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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: 00696)

**(1) PROPOSED ADOPTION OF PHASE III
H SHARE APPRECIATION RIGHTS SCHEME;
(2) PROPOSED CHANGE IN NON-EXECUTIVE DIRECTOR;
AND
(3) NOTICE OF EGM**

A notice convening the EGM to be held at the conference room of Headquarters Building, TravelSky High-tech Industrial Park, Shunyi District, Beijing, the PRC at 9:30 a.m. on Thursday, 25 January 2024, is set out on pages 39 to 40 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the liaison office of the Company in Beijing at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders), no later than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending in person and voting at the EGM or any adjournment thereof if you so wish.

5 January 2024

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DEFINITIONS

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

“Board”	the board of Directors
“China Southern Airlines”	China Southern Airlines Co., Ltd.* (中國南方航空股份有限公司), a limited liability company incorporated under the law of the PRC (Stock Code: 600029.SH)
“CNAHC”	China National Aviation Holding Corporation Limited* (中國航空集團有限公司), a promoter and a substantial shareholder of the Company
“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
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company
“Domestic Shareholder(s)”	holders(s) of Domestic Shares
“EGM”	the extraordinary general meeting of the Company to be convened at 9:30 a.m. on Thursday, 25 January 2024, and the notice of which is set out in this circular
“Fair Market Price”	the closing price of H Shares on the Stock Exchange on relevant trading day, unless otherwise defined by the Scheme
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and are traded in Hong Kong dollars (Stock Code: 00696)
“H Shareholder(s)”	holder(s) of H Shares

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region
“Incentive Recipients”	the Directors, senior management of the Company and the key personnel having direct impacts on the operating results and sustainable development of the Company who will be proposed to be granted the Share Appreciation Rights
“Initial Grant Proposal”	the initial grant proposal under the Scheme proposed to be adopted by the Company
“Latest Practicable Date”	28 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Phase II Share Appreciation Rights Scheme”	the H share appreciation rights scheme approved by the Company at the extraordinary general meeting held on 16 January 2020, which was terminated on 2 December 2021, and for details please refer to the circular of the Company dated 2 December 2019 and the announcements of the Company dated 16 January 2020 and 2 December 2021, respectively
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Principal Subsidiaries”	has the meaning ascribed to it in Rule 17.14 of the Listing Rules
“Remuneration Committee”	the remuneration and evaluation committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC of the State Council”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC

DEFINITIONS

“Scheme”	the Phase III H Share appreciation rights scheme to be adopted by the Company for certain Directors, senior management and employees of the Company, the details of which are set out in Appendix I to this circular
“Share Appreciation Rights”	the share appreciation rights granted under the Scheme, which entitle Incentive Recipients to receive gains from the appreciation (which is the excess of the closing price over the exercise price on the exercise date) of stipulated number of H Shares of the Company during the effective period of the Scheme, provided that conditions and arrangements for taking effect are satisfied
“Shareholder(s)”	H Shareholders and Domestic Shareholders
“Shares”	H Shares and Domestic Shares
“Southern Air Holding”	China Southern Air Holding Limited Company* (中國南方航空集團有限公司), a limited liability company incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For identification purposes only*

LETTER FROM THE BOARD



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

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

(Stock Code: 00696)

Executive Directors:
Huang Rongshun (Chairman)

Non-executive Directors:
Zhao Xiaohang
Xi Sheng
Luo Lajun

Independent non-executive Directors:
Liu Zehong
Chan Wing Tak Kevin
Xu Hongzhi

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

5 January 2024

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED ADOPTION OF PHASE III
H SHARE APPRECIATION RIGHTS SCHEME;
(2) PROPOSED CHANGE IN NON-EXECUTIVE DIRECTOR;
AND
(3) NOTICE OF EGM**

1. INTRODUCTION

References are made to the circular of the Company dated 2 December 2019 and the announcements of the Company dated 16 January 2020 and 2 December 2021, respectively, in relation to (among others) the Phase II Share Appreciation Rights Scheme. Reference is also made to the announcement of the Company dated 28 December 2023 in relation to (among others) the proposed adoption of the Scheme and the announcement of the Company dated 28 December 2023 in relation to the proposed appointment of non-executive Director.

The purpose of this circular is to provide you with, among other things, details of the Scheme and proposed appointment of non-executive Director.

LETTER FROM THE BOARD

2. PROPOSED ADOPTION OF PHASE III H SHARE APPRECIATION RIGHTS

2.1 Background

According to the latest requirements of the relevant laws and regulations in the PRC and taking the actual situation of the Company into consideration, on 28 December 2023, the Board considered and approved the adoption of the Scheme and the Initial Grant Proposal for certain Directors, senior management and employees of the Company.

As at the Latest Practicable Date, the Scheme and the Initial Grant Proposal have not been approved by the SASAC of the State Council. The Scheme will be submitted to the SASAC of the State Council and the Shareholders at the EGM for approval and the Initial Grant Proposal will be submitted to the SASAC of the State Council for approval. The Initial Grant Proposal will be subject to the approval of the Scheme at the EGM and by the SASAC of the State Council, and the approval of the Initial Grant Proposal by the SASAC of the State Council. The Company may modify the terms of the Scheme and the Initial Grant Proposal as required by the SASAC of the State Council. If the SASAC of the State Council does not grant the relevant approval before the EGM, the Company anticipates that Resolution No. 1 will not be considered at the EGM.

2.2 Main Contents of the Scheme

A summary of the major terms of the Scheme is set out below. However, the terms of the Scheme may be further amended if requested by the SASAC of the State Council.

Incentive Instruments:	Share Appreciation Rights are used as the incentive instruments for the Scheme. Each Share Appreciation Right granted under the Scheme entitles the Incentive Recipients to obtain the gains from the appreciation (which is the excess of the closing price over the exercise price on the exercise date) of one H Share during the effective period of the Scheme, provided that conditions and arrangements for taking effect are met. The gains will be paid by the Company in cash.
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Effective Conditions of the Scheme:	The Scheme is conditional on the fulfillment of the following conditions: (1) the Scheme being granted approval by relevant regulatory authorities; and (2) the Scheme being approved at the EGM.
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LETTER FROM THE BOARD

Effective Date and Effective Period of the Scheme:	The effective date of the Scheme shall be the date on which all the above conditions are fulfilled. Unless it is early terminated according to relevant rules, the Scheme shall be valid for a period of ten (10) years commencing from the effective date.
Frequency of Grant:	Unless otherwise arranged by the Board, the Board shall, at an interval of every two years in principle, decide on whether to grant Share Appreciation Rights to qualified persons, and also on the specific arrangements for grant.
Incentive Recipients:	Include the Directors, senior management of the Company and the key personnel having direct impacts on the operating results and sustainable development of the Company, excluding non-executive Directors, independent non-executive Directors and supervisors of the Company, heads of the enterprises administrated by the central government and Party committee of the SASAC of the State Council, any shareholder or de facto controller which holds 5% or more of the Shares of the Company individually or jointly and their spouses or parents or children, and those who are prohibited from participating in the share incentive schemes of listed companies according to relevant regulations of the SASAC and securities regulation authorities. The scope of the Incentive Recipients shall be conclusively determined by the Board.
Maximum Limit of Share Appreciation Rights to be Granted:	(1) The total number of Share Appreciation Rights to be granted within the effective period of the Scheme shall not in aggregate exceed 10% of the total issued share capital of the Company, subject to the approval of the regulatory authorities;

LETTER FROM THE BOARD

- (2) The number of Share Appreciation Rights (including exercised and unexercised rights) granted to any one Incentive Recipient within the effective period of the Scheme shall not exceed 1% of the total issued share capital of the Company; and
- (3) The value of Share Appreciation Rights granted to Directors and senior management of the Company should be no more than 40% of their total remuneration at the time of the grant; the value of Share Appreciation Rights granted to other Incentive Recipients should generally be no more than 40% of the average remuneration at the time of the grant for the incentive tier to which they belong.

Effective Period Arrangement
for Share Appreciation
Rights:

All Share Appreciation Rights granted to Incentive Recipients under the Scheme shall not be effective within two years from the date of grant, nor shall be exercised prior to becoming effective. In principle, the Share Appreciation Rights shall become effective in the following manner:

- (1) By the end of the second anniversary (24 months) from the date of grant, 33.33% of the Share Appreciation Rights being granted to each Incentive Recipient under such grant shall become effective;
- (2) By the end of the third anniversary (36 months) from the date of grant, another 33.33% of the Share Appreciation Rights being granted to each Incentive Recipient under such grant shall become effective; and
- (3) By the end of the fourth anniversary (48 months) from the date of grant, the remaining 33.34% of the Share Appreciation Rights being granted to each Incentive Recipient under such grant shall become effective.

LETTER FROM THE BOARD

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

In addition to the effective period arrangements described above, the Board will seek the approval from the Shareholders at the EGM to authorize the Board to set particular performance indicators and targets based on the specific situation of the business of the Company, and use the same as additional vesting conditions for the Share Appreciation Rights to become effective, and adjust the number of Share Appreciation Rights to become effective with reference to the satisfaction of performance-related criteria.

Effective Conditions for the
Share Appreciation Rights:

For the H Share Appreciation Rights granted to the Incentive Recipients to become effective, all the following conditions shall be satisfied:

None of the following circumstances has occurred to the Company:

- (1) a certified public accountant issues an audit report containing an adverse opinion or a disclaimer of opinion on financial and accounting report of the Company for the latest accounting year;
- (2) being imposed of any administrative penalty by any regulatory authority due to material non-compliance with laws and regulations within the latest year; and
- (3) occurrence of any other circumstance which, in the opinion of the securities regulatory authorities, would render the implementation of the Scheme infeasible.

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None of the following circumstances has occurred to the Incentive Recipients:

- (1) occurrence of any circumstance under which any Incentive Recipient shall not be qualified as an Incentive Recipient as required by securities regulatory authorities; and
- (2) being imposed of any administrative penalty or subjected to disciplinary sanctions by any regulatory authority due to material non-compliance with laws and regulations within latest three years.

Apart from the above conditions, when the Share Appreciation Rights under the Scheme are subject to vesting by batch, performance-based conditions (including performance indicators of the Company and performance appraisal for the Incentive Recipients) shall be set for each batch of Share Appreciation Rights. Specific conditions shall be made by the Board, and the Share Appreciation Rights can be exercised only when all performance indications meet the target value set therefor.

Effective Period for Exercise of Share Appreciation Rights:

The period from the date of each grant to the last trading day of the 7th year (being 84th month) is the effective period for the Share Appreciation Rights under each grant. Upon the expiration of the effective period for exercise, the unexercised Share Appreciation Rights will be lapsed.

Exercise Price:

The exercise price of the Share Appreciation Rights shall be determined with reference to the Fair Market Price Principle. The exercise price shall be the highest of the following:

- (1) The closing price of the H Shares of the Company on the Stock Exchange as at the date of grant;

LETTER FROM THE BOARD

- (2) The average closing price of the H Shares of the Company on the Stock Exchange for five consecutive trading days prior to the date of grant; and
- (3) 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.

The Board shall not grant Share Appreciation Rights to the employees prior to the occurrence of a possible stock price sensitive event or as a result of a resolution that may give rise to price sensitivity, and employees granted with Share Appreciation Rights shall not exercise their rights under such circumstances until such stock price sensitive information has been published or disclosure has been completed in accordance with the requirements of the Listing Rules.

The Company shall not grant Share Appreciation Rights during the following periods:

- (1) the period from the date of the meeting of the Board for the adoption of the company's annual, half-yearly, quarterly (if any) or any other interim results (i.e. the date of the first notification to the Stock Exchange in accordance with the Listing Rules) to the date of the results announcement;
- (2) the period from the deadline for the Company to announce any of its annual or half-yearly results, or quarterly (if any) or any other interim results announcement in accordance with the Listing Rules to the date of the results announcement;

LETTER FROM THE BOARD

- (3) the period commencing 60 days before the date immediately preceding the date of the annual results announcement and ending on the date of the annual results announcement; and
- (4) The period commencing 30 days immediately before the date of announcement of quarterly results (if any) and half-yearly results and ending on the date of the results announcement. The restrictions end on the date of the Company's results announcement. The period for which the grants are restricted will include any period during which the Company delays the publication of results or price sensitive information.

The details for the Scheme are set out in Appendix I to this circular.

2.3 Main Contents of the Initial Grant Proposal

The Incentive Recipients under the Initial Grant Proposal include the Directors, senior management of the Company and the key personnel having direct impacts on the operating results and sustainable development of the Company. It is expected that, upon satisfaction of conditions for the initial grant, the Board will propose to grant approximately 55.4654 million Share Appreciation Rights to approximately 567 Incentive Recipients in total and the corresponding number of H Shares would amount to approximately 1.9% of the total issued share capital of the Company as at the Latest Practicable Date. According to the Initial Grant Proposal, the number of Share Appreciation Rights per capita to be granted to the Incentive Recipients will be divided into five (5) levels. If the relevant conditions are satisfied, the Share Appreciation Rights under the initial grant shall take effect by the end of the second anniversary (24 months), the third anniversary (36 months) and the fourth anniversary (48 months) from the date of grant in three instalments, respectively.

The Initial Grant Proposal shall take effect upon the Scheme being approved by the SASAC of the State Council and EGM, and it is also subject to the approval from the SASAC of the State Council. Upon the grant of Share Appreciation Rights to Incentive Recipients according to the Initial Grant Proposal, the Company will perform its obligation to disclose relevant information (if necessary) in due course in accordance with applicable Listing Rules.

LETTER FROM THE BOARD

When the Share Appreciation Rights under the initial grant become effective, the Company will set performance criteria for Share Appreciation Rights to become effective in each batch in accordance with the applicable regulatory requirements (including the performance assessment target of the Company and performance assessment requirements for the Incentive Recipients), and the Incentive Recipients shall exercise the rights upon satisfaction of the corresponding performance criteria.

2.4 Reasons for the Adoption of the Scheme

The Board is of the opinion that the Scheme can further refine the corporate governance structure and long-term incentive mechanism of the Company, better motivate the management team and core technical talents, effectively achieve the medium and long-term strategic goal of the Company, establish a long-term incentive mechanism closely linked to the operating performance and long-term strategies of the Company, and optimize the overall remuneration structure and system of the Company. The Company and the Remuneration Committee consider that the proposed terms and conditions of the Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.5 General Information

According to the Scheme, each of the Share Appreciation Rights is relevant to one H Share and will be settled by cash. Therefore, it will not affect the total number of issued H Shares of the Company, neither will have diluted influence on the Company's shares.

Since the Scheme and the Initial Grant Proposal would not involve the grant of new shares or options over new shares and are not funded by existing shares in the Company or any of its Principal Subsidiaries, the Scheme and the Initial Grant Proposal are not subject to Chapter 17 of the Listing Rules.

The Incentive Recipients do not actually hold shares, nor do they have any right as that of the Shareholders, such as voting rights or placing rights. The Incentive Recipients shall not deal with the Share Appreciation Rights granted under the Initial Grant Proposal without permissions (including but not limited to transfer, disposal, exchange, pledge, charge and repaying debts). The Incentive Recipients shall avoid actions that threaten the interests of the Company from occurring, including material misconduct and material decision mistake leading to great loss of interest of the Company and occurrence of actions violating the above limitations and rules of disposal of appreciation rights. Responsible persons will lose parts of or the whole Share Appreciation Rights and relevant gains when the above actions occur, during which the Company has rights to reclaim the gains for the exercised Share Appreciation Rights.

LETTER FROM THE BOARD

3. PROPOSED CHANGE IN NON-EXECUTIVE DIRECTORS

Due to internal work re-allocation in CNAHC, Mr. Zhao Xiaohang shall cease to be the non-executive Director of the Company as proposed by CNAHC; and due to internal work re-allocation in Southern Air Holding, Mr. Luo Laijun shall cease to be the non-executive Director of the Company as proposed by Southern Air Holding. At the same time, when they cease to be the Directors of the Company, their positions as members of the Strategy and Investment Committee (Legal Compliance Committee) of the Company will also be terminated.

Mr. Zhao Xiaohang and Mr. Luo Laijun have respectively confirmed that he has no disagreement with the Board, and there are no matters relating to his proposed resignation that need to be brought to the attention of the Shareholders and the Stock Exchange.

The Board would like to take this opportunity to express its appreciation for the valuable contribution of Mr. Zhao Xiaohang and Mr. Luo Laijun towards the Company during their tenure of service.

The Board further proposed that Mr. Sun Yuquan and Mr. Qu Guangji shall be appointed as the non-executive Directors to replace Mr. Zhao Xiaohang and Mr. Luo Laijun. The Board also resolved that Mr. Sun Yuquan and Mr. Qu Guangji will both be members of the Strategy and Investment Committee (Legal Compliance Committee), subject to the effectiveness of their appointment of the non-executive Directors, respectively.

The biographical details of Mr. Sun Yuquan and Mr. Qu Guangji are as follows:

Mr. Sun Yuquan, aged 50, graduated from Nanjing University of Science and Technology majoring in accounting. He is a professor-level senior engineer and a senior accountant. He served as the general manager of the finance department of China Rong Tong Asset Management Group Corporation Limited from July 2019 to February 2022. He has been serving as the chief accountant and a member of the Communist Party Group of CNAHC since February 2022. Since March 2022, he has been serving as a member of the Standing Committee of the Communist Party Committee of Air China Limited, and concurrently as the chairman of China National Aviation Capital Holding Co., Ltd. and the chairman of China National Aviation Media Co., Ltd. He has become the chief accountant of Air China Limited since March 2023.

LETTER FROM THE BOARD

Mr. Qu Guangji, aged 53, holds a bachelor's degree in economics from Xi'an Statistical Institute and has obtained a part-time master's degree in economics from Dongbei University of Finance and Economics and a part-time executive master's degree in business administration from Tsinghua University – Ecole des Ponts Paris Tech and Ecole Nationale de l'Aviation Civile. He is an economist. Mr. Qu started his career in July 1993 and served in various positions including the general manager and Deputy Secretary of the CPC General Committee of the capacity network division of commercial steering committee of China Southern Airlines Co., Ltd. * (中國南方航空股份有限公司) (“China Southern Airlines”), the general manager and Deputy Secretary of the CPC General Committee of the network income division of commercial steering committee of China Southern Airlines, and the deputy director and Member of Party Committee of commercial steering committee of China Southern Airlines. Mr. Qu served as the general manager and Deputy Secretary of the Party Committee of the Hubei branch of China Southern Airlines in October 2017; the executive vice president and Deputy Secretary of the Party Committee of Xinjiang branch of China Southern Airlines in March 2019; the general manager and Deputy Secretary of the Party Committee of Xinjiang branch of China Southern Airlines in July 2020; the general manager and Deputy Secretary of the Party Committee of Shenzhen branch of China Southern Airlines in August 2021; and the deputy general manager and Party Member of Southern Air Holding in July 2023.

Mr. Sun Yuquan and Mr. Qu Guangji have respectively confirmed that, save as disclosed above, as at the Latest Practicable Date, (1) he does not hold any other positions with the Company or any of its subsidiaries or any directorship in any other listed public companies in the past three years; (2) he does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company; and (3) he does not have any interest or deemed interest in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)).

Save as disclosed above, as at the Latest Practicable Date, the Board is not aware of any other matter in respect of the proposed appointment of Mr. Sun Yuquan and Mr. Qu Guangji that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules or any other matter that needs to be brought to the attention of the Stock Exchange and the Shareholders.

The proposed appointment of Mr. Sun Yuquan and Mr. Qu Guangji will become effective subject to the Shareholders' approval at the EGM. The proposed resignation of Mr. Zhao Xiaohang and Mr. Luo Lajun will become effective upon the conclusion of the EGM after the approval of the proposed appointment of Mr. Sun Yuquan and Mr. Qu Guangji by the Shareholders.

LETTER FROM THE BOARD

The terms of the office of Mr. Sun Yuquan and Mr. Qu Guangji as the non-executive Directors will commence from the approval of the Shareholders and end upon expiry of the term of the current session of the Board. The Company will enter into a service contract with Mr. Sun Yuquan and Mr. Qu Guangji respectively, after their proposed appointment is approved by the Shareholders. The remuneration of Mr. Sun Yuquan and Mr. Qu Guangji will be determined in accordance with applicable laws, regulations and regulatory provisions as well as relevant remuneration policies of the Company.

4. EGM

A notice convening the EGM to be held at the conference room of Headquarters Building, TravelSky High-tech Industrial Park, Shunyi District, Beijing, the PRC at 9:30 a.m. on Thursday, 25 January 2024, is set out on pages 39 to 40 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the liaison office of the Company in Beijing at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders), no later than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending in person and voting at the EGM or any adjournment thereof if you so wish.

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

5. RECOMMENDATIONS

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

LETTER FROM THE BOARD

6. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
TravelSky Technology Limited
Huang Rongshun
Chairman

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CHAPTER I DEFINITIONS

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

“the Scheme”	Phase III Share Appreciation Rights Scheme of TravelSky Technology Limited, hereinafter referred to as “the Share Appreciation Rights Scheme”.
“the Company”	also referred to as “listed company”, TravelSky Technology Limited, hereinafter referred to as “TravelSky”.
“Share(s)”	also referred to as “ordinary 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”	also referred to as “Appreciation Rights”. The rights conferred to the incentive recipients by the Company to receive earnings from the increase in price of stipulated shares, 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, also referred as to “the number of Shares”.
“Scheme Effective Date”	the date as stipulated in Clause 9 of the Scheme.
“Scheme Effective Period”	the period as stipulated in Clause 10 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.

“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 Evaluation Committee are not related persons, i.e. “independent non-executive directors”, of which the chairman of the committee is appointed from the independent non-executive directors.
“Grantee(s)”	person(s) who has/have been granted Share Appreciation Rights under the Scheme.
“Date of Grant”	the date on which the Share Appreciation Rights are granted to the incentive recipient(s) by the Company, subject to the fulfilment of the conditions of grant under the Scheme. The Date of Grant must be a Trading Day.
“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 according to the Restriction Schedule under the Scheme.
“Exercise Date”	the date on which Share Appreciation Rights are 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 Date of Grant to the Lapse Date of Share Appreciation Rights.
“Lock-up Period”	the period from the Date of Grant until the Effective Date of the Share Appreciation Rights, 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 according to the prescribed schedule.

APPENDIX I	PHASE III H SHARE APPRECIATION RIGHTS SCHEME
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“Effective Period for Exercise”	the period from the Date of Grant to the last Trading Day of the 7th year (being the 84th month). Upon the expiration of the Effective Period for Exercise, the unexercised Share Appreciation Rights will be lapsed.
“Window Period”	the period during which a Grantee shall be allowed to exercise Share Appreciation Rights that are effective. Such period shall be subject to the relevant requirements of securities regulatory authorities.
“Exercise Price”	the price fixed in accordance with Clause 14 of the Scheme.
“Fair Market Price”	the fair market price of the Tradable Share on a particular Trading Day referred to the closing price of H Share on the Hong Kong Stock Exchange on such day, unless otherwise defined 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 People’s Republic of China.
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Incapability”	the permanent and absolute loss of capacity for civil conduct.
“Retirement”	an employee retiring from his existing working position due to his/her age reaching or exceeding statutory retirement age and discharged from the employment contract, or the Company agreeing to his/her 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.

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

CHAPTER II GENERAL PROVISIONS

Clause 1 To further refine the corporate governance structure and long-term incentive mechanism of the Company, better motivate the management team and core technical talents, effectively achieve the medium and long-term strategic goal of the Company, establish a long-term incentive mechanism closely linked to the operating performance and long-term strategies of the Company, and optimize the overall remuneration structure, the Company has formulated the Phase III Share Appreciation Rights Scheme of TravelSky Technology Limited in accordance with the *Company Law of the People's Republic of China*, the *Provisional Measures on Implementation of Equity Incentive Schemes by State-Controlled (Overseas) Listed Companies*, the *Notice of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies*, the *Notice on Issues concerning Regulating the Implementation of Equity Incentive Scheme by State-Controlled Listed Companies*, *Circular on Printing and Distributing the Work Guidelines for the Implementation of Equity Incentives by Listed Companies Controlled by Central Enterprises*, relevant provisions in the Listing Rules, and other relevant laws, regulations, rules, and regulatory documents and the Articles of Association.

CHAPTER III PURPOSE OF THE SHARE APPRECIATION RIGHTS SCHEME

Clause 2 The Phase III Share Appreciation Rights Scheme of TravelSky Technology Limited is implemented for the purpose of:

- (I) establishing a long-term incentive mechanism that links the remuneration of the key personnel having direct impacts on the operating results and sustainable development of the listed 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) linking closely the interests of the shareholders with the key personnel having direct impacts on the operating results and sustainable development of the listed company through equity incentives with an aim to maximise shareholders' value;
- (III) promoting competitiveness of the remuneration package capable of being 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.

CHAPTER IV CORPORATE GOVERNANCE STRUCTURE AND FORMULATION AND MANAGEMENT OF THE SCHEME

Clause 3 The corporate governance structure of the Company shall be regulated and with a sound organization of 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.

Clause 4 The Scheme has been prepared by the Board, the Board shall make a resolution on this Scheme in accordance with laws and regulations and submit the resolution to the shareholders' general meeting for consideration and approval after the performance of statutory procedures. The Board authorizes under the Board's resolution that the Remuneration and Evaluation Committee shall study the remuneration system and incentive schemes of the Company, monitor and evaluating the effects of implementation of the Scheme, and advise on the improvement of the Scheme. The Board shall review and approve on the list of the Grantees and their respective numbers of Share Appreciation Rights. 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.

CHAPTER V BASIS FOR DETERMINATION OF INCENTIVE RECIPIENTS AND THE SCOPE OF INCENTIVE RECIPIENTS

Clause 5 Basis for Determination of Incentive Recipients

The incentive recipients are determined in accordance with the *Company Law of the People's Republic of China*, the *Provisional Measures on Implementation of Equity Incentive Schemes by State-Controlled (Overseas) Listed Companies*, the *Notice on Issues concerning Regulating the Implementation of Equity Incentive Scheme by State-Controlled Listed Companies*, *Circular on Printing and Distributing the Work Guidelines for the Implementation of Equity Incentives by Listed Companies Controlled by Central Enterprises*, the relevant provisions in the Listing Rules, and other relevant laws, regulations, rules, and regulatory documents and the Articles of Association.

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.

Clause 6 Scope of Incentive Recipients

The incentive recipients include the Directors, senior management of the listed Company and the key personnel having direct impacts on the operating results and sustainable development of the listed company, excluding non-executive directors, independent non-executive directors and Supervisors.

Clause 7 Participation of Specified Persons in the Scheme and Restrictions on Grant of Share Appreciation Rights to Specified Persons

- (I) The grant of Share Appreciation Rights under the Scheme to any director, senior management or any of their respective associates (as defined in the Listing Rules, excluding persons otherwise stipulated by the SASAC or other regulatory authorities) shall be subject to the approval of the independent non-executive directors of the Company;
- (II) Where a person in charge of the parent company (being the controlling company) of the Company holds office in the Company other than as a Supervisor, such person is entitled to participate in the Scheme on the condition that he/she may only participate in the equity incentives scheme of one listed company he/she is currently working in;
- (III) Heads of the enterprises administrated by the central government and Party committee of the SASAC do not participate in equity incentives of listed companies;
- (IV) On the Date of Grant of the Share Appreciation Rights, the personnel do not hold any position in the Company or its controlled subsidiary or do not work for the Company or its controlled subsidiary, and the independent non-executive directors and Supervisors of the Company, any shareholder or de facto controller which holds 5% or more of the Shares of the Company individually or jointly and their spouses or parents or children, and those who are prohibited from participating in the share incentive schemes of listed companies according to relevant regulation of the SASAC and securities regulation authorities shall not become incentive recipients.
- (V) The scope of the incentive recipients shall be conclusively determined by and construed according to the interpretations of the Board.

Clause 8 Announcement and Disclosure

The Company shall, after announcing the draft of the Scheme and the implementation plan adopted upon approval by the Board, make public within the Company such information as the names and titles of the participants of the equity incentive scheme and perform the democratic supervision procedure. The Supervisory Committee shall review the name list of the participants of the equity incentive scheme and fully listen to the publicity opinions.

The Company shall perform information disclosure procedures for incentive recipients in accordance with the regulatory provisions and listing rules of the place where its shares are traded and listed.

CHAPTER VI INCENTIVE INSTRUMENTS AND UNDERLYING SHARES

Clause 9 Each Share Appreciation Right granted under the Scheme entitles the incentive recipients to obtain the gains from the appreciation (which is the excess of the closing price over the Exercise Price on the Exercise Date) of one H Share of the Company during the Scheme Effective Period, provided that conditions and arrangements for taking effect are satisfied. The gains will be paid by the Company in cash. The incentive recipients do not have the ownership of the Shares involved, nor do they have the right of voting or placing as the shareholders. The Share Appreciation Rights shall not be transferred or used as guarantee or for payment of debts.

CHAPTER VII EFFECTIVE PERIOD OF THE SHARE APPRECIATION RIGHTS SCHEME

Clause 10 The Effectiveness of the Share Appreciation Rights Scheme

The Share Appreciation Rights Scheme is conditional on the fulfilment of the following conditions: (1) the Share Appreciation Rights Scheme being granted approval by relevant regulatory authorities; and (2) being approved and adopted at a shareholders' general meeting of the Company by way of resolution.

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

Prior to the effective date, the Company shall not grant any Appreciation Rights, nor is anyone entitled to any right or benefit under the Scheme.

Clause 11 Unless it is early terminated as provided in Chapter XV of the Scheme, the Share Appreciation Rights Scheme shall be valid for a period of ten (10) years commencing from 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, unless otherwise specified, to exercise any Share Appreciation Rights granted within the Scheme Effective Period, 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.

CHAPTER VIII GRANT OF SHARE APPRECIATION RIGHTS

Clause 12 Time Limit on the Grant of Share Appreciation Rights

The Board shall not grant Share Appreciation Rights to employees before a price-sensitive event may occur or a price-sensitive matter may arise as an outcome of a resolution, nor shall employees who have been granted Appreciation Rights exercise the same under such circumstance, 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 grant of Share Appreciation Rights shall be made during the following period:

- (I) commencing from the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly (if any) or other interim period and ending on the date of the results announcement;
- (II) commencing from the deadline for the Company to publish an announcement of its results for any year, half-year or quarterly (if any) or any other interim period under the Listing Rules and ending on the date of the results announcement;
- (III) 60 days immediately preceding the publication date of the annual results up to the publication date of the results;
- (IV) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results up to the publication date of the results.

Such time limit shall end on the date when the Company publishes its results. The time limit on the grant of Share Appreciation Rights shall include the period for which the publication of results or price-sensitive information is postponed.

Clause 13 Number of Share Appreciation Rights to be Granted

The number of Share Appreciation Rights to be granted within the Scheme Effective Period shall not in aggregate exceed 10% of the total share capital of the Company, subject to the approval of the regulatory authorities.

If the total number of Share Appreciation Rights (including exercised and unexercised) granted under the incentive Scheme to any one of the incentive recipients during the Scheme Effective Period exceeds 1% of the total issued share capital, the Company shall not grant any more Share Appreciation Rights in respect of the Scheme to such person under the Scheme.

The value of the Share Appreciation Rights granted to incentive recipients shall be determined reasonably; the value of the rights and interests granted to directors and senior management of the Company shall not be higher than 40% of their total remuneration at the Date of Grant, while the value of the rights and interests granted to other incentive recipients shall not be higher than 40% of the average remuneration at the incentive level to which they belong.

Clause 14 Confirmation of Grant of Share Appreciation Rights

Grant of Share Appreciation Rights shall be notified to the Grantee in written form. The Agreement on Granting Share Appreciation Rights 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 Agreement on Granting Share Appreciation Rights within the prescribed time, the grant of such Appreciation Rights shall be deemed as unaccepted and shall become void.

**CHAPTER IX EXERCISE PRICE AND EFFECTIVENESS OF SHARE
APPRECIATION RIGHTS**

Clause 15 Determination of the Exercise Price

The Exercise Price of the Share Appreciation Rights shall be determined with reference to the principle of Fair Market Price.

The Exercise Price of the Share Appreciation Rights to be granted under the Scheme shall be the highest of the following:

- (I) 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;
- (II) 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;
- (III) The par value of the H Shares of the Company.

Clause 16 Frequency of Grant of Share Appreciation Rights

Unless otherwise arranged, the Board shall, at an interval of every two years in principle, 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.

Clause 17 Grant Conditions

None of the following circumstances has occurred to the Company:

- (I) a certified public accountant issue an audit report containing an adverse opinion or a disclaimer of opinion on financial and accounting report of the Company for the latest accounting year;
- (II) being imposed of any administrative penalty by any regulatory authority due to material non-compliance with laws and regulations within the latest year;
- (III) occurrence of any other circumstance which, in the opinion of the securities regulatory authorities, would render the implementation of the Share Appreciation Rights Scheme infeasible.

None of the following circumstances has occurred to the incentive recipients:

- (I) occurrence of any circumstance under which any incentive recipient shall not be qualified as an incentive recipient as required by securities regulatory authorities;
- (II) being imposed of any administrative penalty or subjected to disciplinary sanctions by any regulatory authority due to material non-compliance with laws and regulations within latest three years;

If the Company fails to meet the grant conditions, the Company shall not grant any Share Appreciation Rights under the Scheme; if any incentive recipient is not up to the grant conditions, the Company shall not grant any Share Appreciation Rights to the incentive recipient under the Scheme.

Clause 18 Effective Period Arrangement

All Share Appreciation Rights granted to Grantees under the Scheme shall not be effective within two years from the Date of Grant, nor shall be exercised prior to becoming effective. The Share Appreciation Rights shall become effective in the following manner:

- (I) By the end of the second anniversary (24 months) from the Date of Grant, 33.33% of the Share Appreciation Rights being granted to each Grantee under such grant shall become effective;
- (II) By the end of the third anniversary (36 months) from the Date of Grant, another 33.33% of the Share Appreciation Rights being granted to each Grantee under such grant shall become effective;
- (III) By the end of the fourth anniversary (48 months) from the Date of Grant, the remaining 33.34% of the Share Appreciation Rights being granted to each Grantee under such 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.

In addition to the Effective Period arrangement described above, the shareholders' general meeting authorizes the Board to set particular performance indicators and targets, and use the same as additional vesting conditions for the Share Appreciation Rights to become effective, and adjust the number of Share Appreciation Rights to become effective with reference to the satisfaction of performance-related criteria.

Clause 19 Effective Conditions

For the H Share Appreciation Rights granted to the incentive recipients to become effective, the following conditions shall be satisfied:

None of the following circumstances has occurred to the Company:

- (I) a certified public accountant issue an audit report containing an adverse opinion or a disclaimer of opinion on the financial and accounting report of the Company for the latest accounting year;
- (II) being imposed of any administrative penalty by any regulatory authority due to material non-compliance with laws and regulations within the latest year;
- (III) occurrence of any other circumstance which, in the opinion of the securities regulatory authorities, would render the implementation of the Share Appreciation Rights Scheme unavailable.

None of the following circumstances has occurred to the incentive recipients:

- (I) occurrence of any circumstance under which any incentive recipient shall not be qualified as an incentive recipient as required by securities regulatory authorities;
- (II) being imposed of any administrative penalty or subjected to disciplinary sanctions by any regulatory authority due to material non-compliance with laws and regulations within the last three years;

Apart from the above conditions, when the Share Appreciation Rights under the Scheme are subject to vesting by batch, performance-based conditions (including performance indicators of the Company and performance appraisal for the incentive recipients) shall be set for each batch of Share Appreciation Rights. Specific conditions shall be made by the Board, and the rights can be exercised when all performance indications meet the target value set therefor.

APPENDIX I PHASE III H SHARE APPRECIATION RIGHTS SCHEME

Clause 25 Under any of the following circumstances, upon deliberation and approval by the Board, the Company shall cancel the rights and interests that can be exercised in the current year, and terminate the implementation of this Scheme at the same time; no rights and interests shall be granted to the incentive recipients within one year, and the incentive recipients shall not exercise rights and interests or obtain incentive income pursuant to this Scheme:

- (I) failing to engage an accounting firm to conduct audit pursuant to the stipulated procedures and requirements;
- (II) a certified public accountant has issued an audit report with an adverse opinion or a disclaimer of opinion for the company's annual financial report and internal control evaluation report;
- (III) the State-owned assets supervision and administration authorities, the board of supervisors or the audit authorities have raised significant objections with respect to the company's results or the annual financial report;
- (IV) the company has committed a major violation of regulations and is subject to punishment by the securities regulatory authorities and other relevant authorities.

Clause 26 If any incentive recipient falls under any of the following circumstances, the Company shall terminate the new rights and interests granted pursuant to the Scheme, cancel the qualification for exercise of the rights and interests yet to be exercised by the incentive recipient, recover the incentive income already obtained, and pursue corresponding liability in accordance with the laws and relevant provisions:

- (I) where the results of economic liability audit indicate that the incentive recipient has failed to effectively perform duties or has committed serious dereliction of duty or malpractice;
- (II) where the incentive recipient has violated the relevant laws and regulations of the State or the provisions of the articles of association of the Company;
- (III) where the incentive recipient during service has committed any act in violation of laws or disciplines such as accepting bribes, committing corruption and theft, divulging the Company's commercial and technical secrets, implementing affiliated transactions that damage the interests or reputation of the Company or have a major negative impact on the Company's image, and has been given a stipulated grade punishment; or
- (IV) where the incentive recipient fails to perform or fails to correctly perform duties, causing large asset losses to the Company or any other serious adverse consequence.

Clause 27 Where, during the implementation of the Scheme, there is any false record, misleading statement or material omission in the Company's accounting documents or information disclosure documents, resulting in non-compliance with the grant or the arrangement for the exercise of rights and interests, the part that has not yet been exercised by the incentive recipients shall not be exercised any more, and the Company shall take back all interests obtained by the incentive recipients under the Scheme, and shall not grant new rights and interests to the liable persons.

Clause 28 If an incentive recipient cancels or terminates employment with the enterprise due to objective reasons such as Transfer by higher organization, removal, Retirement, death and Incapability:

- (I) the Share Appreciation Rights granted to such person (to the extent exercisable) can be exercised within a half-year period from his/her departure on the condition that the lock-up requirement of such rights and his/her performance targets for that year have been satisfied, and the rights will lapse after the half-year period;
- (II) such Share Appreciation Rights shall cease to be exercisable in principle where both the lock-up requirement and the performance targets for that year have not been satisfied.

If a Grantee dies, his/her lawful heir can exercise the rights in accordance with above provisions.

Clause 29 If an incentive recipient terminates employment relationship with the Company for reasons other than those specified above:

- (I) the Share Appreciation Rights that are not yet effective shall lapse;
- (II) the Share Appreciation Rights that are effective but not yet exercised shall lapse on the date of leaving his/her employment.

Clause 30 In the event of any change in the position of an incentive recipient, if he/she remains holding positions in the Company, his/her portion of Share Appreciation Rights that have been granted and the conditions for those portions to become effective shall remain unchanged.

Clause 31 In the event of any other circumstances of the Company or an incentive recipient unspecified above, the Board will deal with his/her Share Appreciation Rights pursuant to the above principles.

CHAPTER XII ADJUSTMENT TO THE SHARE APPRECIATION RIGHTS

Clause 32 In the event of any change in the total share capital of the Company resulting from, among others, issuance of new Shares, conversion from capital reserves into share capital, merger and division, the Exercise Price and the number of Share Appreciation Rights shall be adjusted accordingly.

Clause 33 Adjustment to the Number of Share Appreciation Rights

If, prior to the Exercise, any of the following circumstances of the Company occurs, the number of Share Appreciation Rights shall be adjusted accordingly in such a way as specified below:

- (I) Conversion of capital reserve into Shares, distribution of bonus Shares and Share subdivision

$$\begin{array}{l} \text{number to be granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{number to be granted before adjustment} \times (1 \\ + \text{increase in the number of Shares per share} \\ \text{due to the conversion, distribution or} \\ \text{subdivision}) \end{array}$$

- (II) Share consolidation

$$\begin{array}{l} \text{number to be granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{number to be granted before adjustment} \times \\ \text{ratio of share consolidation} \end{array}$$

- (III) Placing and additional issuance

$$\begin{array}{l} \text{number to be granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{number to be granted before adjustment} \times \\ \text{closing price as at the equity record date} \times (1 \\ + \text{ratio of the placing or additional issuance}) \\ \div (\text{closing price as at the equity record date} + \\ \text{price of the placing or additional issuance} \times \\ \text{ratio of the placing or additional issuance}) \end{array}$$

Clause 34 Adjustment to the Exercise Price of Share Appreciation Rights

If, prior to the Exercise, any of the following circumstances of the Company occurs, the Exercise Price of the Share Appreciation Rights shall be adjusted accordingly in such a way as specified below, provided that such adjustment shall not cause the Exercise Price to be lower than the par value of Shares:

- (I) Conversion of capital reserve into Shares, distribution of bonus Shares and Share subdivision

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \div (1 + \text{increase in the number of Shares per share due to the conversion, distribution or subdivision})$$

- (II) Share consolidation

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \div \text{ratio of share consolidation}$$

- (III) Dividend distribution

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} - \text{the amount of dividend distributed per share}$$

- (IV) Placing and additional issuance

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times (\text{closing price as at the equity record date} + \text{price of the placing or additional issuance} \times \text{ratio of the placing or additional issuance}) \div (\text{closing price as at the equity record date} \times (1 + \text{ratio of the placing or additional issuance}))$$

Clause 35 If the Company adjusts the Exercise Price or the number of Share Appreciation Rights to be granted or other clauses for the reasons described in Clause 33 and 34 of the Scheme, it shall be considered and approved by the Board as authorized by the shareholders' general meeting. The Company shall engage legal counsel or independent financial advisor or auditor to give professional opinions and determinations on whether any aforesaid adjustment complies with relevant regulatory provisions.

**CHAPTER XIII RIGHTS AND OBLIGATIONS OF THE COMPANY AND
INCENTIVE RECIPIENTS**

Clause 36 Rights and Obligations of the Company

- (I) the Company shall appraise the performance of the incentive recipients and supervise and review whether the incentive recipients is qualified to continue to Exercise;
- (II) The Company will withhold and pay on behalf of the incentive recipients any accrued individual income taxes and any other taxes and fees pursuant to the national taxation laws and regulations;
- (III) The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the share appreciation incentive scheme in accordance with the relevant requirements;
- (IV) Other rights and obligations as stipulated under the laws and regulations.

Clause 37 Rights and Obligations of Incentive Recipients

- (I) An incentive recipient shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company;
- (II) During the Effective Period for Exercise, the Company shall arrange the Exercise and payment matters for incentive recipients in a unified manner;
- (III) Share Appreciation Rights granted to the incentive recipients shall not be transferred or used as guarantee or for repayment of debts;
- (IV) Any gains obtained by the incentive recipients from the Scheme are subject to individual income tax and other taxes according to national taxation laws and regulations;
- (V) Other rights and obligations as stipulated under the laws and regulations.

**CHAPTER XIV SCHEME FORMULATION AND APPROVAL PROCEDURES,
GRANT AND EXERCISE PROCEDURES**

Clause 38 Formulation and Approval Procedures of the Share Appreciation Rights Scheme

- (I) The Remuneration and Evaluation Committee under the Board is responsible for formulating the draft Share Appreciation Rights incentive scheme and proposal for each grant.

- (II) The relevant responsible departments of the Company shall communicate with relevant regulatory authorities.
- (III) The draft of the Scheme as considered and approved by the Board, shall be timely published in accordance with the securities regulatory provisions of the exchange stock where shares are listed.
- (IV) The draft of the Scheme, the proposal for each grant and administrative measures as considered and approved by the Board shall be submitted to relevant regulatory authorities for approval by the Company.
- (V) After the approval from relevant regulatory authorities is obtained, the Scheme shall be submitted to the shareholders' general meeting for consideration, and the Scheme shall become effective upon approval, and the Board is authorized to review and approve the proposal for each grant, and to develop and amend administrative measures.

Clause 39 Grant Procedures

- (I) The Remuneration and Evaluation Committee under the Board is responsible for formulating the grant proposal.
- (II) The Board reviews and approves the proposal for each grant and determines the Date of Grant.
- (III) The incentive recipients and the Company enter into the Agreement on Granting Share Appreciation Rights, and if the incentive recipient does not sign the Agreement on Granting Share Appreciation Rights, the grant is then deemed to be abandoned.
- (IV) Based on the agreements signed by the incentive recipients, a management register for the incentive Scheme for Share Appreciation Rights will be prepared, which records relevant details, among others, the names of the incentive recipients, the granted quantity, the Date of Grant, Exercise Price, the respective agreement number.

Clause 40 Exercise Procedures

- (I) During the vesting period, on the condition that the Exercise conditions are fulfilled, the Company will process the Exercise of Share Appreciation Rights that satisfy the Exercise conditions after obtaining confirmation from the Board of the Company in a unified manner.
- (II) If any of the Exercise conditions has not been satisfied during any financial year within the vesting period, the respective portion of the Share Appreciation Rights shall lapse.

CHAPTER XV MODIFICATION AND TERMINATION OF THE SCHEME

Clause 41 Modification of the Scheme

The shareholders' general meeting authorises the Board to be responsible for the implementation and management of the Scheme and, when necessary, to revise the Scheme and to file amendments to the institutions or departments that perform the obligations of the state-owned assets investors. 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 can be made or caused to the rights and obligations previously attached to such Grantees without their prior consent. Subject to the foregoing conditions, the Board can make modifications to the Scheme as they deem necessary in the following manner:

- (I) Make adjustments to Share Appreciation Rights granted to conform to new requirements due to any change in applicable laws and regulations;
- (II) If the conditions are favourable for implementing other equity incentive plans, to decide whether and to what extent other equity incentives under new schemes be granted to participants of the Scheme and the relationship of conversion between the Share Appreciation Rights granted under the Scheme and equity incentives under the new schemes.

If relevant laws, regulations, agreements or securities regulatory authorities require that approval must be obtained from the shareholders' general meeting and/or the securities regulatory authorities for making certain modifications to the Scheme, the Board shall obtain such approval from relevant competent authorities.

Clause 42 Termination of the Scheme

The shareholders' general meeting authorizes the Board to decide on the termination of the Scheme. The Scheme is automatically terminated upon the expiry of the Scheme Effective Period, or the Board may decide to early terminate the Scheme, or the Board may initiate a new Share Appreciation Rights scheme or any other incentive scheme when it considers appropriate to replace the Scheme. If the Company decides to adopt a new scheme to replace the Scheme, it must be approved by the Board, and shall ensure in good faith that the rights and obligations of the incentive recipients under the Scheme are not impaired.

In the event the Board decides to terminate the Scheme before its expiry, the Company will no longer grant any Share Appreciation Rights pursuant to the Scheme. Unless otherwise specified, the Share Appreciation Rights that have been granted but have not yet been exercised before the termination of the Share Appreciation Rights Scheme continue to be valid and can still be exercised in accordance with the provisions of the Scheme.

CHAPTER XVI MISCELLANEOUS

Clause 43 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 delivered by the Company shall be deemed to have been received by the Grantee after 36 hours of the delivery.

Clause 44 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.

Clause 45 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. If any objection to the final decision of the Board arises, disputes may be submitted to the Beijing Arbitration Commission for arbitration in accordance with its arbitration rules.

Clause 46 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 continued employment for the Grantee. The rights and obligations of any Grantee in the Grantee's 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 directly derived from Share Appreciation Rights.

Clause 47 Supervision of the Scheme

The Board reserves the right to formulate 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.

Clause 48 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.

CHAPTER XVII SUPPLEMENTARY PROVISIONS

Clause 49 The Scheme shall take effect upon the review and approval by the relevant regulatory authorities and the consideration and approval of the shareholders' general meeting of the Company.

Clause 50 The right of final interpretation of the Scheme is vested in the Board.

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.

NOTICE OF EGM



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

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

(Stock Code: 00696)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of TravelSky Technology Limited (the "Company") will be held at the conference room of Headquarters Building, TravelSky High-tech Industrial Park, Shunyi District, Beijing, the PRC at 9:30 a.m. on Thursday, 25 January 2024 to consider and, if thought fit, approve the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to approve the Phase III H Share appreciation rights scheme of the Company (the "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 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 Scheme; (c) amend the Scheme, and to decide and formulate any matters relating to the Scheme during the effective period of Scheme; and (d) proceed with the examination, registration, filing, approval and consent procedures with relevant regulatory authorities and to sign, execute, amend, terminate and complete documents to be submitted to relevant regulatory authorities, organizations and individuals and to do all acts, matters and things deemed necessary, appropriate or expedient in relation to the Scheme;
2. To consider and approve the resolution in relation to the appointment of Mr. Sun Yuquan as a non-executive Director of the seventh session of the Board of the Company for the same term as other members of the seventh session of the Board commencing from the conclusion of the EGM, and the authorization to the Board to determine his remuneration; and the termination of the office of Mr. Zhao Xiaohang as a non-executive Director of the Company, with effect from the approval granted at the EGM; and

NOTICE OF EGM

3. To consider and approve the resolution in relation to the appointment of Mr. Qu Guangji as a non-executive Director of the seventh session of the Board of the Company for the same term as other members of the seventh session of the Board commencing from the conclusion of the EGM, and the authorization to the Board to determine his remuneration; and the termination of the office of Mr. Luo Laijun as a non-executive Director of the Company, with effect from the approval granted at the EGM.

By order of the Board
TravelSky Technology Limited
Huang Rongshun
Chairman

Beijing, the PRC
5 January 2024

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 5 January 2024.
2. For the purpose of determining Shareholders' entitlement to attend the EGM, the Domestic Shares and the H Shares register of members of the Company will be closed from Monday, 22 January 2024 to Thursday, 25 January 2024 (both days inclusive), during which period no transfer of any Shares will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration at the liaison office of the Company in Beijing, at A1-805, TravelSky High-tech Industrial Park, Tianbei Road, Houshayu Town, Shunyi District, Beijing, the PRC (for Domestic Shareholders) or the Registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders), no later than 4:30 p.m. on Friday, 19 January 2024. Domestic Shareholders and H Shareholders whose names appear on the Register of Members of the Company on Thursday, 25 January 2024 will be eligible to attend the EGM.
3. Each shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on behalf of him/her. A proxy need not to be a Shareholder of the Company.
4. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of such power of attorney or authority, should be completed and deposited at the liaison office of the Company in Beijing (for Domestic Shareholders) or the Registrar of the Company (for H Shareholders), at least 24 hours before the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
5. In case of joint shareholdings and the shareholder or the proxy attending the EGM is more than one person, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names appear in the register of members of the Company in respect of the joint shareholdings.
6. The EGM is expected to last for half a day. Shareholders (or their proxies) attending the EGM shall bear their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when they attend the EGM.
7. All times and dates specified herein refer to local times and dates of Beijing, the PRC.