
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **HNA Infrastructure Company Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or other transferees or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or the transferee.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.



海航基礎股份有限公司 **HNA Infrastructure Company Limited***

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 357)

MAJOR AND CONNECTED TRANSACTIONS **THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT,** **EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS** **AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO** **THE PARENT COMPANY SUBSCRIPTION, THE HAINAN HNA** **SUBSCRIPTION AND THE NEW H SHARES ISSUE,** **AND** **NOTICES AND SUPPLEMENTAL NOTICES OF THE EGM AND THE** **CLASS MEETINGS**

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from Octal Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 49 of this circular.

The notices given by the Company on 2 February 2018 and the supplemental notices given by the Company on 6 March 2018 for convening the EGM and the Class Meetings to be held at 10:00 a.m. on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC are set out on pages 69 to 92 of this circular. Whether or not you are able to attend the EGM or the Class Meetings, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, and in both cases in any event not later than 24 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

* For identification purposes only

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	7
Letter from the Independent Board Committee	26
Letter from Octal Capital	28
Appendix I — Financial Information of the Group	50
Appendix II — General Information	54
Appendix III — Details of the Parent Company Subscription and the Hainan HNA Subscription	61
Notice of the Extraordinary General Meeting	69
Notice of the Domestic Shareholders Class Meeting	75
Notice of the H Shareholders Class Meeting	79
Supplemental Notice of the Extraordinary General Meeting	84
Supplemental Notice of the Domestic Shareholders Class Meeting	87
Supplemental Notice of the H Shareholders Class Meeting	90

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this circular:

“2017 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 26 June 2017
“2017 EGM”	the extraordinary general meeting of the Company held on 26 June 2017
“ABC Hainan Branch”	the Hainan Branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司海南省分行), a branch of a licensed bank established in the PRC
“Airport Project”	the airport project under the Investment and Construction Agreement entered into between the Company and the Parent Company
“Articles of Association”	articles of association of the Company and its appendices
“Board”	the board of Directors
“Borrowers”	the Parent Company and the Company
“Business Day(s)” or “business day(s)”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“CAAC”	Civil Aviation Administration of China (中國民用航空局)
“CDB”	China Development Bank Limited (國家開發銀行股份有限公司), a state-owned development finance institution organised under the laws of the PRC
“Class Meetings” and each as “Class Meeting”	the respective class meetings of the Domestic Shareholders and the H Shareholders to be convened by the Company immediately following the conclusion of the EGM or any adjournment thereof on Tuesday, 20 March 2018 for the purposes of considering and, if thought fit, approving, among other things, the Extension Resolutions, including any adjournment in respect thereof
“Company”	HNA Infrastructure Company Limited* (海航基礎股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	shall have the meaning as defined in the Listing Rules

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which is/are subscribed for in RMB
“Domestic Shareholder(s)”	holders of Domestic Shares
“Drawdown Date”	the date on which the Loan is drawdown
“EGM”	the extraordinary general meeting to be convened by the Company on Tuesday, 20 March 2018 for the purposes of considering and, if thought fit, approving, among other things, (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions, including any adjournment in respect thereof
“Extension Resolutions”	the Hainan HNA Subscription Extension Resolutions, the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“Hainan HNA”	海南海航基礎設施投資集團股份有限公司 (Hainan HNA Infrastructure Investment Group Company Limited*), a joint stock company incorporated in the PRC with limited liability
“Hainan HNA Domestic Shares Subscription Agreement”	the domestic shares subscription agreement dated 30 December 2016 entered into between the Company and Hainan HNA in relation to the Hainan HNA Subscription
“Hainan HNA Domestic Shares Subscription Agreements”	the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement

DEFINITIONS

“Hainan HNA Subscription”	the subscription of not more than 50,000,000 new Domestic Shares in aggregate contemplated under the Hainan HNA Domestic Shares Subscription Agreements
“Hainan HNA Subscription Extension Resolutions”	The proposed resolutions (i) to extend the validity period of the resolutions in relation to the Hainan HNA Subscription and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the Hainan HNA Subscription within a term of nine (9) months, from 26 March 2018 to 25 December 2018
“HNA Holding Group”	HNA Holding Group Co. Limited (海航實業集團有限公司), a company incorporated in the PRC with limited liability
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC Hainan Branch”	the Hainan Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司海南省分行), a branch of a licensed bank established in the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions
“Independent Shareholders”	Shareholders who do not have any material interests and are not required to abstain from voting at the EGM and the Class Meetings pursuant to the Listing Rules
“Interest Adjustment Date”	the anniversary date of the first Drawdown Date
“Investment and Construction Agreement”	the investment and construction agreement dated 21 August 2015 entered into between the Company and the Parent Company in respect of the Airport Project

DEFINITIONS

“Latest Practicable Date”	2 March 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Lenders”	CDB, ICBC Hainan Branch and ABC Hainan Branch
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of RMB7.8 billion granted by the Lenders to the Company and the Parent Company on a joint and several basis for a period of 20 years under the Loan Agreement, which shall solely be used for the construction of the Airport Project
“Loan Agreement”	the loan agreement dated 1 February 2018 entered into between the Lenders and the Borrowers, pursuant to which, the Lenders agreed to grant the Loan to the Company and the Parent Company on a joint and several basis in the principal amount of RMB7.8 billion for a period of 20 years, which shall solely be used for the construction of the Airport Project
“Loan Allocation Agreement”	the loan allocation agreement dated 1 February 2018 entered into between the Company and the Parent Company for the purpose of specifying the allocation of the Loan between the Company and the Parent Company
“Meilan Airport”	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport*) located in Haikou City, Hainan Province, the PRC
“New H Shares”	the maximum number of 200,000,000 H Shares proposed to be issued upon the exercise of the Specific Mandate
“New H Shares Issue”	the issue of the maximum number of 200,000,000 H Shares by way of private placing upon the exercise of the Specific Mandate, if granted, subject to fulfilment of certain conditions stated in the announcements of the Company dated 30 December 2016 and 27 April 2017
“New H Shares Issue Extension Resolutions”	the proposed resolutions (i) to extend the validity period of the Specific Mandate in relation to the New H Shares Issue and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the New H Shares Issue within a term of nine (9) months, from 26 March 2018 to 25 December 2018

DEFINITIONS

“NDRC”	National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.*), a limited liability company established in the PRC and the controlling shareholder of the Company
“Parent Company Domestic Shares Subscription Agreement”	the domestic shares subscription agreement dated 30 December 2016 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“Parent Company Domestic Shares Subscription Agreements”	the Parent Company Domestic Shares Subscription Agreement and the Supplemental Parent Company Domestic Shares Subscription Agreement
“Parent Company Subscription”	the subscription of not more than 439,987,125 new Domestic Shares in aggregate contemplated under the Parent Company Domestic Shares Subscription Agreements
“Parent Company Subscription Extension Resolutions”	The proposed resolutions (i) to extend the validity period of the resolutions in relation to the Parent Company Subscription and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the Parent Company Subscription within a term of nine (9) months, from 26 March 2018 to 25 December 2018
“Participant Banks”	ICBC Hainan Branch and ABC Hainan Branch
“Phase I Runway Assets”	the Phase I runway of Meilan Airport and other auxiliary facilities as more particularly described in the Parent Company Domestic Shares Subscription Agreements
“PRC”	the People’s Republic of China and for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the Domestic Shareholders and the H Shareholders
“Shares”	Domestic Shares and H Shares

DEFINITIONS

“Specific Mandate”	the specific mandate granted by the Shareholders to the Board in relation to the New H Shares Issue on 26 June 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares I”	439,987,125 new Domestic Shares in aggregate proposed to be subscribed pursuant to the Supplemental Parent Company Domestic Shares Subscription Agreement
“Subscription Shares II”	50,000,000 new Domestic Shares in aggregate proposed to be subscribed pursuant to the Supplemental Hainan HNA Domestic Shares Subscription Agreement
“Supplemental Hainan HNA Domestic Shares Subscription Agreement”	the supplemental agreement dated 27 April 2017 entered into between the Company and Hainan HNA in relation to the Hainan HNA Subscription
“Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 27 April 2017 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“%”	per cent.

Unless otherwise specified in this circular, the English names of the PRC entities are transliteration of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this circular, the exchange rate of HK\$1.00 = RMB0.8958 have been used for currency translation, where applicable. Such exchange rate is for illustrative purpose only and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

LETTER FROM THE BOARD



海航基礎股份有限公司
HNA Infrastructure Company Limited*

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

(Stock code: 357)

Executive Directors:

Liao Hongyu (*Chairman, Authorized Representative*)
Tu Haidong (*President*)
Zhou Feng
Wu Jian

Registered Office:

Office Building of Meilan Airport
Haikou City
Hainan Province
the PRC

Non-executive Directors:

Hu Wentai (*Vice Chairman*)
Chan Nap Kee, Joseph
Yan Xiang

*Principal Place of Business
in Hong Kong:*

Suites 5811-5814, 58/F
Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

Independent Non-executive Directors:

Deng Tianlin
Fung Ching, Simon
George F Meng
He Linji

To the Shareholders,

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTIONS
THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT,
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION, THE HAINAN HNA
SUBSCRIPTION AND THE NEW H SHARES ISSUE,
AND
NOTICES AND SUPPLEMENTAL NOTICES OF THE EGM
AND THE CLASS MEETINGS**

* For identification purposes only

LETTER FROM THE BOARD

A. INTRODUCTION

Reference is made to the announcement of the Company dated 1 February 2018. The purpose of this circular is to provide you with information regarding (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions, and to give you notices and supplemental notices of the EGM and the Class Meetings to consider and, if thought fit, to approve the resolutions proposed at the EGM and the Class Meetings.

B. THE LOAN AGREEMENT

Reference is made to the announcement of the Company dated 21 August 2015 and the circular of the Company dated 7 October 2015 in respect of the Airport Project, which disclosed, among other things, that CDB issued a letter of intention in relation to a long-term project loan amounting to approximately RMB8 billion, pursuant to which a 20-30 years long-term project loan is to be provided to the Airport Project.

The Board is pleased to announce that on 1 February 2018, the Company, the Parent Company and the Lenders (i.e. CDB, ICBC Hainan Branch and ABC Hainan Branch) entered into the Loan Agreement, pursuant to which, the Lenders agreed to grant the Loan to the Company and the Parent Company on a joint and several basis in the principal amount of RMB7.8 billion for a period of 20 years, which shall be solely used for the construction of the Airport Project.

Set forth below are the major terms of the Loan Agreement:

1. **Date:** 1 February 2018
2. **Parties:**
 - (1) Lenders:
 - (i) CDB, as the mandated lead manager and the agent bank; and
 - (ii) ICBC Hainan Branch and ABC Hainan Branch, as the Participant Banks; and
 - (2) Borrowers: the Parent Company and the Company, on a joint and several basis whereby each of the Parent Company and the Company is also liable for the indebtedness incurred by the others under the Loan.
3. **Principal amount:** RMB7.8 billion
4. **Commitment composition:**
 - (1) CDB: RMB4.5 billion, accounting for approximately 57.69% of the total commitment;
 - (2) ICBC Hainan Branch: RMB1.74 billion, accounting for approximately 22.31% of the total commitment; and
 - (3) ABC Hainan Branch: RMB1.56 billion, accounting for approximately 20% of the total commitment.
5. **Term:** 20 years

LETTER FROM THE BOARD

- 6. Purpose:** The Borrowers shall apply all amounts of the Loan towards the Airport Project.
- 7. Interest rate:** The initial interest rate for the Loan shall be the benchmark interest rate for RMB loans published by the People's Bank of China on each Drawdown Date. Such interest rate will be adjusted by adopting the benchmark interest rate for RMB loans to be published by the People's Bank of China from time to time on each Interest Adjustment Date.
- CDB shall inform the Borrowers within five (5) business days after the Interest Adjustment Date if there is any difference between the adjusted interest rate on Interest Adjustment Date and the interest rate determined on the Drawdown Date.
- 8. Repayment:** The Borrowers shall repay part of the principal amount every six (6) months commencing on 21 December 2022 with the due amount as agreed in the Loan Agreement and shall repay the interests on a quarterly basis. The last interest payment date shall be the same date as the last principal repayment date.
- The Borrowers are entitled to prepay all or any part of the Loan by submitting a prepayment application sixty (60) business days in advance to CDB.
- 9. Security:**
- (1) a corporate guarantee provided by HNA Holding Group;
 - (2) three (3) parcels of land, covering a total area of 445.17 mu and two (2) buildings owned by the Company and located in Haikou City with a total value of approximately RMB953.61 million as appraised by an independent property valuer on 7 November 2017;
 - (3) eleven (11) parcels of land, covering a total area of 581.6 mu and nine (9) buildings owned by the Parent Company and located in Haikou City with a total value of approximately RMB365.15 million as appraised by an independent property valuer on 7 November 2017;
 - (4) the land and the buildings of the Airport Project owned by the Company and the Parent Company; and
 - (5) the assets of the Airport Project after completion of its construction.

LETTER FROM THE BOARD

It is expected that the final value of securities attributable to the Company and the Parent Company is estimated to be approximately RMB8.11 billion and RMB7.05 billion, respectively, and accordingly the proportion of security contributed by the Company and the Parent Company in the security package, considered as a whole, will be approximately 53% to 47%, respectively.

Separate agreements in relation to the above corporate guarantee and pledge of assets were entered into between relevant parties on 1 February 2018.

C. THE LOAN ALLOCATION AGREEMENT

On 1 February 2018, the Company and the Parent Company entered into the Loan Allocation Agreement in order to specify the allocation of the Loan (the “**Loan Allocation**”) between them, pursuant to which the Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan) and the Parent Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan). The Loan Allocation is agreed between the Company and the Parent Company based on arms’ length negotiations. If the portions of the Loan actually drawn down by the Company and the Parent Company are not the same, the Company and the Parent Company will repay the principal and accrued interests based on their respective actual drawn down portion in accordance with the Loan Agreement. Furthermore, if any party repays the principal and the accrued interest on behalf of the other party under the Loan, it shall be entitled to request the other party to repay such principal and the accrued interests in full within thirty (30) business days.

D. INFORMATION OF THE AIRPORT PROJECT

On 2 June 2015, NDRC approved the construction of the Phase II expansion project of Meilan Airport (NDRC Infrastructure [2015] No. 1215), which means the feasibility study report (the “**Feasibility Study Report**”) issued by a professional institution engaged by the Parent Company in relation to the construction of the Phase II expansion project of Meilan Airport which comprised three parts, i.e. the Airport Project, an air traffic control project and a fuel supply project, was approved. Pursuant to the approval from NDRC, the project representatives of the air traffic control project and the fuel supply project shall be CAAC Central and Southern Regional Administration (民航中南地區空管局), an independent third party of the Company and its connected persons, and Hainan Meiya Industrial Co., Ltd. (海南美亞實業有限公司), a company owned as to 50% by the Parent Company, respectively, which shall be responsible for the implementation and management of such projects. The Company confirms that these two projects are independent from the Airport Project and will be carried out separately by the above-mentioned project representatives and the Company will not participate in these projects. Therefore, there will be no contractual relationship among the Company and the above-mentioned two project representatives in such projects.

LETTER FROM THE BOARD

According to the Feasibility Study Report and the approval from NDRC, and leveraging the previous experience of the Parent Company in airport construction, the Parent Company will act as the project representative of the Airport Project, with an estimated aggregate investment amount of approximately RMB13.838 billion. Such estimated aggregate investment amount of approximately RMB13.838 billion of the Airport Project was determined with reference to the applicable national and regional construction fee standards, applicable rules for composing of civil aviation airport construction project budget and interest rate of long-term bank loan of approximately 6.55%. According to the approval on the initial plan and budget of the Airport Project, an air traffic control project and a fuel supply project issued by Hainan Development and Reform Commission (海南省發展和改革委員會) and CAAC Central and Southern Regional Administration (中國民用航空中南地區管理局) on 27 October 2016 (Qiong DRC Approval [2016] No. 2429), the estimated aggregate investment amount of the Airport Project increased from RMB13.838 billion to RMB14.659 billion.

The Airport Project comprises the new airport terminal buildings, parking lot, cargo handling service area, ground handling service area, airport fire-fighting and rescue project, airport emergency respond and rescue project, vehicles and equipment project and its relevant assets (collectively as the “**Company Construction Project**”); and other projects including, without limitation, a runway, two sets of parallel taxiway and contact roads system, parking apron, aviation food preparation area, water supply system, electricity supply system, gas supply system and communication facilities (collectively as the “**Parent Company Construction Project**”). On 21 August 2015, the Company and the Parent Company entered into the Investment and Construction Agreement, pursuant to which the Company has agreed to provide funds, amounting to approximately RMB7.158 billion, to construct the Company Construction Project. The Parent Company shall act as the project representative of the Airport Project, responsible for organizing and supervising the implementation of construction plan of the Airport Project and the fund raising for the Parent Company Construction Project until its completion and acceptance.

For further details of the Airport Project, please refer to the announcement of the Company dated 21 August 2015 and the circular of the Company dated 7 October 2015.

E. EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS’ RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION, THE HAINAN HNA SUBSCRIPTION AND THE NEW H SHARES ISSUE

Reference is made to the circular of the Company dated 28 April 2017 and the poll results announcement of the Company dated 26 June 2017 in relation to, among others things, the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue.

LETTER FROM THE BOARD

As disclosed in the above circular dated 28 April 2017 and the poll results announcement, the Board was authorized to deal with and complete the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue within nine (9) months following the passing of the relevant resolutions at the 2017 EGM and the 2017 Class Meetings. The Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue will be completed on the same day. It is also disclosed in the circular of the Company dated 28 April 2017 that unless the parties otherwise agree in writing, the Parent Company Domestic Shares Subscription Agreements will automatically terminate to ensure that the completion of the Parent Company Subscription will happen on the same date as the completion of the proposed New H Shares Issue. Each of the Parent Company and Hainan HNA has issued a letter to the Company, respectively, confirming in writing that the Parent Company Domestic Shares Subscription Agreements and the Hainan HNA Domestic Shares Subscription Agreements will continue to remain valid and legally binding on the parties thereto. Based on the above, the Company's PRC legal advisors advised that the Parent Company Domestic Shares Subscription Agreements and the Hainan HNA Domestic Shares Subscription Agreements remain valid and legally binding on the parties thereto.

The Company has already made an application to CSRC in respect of the New H Shares Issue on 10 July 2017. As at the Latest Practicable Date, the Company received one round of written comments and three rounds of verbal comments from CSRC, including, among other things,

- (i) the relationship among the Shareholders;
- (ii) whether the business and operation of the Group are in compliance with the relevant PRC laws and regulations;
- (iii) whether the shareholding structure of the Company after the New H Shares Issue would be in compliance with relevant policies relating to access of foreign investment;
- (iv) whether the target places of the New H Shares Issue would satisfy the requirements of the relevant PRC laws and regulations;
- (v) the approval procedures in relation to the Airport Project; and
- (vi) the subsequent key work conducted in relation to the Airport Project since the Feasibility Study Report was approved by NDRC.

LETTER FROM THE BOARD

The chronological events in respect of the CSRC application for the New H Shares Issue are set out below:

Date	Event
10 July 2017	The Company submitted the application for the New H Shares Issue to CSRC.
20 July 2017	CSRC notified the Company of receipt of the application for the New H Shares Issue.
8 August 2017	CSRC provided the 1st round written comments to the Company.
8 September 2017	The Company submitted responses to CSRC's comments and supplemental PRC legal opinions.
15 September 2017	CSRC verbally requested additional information/documents and the Company made submission to CSRC on the same day.
26 October 2017	Representative of the Company met with relevant staff of CSRC. After the meeting, CSRC issued a letter to CAAC in respect of the New H Shares Issue.
20 November 2017	CAAC replied to CSRC in written.
24 November 2017	CSRC provided 1st round verbal comments to the Company.
28 November 2017	The Company submitted responses to CSRC's comments and supplemental PRC legal opinions.
1 December 2017	CSRC provided 2nd round verbal comments to the Company.
5 December 2017	The Company submitted supplemental PRC legal opinions.
25 December 2017	CSRC provided 3rd round verbal comments to the Company.
5 January 2018	The Company submitted responses to CSRC's comments and supplemental PRC legal opinions.

As at the Latest Practicable Date, CSRC is still reviewing the application submitted by the Company including further information and documents submitted by the Company based on the request or inquiry from CSRC. It is currently expected that it will take three to five months for the Company to obtain the CSRC approval of the New H Shares Issue, two to three months to approach and negotiate with potential investors and complete the New H Shares Issue (including but not limited to signing the placing agreement and obtaining the approval from the Stock Exchange) and one month to complete the closing work of the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue. Such timetable is based on the assumption that the Company can obtain the CSRC approval of the New H Shares Issue as expected and will be subject to adjustment based on the

LETTER FROM THE BOARD

then market conditions. Therefore, the Company believes that a further nine-month extension is required and is in the best interest of the Shareholders. Considering that the validity period of the resolutions relating to each of the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue which were approved by the Shareholders at the 2017 EGM and the 2017 Class Meetings, will expire on 25 March 2018, in order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements, the Hainan HNA Domestic Shares Subscription Agreements and the transactions contemplated thereunder, and the New H Shares Issue, the Board proposed to convene the EGM and the Class Meetings for the Shareholders to consider, among other thing, the Extension Resolutions (including the Hainan HNA Subscription Extension Resolutions, the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions) to extend the validity period of the Shareholders' resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue for a further period of nine (9) months, i.e. from 26 March 2018 to 25 December 2018 by way of special resolutions. The Parent Company and its associates will abstain from voting on the Parent Company Subscription Extension Resolutions. The New H Shares Issue is subject to the approval by CSRC.

Save as the validity period mentioned above, the major terms of the Parent Company Subscription, the Hainan HNA Subscription, the Specific Mandate and the New H Shares Issue remain unchanged. Details of the information relating to the Parent Company Subscription and the Hainan HNA Subscription are set out in "Appendix III — Details of the Parent Company Subscription and the Hainan HNA Subscription" to this circular. Details of the Specific Mandate are set out below.

(a) *Class of Shares to be issued*

Shares to be issued are H Shares with nominal value of RMB1.00 each.

(b) *Time of issuance*

The Company will select an appropriate time and issuance window within the validity period of the resolutions to be passed at the EGM and the Class Meetings to proceed with the New H Shares Issue. The specific time of issue will be determined by the Board with reference to the international capital market conditions, as well as the progress of review by the domestic and foreign administrative and/or regulatory authorities. It is currently expected that the proposed New H Shares Issue will be completed on the same day as the Parent Company Subscription and the Hainan HNA Subscription.

(c) *Size of issuance*

The proposed New H Shares to be issued shall not exceed 200,000,000 Shares, representing not more than 42.27% of the total share capital of the Company before the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue, and 17.20% of total share capital of the Company after the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue; and representing not more than 88.14% of share capital of H Shares of the Company before the New H Shares Issue, and 46.85% of share capital of H Shares of the Company after the completion of the New H Shares Issue.

LETTER FROM THE BOARD

(d) ***Ranking of New H Shares***

Unless otherwise required by the applicable PRC laws and regulations and the Articles of Association, the New H Shares proposed to be issued should rank *pari passu* with the existing issued Domestic Shares and H Shares in all respects.

(e) ***Listing***

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the proposed New H Shares to be allotted and issued.

(f) ***Method of issuance***

The proposed New H Shares Issue will be carried out by way of private placement.

(g) ***Target placees***

Upon the approval of the New H Shares Issue Extension Resolutions, the Board may proceed to place the New H Shares to qualified institutional, corporate and individual and other investors, who will be independent of and not connected with any Director, supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

It is expected that none of the placees will become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the completion of the New H Shares Issue. It is also expected that the number of the placees shall be not less than six (6) and if the number of the placees is less than six (6), the Company will comply with the disclosure requirements under Rule 13.28(7) of the Listing Rules.

(h) ***Pricing mechanism***

The New H Shares will be issued at a price to be determined by the Board after taking into account the interests of existing Shareholders, investors' capabilities and the potential issuance risks, as well as the market practice and applicable regulatory requirements, and with reference to the capital market conditions and the valuations of comparable companies at the time when the Company issues the New H Shares, provided that the issue price will be not lower than 90% of the highest among the following:

- (i) the closing price of H Share as quoted on the Stock Exchange at the date of New H Shares Issue;
- (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the date of New H Shares Issue;
- (iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the date of New H Shares Issue; and

LETTER FROM THE BOARD

- (iv) the average closing price of H Shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the date of New H Shares Issue.

In any event, the issue price will be not lower than the nominal value of H Share (i.e. RMB1.00).

(i) *Method of subscription*

The New H Shares are to be subscribed by the investors in cash, and issued and allotted in accordance with the terms of the placing agreement(s) to be entered into between the Company and the placing agent(s) in relation to the proposed New H Shares Issue.

(j) *Accumulated profits*

Any accumulated profits of the Company which remain undistributed immediately before the proposed New H Shares Issue shall be for the benefit of all the Shareholders (including the subscriber(s) of the New H Shares) as a whole.

(k) *Use of proceeds*

Please refer to the section headed “I - Use of Proceeds” in this circular for details.

(l) *Validity period of the resolutions*

The resolutions relating to the Specific Mandate to be set out in the notices of the EGM and Class Meetings will be valid for a further period of nine (9) months, from 26 March 2018 to 25 December 2018.

The Board will also seek the Shareholders’ authorization at each of the EGM and the Class Meetings to authorize the Board and the persons delegated by the Board to deal with all the matters in relation to the New H Shares Issue with full authority for a further period of nine (9) months, from 26 March 2018 to 25 December 2018. Such matters include but are not limited to:

- (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas regulatory departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;
- (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;

LETTER FROM THE BOARD

- (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
- (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
- (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
- (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;
- (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
- (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
- (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange.

F. POSSIBLE CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the proposed Extension Resolutions are granted by the Shareholders at the forthcoming EGM and Class Meetings; (ii) the Board exercises the proposed Specific Mandate; (iii) all conditions for the proposed New H Shares Issue have been satisfied; (iv) the maximum of 200,000,000 New H Shares are issued pursuant to the proposed Specific Mandate; and (v) the Parent Company subscribes Subscription Shares I pursuant to the Parent

LETTER FROM THE BOARD

Company Subscription and Hainan HNA subscribes Subscription Shares II pursuant to the Hainan HNA Subscription, the possible changes in the share capital and shareholding structure of the Company will be as follows:

Class of Shares	As at the Latest Practicable Date		Immediately after issuance of Subscription Shares I, Subscription Shares II and the New H Shares	
	No. of Shares	Percentage of total issued Share (%)	No. of Shares (maximum)	Percentage of total issued Share (%)
Domestic Share				
Parent Company	237,500,000	50.19	677,487,125	58.24
Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司)	5,287,500	1.12	5,287,500	0.45
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.30
Hainan HNA	0	0	50,000,000	4.30
H Shares				
H Shares in issue				
Oriental Patron ¹	94,343,000	19.94	94,343,000	8.11
Public	132,570,000	28.01	132,570,000	11.40
New H Shares ²	<u>0</u>	<u>0</u>	<u>200,000,000</u>	<u>17.19</u>
Total Number of Issued Shares	<u>473,213,000</u>	<u>100</u>	<u>1,163,200,125</u>	<u>100</u>

Note 1: Oriental Patron includes Oriental Patron Financial Services Group Limited, Oriental Patron Financial Group Limited and Oriental Patron Resources Investment Limited. As at the Latest Practicable Date, it holds 19.94% of the shares of the Company and therefore constitutes a connected person of the Company. However, immediately after issuance of Subscription Shares I, Subscription Shares II and the New H Shares Issue, its shareholding will be diluted to 8.11% and will no longer be a connected person of the Company and will be regarded as a public shareholder for the purpose of calculating public float.

Note 2: It is expected that none of the placees will become a substantial shareholder (as defined in the Listing Rules) of the Company upon completion of the New H Shares Issue and the H Shares to be held by all such placees would be considered to be held “in public hands”.

The Company considers that it can comply with the public float requirement under Rule 8.08(1) of the Listing Rules after completion of the New H Shares Issue.

LETTER FROM THE BOARD

G. POSSIBLE FINANCIAL EFFECT

Provision of financial assistance by the Company under the Loan Agreement and the Loan Allocation Agreement will not have any immediate adverse effect on the Group's earnings, assets and liabilities. However, the Company will be responsible for making repayment of the principal of the Loan amounting to a maximum of RMB3.9 billion with accrued interests, penalties, indemnities, damages and other expenses (if any) in case the Parent Company defaults in making repayment under the Loan Agreement.

H. REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT AND THE EXTENSION RESOLUTIONS

In order to fund the construction of the Airport Project as well as specify the allocation of the Loan, the Company, the Parent Company and the Lenders entered into the Loan Agreement and the Loan Allocation Agreement. The Board is of the view that the construction of the Airport Project could promote the throughput of Meilan Airport to conform to the increasing demands of passenger and cargo flow and aircraft movements, and the Company could therefore benefit from the economy of scale in conducting the existing airport facilities operation together with new facilities provided by the Airport Project.

The terms of the Loan Agreement including the interest rate were agreed by the Lenders and the Borrowers after arm's length negotiation with reference to the normal prevailing commercial practice and the principal amount of the Loan. The terms of the Loan Allocation Agreement were also agreed by the Company and the Parent Company after arm's length negotiation with reference to the normal prevailing commercial practice. The Board (including the Independent Board Committee) is of the view that the terms of the Loan Agreement and the Loan Allocation Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the Company is still in the process of obtaining the approval from CSRC in relation to the New H Shares Issue, it is uncertain whether the Company would be able to complete the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue before the expiry of the validity period of the Shareholders' resolutions related thereto. As such, the Board is of the view that it is necessary and in the interests of the Company and its Shareholders as a whole to propose the Extension Resolutions.

I. USE OF PROCEEDS

Solely for illustration purposes, assuming the New H Shares are fully placed at the price of RMB5.73 (equivalent to approximately HK\$6.40), as disclosed in the circular of the Company dated 28 April 2017, the gross proceeds from the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue will be approximately RMB3,546,000,000 (equivalent to approximately HK\$3,958,473,000) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB3,504,000,000 (equivalent to approximately HK\$3,911,587,000).

LETTER FROM THE BOARD

The net proceeds from the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue, after deducting relevant expenses, are expected to be used as follows:

1. **Approximately 37% shall be used for acquisition of office buildings, conference centres, amenities centres, training centres and staff quarters and other associated facilities**

The size and amount of the existing office buildings and staff quarters are far from sufficient to support the needs of the rapidly increasing number of staff required to be stationed at the Meilan Airport. Accordingly, the Company intends to acquire office buildings, conference centres, amenities centres, training centres and staff quarters and other associated facilities which are currently being constructed by the Parent Company on phase II of the Meilan Airport (“**Phase II Building Project**”). According to the feasibility study report of the Phase II Building Project, the estimated construction costs of Phase II Building Project were approximately RMB1.231 billion. The consideration for acquisition of the Phase II Building Project is estimated to be approximately RMB1.321 billion, including its construction costs, consideration for relevant lands and relevant taxation costs.

As at the Latest Practicable Date, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking for the Phase II Building Project. As at the Latest Practicable Date, the Parent Company has completed the filing in Hainan Development and Reform Commission (海南省發展和改革委員會) and the Parent Company has confirmed it is not aware of any issue which may lead to the non-materialization of the Phase II Building Project.

The Company will make further disclosure in relation to such acquisition of the Phase II Building Project in accordance with the Listing Rules as and when appropriate.

2. **Approximately 22% shall be used for expansions, upgrades, improvements and maintenance of existing terminal buildings and other areas of Meilan Airport**

(a) *Investment in the Airport Project of the Phase II Expansion Project of Meilan Airport*

Reference is made to the announcement of the Company dated 23 August 2015 and the circular of the Company dated 7 October 2015 in relation to the Airport Project. As disclosed in the said announcement and circular, the Company intends to fund the construction of the Airport Project through, among others, a long-term project loan from China Development Bank, Hainan Branch. It was estimated at the time that approximately RMB4.16 billion will be available to fund the portion of the construction responsible by the Company. Pursuant to the Loan Agreement and the Loan Allocation Agreement, the Company only obtained RMB3.9 billion funding from the Loan. Accordingly, approximately RMB0.2 billion of the proceeds from the Parent Company Subscription, Hainan HNA Subscription and the proposed H Shares Issue will be allocated to fund the short-fall.

LETTER FROM THE BOARD

(b) *Investment in the maintenance of the terminal buildings of Meilan Airport*

The terminal buildings of Meilan Airport have been in use for over seventeen years. In order to realise the goal of attaining a SKYTRAX five-star airport rating and to improve safety operation of the Meilan Airport, it is expected that the Company will invest approximately RMB0.577 billion in maintenance of the terminal buildings of Meilan Airport commencing from 2018 to 2019 including, but not limited to, over thirty (30) small-scale infrastructure maintenance projects (with an aggregate investment amount of approximately RMB0.177 billion) and regular maintenance and refurbishment (with an aggregate investment amount of approximately RMB0.4 billion).

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or undertaking for the maintenance of the terminal buildings of Meilan Airport.

3. **Approximately 14% shall be used for the development, optimisation and expansion of the operation and business of direct wholly-owned subsidiaries of the Company**

As Meilan Airport is one of the airport hubs under the “One Belt, One Road” (一帶一路) initiative according to the Action Plan of the Construction of “One Belt, One Road” Initiative led by CACC (2016-2030) (《民航推進「一帶一路」建設行動計畫(2016-2030年)》), in order to capture investment opportunities in cities outside the Hainan Province and the Southeast Asian countries under the implementation of the “One Belt, One Road” (一帶一路) initiative, the Company plans to expand the airport management business outside of Hainan Province and increase the revenue stream of the Company by providing management service to other medium and small airport. Therefore, the Company will invest approximately RMB0.483 billion in three of its wholly-owned subsidiaries, i.e. Hainan Meilan Airport Commercial Investment Co., Ltd.* (海南美蘭機場商業投資有限公司) (primarily engaging in the commercial business management of Meilan Airport), Hainan Meilan Airport Hotel Investment Co., Ltd.* (海南美蘭機場酒店投資有限公司) (primarily engaging in the management of hotels in Meilan Airport) and Hainan Meilan Airport Terminal Investment Holding Co., Ltd.* (海南美蘭機場航站樓投資控股有限公司) (primarily engaging in the operation management of the terminal buildings of Meilan Airport) as set out in the table below:

Subsidiaries	Payment of registered capital (RMB'000)	Investment amount
Hainan Meilan Airport Commercial Investment Co., Ltd.* (海南美蘭機場商業投資有限公司)	50,000	184,000
Hainan Meilan Airport Hotel Investment Co., Ltd.* (海南美蘭機場酒店投資有限公司)	5,000	194,000
Hainan Meilan Airport Terminal Investment Holding Co., Ltd.* (海南美蘭機場航站樓投資控股有限公司)	50,000	—

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or undertaking for expansion of the airport management business.

4. Approximately 11% shall be used for introducing innovative technology and upgrading Meilan Airport to a “smart airport”

Since 2013, the Company has launched the “smart airport” project with remarkable achievements. The Company expects to invest approximately RMB0.4 billion in construction projects in relation to “smart airport” including but not limited to the basic cloud platform (基礎雲平臺), GIS (geographic information system), the information exchange platform and the data warehouse.

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or undertaking for investment in innovation technology.

5. Approximately 11% shall be used to replenish the working capital of the Company

To guarantee the smooth operation and to reduce the financing cost of the Company, approximately 11% of the proceeds (approximately RMB0.4 billion) shall be used to replenish the working capital of the Company (including but not limited to operation cost of the Company, such as tax, labour cost, cost of water and electricity, environmental handling fee and afforestation fee).

6. Approximately 5% shall be used to reduce outstanding liabilities of the Group

As at 31 December 2016, the Group had total current liabilities of RMB1,777,591,086 and total liabilities of RMB4,468,162,437, and the Group’s gearing ratio (being calculated as total liabilities/total assets) was 54.52%. Approximately 5% of the proceeds (approximately RMB0.2 billion) shall be used to reduce the outstanding interests of the Group accrued and due in 2018.

Should the New H Shares Issue not completed in full, less proceeds will be applied towards 2(b) and reduce the allocation as working capital on *pro rata* basis.

J. EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity or any issue of equity securities in the 12 months preceding the Latest Practicable Date.

K. INFORMATION OF THE COMPANY, THE PARENT COMPANY, HNA HOLDING GROUP, HAINAN HNA AND THE LENDERS

The Company is principally engaged in aeronautical and non-aeronautical businesses at Meilan Airport.

The Parent Company is principally engaged in ancillary airport service business.

HNA Holding Group is principally engaged in project investment, investment management and corporate management.

LETTER FROM THE BOARD

Hainan HNA is principally engaged in investment, construction and management of properties and infrastructures.

CDB is principally engaged in the provision of banking and related financial services.

ICBC Hainan Branch is principally engaged in the provision of banking and related financial services in Hainan Province.

ABC Hainan Branch is principally engaged in the provision of banking and related financial services in Hainan Province.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of HNA Holding Group, Hainan HNA, CDB, ICBC Hainan Branch and ABC Hainan Branch and their ultimate beneficial owners is not a connected person (as defined under the Listing Rules) of the Company.

L. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Parent Company holds 50.19% of the total share capital of the Company and is a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As the Loan will be available to the Company and the Parent Company on a joint and several basis, each of the Company and the Parent Company will be liable for the indebtedness incurred by the other under the Loan. Accordingly, the Loan constitutes a connected transaction involving provision of financial assistance to a connected person by the Company under Chapter 14A of the Listing Rules.

In addition, as the Loan does not involve disposal or acquisition of any assets, although the highest applicable percentage ratio in respect of the Loan contemplated under the Loan Agreement and the Loan Allocation Agreement is more than 100%, the Loan shall only be regarded as a major transaction instead of a very substantial acquisition or very substantial disposal pursuant to Chapter 14 of the Listing Rules.

Accordingly, the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder are subject to reporting, announcement, and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

M. EGM AND CLASS MEETINGS

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions (including the Hainan HNA Subscription Extension Resolutions, the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions). The Parent Company, which controls over the voting right in respect of its shares in the Company, will abstain from voting on the resolutions to be proposed at the EGM for approving (i) the Loan Agreement and the Loan Allocation Agreement; and (ii) the Parent Company Subscription Extension Resolutions.

LETTER FROM THE BOARD

The Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Extension Resolutions. The Parent Company will abstain from voting on the resolution to be proposed at the Domestic Shareholders Class Meeting for approving the Parent Company Subscription Extension Resolutions.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the Loan Agreement, the Loan Allocation Agreement and the Extension Resolutions, and no Shareholder is required to abstain from voting to approve the relevant resolution(s) at the EGM and the Class Meetings.

The votes to be taken at the EGM and the Class Meetings in relation to the above proposed resolutions will be taken by poll.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder as well as the Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder as well as the Extension Resolutions.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder as well as the Extension Resolutions.

N. BOOK CLOSURE

The Company's register of members has been closed from Wednesday, 14 February 2018 onwards and will remain closed up to the date of the EGM and Class Meetings (including any adjournment in respect thereof), i.e. Tuesday, 20 March 2018 (both days inclusive), during which time no transfer will be registered. In order to qualify for attending and voting at the EGM and the Class Meetings, shareholders must deliver their instruments of transfer, accompanied by the relevant share certificates and forms of transfer, to the Company's H Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shares), or to the Company's Secretary Office to the Board at Office Building of Meilan Airport, Haikon City, Hainan Province, the PRC (in respect of Domestic Shares) no later than 4:30 p.m. on Tuesday, 13 February 2018.

LETTER FROM THE BOARD

O. RECOMMENDATIONS

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the Loan Agreement and the Loan Allocation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including the Independent Board Committee, recommends that the Independent Shareholders vote in favour of the resolutions set out in the notice of the EGM for approval of the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder.

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the Extension Resolutions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including the Independent Board Committee, recommends that the Independent Shareholders/Shareholders vote in favour of the Extension Resolutions.

Each of Mr. Liao Hongyu, Mr. Hu Wentai, Mr. Tu Haidong, Mr. Zhou Feng, and Mr. Wu Jian is interested in (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions as they are delegates from the connected shareholder of the Company, and therefore had abstained from voting on the relevant resolutions at the Board meeting approving the same.

P. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the EGM and the Class Meetings regarding (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions, and the letter from Octal Capital containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions, details of which are set out on pages 26 to 49 of this circular. None of the members of the Independent Board Committee has any material interest relating to (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions.

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

Yours faithfully,
By Order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC
6 March 2018

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



海航基礎股份有限公司
HNA Infrastructure Company Limited*

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

(Stock code: 357)

6 March 2018

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTIONS
THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT,
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION, THE HAINAN HNA
SUBSCRIPTION AND THE NEW H SHARES ISSUE,
AND
NOTICES AND SUPPLEMENTAL NOTICES OF THE EGM
AND THE CLASS MEETINGS**

We have been appointed as members of the Independent Board Committee to consider the Shareholders in respect of (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions that are subject to the Shareholders' approval, details of which are set out in the letter from the Board in the circular to the Shareholders dated 6 March 2018 (the "**Circular**"), of which this letter forms a part, and to advise you the same. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Octal Capital has been appointed as the Independent Financial Adviser to advise us regarding (i) the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions. We wish to draw your attention to the letter from the Independent Financial Adviser which contains advice to us in relation to the terms and conditions of the Loan Agreement, the Loan Allocation Agreement and the Extension Resolutions, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider (i) the terms and conditions of the Loan Agreement and the Loan Allocation Agreement are on normal commercial terms, and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the Extension Resolutions are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the (i) Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; and (ii) the Extension Resolutions.

Yours faithfully,

Independent Board Committee

Deng Tianlin	Fung Ching, Simon	George F Meng	He Linji
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>

LETTER FROM OCTAL CAPITAL

The following is the full text of the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders dated 6 March 2018 in respect of the Major and Connected Transaction prepared for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

6 March 2018

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTIONS
THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT
AND
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION, THE HAINAN HNA
SUBSCRIPTION AND THE NEW H SHARES ISSUE**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Loan Agreement entered into between the Company, the Parent Company and the Lenders and the Loan Allocation Agreement entered into between the Company and the Parent Company; and (ii) the Extension Resolutions, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular dated 6 March 2018 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

(i) *The Loan Agreement and the Loan Allocation Agreement*

On 1 February 2018, the Company, the Parent Company and the Lenders entered into the Loan Agreement, pursuant to which, the Lenders agreed to grant the Loan to the Company and the Parent Company on a joint and several basis in the principal amount of RMB7.8 billion for a period of 20 years, which shall be solely used for the construction of the Airport Project.

LETTER FROM OCTAL CAPITAL

On 1 February 2018, the Company and the Parent Company entered into the Loan Allocation Agreement in order to specify the allocation of the Loan (the “**Loan Allocation**”) between them, pursuant to which the Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan) and the Parent Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan). As advised by the management of the Company, the Loan Allocation is agreed between the Company and the Parent Company based on arms’ length negotiations. If the portions of the Loan actually drawn down by the Company and the Parent Company are not the same, the Company and the Parent Company will repay the principal and accrued interests based on their respective actual drawn down portion in accordance with the Loan Agreement. Furthermore, if any party repays the principal and the accrued interest on behalf of the other party under the Loan, it shall be entitled to request the other party to repay such principal and the accrued interests in full within thirty (30) business days.

As at the Latest Practicable Date, the Parent Company holds 50.19% of the total share capital of the Company and is a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As the Loan will be available to the Company and the Parent Company on a joint and several basis, each of the Company and the Parent Company will be liable for the indebtedness incurred by the other under the Loan. Accordingly, the Loan constitutes a connected transaction involving provision of financial assistance to a commonly held entity by the Company under Chapter 14A of the Listing Rules.

In addition, as the Loan does not involve disposal or acquisition of any assets, although the highest applicable percentage ratio in respect of the Loan contemplated under the Loan Agreement and the Loan Allocation Agreement is more than 100%, the Loan shall only be regarded as a major transaction instead of a very substantial acquisition or very substantial disposal pursuant to Chapter 14 of the Listing Rules.

Therefore, the Loan Agreement and the Loan Allocation Agreement and the transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM. The Parent Company and its associates will abstain from voting on the resolution to approve the Loan Agreement, the Loan Allocation Agreement and the transaction contemplated thereunder at the EGM.

(ii) *The Extension Resolutions*

Reference is made to the circular of the Company dated 28 April 2017, the poll results announcement of the Company dated 26 June 2017 and the announcement of the Company dated 1 February 2018 in relation to the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue.

The Company has already made an application to CSRC in respect of the New H Shares Issue in July 2017. As at the Latest Practicable Date, the Company received one round of written comments and three rounds of verbal comments from CSRC, details of the comments and the chronological events are set out in the Letter from the Board.

LETTER FROM OCTAL CAPITAL

As at the Latest Practicable Date, CSRC is still reviewing the Company's application for the New H Shares Issue including further information and documents submitted by the Company based on the request or inquiry from CSRC. It is currently expected that it will take three to five months for the Company to obtain the CSRC approval of the New H Shares Issue, two to three months to approach and negotiate with potential investors and complete the New H Shares Issue (including but not limited to signing the placing agreement and obtaining the approval from the Stock Exchange) and one month to complete the closing work of the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue. Such timetable is based on the assumption that the Company can obtain the CSRC approval of the New Shares Issue as expected and will be subject to adjustment based on the market conditions. Therefore, the Company believes that a further nine-month extension is required and is in the best interest of the Shareholders. Considering that the validity period of the Shareholders' resolutions relating to each of the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue which were approved by the Shareholders at the 2017 EGM and the 2017 Class Meetings will expire on 25 March 2018, the Board proposed to convene the EGM and the Class Meetings for the Shareholders to consider the Extension Resolutions in order to extend the validity period of the Shareholders' resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue for a further period of nine (9) months, i.e. from 26 March 2018 to 25 December 2018 by way of special resolutions. Save as the validity period mentioned above, the major terms of the Specific Mandate and the New H Shares Issue remain unchanged.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the Loan Agreement or the Loan contemplated thereunder, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder as well as the Extension Resolutions.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder as well as the Extension Resolutions in this regard. We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Parent Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged by the Company as an independent financial adviser to the Company in respect of a major and connected transaction in relation to a subscription of the shares of the Company (details can be referred to the circular of the Company dated 28 April 2017) (the "**Previous Engagement**"). Under the Previous Engagement, we were required to express our opinion on and give recommendations to the Independent Board Committee and independent Shareholders in respect of the transaction. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or the Parent Company or any of its subsidiaries or their respective associates. Despite the Previous Engagement, we consider our independence is unaffected due to the facts that (i) under Previous Engagement, we were entitled to receive normal professional fees that are comparable to market rates; (ii) we have discharged our responsibilities with due care and

LETTER FROM OCTAL CAPITAL

skill and performed our duties with impartiality in respect of each of our engagements with the Company; and (iii) each of the engagement was handled independently as an individual task. Therefore, we consider ourselves eligible to act as the independent financial adviser to the Company under the requirements of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group and Parent Company, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Parent Company, the Airport Project and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

A. THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE LOAN AGREEMENT AND THE LOAN ALLOCATION AGREEMENT

In arriving at our recommendation in relation to the Loan Agreement and the Loan contemplated thereunder, we have considered the following principal factors and reasons:

I. Background of and reasons for the Loan Agreement and the Loan Allocation Agreement

1. Principal activities and financial information of the Group

The Company is principally engaged in aeronautical and non-aeronautical business at Meilan Airport Hainan Province, the PRC.

LETTER FROM OCTAL CAPITAL

Set out below is the summary of the consolidated financial information of the Group for the years ended 31 December 2015 and 2016, and the six months ended 30 June 2016 and 2017, which were prepared in accordance with the Hong Kong Financial Reporting Standards as extracted from the annual reports of the Company for the year ended 31 December 2016 and the interim report of the Company for the six months ended 30 June 2017):

(RMB'000)	For the year ended		Six months ended	
	31 December		30 June	
	2015	2016	2016	2017
Revenue	1,063,431	1,208,710	627,310	738,060
Net profit attributable to shareholders of the Company	438,771	392,942	253,298	312,862

The Group recorded total revenue of approximately RMB1.208 billion during the year ended 31 December 2016, representing an increase of approximately 13.7% as compared to that of approximately RMB1.063 billion for the year ended 31 December 2015. The increase in revenue was mainly due to the growth of the aviation business which was boosted by the overall rapid growth of the PRC aviation industry, and benefited from certain favourable policies as well as the construction of the Hainan International Tourism Island and off-shore duty free policy, the passengers throughput of Meilan Airport continued to experience a substantial growth, and recorded a debut of exceeding 18 million of visits.

The Group recorded net profit attributable to shareholders of the Company of approximately RMB392.9 million for the year ended 31 December 2016, representing a decrease of approximately 10.4% as compared to that of approximately RMB438.8 million for the year ended 31 December 2015. Such decrease was mainly due to the increase of operation cost and administrative expenses of the Group in 2016, which were mainly attributed to the increase of depreciation charge, costs of the contract labour and maintenance fee.

(RMB'000)	As at 31 December		As at 30 June
	2015	2016	2017
	Cash at bank and on hand	1,023,267	952,868
Current assets	1,741,982	1,267,668	1,256,313
Total assets	6,962,243	8,195,831	8,619,032
Total liabilities	3,710,852	4,468,163	4,636,931
Total equity	3,251,391	3,727,668	3,982,101
Gearing ratio	53.30%	54.52%	53.80%

The total assets of the Group increased by approximately RMB1.234 billion (representing an increase of approximately 17.7%) from approximately RMB6.962 billion as at 31 December 2015 to approximately RMB8.196 billion as at 31 December 2016, and then further increased by approximately RMB0.423 billion (representing an increase of approximately 5.16%) to approximately RMB8.619 billion as at 30 June 2017, mainly attributable to the increase of construction in progress from the Airport Project and other ongoing construction projects.

LETTER FROM OCTAL CAPITAL

Total liabilities of the Group increased by approximately RMB0.757 billion (representing an increase of approximately 20.4%) from approximately RMB3.711 billion as at 31 December 2015 to approximately RMB4.468 billion as at 31 December 2016, and then further increased by approximately RMB0.169 billion (representing an increase of approximately 3.8%) to approximately RMB4.637 billion as at 30 June 2017, which was mainly attributable to the issue of corporate bonds in the year ended 31 December 2016.

2. Background of the Parent Company

The Parent Company is a state-owned enterprise established in the PRC with limited liability and is the controlling shareholder and ultimate holding company of the Company which is principally engaged in ancillary airport service business in the PRC.

According to the audited financial statement of the Parent Company for the year ended 31 December 2016, the current assets, total assets and the total liabilities of the Parent Company as at 31 December 2016 were approximately RMB18.991 billion, RMB40.694 billion and RMB19.592 billion respectively, for which the cash at bank and on hand were approximately RMB6.013 billion. The Parent Company and its subsidiaries (the “**Parent Group**”) recorded revenue of approximately RMB3.578 billion and net profit after tax of approximately RMB0.323 billion for the year ended 31 December 2016.

3. Reasons for and benefits of entering into the Loan Agreement and the Loan Allocation Agreement

Pursuant to the Loan Agreement, the Lenders agreed to grant the Loan to the Company and the Parent Company on a joint and several basis in the principal amount of RMB7.8 billion for a period of 20 years, which shall be solely used for the construction of the Airport Project while the Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan) and the Parent Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan) according to allocation basis set out in the Loan Allocation Agreement.

As set out in the Letter from the Board, the Board is of the view that the construction of the Airport Project could promote the throughput of Meilan Airport to conform to the increasingly demands of passenger and cargo flow and aircraft movements, and the Company could therefore benefit from the economy of scale in conducting the existing airport facilities operation together with new facilities provided by the Airport Project.

We note that the plan for the construction of the Airport Project originated few years ago. As set out in the announcement of the Company dated 21 August 2015, the Company and the Parent Company entered into an investment and construction agreement (the “**Investment and Construction Agreement**”). Pursuant to the Investment and Construction Agreement, the Company has agreed to provide funds, amounting to approximately RMB7.158 billion, to construct certain parts of the Airport Project while the Parent Company shall act as the project representative of the Airport Project, responsible for organizing and supervising the implementation of construction plan of the Airport

LETTER FROM OCTAL CAPITAL

Project and the fund raising for the Airport Project until its completion and acceptance. Pursuant to the Investment and Construction Agreement, the total budgeted investment of the Airport Project is RMB14.659 billion, the portion of construction responsible by the Company is estimated to be RMB7.158 billion. It was expected that the sources of fund on the Airport Project include:

- (1) an asset-backed securitization plan on 2 July 2015, of which approximately RMB0.95 billion will be utilized in the construction of the Construction Project;
- (2) a long-term loan from the China Development Bank, Hainan Branch amounting to approximately RMB8 billion, of which approximately RMB4.16 billion, which will be utilized in the construction of the Construction Project;
- (3) the issue the private placement of Renminbi corporate bonds with maximum principal amount of RMB3 billion, a part of the Renminbi corporate bonds will be utilized in the Construction Project; and
- (4) the working capital of the Group to support the construction of the Construction Project.

The Airport Project commenced on 18 November 2015 and the engineering construction section was being carried out in an orderly manner. Meanwhile, the Company has been applying on a planned basis for loans to provide sufficient funds for the Airport Project jointly with the Parent Company since the year ended 31 December 2016.

In addition, as set out in the annual report of the Company for the year ended 31 December 2016, in order to utilize the edges of connecting Meilan Airport with Southeast coast of the PRC and the Southeast Asia prime routes, forming a three-dimensional transport network which can penetrate the entire island and connect inner and outer of the island, and promoting Hainan as a strategic fulcrum role of “Maritime Silk Road”, the Group will continue to step up its efforts in promoting construction projects including the Airport Project.

We note that the throughput of Meilan Airport has been on an increasing trend, with the passenger throughput at approximately 13.9 million 16.2 million, 18.8 million for the three years ended 31 December 2014, 2015, 2016, with a cumulative annual growth rate of 16.3%, whilst the cargo throughput was approximately 121,000 tonnes, 136,000 tonnes and 149,000 tonnes for the three years ended 31 December 2014, 2015, 2016, with a cumulative annual growth rate of 11.0%. According to the ranking of the throughput capacity of civil transport airport in the PRC published by Civil Aviation Administration of China, Meilan Airport ranked 19, 19 and 18 for each the three years ended 31 December 2014, 2015 and 2016 respectively. The construction of the Airport Project could increase the capacity of Meilan Airport which allows rooms for further growth in throughput of passenger and cargo of Meilan Airport in the future. Therefore, the construction of the Airport Project could increase the competitiveness of Meilan Airport and offers an opportunity to Meilan Airport to achieve higher ranking in terms of the throughput capacity of civil transport airport and thereby increasing the profitability of Meilan Airport.

LETTER FROM OCTAL CAPITAL

Therefore, the entering into of the Loan Agreement and the Loan Allocation Agreement was part of the strategic development plan of the Company to cooperate with the Parent Company for the investment and construction of the Airport Project and fulfill the Company's obligations pursuant to the Investment and Construction Agreement. The arrangement under the Loan on a joint and several basis with the Parent Company also enables the Company to obtain the necessary funding of a sizeable amount of RMB7.8 billion from the Lenders at favorable interest rate and repayment period of 20 years.

Having considered the above, we are of the view that the entering into of the Loan Agreement, the Loan Allocation Agreement and the Loan contemplated thereunder is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of the Loan Agreement and the Loan Allocation Agreement

On 1 February 2018, the Company, the Parent Company and the Lenders entered into the Loan Agreement in respect of the Loan. Set out below are a summary of the salient terms of the Loan Agreement:

- i. Date: 1 February 2018
- ii. Principal amount: RMB7.8 billion
- iii. Term: 20 years
- iv. Interest rate: The initial interest rate for the Loan shall be the benchmark interest rate for RMB loans published by the People's Bank of China on each Drawdown Date. Such interest rate will be Q1 adjusted by adopting the benchmark interest rate for RMB loans to be published by the People's Bank of China from time to time on each Interest Adjustment Date.

CDB shall inform the Borrowers within five (5) business days after the interest Adjustment Date if there is any difference between the adjusted interest rate on Interest Adjustment Date and the interest rate determined on the Drawdown Date.

- v. Repayment: The Borrowers shall repay part of the principal amount every six months commencing on 21 December 2022 with the due amount as agreed in the Loan Agreement and shall repay the interests on a quarterly basis. The last interest payment date shall be the same date with the last principal repayment date.

The Borrowers shall have the right to make early repayment of the Loan by submitting a prior application of 60 business days to CDB. The Borrowers shall specify in the application the amount and the date when the early repayment of the Loan shall be made.

LETTER FROM OCTAL CAPITAL

- vi. Security:
- (1) a corporate guarantee provided by HNA Holding Group;
 - (2) three (3) parcels of land, covering a total area of 445.17 mu and two (2) buildings owned by the Company and located in Haikou City with a total value of approximately RMB953.61 million as appraised by an independent property valuer on 7 November 2017;
 - (3) eleven (11) parcels of land, covering a total area of 581.6 mu and nine (9) buildings owned by the Parent Company and located in Haikou City with a total value of approximately RMB365.15 million as appraised by an independent property valuer on 7 November 2017;
 - (4) the land and the buildings of the Airport Project owned by the Company and the Parent Company; and
 - (5) the assets of the Airport Project after completion of its construction.

It is expected that the final value of securities attributable to the Company and the Parent Company is estimated to be approximately RMB8.11 billion and RMB7.05 billion, respectively, and accordingly the proportion of security contributed by the Company and the Parent Company in the security package, considered as a whole, will be approximately 53% to 47%, respectively.

Separate agreements in relation to the above corporate guarantee and pledge of assets were entered into between relevant parties on 1 February 2018.

On 1 February 2018, the Company and the Parent Company entered into the Loan Allocation Agreement in order to specify the allocation of the Loan between them, pursuant to which the Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan) and the Parent Company agreed to be allocated RMB3.9 billion (representing 50% of the Loan). The Loan Allocation is agreed between the Company and the Parent Company based on arms' length negotiations. If the portions of the Loan actually drawn down by the Company and the Parent Company are not the same, the Company and the Parent Company will repay the principal and accrued interests based on their respective actual drawn down portion in accordance with the Loan Agreement. Furthermore, if any party repays the principal and the accrued interest on behalf of the other party under the Loan, it shall be entitled to request the other party to repay such principal and the accrued interests in full within thirty (30) business days.

Period of borrowing

Pursuant to the Loan Agreement, the term of borrowing has been set out to 20 years.

LETTER FROM OCTAL CAPITAL

We have obtained the Feasibility Study Report issued by a professional institution engaged by the Parent Company in relation to the construction of the Phase II expansion project of Meilan Airport in order to assess if the period of borrowing of the Loan is made in fair and reasonable manner by considering the investment payback period of the Airport Project. According to the Feasibility Study Report, the before-tax incremental payback period and after-tax incremental payback period of the Airport Project are 14.54 years and 23.52 years respectively. As the construction of the Airport Project was commenced in November 2015, the payback period of the Airport Project is close to the period of borrowing and the Company will have sufficient time to recover the cost of the investment on the Airport Project before fully repaid the Loan. As such, we considered that the period of borrowing set out in the Loan Agreement is reasonable to the Company by considering the investment payback period of the Airport Project.

Interest rate

Pursuant to the Loan Agreement, the interest rate for the Loan shall be the benchmark interest rate for RMB loans published by the People's Bank of China on each Drawdown Date ("**Benchmark Rate**") subject to adjustment on each Interest Adjustment Date.

We have compared the interest rate stated in the Loan Agreement with other loans obtained by the Company to finance other projects to assess if the interest rate of the Loan is made in fair and reasonable manner as compared to the Company's past interest rate in other projects. According to the information provided by the management of the Company, the interest rate obtained by the Company to finance other project are as below:

Type of Borrowing	Issuance Date	Interest rate
Corporate bond	13 March 2012	7.80%
Asset-backed security borrowings	2 July 2015	7.92%
Corporate bond	26 April 2016	7.30%
Corporate bond	2 September 2016	6.70%

According to the website of the People's Bank of China, the five-year-or-above Benchmark Rate since 2013 are as below:

Period	Interest rate
Since 1 January 2013	6.55%
Since 22 November 2014	6.15%
Since 1 March 2015	5.90%
Since 11 May 2015	5.65%
Since 28 June 2015	5.40%
Since 26 August 2015	5.15%
Since 24 October 2015	4.90%

LETTER FROM OCTAL CAPITAL

The existing Benchmark Rate lately being 4.90% per annum represents a significant discount over the current interest rate obtained by the Company to finance other projects abovementioned. Upon comparison, the previous interest rates obtained by the Company to finance other projects were higher than the historical Benchmark Rate. As discussed with the management of the Company, the interest rate offered by financial institution normally includes a mark-up percentage on top of the Benchmark Rate for the Company's individual projects.

In respect of the adjustment mechanism of interest rate on each Interest Adjustment Date, the applicable interest rate of the Loan will be adjusted to the Benchmark Rate annually. According to the information from the People's Bank of China, the Benchmark Rate is one of the monetary policy instruments specified by the State Council of PRC, which leads and adjusts the market interest rate and market yield for commercial banks in PRC. Thus, the adjustment mechanism of interest rate aligns the interest rate being adopted in the Loan with the current market conditions and government policy.

As such, we consider that (i) the interest rate stated under the Loan Agreement is more favourable to the Company as compared to Company's past interest rate in other projects; (ii) adjustment mechanism of interest rate set out in the Loan Agreement is reasonable to the Company.

Securities

According to the Loan Agreement, the securities of the Loan comprised (i) a corporate guarantee provided by HNA Holding Group; (ii) three (3) parcels of land, covering a total area of 445.17 mu and two (2) buildings owned by the Company and located in Haikou City with a total value of approximately RMB953.61 million as appraised by an independent property valuer on 7 November 2017; (iii) eleven (11) parcels of land, covering a total area of 581.6 mu and nine (9) buildings owned by the Parent Company and located in Haikou City with a total value of approximately RMB365.15 million as appraised by an independent property valuer on 7 November 2017; (iv) the land and the buildings of the Airport Project owned by the Company and the Parent Company; and (v) the assets of the Airport Project after completion of its construction.

The value of the securities attributable to the Company is approximately 2.61 times to that of the Parent Company as at the date of the Loan Agreement, and, according to the Loan Allocation Agreement, the Company and the Parent Company both agreed to be allocated 50% of the loan. Having discussed with the Company's management, as the assets of the Airport Project after the completion of construction are pledged as the securities of the Loan, the value of the securities attributable to the Company and the Parent Company will increase simultaneously under the construction progress and the final value of securities attributable to the Company and the Parent Company is estimated to be approximately RMB8.11 billion and RMB7.05 billion respectively. As such, we consider that the value of the securities under the Loan Agreement contributed by the Company and the Parent Company are no less favourable to that of each other.

LETTER FROM OCTAL CAPITAL

Joint and several basis

Pursuant to the Loan Agreement, it is set out that the Parent Company and the Company, on a joint and several basis whereby each of the Parent Company and the Company is also liable for the indebtedness incurred by the other under the Loan. Furthermore, each of the Company and the Parent Company shall be responsible for repaying the principal and accrued interests of their respective part of the Loan based on the Loan Allocation.

Taking into account the aforesaid liquidity resources available and the profitability of the Parent Company as set out in the aforesaid section headed “2. Background of the Parent Company”, we consider that the credit risk of Parent Company is low and will not cause substantial risks to the financial position of the Company if the Loan is taken out on a joint and several basis.

Meanwhile, the Parent Company is a company established in the PRC, of which, at as the Latest Practicable Date, the single largest shareholder is CDB Development Fund (國開發展基金有限公司), which is in turn wholly-owned by CDB.

We have obtained and reviewed all current loan agreements of the Company that were still effective as at the latest practicable date, no terms or clauses in the Loan Agreement and all current loan agreements was identified to be potentially contradicted to the Loan or other loan currently outstanding of the Company.

Having considered the strong background and financial position of the Parent Company, we are of the view that the Parent Company has the capability to repay the Loan pursuant to the terms of the Loan Agreement and the Loan Allocation Agreement.

Also, having considered the above analysis, we are of the view that the terms of the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

5. Possible financial effect on the Loan Agreement and the Loan Allocation Agreement to the Group

(i) Net profit attributable to shareholders of the Company

Upon completion of the Loan Agreement, the Loan Allocation Agreement and Loan contemplated thereunder, it is expected that the Group will record an increase in finance cost for the year ended 31 December 2018 which will result in a reduction in the net profit after tax attributable to the Shareholders for the year ended 31 December 2018.

(ii) Net assets

As at 30 June 2017, the unaudited net assets of the Group attributable to the Shareholders were approximately RMB3,947 million. Upon completion of the Loan Agreement, the Loan Allocation Agreement and the Loan contemplated thereunder, the Loan will be reported at the present value of the principal amount of the Loan discounted at the prevailing market interest rate according to the

LETTER FROM OCTAL CAPITAL

IFRS while the net proceeds from the Loan will be recorded as an increase in total assets. It is expected that the increase in total assets of the Group from the net proceeds of the Loan will be higher than the increase in the total liability of the group arising from the Loan and therefore the net assets of the Group will increase.

(iii) Gearing ratio

As at 30 June 2017, the gearing ratio of the Group was approximately 53.80%, representing the total liabilities of approximately RMB4,637 million divided by total assets of approximately RMB8,619 million. Assuming that the first instalment of the Loan is drawdown on 30 June 2017, it is expected that the total assets of the Group would increase by approximately RMB1.5 billion, being the proceed from the first drawdown, and the total liability would increase by a lower amount as the relevant principal amount of the first drawdown of the Loan will be reported at its present value discounted at the prevailing interest rate. It is expected the Loan will not cause a significant impact on the gearing ratio of the Company.

(iv) Cashflow

The Group had consolidated unaudited bank balances and cash of approximately RMB924 million as at 30 June 2017. Upon completion of the Loan Agreement and the Loan contemplated thereunder, the Group's bank balances and cash will increase by the amount of net proceeds received from the Loan.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after completion of the Loan Agreement, the Loan Allocation Agreement and the Loan contemplated thereunder.

RECOMMENDATION

Having taken into account the above principal factors and reasons as discussed above, we consider that the entering into of the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder is conducted in the ordinary and usual course of business and on normal commercial terms and the terms of the Loan contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM and the Class Meetings to approve the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder.

LETTER FROM OCTAL CAPITAL

B. THE EXTENSION RESOLUTIONS

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD

In arriving at our recommendation in relation to the Extension Resolutions, we have considered the following principal factors and reasons:

1. Reasons for and benefits of the Extension Resolutions

On 30 December 2016, the Company and the Parent Company entered into the Parent Company Domestic Shares Subscription Agreement (as amended by the Supplemental Parent Company Domestic Shares Subscription Agreement dated 27 April 2017), pursuant to which the Parent Company agreed to subscribe for Subscription Shares I, which include: (i) 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company; and (ii) 250,000,000 new Domestic Shares by cash at an aggregate subscription price of RMB2,000,000,000 (equivalent to approximately HK\$2,232,641,214.56).

According to the section headed “G — Use of Proceeds” of the circular of the Company dated 28 April 2017, the Phase I runway of Meilan Airport and other auxiliary facilities as more particularly described in the Parent Company Domestic Shares Subscription Agreement (“**Phase I Runway Assets**”) were previously owned and operated by the Parent Company, and the separation of operation of the Phase I Runway Assets and the terminal buildings of the Meilan Airport leads to unclear delineation of responsibilities which affects the operational efficiency and security of the Meilan Airport. The acquisition of the Phase I Runway Assets will enable the Company to better run its operational assets consistent with the “High Standard, Strict Compliance (高標準, 嚴要求)” standards prevalent in the civil aviation industry, and as a result of the acquisition of the Phase I Runway Assets, will strengthen the revenue stream and competitiveness of the Company.

Meanwhile, Meilan Airport, being the only airport situated in Haikou City, which is a strategic city under the “One Belt, One Road (一帶一路)” initiative, is well positioned to capture opportunities in connection with the implementation of the “One Belt, One Road” initiative. The Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue will improve capital structure, strengthen financial risk resilience, enhance solvency and expand financial base of the Company. As such, the Company wishes to take advantage of the relatively low cost to raise additional funds through the issue of the new Domestic Shares and the New H Shares to the Shareholders and investors to replenish its working capital to equip the Group to take on expansion projects and to fund any operational needs of existing direct wholly-owned subsidiaries of the Company (including the repayment of debts).

We are of the view that the proposed acquisition of the Phase I Runway Assets (“**Runway Acquisition**”) is in line with the business development strategy of the Group and would alleviate its reliance on the operational support by the controlling Shareholder in the long run, it is necessary and in the interests of the Company and its Shareholder as a whole to propose the Extension Resolutions in order to continue the Runway Acquisition.

LETTER FROM OCTAL CAPITAL

For (i) background of and reasons for and benefits of entering into, among others, the Parent Company Domestic Shares Subscription Agreement and the Supplemental Parent Company Domestic Shares Subscription Agreement; (ii) principal terms and conditions of the Parent Company Domestic Shares Subscription Agreement and the Supplemental Parent Company Domestic Shares Subscription Agreement; (iii) possible financial effects on the Parent Company Subscription to the Group; and (iv) potential dilution effect on the interests of other public Shareholders, please refer to our letter contained in the circular of the Company dated 28 April 2017 for details.

Progress of the CSRC approval

As set out in the Letter from the Board, as at the Latest Practicable Date, as CSRC is still in the process of reviewing the Company's application for the New H Shares Issue. It is uncertain whether the Company would be able to complete the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue before the expiry of the validity period of the Shareholders' resolutions on 25 March 2018. As such, the Board is of the view that it is necessary and in the interests of the Company and its Shareholders as a whole to propose the Extension Resolutions.

We have reviewed the conditions for the New H Shares Issue to take effect and noted that the major outstanding condition is (i) the obtaining of approval from CSRC; (ii) the entering into of the placing agreement between the Company and the placing agent(s) in relation to the placing of the New H Shares and such placing agreement not being terminated in accordance with the terms therein; and (iii) the Listing Committee granting listing of and permission to deal in the New H Shares to be issued and allotted pursuant to the proposed New H Shares Issue. We also noted that the Board undertook that the Hainan HNA Subscription will be completed on the same day as the Parent Company Subscription and the New H Shares Issue and within nine months following the passing of the relevant resolutions at the EGM and/or the Class Meetings, which means this term between Hainan HNA Subscription, Parent Company Subscription and the New H Shares Issue are inter-conditional.

It is also disclosed in the circular of the Company dated 28 April 2017 that unless the parties otherwise agree in writing, the Parent Company Domestic Shares Subscription Agreements will automatically terminate with an view to ensuring that the completion of the Parent Company Subscription will happen on the same date as the completion of the proposed New H Shares Issue. Each of the Parent Company and Hainan HNA has issued a letter to the Company, respectively, confirming in writing that the Parent Company Domestic Shares Subscription Agreements and the Hainan HNA Domestic Shares Subscription will continue to remain valid and legally binding on the parties thereto.

In consideration of the Independent Shareholders' resolutions relating to the Hainan HNA Subscription, Parent Company Subscription and the New H Shares Issue, which were approved and passed by the then Independent Shareholders at the 2017 EGM and the 2017 Class Meetings respectively, the validity period of these Shareholders' resolutions will expire on 25 March 2018. The Board proposes to convene the New EGM and the Class Meetings for Independent Shareholders to consider the Parent Company Subscription Extension Resolutions.

LETTER FROM OCTAL CAPITAL

For information of (i) the Phase I Runway Assets; (ii) valuation of the Equipment under the Runway Acquisition; (iii) payment of the Consideration for the Runway Acquisition; (iv) conditions precedent in relation to the Parent Company Domestic Shares Subscription Agreement and the Supplemental Parent Company Domestic Shares Subscription Agreement; (v) ranking of the Subscription Shares I and Subscription Shares II; (vi) possible financial effects on the Parent Company Subscription to the Group; and (vii) potential dilution effect on the interests of other public Shareholders, please refer to our letter in the circular of the Company dated 28 April 2017 for details.

Having consider the above analysis and factors, we consider that the reasons for and benefit of the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

2. *Principal terms of the Parent Company Subscription, the Hainan HNA Subscription and the New H Share Issue*

Subscription Price

As disclosed in the 2017 EGM Circular, the subscription price of each of Parent Company Subscription and the Hainan HNA Subscription is RMB8.00 (equivalent HK\$8.93) (the “**Subscription Price**”). We understand from the management of the Company that the Subscription Price was determined after arm’s length negotiation between the Company and the Parent Company taking into account, among other things, the prevailing market price of the H Shares and the market condition.

The Subscription Price of RMB8.00 per Share (equivalents to HK\$8.93) represents:

- (i.) a premium of approximately 35.3% of the closing price of HK\$6.6 per H Share as quoted on the Stock Exchange on 26 April 2017, being the last trading day in the H Shares immediately before the date on which the Supplemental Parent Company Domestic Shares Subscription Agreement was signed (“**Last Trading Day**”);
- (ii.) a premium of approximately 31.8% of the closing price of HK\$6.776 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Last Trading Day;
- (iii.) a premium of approximately 27.9% of the closing price of HK\$6.984 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day up to and including the Last Trading Day;
- (iv.) a premium of approximately 6.6% of the closing price of HK\$8.38 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v.) a premium of approximately 5.43% of the closing price of HK\$8.470 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Latest Practicable Date; and

LETTER FROM OCTAL CAPITAL

- (vi.) a premium of approximately 8.85% of the closing price of HK\$8.204 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day up to and including the Latest Practicable Date.

For illustration purposes, the Subscription Price of RMB8.00 per Share (equivalents to HK\$8.93) represents:

- (vii.) a premium of approximately 12.8% of the closing price of HK\$7.92 per H Share as quoted on the Stock Exchange on the 1 February 2018, being the date of the announcement of the Company in relation to the Extension Resolutions (“**Extensions Announcement Day**”);
- (viii.) a premium of approximately 15.0% of the average closing price of approximately HK\$7.77 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including Extensions Announcement Day;
- (ix.) a premium of approximately 18.3% of the average closing price of approximately HK\$7.55 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including Extensions Announcement Day; and
- (x.) a premium of approximately 17.6% of the average closing price of approximately HK\$7.59 per H Share as quoted on the Stock Exchange for the last twenty (20) consecutive trading days up to and including Extensions Announcement Day.

To assess the fairness and reasonableness of the Subscription Price, we have also endeavoured to identify all listed companies in Hong Kong which are principally engaged in the management and operation of an airport in the PRC; and recorded a net profit in the latest financial year of 2016 and examined the price to net asset value multiple (the “**P/B Ratio**”) as well as price to earnings multiple (the “**P/E Ratio**”) by comparing with the closing prices of such companies as quoted on the Extensions Announcement Day. We have identified only one company whose H shares are also listed on the Main Board of the Stock Exchange, namely Beijing Capital International Airport Co., Ltd. (Stock Code: 694) (“**Beijing Capital**”) and is principally engaged in the ownership and operation of the international airport in Beijing, the PRC and the provision of related services. However, we consider Beijing Capital’s size of operation in terms of revenue, net profit, net asset value and market capitalization are substantially larger than those of the Company, so which shall not be regarded as directly comparable with the Company. In any event, solely for Independent Shareholders’ additional reference, we have noted from our independent analysis that the P/B Ratio and P/E Ratio of Beijing Capital accounted for approximately 2.10 times and 22.96 times, which were higher than that of the Company implied by the Subscription Price of RMB8.00 (equivalents to HK\$8.93) at approximately 0.81 times and 7.72 times, respectively, as at the Extensions Announcement Day, which we consider mainly due to a higher premium attributable to the much profitable and sizeable scale of operation (approximately 4.52 times) and net asset value (approximately 5.20 times) of Beijing Capital when compared to that of the Company.

LETTER FROM OCTAL CAPITAL

Comparison with other domestic share subscription exercises

As an alternative way for making meaningful analyses, we have tried to identify those domestic share subscription exercises with fixed subscription/issue price starting from 1 January 2016 up to the Extensions Announcement Day, being a period over two complete calendar years, comprising the date of the relevant agreement as announced by companies listed on the Stock Exchange (the “**Comparable Issues**”). We consider that (i) Comparable Issues with domestic share subscription exercise serve as a direct and fair comparison to the Hainan HNA Domestic Shares Subscription; and (ii) the period over two complete calendar years being a reasonable period of time to provide a general overview of the recent domestic share subscription exercises which are reflective of the latest market conditions and sentiments. To the best of our knowledge and belief, such eight transactions are eligible and sufficient for us to make a meaningful comparison and analysis, details of which are as follows:

Company name (stock code)	Date of announcement	Subscription/issue price RMB'	Premium/(Discount) of subscription/issue price over/(to) the closing price of H shares as at the Pre-Agreement Day/ Extensions Announcement Day	Premium/(Discount) of subscription/issue price over/(to) the average closing price of H shares for the last five trading days up to and including the Pre-Agreement Day/ Extensions Announcement Day
Harbin Electric Company Limited (1133)	4/9/2017	4.03	20.96	20.65
Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (1543)	29/6/2017	1.264	5.00	4.23
Biosino Bio-Technology and Science Incorporation (8247)	2/6/2017	2.45	(1.42)	(1.61)
Beijing Jingneng Clean Energy Co., Limited (579)	1/6/2017	2.24	9.87	10.82
Launch Tech Company Limited (2488)	28/3/2017	8.16	(15.04)	(12.14)
YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (1558)	16/12/2016	16.12	30.61	25.43
Northeast Tiger Pharmaceutical Co., Ltd. (8197)	13/7/2016	0.89	(13.45)	(19.41)
Biosino Bio-Technology and Science Incorporation (8247)	27/5/2016	2.40	(8.33)	(12.80)

LETTER FROM OCTAL CAPITAL

Company name (stock code)	Date of announcement	Subscription/issue price RMB'	Premium/(Discount) of subscription/issue price over/(to) the closing price of H shares for the last five trading days up to and including the Pre-Agreement Day/ Extensions Announcement Day	Premium/(Discount) of subscription/issue price over/(to) the average closing price of H shares for the last five trading days up to and including the Pre-Agreement Day/ Extensions Announcement Day
			%	%
	Maximum		30.61	25.43
	Minimum		(13.45)	(19.41)
	Average		7.34	4.96
	Median		7.67	7.62
The Company (357)	As at Extension Announcement Day (1/2/2018)	8.00	12.80	14.99

Source: www.hkex.com.hk and the respective announcements containing details of the Comparable Issues

As indicated in the above table setting out the issue statistics of the Comparable Issues, we noted the following scenario:

- (i) the considerable premiums of approximately 16.12% and 12.80% represented by the Subscription Price to the closing price on the Pre-Agreement Day and Extension Announcement Day respectively falls within the range of premiums/discounts represented by the Comparable Issues on the relevant last trading days but over the range of that of the Extension Announcement Day and well above the average premium of approximately 7.34% thereof, which ranges very widely from a discount of approximately 13.45% to a premium of approximately 30.61%;
- (ii) the considerable premium of approximately 16.28% and 14.99% represented by the Subscription Price over 5-day average closing price for the last five trading days up to the Pre-Agreement Day and Extension Announcement Day and including the Pre-Agreement Day and Extensions Announcement Day falls within the range of premiums/discounts represented by 5-day average closing prices of the Comparable Issues on the relevant last five trading days and well above the average premium of approximately 4.96% of the Comparable Issues, which also ranges very widely from a discount of approximately 19.41% to a premium of approximately 20.65%; and

LETTER FROM OCTAL CAPITAL

- (iii) if taking out the two very extreme cases of the highest premium of approximately 30.61% and the lowest discount of approximately 13.45% from the above list of Comparables Issues, the considerable premium of approximately 16.12% and 12.80% represented by the Subscription Price to the closing price on the Pre-Agreement Day and the Extensions Announcement Day respectively would be well above the average premium of approximately 6.93% of the Comparable Issues on the relevant last trading days, which ranges relatively narrowly from a discount of approximately 8.33% to a premium of approximately 20.96%.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses of the H Share price performance which has been already included in our analysis of Company's circular dated 28 April 2017 together with updates on the latest price performance:

Review on H Share price performance

The highest and lowest closing prices and the average daily closing price of the H Shares as quoted on the Stock Exchange in each month during the past almost 12 full calendar months commencing from 1 February 2017 up to and including the Latest Practicable Date (the "Review Period") are shown as follows:

	Highest closing price <i>HK'</i>	Lowest closing price <i>HK'</i>	Average daily closing price <i>HK'</i>	Number of trading days in each month
2017				
February	8.02	7.57	7.77	20
March	7.60	6.89	7.45	23
April	7.33	6.40	6.96	17
May	6.60	6.34	6.45	20
June	6.75	6.33	6.50	22
July	6.69	6.32	6.54	21
August	7.18	6.22	6.55	22
September	7.57	7.22	7.34	21
October	8.65	7.40	7.93	20
November	8.70	8.03	8.44	22
December	8.50	7.37	7.73	19
2018				
January	7.95	7.24	7.62	22
February	8.84	6.99	7.88	18
March (up to the Latest Practicable Date)	8.46	8.38	8.42	2

LETTER FROM OCTAL CAPITAL

Source: Infocast

During the Review Period, the average daily closing price of the H Shares had been fluctuating narrowly and ranged from HK\$6.45 to HK\$8.44 per H Share in each month (the “**Price Range**”) during from February to December 2017 and for the one month ended 28 February 2018 and for the two trading days up to and including the Latest Practicable Day. The lowest closing price of the H Shares at approximately HK\$6.22 per H Share was recorded in August 2017. The Subscription Price at RMB8.00 (equivalents to HK\$8.93 as at the Latest Practicable Date) is hence higher than the maximum average daily closing price of approximately HK\$8.44 per H Share within the Price Range. The historical market price of the H Shares fluctuated moderately and did not show a persistent upward or downward moving trend throughout the Review Period, and hence its future movement would be unpredictable.

Given the facts that (i) the pricing mechanism adopted by the Company for setting the Subscription Price at RMB8.00 (equivalents to HK\$8.93) had been higher than the maximum average closing price of the H Shares of approximately HK\$8.44 per H Share during the Review Period; and (ii) the Subscription Price is also higher than the prevailing closing price of H Shares and the net asset value per Share as at 31 December 2016, and thus fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the analysis and factors set out in our letter contained in Company’s circular dated 28 April 2017 and our updated analysis above, including,

- (i.) The Subscription Price is higher than the prevailing market price, including the closing price of the H Share on the Last Trading Day, the Pre-agreement Day and the Extension Announcement Day;
- (ii.) The Subscription Price is higher than the average and median premiums of subscription or issue price of the Comparable Issues with other domestic share subscription exercises; and
- (iii.) The Subscription Price is higher than the average closing price of the H Shares during the Review Period and also higher than the prevailing closing price of H Shares and the net asset value per Share as at 31 December 2016.

We consider that the terms of the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM OCTAL CAPITAL

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the Extension Resolutions are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned as well as is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favor of the Extension Resolutions to be proposed at the New EGM and Class Meetings.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 23 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 is disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.mlairport.com>) respectively:

- annual report of the Company for the year ended 31 December 2014 published on 24 April 2015 (pages 107 to 228) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424398.pdf>);
- annual report of the Company for the year ended 31 December 2015 published on 18 April 2016 (pages 131 to 240) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0418/LTN20160418745.pdf>); and
- annual report of the Company for the year ended 31 December 2016 published on 18 April 2017 (pages 167 to 272) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0418/LTN20170418381.pdf>).

2. INDEBTEDNESS

As at the close of business on 31 December 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Group had total indebtedness as follows:

	<i>RMB'000</i>
Non-current	
Long-term borrowings	<u>560,003</u>
Current	
Long-term borrowings — current portion	<u>115,000</u>
Total borrowings	<u><u>675,003</u></u>
Representing:	
- guaranteed and secured (a)	<u>675,003</u>
Total borrowings	<u><u>675,003</u></u>
Long-term corporate bonds — unguaranteed and unsecured (b)	<u><u>1,813,306</u></u>
Obligations under finance leases	
Obligations under finance leases without guarantee (c)	<u><u>92,337</u></u>
Obligations under entrusted loan	
Obligation under entrusted loan with guarantee (d)	<u><u>53,370</u></u>
Total indebtedness	<u><u>2,634,016</u></u>

- (a) On 2 July 2015, the Company entered into an arrangement with CITIC Trust Co., Ltd. whereby the Company obtained financing from the trust of RMB1,100,000,000 under which the Company's entitlements to aviation service income for the period from 1 May 2015 to 30 April 2020 were pledged to the trust for issuing an asset-backed security ("ABS"). As at 31 December 2017, the remaining principal of the external borrowings of the ABS amounted to RMB679,000,000. The borrowings were guaranteed by the Parent Company.
- (b) Pursuant to Zheng Jian Xu Ke (2011) No. 2082 approved by CSRC, the Company issued real-name registered book-entry corporate bonds of RMB800,000,000 which are listed on the Shanghai Stock Exchange on 13 March 2012. The maturity of the bonds is 7 years with fixed interest rate of 7.8% per annum and the interest is payable annually on 15 March of each year and the principal is repayable upon maturity.

On 27 April 2016, the Company issued Guohai private equity bonds phase I of RMB500,000,000 to qualified investors which are listed on the Shenzhen Stock Exchange. The maturity of the bonds is 3 years, with fixed interest rate of 7.3% per annum, and the interest is payable annually on 27 April of each year and the principal is repayable upon maturity.

On 2 September 2016, the Company issued Guohai private equity bonds phase II of RMB520,000,000 to qualified investors which are listed on the Shenzhen Stock Exchange. The maturity of the bonds is 3 years, with fixed interest rate of 6.7% per annum, and the interest is payable annually on 2 September of each year and the principal is repayable upon maturity.

- (c) Payables for finance lease represent the minimum lease payments for the Group's fixed assets held under finance leases less unrecognised finance charges. As at 31 December 2017, the unrecognised financing charge amounted to RMB4,956,145. As at 31 December 2017, the payables for finance lease amounted to RMB92,336,838, of which RMB68,652,596 is due within one year.
- (d) Payable for entrusted loans represents the minimum payment of entrusted loan provided by Dongying Financial Leasing (Tianjin) Co., Ltd.* (東營融資租賃(天津)有限公司) to the Group less unrecognised finance charges. As at 31 December 2017, the balance of entrusted loans payable was RMB53,369,572, of which RMB32,098,830 is due within one year. Such loan was guaranteed by the Parent Company.

At the close of business on 31 December 2017, the Group had no contingent liabilities or guarantees.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 31 December 2017, the Group did not have any debt

securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2017.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources available to the Group including the internally generated funds and the available banking and other financing resources and in the absence of unforeseeable circumstances, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the six months ended 30 June 2017, the Group recorded an unaudited revenue of RMB738,060,024, and a net profit attributable to Shareholders of RMB312,861,564. Earnings per share was RMB0.66.

The Company considers that in 2018, with the development strategy of the “One Belt, One Road” (一帶一路) and the comprehensive and in-depth promotion of the construction of Hainan International Tourism Island and the continuous opening of the tax-free policy of the outlying islands, the international and domestic routes of Meilan Airport is expected to run smoothly and the annual passenger throughput will gradually increase. The Company will focus on implementing the “13th Five-Year” Development Plan of the Civil Aviation Administration and the “Action Plan of Building Belt and Road Initiatives for Civil Aviation (2016-2030)”, insist on equal emphasis on safety and efficiency, continuously strengthen the construction of safety services, strengthen the international port construction, cross-border e-commerce, international distribution and international re-export functions, build an aviation logistics network linking Australia and New Zealand and Southeast Asia, and comprehensively enhance the profitability of non-aviation business at Meilan Airport. The Company will take “Three-Year Into SKYTRAX Global TOP10” as the brand target and extensively participate in industry authoritative accreditation apart from ACI (Airports Council International) and SKYTRAX to strengthen positive interaction with the media and enhance brand value. Through maintaining relationship with the investors, the Company will establish a sound corporate value management system. Through roadshows and other events, the Company is expected to promote the enhancement of corporate value and strive to achieve the healthy and sustainable development of Meilan Airport so that all shareholders of the Company will receive feedback with more brilliant achievements.

Aviation Business

In 2018, the Company will continue to promote the transformation of management to adapt to the market. The domestic market will be fully covered by the provincial capital airport in China. At the

same time, the Company intends to develop an international transit network to transport tourists to international routes. Through Meilan Airport's flight operations and aviation service levels and other big data, the Company will establish a quantitative evaluation mechanism for multi-dimensional flight time resources to provide decision-making tools for the optimization of flights, aircraft types and time to improve the quality of flights, so as to promote the incremental development of Meilan Airport. In the meantime, in light of the deployment of "Beautiful New Hainan" by Hainan's governments at both provincial level and city level, the strategic study on the future development of Meilan Airport will be conducted to promote the healthy and rapid development of Meilan Airport.

Non-aviation Business

In 2018, the Company proactively will pursue expansion of passengers and cargo in the aviation market. At the same time, the Company will focus on the full opening and operation of the terminal complex to optimize the allocation of airport commercial resources. It strengthens the construction of international ports, cross-border e-commerce and international distribution, international transshipment function, and sets up an aviation logistics network linking Australia and New Zealand and Southeast Asia so as to comprehensively enhance the non-aviation business revenue of Meilan Airport.

At the same time, the Company will also carry out the brand promotion work in a down-to-earth manner and enhance the service quality of Meilan Airport, optimize the financial structure to ensure the balance of funds, enhance safety control and successfully realize the 20th safe operation year of Meilan Airport and proactively promote infrastructure construction. While ensuring the steady progress of all the infrastructure projects under construction in Meilan Airport, the Company will promote the construction of the Phase II of the Meilan Airport expansion project and strive to build Meilan Airport into a strategic, Southeast Asia's integrated three-dimensional transport hub.

1. 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.

2. DISCLOSURE OF INTERESTS**Director's interest and short position**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules; or would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO.

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in Listing Rules) has any interest in a business, which competes or may compete with the businesses of the Company or any other conflict of interests which any such person has or may have with the Company.

As at the Latest Practicable Date, none of the Directors has any material interest, directly or indirectly, in any asset which, since 31 December 2016, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular.

Save as disclosed above, as at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' Interests in Shares

As at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or

indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

Domestic Shares

Name of Shareholder	Identity	Class of shares	Number of issued share ordinary shares	Percentage to domestic shares issued	Percentage to total capital
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial owner	Corporate	237,500,000 (L)	96.43%	50.19%

H Shares

Name of Shareholders	Type of Interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total share capital
Zhang Gaobo (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Zhang Zhiping (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Group Limited (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (Note 2)	Beneficial interest	94,343,000 (L)	41.58%	19.94%
UBS Group AG (Note 3)	Security interest in shares and interest of controlled corporations	22,540,400 (L)	9.93%	4.76%
UBS AG (Note 4)	Beneficial owner, security interests in shares and interests of controlled corporations	27,174,400 (L) 15,000 (S)	11.98% 0.01%	5.74% 0.00%
ARC Capital Holdings Limited (Note 5)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%

APPENDIX II**GENERAL INFORMATION**

Name of Shareholders	Type of Interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total share capital
ARC Capital Partners Limited (<i>Note 5</i>)	Investment manager	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. (<i>Note 5</i>)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited (<i>Note 5</i>)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited (<i>Note 5</i>)	Investment manager	32,788,500 (L)	14.45%	6.93%
PAG Holdings Limited (<i>Note 5</i>)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Group Limited (<i>Note 5</i>)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Investment Management Limited (<i>Note 5</i>)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Walden Ventures Limited (<i>Note 5</i>)	Beneficial owner	32,788,500 (L)	14.45%	6.93%
JPMorgan Chase & Co. (<i>Note 6</i>)	Beneficial owner and custodian corporation/approved lending agent	13,607,488 (L)	5.99%	2.88%
Greenwoods Asset Management Limited (<i>Note 7</i>)	Investment manager	13,549,000 (L)	5.97%	2.86%
Unique Element Corp. (<i>Note 7</i>)	Interest of controlled corporations	13,549,000 (L)	5.97%	2.86%
Jiang Jinzhi (<i>Note 7</i>)	Interest of controlled corporations	13,549,000 (L)	5.97%	2.86%
Greenwoods Assets Management Holdings Limited (<i>Note 7</i>)	Interest of controlled corporations	13,549,000 (L)	5.97%	2.86%

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Zhang Gaobo and Zhang Zhiping held 49% and 51% interests in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interests in Oriental Patron Financial Services Group Limited. 100% interests of Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. According to the disclosure of interest filed by UBS Group AG on the website of the Stock Exchange, UBS Group AG was deemed to hold 3,692,000 shares through its security interest and hold 18,848,400 shares through its interest in a controlled corporation. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG and UBS AG were wholly-owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 576,000 shares, 660,300 shares, 17,607,100 shares, 4,000 shares, 1,000 long position shares and 1,000 short position shares in the Company, respectively.
4. According to the disclosure of interest filed by UBS AG on the website of the Stock Exchange, among the 27,174,400 shares in the Company, UBS AG was deemed to hold 8,896,000 shares through security interest, and 18,263,400 shares through interests of a controlled corporation and 15,000 long position shares and 15,000 short position shares as beneficial owner. UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Hong Kong) Limited and UBS Global Asset Management (Singapore) Ltd were wholly-owned by UBS AG. UBS AG was deemed hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 14,194,100 shares, 1,905,000 shares, and 2,164,300 shares in the Company, respectively.
5. PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which in turn held 14.45% interests in H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which was in turn held 14.45% interests in H shares of the Company.
6. Among the 13,607,488 shares in the Company, JPMorgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
7. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited. 81% interest in Greenwoods Assets Management Holdings Limited was owned by Unique Element Corp. which was wholly owned by Jiang Jinzhi. Greenwoods Asset Management Limited holds 13,549,000 in the capacity of investment manager.
8. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were,

directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2016, the date to which the latest audited financial statements of the Group were made up.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice, which are contained in this circular:

Name	Qualifications
Octal Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Octal Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Octal Capital Limited is not beneficially interested in the share capital of any member of the Group nor does it has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor does it has any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Xing Zhoujin. Mr. Xing Zhoujin, aged 51, an economist, has engaged in corporate governance of listed companies for years and participated in relevant trainings provided by securities regulatory authorities at home and abroad.
- (b) The registered address of the Company is at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC.
- (c) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date:

- (a) the Loan Agreement;
- (b) the Loan Allocation Agreement;
- (c) the Parent Company Domestic Shares Subscription Agreement;
- (d) the Supplemental Parent Company Domestic Shares Subscription Agreement;
- (e) the Hainan HNA Domestic Shares Subscription Agreement;
- (f) the Supplemental Hainan HNA Domestic Shares Subscription Agreement;
- (g) the loan agreement entered into between the Company and Haimian Haikou Meilan Airport Duty-Free Shop Co., Ltd.* (海免海口美蘭機場免稅店有限公司) on 5 September 2016; and
- (h) the financial services agreement entered into between the Company and HNA Group Finance Co., Ltd.* (海航集團財務有限公司) on 25 August 2016.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at Suites 5811-5814, 58/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the Loan Agreement;
- (c) the Loan Allocation Agreement;
- (d) the Parent Company Domestic Shares Subscription Agreement;
- (e) the Supplemental Parent Company Domestic Shares Subscription Agreement;
- (f) the Hainan HNA Domestic Shares Subscription Agreement;
- (g) the Supplemental Hainan HNA Domestic Shares Subscription Agreement;
- (h) the loan agreement entered into between the Company and Haimian Haikou Meilan Airport Duty-Free Shop Co., Ltd.* (海免海口美蘭機場免稅店有限公司) on 5 September 2016;
- (i) the financial services agreement entered into between the Company and HNA Group Finance Co., Ltd.* (海航集團財務有限公司) on 25 August 2016;
- (j) the letter from the Board, the text of which is set out on pages 7 to 25 of this circular;
- (k) the letter from the Independent Board Committee to the Independent Shareholders;
- (l) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;
- (m) the annual reports of the Company for each of the three financial years ended 31 December 2014, 2015 and 2016;
- (n) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (o) this circular.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

A. THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

Background

Reference is made to the prospectus of the Company dated 6 November 2002 in relation to the option agreement entered into between the Company and the Parent Company on 30 May 2002 and the supplemental agreement dated 25 October 2002 (the “**2002 Option Agreement**”), pursuant to which the Parent Company granted to the Company options to purchase from the Parent Company any aeronautical or non-aeronautical businesses and assets owned or to be owned by the Parent Company from time to time in accordance with the terms of the 2002 Option Agreement.

The Company delivered a preliminary notice to the Parent Company on 12 October 2016 indicating its intention to acquire the Phase I Runway Assets. In accordance with the terms of the 2002 Option Agreement, an independent professional valuer, Vigers Appraisal & Consulting Limited, was engaged to value the Phase I Runway Assets.

According to the valuation report prepared by Vigers Appraisal & Consulting Limited, the aggregate appraised asset value of the Phase I Runway Assets as at 31 October 2016 was RMB1,519,897,000. The book value of the Phase I Runway Assets as at 31 October 2016 was approximately RMB575,291,000. Upon receipt of the valuation report, the Company issued a further notice to the Parent Company on 10 November 2016 confirming its intention to acquire the Phase I Runway Assets by way of issuing new Domestic Shares to the Parent Company as consideration.

Subscription Shares I

Pursuant to the Parent Company Domestic Shares Subscription Agreements, the Parent Company agreed to subscribe Subscription Shares I, which include: (i) 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company; and (ii) 250,000,000 new Domestic Shares by cash at an aggregate subscription price of RMB2,000,000,000 (equivalent to approximately HK\$2,232,641,214.56).

The consideration for the transfer of the Phase I Runway Assets is RMB1,519,897,000, which is determined based on the aggregate appraised asset value of the Phase I Runway Assets as at 31 January 2017 (i.e. RMB1,519,897,000).

Set forth below are the major terms of the Parent Company Domestic Shares Subscription Agreements:

- Date:** 30 December 2016 and as amended by the Supplemental Parent Company Domestic Shares Subscription Agreement dated 27 April 2017
- Parties:** (a) the Company; and
(b) the Parent Company.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

The cash subscription price for Subscription Shares I shall be paid by the Parent Company to the bank account of the Company within fifteen (15) Business Days (or otherwise as agreed between the Parent Company and the Company in writing) upon the satisfaction of the conditions precedent set out in the Parent Company Domestic Shares Subscription Agreements.

The subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I was determined after arm's length negotiation between the Company and the Parent Company taking into account, among other things, the prevailing market price of the H Shares and the market condition.

For illustration purposes only, the subscription price of RMB8.00 per Subscription Shares I (equivalent to approximately HK\$8.93) represents:

- (a) a premium of approximately 6.6% of the closing price of HK\$8.38 per H Share as quoted on the Stock Exchange on the Latest Practicable Day;
- (b) a premium of approximately 5.4% of the average closing price of approximately HK\$8.47 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Latest Practicable Day; and
- (c) a premium of approximately 8.8% of the average closing price of approximately HK\$8.204 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Latest Practicable Day.

The aggregate nominal value of Subscription Shares I is RMB439,987,125.

The Directors consider that the terms and conditions of the Parent Company Domestic Shares Subscription Agreements have been negotiated on an arm's length basis, on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Effectiveness of the Parent Company Domestic Shares Subscription Agreements are conditional upon fulfilment of the following conditions or otherwise agreed by the Parent Company and the Company in writing or waived by the Company in writing:

- (a) the passing of resolutions by the Board and the Independent Shareholders at the meetings of the Shareholders in accordance with the Articles of Association and the Listing Rules approving, among others, (i) the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription; and (ii) the proposed New H Shares Issue;

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

- (b) the passing of resolutions by the board of directors of the Parent Company and the meetings of the shareholders of the Parent Company approving the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription;
- (c) the governmental approvals from relevant competent departments and/or regulatory authorities including the CAAC and Ministry of Commerce of the PRC (if necessary) in relation to the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription; and
- (d) the approval from the Stock Exchange (where relevant), and the approval from SFC (where applicable), in relation to the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription.

The Parent Company Subscription is subject to the approval from the Department of Commerce of Hainan Province (海南省商務廳) and the transfer and registration of the Phase I Runway Assets are subject to the approval from Land and Resources Bureau of Haikou City (海口市國土資源局). The transfer and registration of the Phase I Runway Assets comprise two stages:

- (i) payment of relevant tax; and
- (ii) registration of the Phase I Runway Assets.

Before the transfer and registration of the Phase I Runway Assets, pledge on relevant lands of the Phase I Runway Assets shall be released.

As at the Latest Practicable Date, the fulfillment status of the above conditions precedent is set out below:

- (a) the Board has passed resolutions to approve (i) the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription; and (ii) the proposed New H Shares Issue;
- (b) the board of directors of the Parent Company and the shareholders of the Parent Company have passed resolutions to approve the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription; and
- (c) release of pledge on relevant lands of the Phase I Runway Assets has been completed.

Unless the parties otherwise agree in writing, the Parent Company Domestic Shares Subscription Agreements will automatically terminate if the completion of the Parent Company Subscription does not happen on the same date as the completion of the proposed New H Shares Issue. The Board undertakes that the Parent Company Subscription will be completed on the same day as the Hainan HNA Subscription and the proposed New H Shares Issue and within a term of nine months, from 26 March 2018 to 25 December 2018, otherwise the Company will re-comply with the requirements under the Listing Rules, including re-obtaining the approval of the Shareholders (if necessary).

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

INFORMATION OF THE PHASE I RUNWAY ASSETS

The Phase I Runway Assets which consist of Phase I runway of Meilan Airport and other auxiliary facilities, are located at the Meilan Airport in Haikou City, Hainan Province, the PRC. Phase I runway of Meilan Airport is approximately 3,600 meters long and 60 meters wide, equipped with the parallel taxiway which is approximately 3,600 meters long and 44 meters wide, 78 aircraft parking stands, globally advanced navigational lighting aid system, communication navigation equipment and other service facilities. It can satisfy the full-weight takeoff and landing requirements of large aircrafts, such as Boeing 747-400 and handled more than 18 million passengers in 2016. The original cost of the construction of the Phase I Runway Assets of the Parent Company was approximately RMB575,291,000.

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements, the Phase I Runway Assets were owned and operated by the Parent Company. Pursuant to an agreement (the “**Runway Agreement**”) entered into between the Parent Company and the Company dated 25 October 2002, the Parent Company agreed to, among others, operate and maintain the runway and other ancillary assets (including the Phase I Runway Assets) in accordance with the applicable regulatory and industrial standards and keep the runway in good working condition in consideration for a right to 25% of certain of the aircraft movement fees, passenger charges and basic ground handling service fees (the “**Service Fees**”) as set out in the Runway Agreement. Please refer to the prospectus of the Company dated 6 November 2002 for further details on the Runway Agreement.

The Company did not purchase all the runway assets listed in the Runway Agreement from the Parent Company as the Directors consider that the Phase I Runway Assets to be acquired by the Company have higher profitability than other remaining assets of Phase I runway of Meilan Airport (the “**Remaining Phase I Runway Assets**”). The Remaining Phase I Runway Assets mainly include River Diversion Exterior Drainage System (河流改道外排水系統) and enclosing road (圍場路).

Upon the completion of the acquisition of the Phase I Runway Assets, the Phase I Runway Assets will be wholly-owned by the Company and the Company will enter into a supplemental agreement with the Parent Company to reduce the Parent Company’s share of Service Fees from 25% to such decreased amount to be approved by CAAC to reflect the change in the ownership of the Phase I Runway Assets. Further disclosure in relation to such supplemental agreement will be made by the Company in accordance with the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS OF THE PARENT COMPANY SUBSCRIPTION

As at the Latest Practicable Date, the Parent Company holds 50.19% shareholding interest of the Company and is a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreements are more than 25% and the consideration exceeds HK\$10,000,000, the Parent Company Subscription constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

In addition, as certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of the Listing Rules in relation to the acquisition of the Phase I Runway Assets contemplated under the Parent Company Domestic Shares Subscription Agreements are more than 25% but less than 100%, such transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

B. THE HAINAN HNA DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

Pursuant to the Hainan HNA Domestic Shares Subscription Agreements, Hainan HNA agreed to subscribe Subscription Shares II, being 50,000,000 new Domestic Shares by cash at an aggregate subscription price of RMB400,000,000 (equivalent to approximately HK\$446,528,242.91).

Set forth below are the major terms of the Hainan HNA Domestic Shares Subscription Agreements:

- Date:** 30 December 2016 and as amended by the Supplemental Hainan HNA Domestic Shares Subscription Agreement dated 27 April 2017
- Parties:** (a) the Company; and
- (b) Hainan HNA.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hainan HNA is not a connected person (as defined under the Listing Rules) of the Company.

The cash subscription price for Subscription Shares II shall be paid in cash by Hainan HNA to the bank account of the Company within fifteen (15) Business Days (or otherwise as agreed between Hainan HNA and the Company in writing) upon the satisfaction of the conditions precedent set out in the Hainan HNA Domestic Shares Subscription Agreements.

The subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares II was determined after arm's length negotiation between the Company and Hainan HNA taking into account, among other things, the prevailing market price of the H Shares and the market condition.

For illustration purposes only, the subscription price of RMB8.00 per Subscription Shares II (equivalent to approximately HK\$8.93) represents:

- (a) a premium of approximately 6.6% of the closing price of HK\$8.38 per H Share as quoted on the Stock Exchange on the Latest Practicable Day;
- (b) a premium of approximately 5.4% of the average closing price of approximately HK\$8.47 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Latest Practicable Day; and

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

- (c) a premium of approximately 8.8% of the average closing price of approximately HK\$8.204 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Latest Practicable Day.

The aggregate nominal value of Subscription Shares II is RMB50,000,000.

The Directors consider that terms and conditions of the Hainan HNA Domestic Shares Subscription Agreements have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Effectiveness of the Hainan HNA Domestic Shares Subscription Agreements are conditional upon fulfilment of the following conditions or otherwise agreed by Hainan HNA and the Company in writing or waived by the Company in writing:

- (a) the passing of resolutions by the Board and the Shareholders at the meetings of the Shareholders in accordance with the Articles of Association and the Listing Rules approving, among others, (i) the Hainan HNA Domestic Shares Subscription Agreements and the Hainan HNA Subscription; and (ii) the proposed New H Shares Issue;
- (b) the passing of resolutions by the board of directors of Hainan HNA and the meetings of the shareholders of Hainan HNA (if necessary) approving the Hainan HNA Domestic Shares Subscription Agreements and the Hainan HNA Subscription;
- (c) the governmental approvals from relevant competent departments and/or regulatory authorities including the CAAC and Ministry of Commerce of the PRC (if necessary) in relation to the Hainan HNA Domestic Shares Subscription Agreements and the Hainan HNA Subscription; and
- (d) the approval from the Stock Exchange (where relevant), and the approval from SFC (where applicable), in relation to the Hainan HNA Domestic Shares Subscription Agreements and the Hainan HNA Subscription.

The Hainan HNA Subscription is subject to the approval from the Department of Commerce of Hainan Province (海南省商務廳).

As at the Latest Practicable Date, the fulfillment status of the above conditions precedent is set out below:

- (a) the Board has passed resolutions to approve (i) the Hainan HNA Domestic Shares Subscription Agreements and the Hainan HNA Subscription; and (ii) the proposed New H Shares Issue; and

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION AND THE HAINAN HNA SUBSCRIPTION

- (b) the board of directors of Hainan HNA has passed resolutions to approve the Hainan HNA Domestic Shares Subscription Agreements and the Hainan HNA Subscription.

Unless the parties otherwise agree in writing, the Hainan HNA Domestic Shares Subscription Agreements will automatically terminate if the completion of the Hainan HNA Subscription does not happen on the same date as the completion of the proposed New H Shares Issue. The Board undertakes that the Hainan HNA Subscription will be completed on the same day as the Parent Company Subscription and the proposed New H Shares Issue and within a term of nine months, from 26 March 2018 to 25 December 2018, otherwise the Company will re-comply with the requirements under the Listing Rules, including re-obtaining the approval of the Shareholders (if necessary).

C. REASONS FOR AND BENEFITS OF THE PARENT COMPANY SUBSCRIPTION, THE HAINAN HNA SUBSCRIPTION AND THE PROPOSED NEW H SHARES ISSUE

1. Acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements, the Phase I Runway Assets were owned and operated by the Parent Company. The Directors are of the view that the current separation of operation of the Phase I Runway Assets and the terminal buildings of Meilan Airport leads to unclear delineation of responsibilities which affects the operational efficiency and security of Meilan Airport. The acquisition of the Phase I Runway Assets will enable the Company to better run its operational assets consistent with the “High Standard, Strict Compliance” (高標準,嚴要求) standards prevalent in the civil aviation industry.

In addition, upon the completion of the acquisition of the Phase I Runway Assets, the Parent Company’s share of the Service Fees will reduce from 25% to such lesser amount to be approved by CAAC. The increase of the Service Fees to be received by the Company going forward, as a result of the acquisition of the Phase I Runway Assets, will strengthen the revenue stream and competitiveness of the Company.

2. Equity fundraising to improve working capital

Meilan Airport, being the only airport situated in Haikou City which is a strategic city under the “One Belt, One Road” (一帶一路) initiative, is well positioned to capture opportunities in connection with the implementation of the “One Belt, One Road” initiative. The Directors are of the view that the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue will improve the capital structure, strengthen the financial risk resilience, enhance the solvency and expand the financial base of the Group. As such, the Company wishes to take advantage of the relatively low cost to raise additional funds through the issue of Domestic Shares and H Shares to Shareholders and investors to replenish its working capital to equip the Group to take on expansion projects and to fund any operational needs of existing direct wholly-owned subsidiaries of the Company (including the repayment of debts).

**APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION
AND THE HAINAN HNA SUBSCRIPTION**

D. POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION OF THE PHASE I RUNWAY ASSETS

(a) Earnings

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group recorded a net profit attributable to Shareholders of approximately RMB392,942,212 for the year ended 31 December 2016. Upon the completion of the acquisition of the Phase I Runway Assets, it is expected that the net profit of the Group will increase.

(b) Total assets and liabilities

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group had total assets of RMB8,619,031,564 as at 30 June 2017. Upon the completion of the acquisition of the Phase I Runway Assets, it is expected that the total assets of the Group will increase. The acquisition of the Phase I Runway Assets will not have any impact on the liabilities of the Group.

For other information in relation to the Parent Company Subscription and the Hainan HNA Subscription, please refer to the circular of the Company dated 28 April 2017.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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



海航基礎股份有限公司 HNA Infrastructure Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 357)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of HNA Infrastructure Company Limited (the “Company”) will be held at 10:00 am on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the “PRC”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the announcement of the Company dated 1 February 2018 (the “Announcement”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the Loan Agreement dated 1 February 2018 entered into between the Lenders and the Borrowers, pursuant to which, the Lenders agreed to grant the Loan to the Company and the Parent Company on a joint and several basis in the principal amount of RMB7.8 billion for a period of 20 years;
2. To consider and approve the Loan Allocation Agreement dated 1 February 2018 entered into between the Company and the Parent Company for the purpose of specifying the allocation of the Loan between the Company and the Parent Company;
3. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Announcement):
 - 3.1. Class of Shares to be issued;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- 3.2. Time of issuance;
 - 3.3. Size of issuance;
 - 3.4. Ranking of New H Shares;
 - 3.5. Listing;
 - 3.6. Method of issuance;
 - 3.7. Target places;
 - 3.8. Pricing mechanism;
 - 3.9. Method of subscription;
 - 3.10. Accumulated profits;
 - 3.11. Use of proceeds;
 - 3.12. Validity period of the resolutions;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
 5. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Hainan HNA Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
 6. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018. Such matters include but are not limited to:
 - (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
- (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
- (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
- (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
- (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;
- (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
- (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
- (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

7. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding five (5) per cent or more of the shares carrying the right to vote at such meeting.

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC
2 February 2018

As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* *For identification purposes only*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

- (A) A circular containing, among other things, (i) further details of the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; (ii) the New H Shares Issue Extension Resolution and the Board Authorisation Extension Resolutions; (iii) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the Board Authorisation Extension Resolutions; and (iv) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the Board Authorisation Extension Resolutions will be despatched to the Shareholders on or before 22 February 2018.
- (B) The Company's register of members will be closed from Wednesday, 14 February 2018 to Tuesday, 20 March 2018 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 13 February 2018.
- (C) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Tuesday, 13 February 2018 are entitled to attend and vote at the EGM after complying with the necessary registration procedures.
- (D) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete and return the reply slips for attending the EGM to the Secretary Office to the Board not later than 20 days before the date of the EGM, i.e. no later than Tuesday, 13 February 2018. Holders of H shares and domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the Secretary Office to the Board are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
the PRC
Tel: (86-898) 6996 6999
Fax: (86-898) 6996 8999

- (E) Each holder of H shares who has the right to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (F) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its Board or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (G) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. Notes (E) and (F) also apply to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to Secretary Office to the Board, the address of which is set out in Note (D) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

- (H) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his authorized representative, which specifies the date of its issuance. If the legal representative of the holder of legal person share(s) attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person share(s) appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.

- (I) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.

- (J) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM.

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

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



海航基礎股份有限公司 HNA Infrastructure Company Limited*

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

(Stock code: 357)

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the domestic shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of HNA Infrastructure Company Limited (the “**Company**”) will be held at 10:00 am on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the announcement of the Company dated 1 February 2018 (the “**Announcement**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Announcement):
 - 1.1. Class of Shares to be issued;
 - 1.2. Time of issuance;
 - 1.3. Size of issuance;
 - 1.4. Ranking of New H Shares;
 - 1.5. Listing;

* For identification purposes only

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- 1.6. Method of issuance;
- 1.7. Target placees;
- 1.8. Pricing mechanism;
- 1.9. Method of subscription;
- 1.10. Accumulated profits;
- 1.11. Use of proceeds;
- 1.12. Validity period of the resolutions;
2. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Hainan HNA Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018. Such matters include but are not limited to:
 - (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;
 - (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
 - (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
 - (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
 - (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;
 - (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
 - (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange; and
5. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding five (5) per cent or more of the shares carrying the right to vote at such meeting.

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC
2 February 2018

As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* For identification purposes only

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

Notes:

- (A) A circular containing, among other things, (i) further details of the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; (ii) the New H Shares Issue Extension Resolution and the Board Authorisation Extension Resolutions; (iii) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the Board Authorisation Extension Resolutions; and (iv) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the Board Authorisation Extension Resolutions will be despatched to the Shareholders on or before 22 February 2018.
- (B) Holders of the domestic shares of the Company whose names appear on the Company's register of members of domestic shares Limited at the close of business on Tuesday, 13 February 2018 are entitled to attend and vote at the Domestic Shareholders Class Meeting after complying with the necessary registration procedures.
- (C) Holders of domestic shares of the Company, who intend to attend the Domestic Shareholders Class Meeting, must complete and return the reply slips for attending the Domestic Shareholders Class Meeting to the Secretary Office to the Board not later than 20 days before the date of the Domestic Shareholders Class Meeting, i.e. no later than Wednesday, 28 February 2018. Holders of domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the Secretary Office to the Board are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
the PRC
Tel: (86-898) 6996 6999
Fax: (86-898) 6996 8999

- (D) Each holder of domestic shares who has the right to attend and vote at the Domestic Shareholders Class Meeting (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the Domestic Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. The instrument appointing a proxy of any holder of Domestic Shares (being a body corporate) must be affixed with the corporate seal of such holder of Domestic Shares or duly signed by the chairman of its board of directors or by its authorised attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Secretary Office to the Board of Directors of the Company, the address of which is set out in Note (C) above, not less than 24 hours before the time for holding the Domestic Shareholders Class Meeting or any adjournment thereof in order for such documents to be valid.
- (F) If a proxy attends the Domestic Shareholders Class Meeting on behalf of a Domestic Shareholder, he should produce his ID card and the instrument signed by the proxy or his authorised representative, which specifies the date of its issuance. If the legal representative of the holder of legal person Domestic Share(s) attends the Domestic Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person Domestic Share(s) appoints a representative of a company other than its legal representative to attend the Domestic Shareholders Class Meeting, such representative should produce his ID card and an authorisation instrument affixed with the seal of the holder of the legal person Domestic Share(s) and duly signed by its legal representative.
- (G) The Domestic Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the Domestic Shareholders Class Meeting responsible for their own transportation and accommodation expenses.
- (H) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the Domestic Shareholders Class Meeting will demand a poll in relation to all the proposed resolutions at the Domestic Shareholders Class Meeting.

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

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



海航基礎股份有限公司
HNA Infrastructure Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 357)

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the H shareholders class meeting (the “**H Shareholders Class Meeting**”) of HNA Infrastructure Company Limited (the “**Company**”) will be held at 10:00 am on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the announcement of the Company dated 1 February 2018 (the “**Announcement**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Announcement):
 - 1.1. Class of Shares to be issued;
 - 1.2. Time of issuance;
 - 1.3. Size of issuance;
 - 1.4. Ranking of New H Shares;

* For identification purposes only

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- 1.5. Listing;
 - 1.6. Method of issuance;
 - 1.7. Target places;
 - 1.8. Pricing mechanism;
 - 1.9. Method of subscription;
 - 1.10. Accumulated profits;
 - 1.11. Use of proceeds;
 - 1.12. Validity period of the resolutions;
2. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
 3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Hainan HNA Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
 4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018. Such matters include but are not limited to:
 - (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;
 - (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
 - (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
 - (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
 - (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;
 - (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
 - (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange; and
5. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding five (5) per cent or more of the shares carrying the right to vote at such meeting.

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC
2 February 2018

As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* For identification purposes only

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

Notes:

- (A) A circular containing, among other things, (i) further details of the Loan Agreement, the Loan Allocation Agreement and the transactions contemplated thereunder; (ii) the New H Shares Issue Extension Resolution and the Board Authorisation Extension Resolutions; (iii) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the Board Authorisation Extension Resolutions; and (iv) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement, the Loan Allocation Agreement and the Board Authorisation Extension Resolutions will be despatched to the Shareholders on or before 22 February 2018.
- (B) The Company's register of members will be closed from Wednesday, 14 February 2018 to Tuesday, 20 March 2018 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the H Shareholders Class Meeting, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 13 February 2018.
- (C) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Tuesday, 13 February 2018 are entitled to attend and vote at the H Shareholders Class Meeting after complying with the necessary registration procedures.
- (D) Holders of H shares of the Company, who intend to attend the H Shareholders Class Meeting, must complete and return the reply slips for attending the H Shareholders Class Meeting to the Secretary Office to the Board not later than 20 days before the date of the H Shareholders Class Meeting, i.e. no later than Wednesday, 28 February 2018. Holders of H shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the Secretary Office to the Board are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
the PRC
Tel: (86-898) 6996 6999
Fax: (86-898) 6996 8999

- (E) Each holder of H shares who has the right to attend and vote at the H Shareholders Class Meeting (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the H Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (F) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its Board or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the H Shareholders Class Meeting or any adjournment thereof in order for such documents to be valid.

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (G) If a proxy attends the H Shareholders Class Meeting on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his authorized representative, which specifies the date of its issuance. If the legal representative of the holder of legal person share(s) attends the H Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person share(s) appoints a representative of a company other than its legal representative to attend the H Shareholders Class Meeting, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.
- (H) The H Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the H Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.
- (I) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the H Shareholders Class Meeting will demand a poll in relation to all the proposed resolutions at the H Shareholders Class Meeting.

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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



海航基礎股份有限公司
HNA Infrastructure Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 357)

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of the extraordinary general meeting (the “EGM”) of HNA Infrastructure Company Limited (the “Company”) dated 2 February 2018, which sets out the time and venue of the EGM and contains the resolutions to be tabled before the EGM for shareholders’ approval. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 6 March 2018.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will be held as originally scheduled at 10:00 am on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “PRC”) for the purpose of considering and, if thought fit, passing the following resolutions submitted by the Parent Company (the controlling shareholder of the Company), with or without amendments, as special resolutions of the Company, in addition to the resolutions set out in the notice of EGM dated 2 February 2018.

BY WAY OF SPECIAL RESOLUTIONS

6. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
7. To consider and approve the extension of the validity period of the resolutions in relation to the Hainan HNA Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Further, the special resolutions numbered 6 and 7 respectively set out in the notice of EGM of the Company dated 2 February 2018 shall be re-numbered and referred to as special resolutions numbered 8 and 9, respectively.

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC
6 March 2018

As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

Notes:

- (A) Save as the additional resolutions and other information as set out in this supplemental notice of EGM, all the information set out in the notice of the EGM of the Company dated 2 February 2018 remains unchanged.
- (B) Shareholders who intend to appoint a proxy to attend the EGM, shall complete and return the enclosed revised proxy form, containing the originally proposed resolutions and additional proposed resolutions, to the registrar of H shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.
- (C) If a Shareholder has not yet lodged the original form of proxy which was sent to Shareholders together with the notice of EGM dated 2 February 2018 (the "**Original Proxy Form**") with the Company's H share registrar, he/she is requested to lodge the revised form of proxy if he/she wishes to appoint proxies to attend the EGM on his/her behalf. In this case, the Original Proxy Form should not be lodged with the Company's H Share registrar.

* For identification purposes only

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (D) If a Shareholder has already lodged the Original Proxy Form with the Company's H Share registrar, he/she should note that:
- (i) If the revised form of proxy is not lodged with the Company's H share registrar before the closing time as mentioned in Note (B) above or if it is incorrectly completed, the Original Proxy Form will be treated as a valid proxy form lodged by he/she if correctly completed. The proxy so appointed by he/she will be entitled to vote at the proxy's discretion or to abstain on any resolution properly put to the EGM other than those referred to in the notice of EGM dated 2 February 2018 and the Original Proxy Form, including the newly added resolutions as set out in this supplemental notice.
 - (ii) If he/she lodged the revised form of proxy with the Company's H share registrar before the closing time as mentioned in Note (B) above, the revised form of proxy will revoke and supersede the Original Proxy Form previously lodged by he/she provided that the revised form of proxy is correctly completed.
- (E) Please refer to the notice of the EGM of the Company dated 2 February 2018 for details in respect of other resolutions to be passed at the EGM, eligibility for attending the EGM, registration procedures, closure of register of members, procedures for demanding a poll to vote on resolutions and other relevant matters.

SUPPLEMENTAL NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

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



海航基礎股份有限公司
HNA Infrastructure Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 357)

SUPPLEMENTAL NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

Reference is made to the notice of the domestic shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of HNA Infrastructure Company Limited (the “**Company**”) dated 2 February 2018, which sets out the time and venue of the Domestic Shareholders Class Meeting and contains the resolutions to be tabled before the Domestic Shareholders Class Meeting for shareholders’ approval. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 6 March 2018.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the Domestic Shareholders Class Meeting will be held as originally scheduled at 10:00 am on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions submitted by the Parent Company (the controlling shareholder of the Company), with or without amendments, as special resolutions of the Company, in addition to the resolutions set out in the notice of Domestic Shareholders Class Meeting dated 2 February 2018.

BY WAY OF SPECIAL RESOLUTIONS

4. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
5. To consider and approve the extension of the validity period of the resolutions in relation to the Hainan HNA Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;

SUPPLEMENTAL NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

Further, the special resolutions numbered 4 and 5 respectively set out in the notice of Domestic Shareholders Class Meeting of the Company dated 2 February 2018 shall be re-numbered and referred to as special resolutions numbered 6 and 7, respectively.

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC
6 March 2018

As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

Notes:

- (A) Save as the additional resolutions and other information as set out in this supplemental notice of Domestic Shareholders Class Meeting, all the information set out in the notice of the Domestic Shareholders Class Meeting of the Company dated 2 February 2018 remains unchanged.
- (B) Shareholders who intend to appoint a proxy to attend the Domestic Shareholders Class Meeting, shall complete and return the enclosed revised proxy form, containing the originally proposed resolutions and additional proposed resolutions, to the Secretary Office to the Board of Directors of the Company at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the Domestic Shareholders Class Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.
- (C) If a Shareholder has not yet lodged the original form of proxy which was sent to Shareholders together with the notice of Domestic Shareholders Class Meeting dated 2 February 2018 (the “**Original Proxy Form**”) with the Company’s Secretary Office, he/she is requested to lodge the revised form of proxy if he/she wishes to appoint proxies to attend the Domestic Shareholders Class Meeting on his/her behalf. In this case, the Original Proxy Form should not be lodged with the Company’s Secretary Office.

* For identification purposes only

SUPPLEMENTAL NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (D) If a Shareholder has already lodged the Original Proxy Form with the Company's Secretary Office, he/she should note that:
- (i) If the revised form of proxy is not lodged with the Company's Secretary Office before the closing time as mentioned in Note (B) above or if it is incorrectly completed, the Original Proxy Form will be treated as a valid proxy form lodged by he/she if correctly completed. The proxy so appointed by he/she will be entitled to vote at the proxy's discretion or to abstain on any resolution properly put to the Domestic Shareholders Class Meeting other than those referred to in the notice of Domestic Shareholders Class Meeting dated 2 February 2018 and the Original Proxy Form, including the newly added resolutions as set out in this supplemental notice.
 - (ii) If he/she lodged the revised form of proxy with the Company's Secretary Office before the closing time as mentioned in Note (B) above, the revised form of proxy will revoke and supersede the Original Proxy Form previously lodged by he/she provided that the revised form of proxy is correctly completed.
- (E) Please refer to the notice of the Domestic Shareholders Class Meeting of the Company dated 2 February 2018 for details in respect of other resolutions to be passed at the Domestic Shareholders Class Meeting, eligibility for attending the Domestic Shareholders Class Meeting, registration procedures, closure of register of members, procedures for demanding a poll to vote on resolutions and other relevant matters.

SUPPLEMENTAL NOTICE OF THE H SHAREHOLDERS CLASS MEETING

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



海航基础设施股份有限公司
HNA Infrastructure Company Limited*

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

(Stock code: 357)

SUPPLEMENTAL NOTICE OF THE H SHAREHOLDERS CLASS MEETING

Reference is made to the notice of the H shareholders class meeting (the “**H Shareholders Class Meeting**”) of HNA Infrastructure Company Limited (the “**Company**”) dated 2 February 2018, which sets out the time and venue of the H Shareholders Class Meeting and contains the resolutions to be tabled before the H Shareholders Class Meeting for shareholders’ approval. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 6 March 2018.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the H Shareholders Class Meeting will be held as originally scheduled at 10:00 am on Tuesday, 20 March 2018 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions submitted by the Parent Company (the controlling shareholder of the Company), with or without amendments, as special resolutions of the Company, in addition to the resolutions set out in the notice of H Shareholders Class Meeting dated 2 February 2018.

BY WAY OF SPECIAL RESOLUTIONS

4. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;
5. To consider and approve the extension of the validity period of the resolutions in relation to the Hainan HNA Subscription, for a further period of nine (9) months, from 26 March 2018 to 25 December 2018;

SUPPLEMENTAL NOTICE OF THE H SHAREHOLDERS CLASS MEETING

Further, the special resolutions numbered 4 and 5 respectively set out in the notice of H Shareholders Class Meeting of the Company dated 2 February 2018 shall be re-numbered and referred to as special resolutions numbered 6 and 7, respectively.

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Hainan Province, the PRC

6 March 2018

As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

Notes:

- (A) Save as the additional resolutions and other information as set out in this supplemental notice of H Shareholders Class Meeting, all the information set out in the notice of the H Shareholders Class Meeting of the Company dated 2 February 2018 remains unchanged.
- (B) Shareholders who intend to appoint a proxy to attend the H Shareholders Class Meeting, shall complete and return the enclosed revised proxy form, containing the originally proposed resolutions and additional proposed resolutions, to the registrar of H shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the H Shareholders Class Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.
- (C) If a Shareholder has not yet lodged the original form of proxy which was sent to Shareholders together with the notice of H Shareholders Class Meeting dated 2 February 2018 (the "**Original Proxy Form**") with the Company's H share registrar, he/she is requested to lodge the revised form of proxy if he/she wishes to appoint proxies to attend the H Shareholders Class Meeting on his/her behalf. In this case, the Original Proxy Form should not be lodged with the Company's H Share registrar.

* For identification purposes only

SUPPLEMENTAL NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (D) If a Shareholder has already lodged the Original Proxy Form with the Company's H Share registrar, he/she should note that:
- (i) If the revised form of proxy is not lodged with the Company's H share registrar before the closing time as mentioned in Note (B) above or if it is incorrectly completed, the Original Proxy Form will be treated as a valid proxy form lodged by he/she if correctly completed. The proxy so appointed by he/she will be entitled to vote at the proxy's discretion or to abstain on any resolution properly put to the H Shareholders Class Meeting other than those referred to in the notice of H Shareholders Class Meeting dated 2 February 2018 and the Original Proxy Form, including the newly added resolutions as set out in the this supplemental notice.
 - (ii) If he/she lodged the revised form of proxy with the Company's H share registrar before the closing time as mentioned in Note (B) above, the revised form of proxy will revoke and supersede the Original Proxy Form previously lodged by he/she provided that the revised form of proxy is correctly completed.
- (E) Please refer to the notice of the H Shareholders Class Meeting of the Company dated 2 February 2018 for details in respect of other resolutions to be passed at the H Shareholders Class Meeting, eligibility for attending the H Shareholders Class Meeting, registration procedures, closure of register of members, procedures for demanding a poll to vote on resolutions and other relevant matters.