behalf by virtue of performing the duty of withholding and collecting Individual Income Tax in accordance with the provisions of the Individual Income Tax Law of the People's Republic of China. The legal heir of a grantee of Share appreciation rights shall pay estate duty and other tax (if applicable) under the relevant PRC laws and regulations, and give up the right of action against the Company;
- ii. Persons exercising Share Appreciation Rights and beneficiaries of share appreciation rights who are taxpayers in Hong Kong or other jurisdictions outside China must pay taxation as required. The Company shall not be liable for any failure of such taxpayers to fulfill their tax obligations under the Scheme and the regulations of local tax departments.

## **13. MODIFICATION AND TERMINATION OF THE SCHEME**

### **13.1 Modification of the Scheme**

With respect to the grantees who have accepted share appreciation rights under the Scheme, in case of modification or suspension of the Scheme, no changes or impairment may be made or caused to the rights and obligations previously attached to such grantees without their prior consent (except for Clause 7.6 above). Subject to the foregoing conditions, the Board can make modifications to the Scheme as they deemed necessary in the following manner:

- i. Make adjustments to share appreciation rights to conform to new requirements due to any change in applicable laws and policies or the introduction of new implementation scheme;
- ii. Select and decide on grantees of share appreciation rights in a regular or irregular manner;

- iii. If the time is ripe for implementing other equity incentive plans, to decide whether and to what extent share appreciation rights and other equity incentives be granted to participants of the Scheme and how to convert between such schemes.

The adoption of the following modifications shall be void and null without the approval from the more than 50% of the shareholders of ordinary Shares in issue and holders of shares of other types or class conferring the same voting rights as the ordinary Shares. (Separate voting shall be conducted for each class of shareholders.) Such modifications include:

- i. Transfer of share appreciation rights;
- ii. Restrictions on the scope of grant of share appreciation right;
- iii. Restrictions on the number of Share appreciation rights to be granted;
- iv. Restrictions on the exercise of share appreciation rights;
- v. Rights of holders of share appreciation rights on winding-up;
- vi. Adjustment to the exercise price of share appreciation rights;
- vii. Exercise period of share appreciation rights(or any specific period)or the term of the Share Appreciation Rights Scheme;
- viii. Any terms substantially favourable to the grantee.

If relevant laws, regulations, agreements or the Hong Kong Share Exchange require that approval must be obtained from the Shareholders' General Meeting and / or the stock exchange before making certain modifications to the Scheme, the Board shall obtain such approval.

### **13.2 Termination of the Scheme**

The Scheme will automatically terminate upon expiry of the Effective Period. The Board has the right to decide an early termination of the Scheme. In the event the Board decides to terminate the Scheme before its expiry, the Company shall cease to grant any share appreciation rights pursuant to the Scheme. Unless otherwise stated, the share appreciation rights granted prior to the termination of the Scheme shall remain valid and continue to be exercisable pursuant to the provisions thereof.

## **14. MISCELLANEOUS**

### **14.1 Means for Notification and Contact**

Notice or other document addressed to a grantee shall be delivered by hand or by post to the residential address as shown on the Company's Register of members or other address as notified by the grantee to the Company. Notices and documents sent by the Company shall be deemed to have been received by the grantee after 36 hours of the delivery.

**14.2 Force Majeure**

In the event of any failure of act or omission within the timeframe as required by the Scheme due to force majeure, the continuity of the valid period shall be suspended until the force majeure event ceases. In such case, the valid period shall be resumed from the date of suspension until the expiry of the term.

**14.3 Dispute**

Unless otherwise specified, the decision made by the Board over any dispute in relation to the Scheme or related matters shall be conclusive and binding. For any dispute in relation to Clause 11 under the Scheme, any such decision shall be based on the written report provided by the auditor of the Company as required by such Clause.

**14.4 No Implication of Employment or other Rights**

Any grant of share appreciation rights under or pursuant to the Scheme does not constitute any right of permanent employment in the Company for any grantee. In other words, any offer or grant of share appreciation rights shall not be deemed as a guarantee for right of employment or permanent employment for the grantee. The rights and obligations of any grantee in office or at work shall not be affected by his/her participation in or entitlement to the Scheme. The Scheme does not render any additional benefit or detriment to a grantee when he/she terminates service or employment with the Company for any reason in the future, nor limit the Company's right to terminate employment of the grantee.

The Scheme does not award any person any legal rights in the Company, or to directly or indirectly own any equity interests in the Company, nor shall it give rise to any legal action or lawsuit against the Company's interests, unless such interests are the subject of or derived from share appreciation rights.

**14.5 Supervision of the Scheme**

The Board reserves the right to make or modify the provisions governing the administration and operation of the Scheme at any time if such provisions conflict with those of the Scheme. All costs in connection with the promotion and administration of the Scheme shall be borne by the Company.

**15. GOVERNING LAWS AND LEGAL RESTRICTIONS**

The scheme is governed by the relevant laws, regulations and rules of the competent authorities in China. If the Scheme is in violation of the aforementioned laws, regulations or rules of relevant competent authorities in China, the Company is not obliged to implement the Scheme or make any payment thereunder.

When granting share appreciation rights under the Scheme, if the Company requests, the grantee who obtains benefits from the share appreciation shall provide certification to the Company in accordance with the relevant laws and regulations and the provisions of competent authorities, otherwise the Company is not obliged to take any action to implement any award under the Scheme.

**The Scheme was originally drafted in Chinese and the English translation of the Scheme is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.**

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**NOTICE OF AGM**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES**

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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: 0696)**

**NOTICE OF ANNUAL GENERAL MEETING**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES**

**NOTICE IS HEREBY GIVEN** that the following meetings of TravelSky Technology Limited (“**Company**”) shall be held on Tuesday, 28 June 2011 at Conference Room, Prime Hotel, 2 Wangfujing Ave., Dongcheng District, Beijing, the PRC (“**PRC**”):

- (1) the annual general meeting (“**AGM**”) will be held at 10:00 a.m.;
- (2) the class meeting for holders of H shares of RMB1.00 each in the capital of the Company (“**H Shares**”) will be held immediately after the conclusion of the AGM as stated in (1) above or the adjournment thereof; and
- (3) the class meeting for holders of domestic shares of RMB1.00 each in the capital of the Company (“**Domestic Shares**”) will be held immediately after the conclusion of the aforesaid class meeting as stated in (2) above or the adjournment thereof.

These meetings are to be held for the following purposes:

**AGM**  
**ORDINARY RESOLUTIONS**

1. To consider and approve the report of the board of directors (“**Board**”) of the Company for the year ended 31 December 2010.
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2010.
3. To review the auditor’s report for the year ended 31 December 2010 and to consider and approve the audited financial statements of the Group (i.e. the Company and its subsidiaries) for the year ended 31 December 2010.
4. To consider and approve the allocation of profit and distribution of final dividend for the year ended 31 December 2010.

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**NOTICE OF AGM**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES**

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5. To consider and approve the appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Co. as the international and PRC auditors of the Company, respectively, for the year ending 31 December 2011, and to authorise the Board to fix the remuneration thereof.
  
6. To consider and, if thought fit, to approve the share appreciation rights scheme of the Company (“**Share Appreciation Rights Scheme**”), and authorize the Board to (a) grant the share appreciation rights to the incentive recipients of the Company within a particular period and under certain conditions in accordance with the Share Appreciation Rights Scheme and the relevant legal requirements; (b) make corresponding adjustments to the exercise prices and number of share appreciation rights if there is any change in the shareholding structure of the Company as stipulated in the Share Appreciation Rights Scheme; (c) amend the Share Appreciation Rights Scheme, and to decide and formulate any matters relating to the Share Appreciation Rights Scheme during the effective period of the Share Appreciation Rights Scheme; and (d) proceed with the examination, registration, filing, approval and consent procedures with relevant government authorities and to sign, execute, amend, terminate and complete documents to be submitted to relevant government authorities, organizations and individuals and to do all acts, matters and things deemed necessary, appropriate or expedient in relation to the Share Appreciation Rights Scheme.

**SPECIAL RESOLUTIONS**

7. To consider and, if thought fit, approve the following resolution as a special resolution:

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting or agreeing to grant the listing of, and permission to deal in, the H shares of the Company to be issued under the Bonus Issue (as defined below) and the passing of the special resolution approving the Bonus Issue at the respective class meetings for the holders of H Shares and the holders of Domestic Shares:

- (a) the bonus issue (“**Bonus Issue**”) of shares of the Company (“**Bonus Share(s)**”) to the shareholders of the Company whose names appear on the registers of members of the Company on 28 June 2011 on the basis of one Bonus Share for every two shares of the Company then held, by way of capitalization of the Company’s reserves and retained earnings, be and is hereby approved;
  
- (b) the Directors be and are hereby authorised to exclude shareholders, who are residents outside the Hong Kong Special Administrative Region of the PRC, on account of prohibitions or requirements under overseas laws or regulations or for some other reasons which the Board considers expedient, from being allotted the Bonus Shares;

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- (c) the Directors be and are hereby authorised to issue and allot the Bonus Shares pursuant to the Bonus Issue;
- (d) the increase in the registered capital of the Company from RMB1,950,806,393 to RMB2,926,209,589 upon completion of the Bonus Issue be and is hereby approved;
- (e) consequential amendments to the articles of association of the Company (“**Articles**”) as a result of the Bonus Issue as set out below be and are hereby approved:

- (i) Article 20 of the Articles:

- (aa) By adding the following paragraph immediately after the existing third paragraph of the existing Article 20 as the fourth paragraph, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 1,993,647,589 of which were issued to holders of domestic shares of the Company, representing 68.13% of the issued share capital of the Company.”.

- (bb) By deleting the existing fourth paragraph of the existing Article 20 and replacing with the following paragraph as the fifth paragraph, “Number of shares held by promoter: Shareholder 1 holds 857,226,589 shares; Shareholder 2 holds 349,381,500 shares; Shareholder 3 holds 328,243,500 shares; Shareholder 4 holds 268,300,500 shares; Shareholder 5 holds 25,155,000 shares; Shareholder 6 holds 65,773,500 shares; Shareholder 7 holds 33,150,000 shares; Shareholder 8 holds 22,678,500 shares; Shareholder 9 holds 18,720,000 shares; Shareholder 10 holds 13,045,500 shares; Shareholder 11 holds 5,167,500 shares; Shareholder 12 holds 3,900,000 shares; Shareholder 13 holds 2,398,500 shares; Shareholder 14 holds 507,000 shares.”.

- (ii) Article 21 of the Articles:

By adding the following paragraph immediately after the existing fourth paragraph of the existing Article 21, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and

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reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 932,562,000 of which were issued to holders of H shares of the Company, representing 31.87% of the issued share capital of the Company.”.

(iii) Article 24 of the Articles:

By deleting the words “RMB1,950,806,393” and substituting therefor the words “RMB2,926,209,589”.

(The above is the English translation of the Chinese version of the above proposed amendments to the Articles. Should there be any inconsistencies between the English version and the Chinese version, the Chinese version shall prevail. The amended Articles will be effective upon registration with State Administration for Industry and Commerce, the PRC.)

- (f) the Directors be and are hereby authorised to file the amended Articles of Association with the relevant authority in the PRC; and
- (g) the Directors be and are hereby authorised to take any step or action or execute or sign any document as they consider necessary, desirable or expedient in connection with the Bonus Issue (including but not limited to the increase of the registered capital of the Company and amendments to the Articles and making necessary filing with the relevant authority) and the transactions contemplated thereunder.”

8. To consider and, if thought fit, approve the following resolution as a special resolution:

“**THAT** amendments to Article 1 of the Articles as set out below be and are hereby approved:

- (i) By deleting the words “中國新華航空有限責任公司” and substituting therefor the words “中國新華航空集團有限公司”.
- (ii) By deleting the words “四川航空集團公司” and substituting therefor the words “四川航空集團有限責任公司”.



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9. To consider and, if thought fit, approve the following resolution as a special resolution:

“THAT amendments to Article 13 of the Articles by adding the following sentence immediately after the last sentence of the existing Article 13, “Specialized undertaking of engineering projects related to computer system integration, electronic engineering and Airport air traffic control and weak-current systems of terminals” be and are hereby approved.”

(The above is the English translation of the Chinese version of the above proposed amendments to the Articles. Should there be any inconsistencies between the English version and the Chinese version, the Chinese version shall prevail. The amended Articles will be effective upon registration with State Administration for Industry and Commerce, the PRC.)

10. To consider and, if thought fit, approve the following resolution as a special resolution:

**“THAT:**

- (a) Subject to the limitations imposed by paragraphs (c) and (d) below and in accordance with the Listing Rules, the Company Law of the PRC, and other applicable laws and regulations (in each case as amended from time to time), a general unconditional mandate be and is hereby granted to the Board to exercise once or more during the Relevant Period (as defined in paragraph (e) below) all the powers of the Company to allot, issue or otherwise deal with new shares on such terms and conditions the Board may determine and that, in the exercise of the powers to allot and issue shares, the authority of the Board shall include (without limitation):
- (i) the determination of the class and number of the shares to be allotted;
  - (ii) the determination of the issue price of the new shares;
  - (iii) the determination of the opening and closing dates of the issue of new shares;
  - (iv) the determination of the class and number of new shares (if any) to be issued to the existing shareholders;
  - (v) to make or grant offers, agreements and options which might require the exercise of such powers; and

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- (vi) in the case of an offer or issue of shares to the shareholders of the Company, excluding shareholders who are residents outside the PRC or the Hong Kong Special Administrative Region of the PRC, on account of prohibitions or requirements under overseas laws or regulations or for some other reasons which the Board considers expedient;
- (b) upon the exercise of the powers granted under paragraph (a), the Board may during the Relevant Period (as defined in paragraph (e) below) make or grant offers, agreements and options which might require the shares relating to the exercise of the authority thereunder being allotted and issued after the expiry of the Relevant Period (as defined in paragraph (e) below);
- (c) the aggregate nominal amount of the new Domestic Shares and new H Shares to be allotted or conditionally or unconditionally agreed to be allotted (whether pursuant to the exercise of options or otherwise) by the Board pursuant to the authority granted under paragraph (a) above shall not exceed twenty per cent. (20%) of the Domestic Shares and H Shares in issue as at the date of passing of this resolution respectively;
- (d) the Board in exercising the powers granted under paragraph (a) above shall (i) comply with the Company Law of the PRC, other applicable laws and regulations of the PRC, and the Listing Rules (in each case, as amended from time to time) and (ii) (if required) be subject to the approvals of the China Securities Regulatory Commission and relevant authorities of the PRC;
- (e) for the purposes of this Resolution: “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) twelve months from the date of passing this resolution;
  - (ii) the conclusion of the next annual general meeting of the Company; or
  - (iii) the date on which the powers granted by this resolution is revoked or varied by a special resolution of the shareholders of the Company in any general meeting; and
- (f) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant listing of, and permission to deal in, the H Shares proposed to be issued by the Company and (if required) the approval of the China Securities Regulatory Commission for the issue of shares by the Company, the Board be and is hereby authorised to amend, as they may deem appropriate and necessary, the articles of association of the Company to reflect the change in the share capital structure of the Company in the event of an exercise of the powers granted under paragraph (a) to allot and issue new shares.”

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11. To consider and, if thought fit, approve the following resolution as a special resolution:

“**THAT:**

- (a) subject to paragraphs (b) and (c) below and subject to all applicable laws, standards, system and/or requirements of the governmental or regulatory body of securities in the PRC, The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or of any other governmental or regulatory body, the Board be and is hereby authorised to exercise, whether by a single exercise or otherwise, all the powers of the Company to repurchase the H Shares on the Stock Exchange during the Relevant Period (as defined in paragraph (d) below);
- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the authority granted under paragraph (a) above during the Relevant Period (as defined in paragraph (d) below) shall not exceed 10 per cent. of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of this resolution;
- (c) the exercise of the authority granted under paragraph (a) above shall be conditional upon:
  - (i) the passing of a special resolution on the same terms as the resolution set out in this paragraph 10 (except for this sub-paragraph (c)(i)) at each of the class meeting for holders of Domestic Shares and the class meeting for holders of H Shares, both to be held on the date of the annual general meeting as convened by this notice (or on such adjourned date as may be applicable);
  - (ii) the approvals of State-owned Assets Supervision and Administration Commission of the State Council and State Administration of Foreign Exchange of the PRC (or their respective successor authorities) and/or (if appropriate) any other regulatory authorities as required by the laws, standards and system of the PRC being obtained by the Company; and
  - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company in its absolute discretion having repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 28 of the articles of association (“**Articles**”) of the Company;

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- (d) for the purpose of this special resolution, “**Relevant Period**” means the period from the passing of this special resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting following the passing of this special resolution; and
  - (ii) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of the shareholders of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be and is hereby authorised to:
- (i) make such corresponding amendments to the Articles as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the exercise of the authority to repurchase any H Shares of the Company as conferred under paragraph (a) above; and
  - (ii) file the amended Articles with the relevant governmental authorities of the PRC.”

**MEETING FOR HOLDERS OF H SHARES**

1. To consider and, if thought fit, approve the following resolution as a special resolution:

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting or agreeing to grant the listing of, and permission to deal in, the H shares of the Company to be issued under the Bonus Issue (as defined below) and the passing of the special resolution approving the Bonus Issue at the annual general meeting of the Company and the class meeting for the holders of domestic shares of the Company:

- (a) the bonus issue (“**Bonus Issue**”) of shares of the Company (“**Bonus Share(s)**”) to the shareholders of the Company whose names appear on the registers of members of the Company on 28 June 2011 on the basis of one Bonus Share for every two shares of the Company then held, by way of capitalization of the Company’s reserves and retained earnings, be and is hereby approved;

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- (b) the directors of the Company (“**Directors**”) be and are hereby authorised to exclude shareholders, who are residents outside the Hong Kong Special Administrative Region of the PRC, on account of prohibitions or requirements under overseas laws or regulations or for some other reasons which the Board considers expedient, from being allotted the Bonus Shares;
- (c) the Directors be and are hereby authorised to issue and allot the Bonus Shares pursuant to the Bonus Issue;
- (d) the increase in the registered capital of the Company from RMB1,950,806,393 to RMB2,926,209,589 upon completion of the Bonus Issue be and is hereby approved;
- (e) consequential amendments to the articles of association of the Company (“**Articles**”) as a result of the Bonus Issue as set out below be and are hereby approved:
  - (i) Article 20 of the Articles:
    - (aa) By adding the following paragraph immediately after the existing third paragraph of the existing Article 20 as the fourth paragraph, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 1,993,647,589 of which were issued to holders of domestic shares of the Company, representing 68.13% of the issued share capital of the Company.”.
    - (bb) By deleting the existing fourth paragraph of the existing Article 20 and replacing with the following paragraph as the fifth paragraph, “Number of shares held by promoter: Shareholder 1 holds 857,226,589 shares; Shareholder 2 holds 349,381,500 shares; Shareholder 3 holds 328,243,500 shares; Shareholder 4 holds 268,300,500 shares; Shareholder 5 holds 25,155,000 shares; Shareholder 6 holds 65,773,500 shares; Shareholder 7 holds 33,150,000 shares; Shareholder 8 holds 22,678,500 shares; Shareholder 9 holds 18,720,000 shares; Shareholder 10 holds 13,045,500 shares; Shareholder 11 holds 5,167,500 shares; Shareholder 12 holds 3,900,000 shares; Shareholder 13 holds 2,398,500 shares; Shareholder 14 holds 507,000 shares.”.

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(ii) Article 21 of the Articles:

By adding the following paragraph immediately after the existing fourth paragraph of the existing Article 21, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 932,562,000 of which were issued to holders of H shares of the Company, representing 31.87% of the issued share capital of the Company.”.

(iii) Article 24 of the Articles:

By deleting the words “RMB1,950,806,393” and substituting therefor the words “RMB2,926,209,589”.

(The above is the English translation of the Chinese version of the above proposed amendments to the Articles. Should there be any inconsistencies between the English version and the Chinese version, the Chinese version shall prevail. The amended Articles will be effective upon registration with State Administration for Industry and Commerce, the PRC.)

- (f) the Directors be and are hereby authorised to file the amended Articles of Association with the relevant authority in the PRC; and
- (g) the Directors be and are hereby authorised to take any step or action or execute or sign any document as they consider necessary, desirable or expedient in connection with the Bonus Issue (including but not limited to the increase of the registered capital of the Company and amendments to the Articles and making necessary filing with the relevant authority) and the transactions contemplated thereunder.”
2. To consider and, if thought fit, approve the following resolution as a special resolution:

**“THAT:**

- (a) subject to paragraphs (b) and (c) below and subject to all applicable laws, standards, system and/or requirements of the governmental or regulatory body of securities in the People’s Republic of China (“**PRC**”), The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or of any other governmental or regulatory body, the Board be and is hereby authorised to exercise, whether by a single exercise or otherwise, all the powers of the Company to repurchase the H Shares on the Stock Exchange during the Relevant Period (as defined in paragraph (d) below);

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- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the authority granted under paragraph (a) above during the Relevant Period (as defined in paragraph (d) below) shall not exceed 10 per cent. of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of this resolution;
  
- (c) the exercise of the authority granted under paragraph (a) above shall be conditional upon:
  - (i) the passing of a special resolution on the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at each of the annual general meeting and the class meeting for holders of Domestic Shares, both to be held on the date of the class meeting for holders of H Shares as convened by this notice (or on such adjourned date as may be applicable);
  
  - (ii) the approvals of State-owned Assets Supervision and Administration Commission of the State Council and State Administration of Foreign Exchange of the PRC (or their respective successor authorities) and/or (if appropriate) any other regulatory authorities as required by the laws, standards and system of the PRC being obtained by the Company; and
  
  - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company in its absolute discretion having repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 28 of the articles of association (“**Articles**”) of the Company;
  
- (d) for the purpose of this special resolution, “**Relevant Period**” means the period from the passing of this special resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting following the passing of this special resolution; and
  
  - (ii) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of the shareholders of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares at their respective class meetings; and

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- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be and is hereby authorised to:
  - (i) make such corresponding amendments to the Articles as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the exercise of the authority to repurchase any H Shares of the Company as conferred under paragraph (a) above; and
  - (ii) file the amended Articles with the relevant governmental authorities of the PRC.”

**MEETING FOR HOLDERS OF DOMESTIC SHARES**

1. To consider and, if thought fit, approve the following resolution as a special resolution:

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting or agreeing to grant the listing of, and permission to deal in, the H shares of the Company to be issued under the Bonus Issue (as defined below) and the passing of the special resolution approving the Bonus Issue at the annual general meeting of the Company and the class meeting for the holders of H Shares:

- (a) the bonus issue (“**Bonus Issue**”) of shares of the Company (“**Bonus Share(s)**”) to the shareholders of the Company whose names appear on the registers of members of the Company on 28 June 2011 on the basis of one Bonus Share for every two shares of the Company then held, by way of capitalization of the Company’s reserves and retained earnings, be and is hereby approved;
- (b) the directors of the Company (“**Directors**”) be and are hereby authorised to exclude shareholders, who are residents outside the Hong Kong Special Administrative Region of the PRC, on account of prohibitions or requirements under overseas laws or regulations or for some other reasons which the Board considers expedient, from being allotted the Bonus Shares;
- (c) the Directors be and they are hereby authorised to issue and allot the Bonus Shares pursuant to the Bonus Issue;
- (d) the increase in the registered capital of the Company from RMB1,950,806,393 to RMB2,926,209,589 upon completion of the Bonus Issue be and is hereby approved;



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(e) consequential amendments to the articles of association of the Company (“**Articles**”) as a result of the Bonus Issue as set out below be and are hereby approved:

(i) Article 20 of the Articles:

(aa) By adding the following paragraph immediately after the existing third paragraph of the existing Article 20 as the fourth paragraph, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 1,993,647,589 of which were issued to holders of domestic shares of the Company, representing 68.13% of the issued share capital of the Company.”.

(bb) By deleting the existing fourth paragraph of the existing Article 20 and replacing with the following paragraph as the fifth paragraph, “Number of shares held by promoter: Shareholder 1 holds 857,226,589 shares; Shareholder 2 holds 349,381,500 shares; Shareholder 3 holds 328,243,500 shares; Shareholder 4 holds 268,300,500 shares; Shareholder 5 holds 25,155,000 shares; Shareholder 6 holds 65,773,500 shares; Shareholder 7 holds 33,150,000 shares; Shareholder 8 holds 22,678,500 shares; Shareholder 9 holds 18,720,000 shares; Shareholder 10 holds 13,045,500 shares; Shareholder 11 holds 5,167,500 shares; Shareholder 12 holds 3,900,000 shares; Shareholder 13 holds 2,398,500 shares; Shareholder 14 holds 507,000 shares.”.

(ii) Article 21 of the Articles:

By adding the following paragraph immediately after the existing fourth paragraph of the existing Article 21, “Upon approval by the shareholders of the Company in the annual general meeting and the class meetings held on 28 June 2011, by conversion of the Company’s retained earnings and reserves in aggregate of RMB975,403,196 into paid-in capital and the issue of 975,403,196 bonus shares, the issued share capital of the Company amounts to 2,926,209,589, 932,562,000 of which were issued to holders of H shares of the Company, representing 31.87% of the issued share capital of the Company.”.

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(iii) Article 24 of the Articles:

By deleting the words “RMB1,950,806,393” and substituting therefor the words “RMB2,926,209,589”.

(The above is the English translation of the Chinese version of the above proposed amendments to the Articles. Should there be any inconsistencies between the English version and the Chinese version, the Chinese version shall prevail. The amended Articles will be effective upon registration with State Administration for Industry and Commerce, the PRC.)

- (f) the Directors be and are hereby authorised to file the amended Articles of Association with the relevant authority in the PRC; and
  - (g) the Directors be and are hereby authorised to take any step or action or execute or sign any document as they consider necessary, desirable or expedient in connection with the Bonus Issue (including but not limited to the increase of the registered capital of the Company and amendments to the Articles and making necessary filing with the relevant authority) and the transactions contemplated thereunder.”
2. To consider and, if thought fit, approve the following resolution as a special resolution:

**“THAT:**

- (a) subject to paragraphs (b) and (c) below and subject to all applicable laws, standards, system and/or requirements of the governmental or regulatory body of securities in the People’s Republic of China (“**PRC**”), The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or of any other governmental or regulatory body, the Board be and is hereby authorised to exercise, whether by a single exercise or otherwise, all the powers of the Company to repurchase the H Shares on the Stock Exchange during the Relevant Period (as defined in paragraph (d) below);
- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the authority granted under paragraph (a) above during the Relevant Period (as defined in paragraph (d) below) shall not exceed 10 per cent. of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of this resolution;

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- (c) the exercise of the authority granted under paragraph (a) above shall be conditional upon:
  - (i) the passing of a special resolution on the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at each of the annual general meeting and the class meeting for holders of H Shares, both to be held on the date of the class meeting for holders of Domestic Shares as convened by this notice (or on such adjourned date as may be applicable);
  - (ii) the approvals of State-owned Assets Supervision and Administration Commission of the State Council and State Administration of Foreign Exchange of the PRC (or their respective successor authorities) and/or (if appropriate) any other regulatory authorities as required by the laws, standards and system of the PRC being obtained by the Company; and
  - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company in its absolute discretion having repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 28 of the articles of association (“**Articles**”) of the Company;
- (d) for the purpose of this special resolution, “**Relevant Period**” means the period from the passing of this special resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting following the passing of this special resolution; and
  - (ii) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of the shareholders of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be and is hereby authorised to:
  - (i) make such corresponding amendments to the Articles as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the exercise of the authority to repurchase any H Shares of the Company as conferred under paragraph (a) above; and

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- (ii) file the amended Articles with the relevant governmental authorities of the PRC.”

By order of the Board  
**TravelSky Technology Limited**  
**Xu Qiang**  
*Chairman*

Beijing, the People’s Republic of China  
12 May 2011

*Registered office:*

7 Yu Min Da Street,  
Houshayu Town, Shunyi District,  
Beijing 101308,  
the PRC

*Notes:*

1. The register of holders of H Shares of the Company will be closed from 28 May 2011 to 28 June 2011 (both days inclusive), during which time no transfer of H Shares will be effected. Holders of the H Shares and Domestic Shares whose names appear on the register of members of the Company at the close of business on 27 May 2011 are entitled to attend the AGM and the class meetings and the proposed final cash dividend (which is RMB0.157 per share (pre-tax)) for the year ended 31 December 2010. Transfers of H Shares must be lodged with the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on 27 May 2011 in order to entitle the transferee to attend the AGM and the class meeting for holders of H Shares and the proposed final cash dividend (which is RMB0.157 per share (pre-tax)) for the year ended 31 December 2010.
2. Each shareholder who is entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his or her behalf at the AGM. Each holder of H Shares who is entitled to attend and vote at the class meeting for holders of H Shares may appoint one or more proxies to attend and vote on his or her behalf at such class meeting. Each holder of Domestic Shares who is entitled to attend and vote at such class meeting for holders of Domestic Shares may appoint one or more proxies to attend and vote on his or her behalf at such class meeting. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing, or in the case of a legal person, must either be executed under its seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified. To be valid, for holders of Domestic Shares, the notarially certified power of attorney, or other document of authorisation, and the form of proxy must be delivered to the registered address of the Company no later than 24 hours before the time appointed for the holding of the meeting. To be valid, for holders of H shares, the above documents must be delivered to Hong Kong Registrars Limited within the same period of time.
4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof. If such member attends the meeting(s), his form of proxy will be deemed to have been revoked.
5. Shareholders who intend to attend the AGM and the class meetings in person or by proxy should return the reply slip for attending the AGM and the class meetings to the registered address of the Company on or before 8 June 2011 in person, by mail or by fax.

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**NOTICE OF AGM**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES**  
**NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES**

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6. The AGM and the class meetings are expected to last for half a day. Shareholders (or their proxies) attending the AGM and the class meetings are responsible for their own transportation and accommodation expenses.

7. As at the date hereof, the board of the directors of the Company comprises:

Executive Directors: Mr Xu Qiang (*Chairman*), Mr Cui Zhixiong and Mr Xiao Yinhong;

Non-executive Directors: Mr Wang Quanhua, Mr Luo Chaogeng and Mr Sun Yude;

Independent non-executive Directors: Mr Cheung Yuk Ming, Mr Zhou Deqiang and Mr Pan Chongyi.