
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 **Regal International Airport Group 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.

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瑞港國際機場集團股份有限公司
Regal International Airport Group Company Limited*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 357)

MAJOR AND CONNECTED TRANSACTION
THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES
SUBSCRIPTION AGREEMENT,
TERMINATION OF THE HAINAN HNA SUBSCRIPTION,
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION AND THE NEW H SHARES ISSUE,
PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS,
PROPOSED APPOINTMENT OF AN INDEPENDENT
REPRESENTATIVE SUPERVISOR,
PROPOSED GRANT OF GENERAL MANDATES TO ISSUE SHARES
AND
NOTICES OF THE ANNUAL GENERAL MEETING 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 6 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 50 of this circular.

The notices for convening the Annual General Meeting and the Class Meetings to be held at 10:00 a.m. on Monday, 3 June 2019 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 68 to 82 of this circular. Whether or not you are able to attend the Annual General Meeting or the Class Meetings, you are requested to complete and return the accompanying forms 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 meetings. Completion and return of the forms of proxy shall not preclude you from attending and voting at the meetings or any adjourned meetings should you so desire.

* For identification purposes only

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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
“2017 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
“2018 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 20 March 2018
“2018 EGM”	the extraordinary general meeting of the Company held on 20 March 2018
“2018 Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 21 December 2018 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“Airport Project”	the airport project under the investment and construction agreement dated 21 August 2015 entered into between the Company and the Parent Company
“Annual General Meeting”	an annual general meeting of the Company to be held at 10:00 a.m. on Monday, 3 June 2019 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC
“Articles of Association”	articles of association of the Company and its appendices
“Board”	the board of Directors
“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)

DEFINITIONS

“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 Annual General Meeting or any adjournment thereof on Monday, 3 June 2019 for the purposes of considering and, if thought fit, approving, among other things, (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; (ii) the Termination Agreement and the termination of the Hainan HNA Subscription; and (iii) the Extension Resolutions, including any adjournment in respect thereof
“Company”	Regal International Airport Group Company Limited * (瑞港國際機場集團股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	shall have the meaning as defined in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed under the Listing Rules
“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
“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”	HNA Infrastructure Investment Group Company Limited* (海航基礎設施投資集團股份有限公司), formerly known as Hainan HNA Infrastructure Investment Group Company Limited* (海南海航基礎設施投資集團股份有限公司), a joint stock company incorporated in the PRC with limited liability

DEFINITIONS

“Hainan HNA Domestic Shares Subscription Agreement”	the domestic shares subscription agreement dated 30 December 2016 entered into between the Company and Hainan HNA
“Hainan HNA Subscription”	the subscription of the Subscription Shares II contemplated under the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions
“Independent Financial Adviser”	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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions
“Independent Shareholders”	Shareholders who do not have any material interests and are not required to abstain from voting at the Annual General Meeting and the Class Meetings pursuant to the Listing Rules
“Latest Practicable Date”	11 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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)

DEFINITIONS

“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 December 2018 to 25 September 2019
“Parent Company”	Haikou Meilan International Airport Co., Ltd.* (海口美蘭國際機場有限責任公司), 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, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement
“Parent Company Subscription”	the subscription of the Subscription Shares I 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 December 2018 to 25 September 2019
“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

DEFINITIONS

“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
“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”	the new Domestic Shares proposed to be subscribed pursuant to the Parent Company Domestic Shares Subscription Agreements
“Subscription Shares II”	50,000,000 new Domestic Shares in aggregate proposed to be subscribed pursuant to the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement
“Supplemental Hainan HNA Domestic Shares Subscription Agreement”	the supplemental domestic shares subscription agreement dated 27 April 2017 entered into between the Company and Hainan HNA
“Termination Agreement”	the termination agreement dated 21 December 2018 entered into between the Company and Hainan HNA to terminate the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement
“%”	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 has 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.

* For identification purpose only

LETTER FROM THE BOARD

瑞港國際機場集團股份有限公司 Regal International Airport Group Company Limited*

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

(Stock Code: 357)

Executive Directors:

Wang Zhen (Chairman, Authorized Representative)

Tu Haidong

Xing Zhoujin (Authorized Representative)

Yu Yan

Registered Office:

Office Building of Meilan Airport

Haikou City

Hainan Province

the PRC

Non-executive Directors:

Liao Hongyu

Chan Nap Kee, Joseph

Yan Xiang

Principal Place of Business in

Hong Kong:

10th Floor, Everbright Centre

108 Gloucester Road

Wanchai, 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 TRANSACTION
THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES
SUBSCRIPTION AGREEMENT,
TERMINATION OF THE HAINAN HNA SUBSCRIPTION,
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION AND THE NEW H SHARES ISSUE,
PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS,
PROPOSED APPOINTMENT OF AN INDEPENDENT
REPRESENTATIVE SUPERVISOR,
PROPOSED GRANT OF GENERAL MANDATES TO ISSUE SHARES
AND
NOTICES OF THE ANNUAL GENERAL MEETING AND THE CLASS MEETINGS**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 21 December 2018. The purpose of this circular is to provide you with information regarding (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; (ii) the Termination Agreement and the termination of the Hainan HNA Subscription; (iii) the Extension Resolutions; (iv) the proposed appointment of executive Directors; (v) the proposed appointment of an independent representative supervisor of the Company and (vi) the proposed grant of general mandates to issue shares, and to give you notices of the Annual General Meeting and the Class Meetings to consider and, if thought fit, to approve the resolutions proposed at the Annual General Meeting and the Class Meetings.

* For identification purposes only

LETTER FROM THE BOARD

B. THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

Reference is made to the announcements of the Company dated 30 December 2016 and 27 April 2017 and the circular of the Company dated 28 April 2017 in relation to, among other things, the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which the Parent Company agreed to subscribe for the 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), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I.

The Company has received a letter from the Parent Company where the Parent Company asks to negotiate with the Company about reducing the scale of the Parent Company Subscription as it has made adjustment to its fund allocation on the Parent Company Subscription according to its latest investment plan for the year 2019 considering that it takes more time than expected to get approval from CSRC in respect of the New H Shares Issue.

The Board announces that on 21 December 2018, the Company and the Parent Company entered into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation, pursuant to which, the Company and the Parent Company mutually agreed to make the following amendment to the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement:

The Parent Company agreed to subscribe for the 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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I.

C. TERMINATION OF THE HAINAN HNA SUBSCRIPTION

Reference is made to the announcements of the Company dated 30 December 2016 and 27 April 2017 and the circular of the Company dated 28 April 2017 in relation to, among other things, the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement, pursuant to which Hainan HNA agreed to subscribe for the 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), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares II.

The Company has received a letter from Hainan HNA where Hainan HNA asks to negotiate with the Company about adjusting the Hainan HNA Subscription as it has made adjustment to its long-term financial plan considering that it takes more time than expected to get approval from CSRC in respect of the New H Shares Issue and relevant conditions for the Hainan HNA Subscription have changed.

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The Board announces that on 21 December 2018, the Company and Hainan HNA entered into the Termination Agreement after negotiation, pursuant to which, the Company and Hainan HNA mutually agreed to terminate the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement with immediate effect from the effective date of the Termination Agreement. Both parties have confirmed that there are no unsettled matters, disputes or potential disputes in relation to the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement.

Upon signing the Termination Agreement, all the rights and obligations of the parties under the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement have been terminated and neither party shall be responsible for any matters including but not limited to breach of contract or tort arising from the execution, performance or termination of the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement. As a result, the Hainan HNA Subscription would not proceed.

The Board considers that the termination of the Hainan HNA Subscription and entering into the Termination Agreement do not and will not have any material adverse effect on the existing operation, business and financial position of the Group as a whole.

D. EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY 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 other things, the Parent Company Subscription and the New H Shares Issue and the circular of the Company dated 6 March 2018 and the poll results announcement of the Company dated 20 March 2018 in relation to, among other things, the extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.

As disclosed in the circular dated 28 April 2017 and the poll results announcement dated 26 June 2017, the Board was authorized to deal with and complete the Parent Company 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 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 Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement will automatically terminate to ensure that the completion of the Parent Company Subscription will happen on the same date as the completion of the New H Shares Issue.

As disclosed in the circular dated 6 March 2018 and the poll results announcement dated 20 March 2018, the Parent Company had issued a letter to the Company, confirming in writing that the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto and the extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue was approved by the Shareholders at the 2018 EGM and 2018 Class Meetings.

LETTER FROM THE BOARD

As mentioned above, the Company and the Parent Company entered into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement on 21 December 2018, a date which was earlier than the expiry date of the Shareholders' resolutions stated in the circular of the Company dated 6 March 2018 (i.e. 25 December 2018) and therefore, it constituted a written agreement for extension. Pursuant to 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, the Company and the Parent Company agreed in writing that except for the amendment made to the total amount of the Subscription Shares I to be subscribed by the Parent Company, other terms and conditions of the Parent Company Subscription, including, among others, the terms and conditions of the acquisition of the Phase I Runway Assets, in the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement shall 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 Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement which are amended by the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement 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.

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.

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Date	Event
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 writing.
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. 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 and the New H Shares Issue. Such timetable is based on the assumption that the Company can obtain the CSRC approval for the New H Shares Issue as expected and will be subject to adjustment based on the 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 and the New H Shares Issue which were approved by the Shareholders at the 2017 EGM and the 2017 Class Meetings, expired on 25 December 2018, in order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription contemplated thereunder and the New H Shares Issue, the Board proposed to convene the Annual General Meeting and the Class Meetings for the Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New

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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 and the New H Shares Issue for a further period of nine (9) months, i.e. from 26 December 2018 to 25 September 2019 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.

The Company intends to seek further independent Shareholders' approval on the extension of validity period of Shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue if the Parent Company Subscription and the New H Shares Issue are not completed within the further extended period of nine (9) months, i.e. from 26 December 2018 to 25 September 2019.

Details of the information relating to the Parent Company Subscription are set out in "Appendix III – Details of the Parent Company 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 Annual General Meeting 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.

(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 and the New H Shares Issue, and 22.84% of total share capital of the Company after the Parent Company 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.

(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.

LETTER FROM THE BOARD

(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 followings:

- (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
- (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.

LETTER FROM THE BOARD

(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 “G – 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 Annual General Meeting and Class Meetings will be valid for a further period of nine (9) months, from 26 December 2018 to 25 September 2019.

The Board will also seek the Shareholders’ authorization at each of the Annual General Meeting 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 December 2018 to 25 September 2019. 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;
- (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;

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- (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.

E. POSSIBLE CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement is approved by the Shareholders at the forthcoming Annual General Meeting and Class Meetings; (ii) the proposed Extension Resolutions are granted by the Shareholders at the forthcoming Annual General Meeting and Class Meetings; (iii) the Board exercises the proposed Specific Mandate; (iv) all conditions for the proposed New H Shares Issue have been satisfied; (v) the maximum of 200,000,000 New H Shares are issued pursuant to the proposed Specific Mandate; and (vi) the Parent Company subscribes Subscription Shares I pursuant to the Parent Company 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 and the New H Shares	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares (maximum)	Percentage of total issued Shares (%)
Domestic Share				
Parent Company	237,500,000	50.19	439,987,125	50.24
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	0.60
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.40
H Shares				
H Shares in issue				
Oriental Patron	94,343,000	19.94	94,343,000	10.77
Public	132,570,000	28.01	132,570,000	15.14
New H Shares ¹	0	0	200,000,000	22.84
Total Number of Issued Shares	473,213,000	100	875,700,125	100

Note 1: It is expected that none of the places 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 places would be considered to be held “in public hands”.

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As disclosed in the Appendix III to this circular, the Board undertakes that the Parent Company Subscription will be completed on the same day as the proposed New H Shares Issue and unless the parties otherwise agree in writing, the proposed transaction under the Parent Company Domestic Shares Subscription Agreements will not proceed 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. In order to ensure compliance with the public float requirements at all times, the Board further undertakes that the proposed New H Shares to be issued shall not be less than 48,473,375 Shares. If the number of the New H Shares to be issued is less than 48,473,375, the proposed transaction under the Parent Company Domestic Shares Subscription Agreements will not proceed.

Solely for illustration purposes, assuming that: (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement is approved by the Shareholders at the forthcoming Annual General Meeting and Class Meetings; (ii) the proposed Extension Resolutions are granted by the Shareholders at the forthcoming Annual General Meeting and Class Meetings; (iii) the Board exercises the proposed Specific Mandate; (iv) all conditions for the proposed New H Shares Issue have been satisfied; (v) the minimum of 48,473,375 New H Shares are issued pursuant to the proposed Specific Mandate; and (vi) the Parent Company subscribes Subscription Shares I pursuant to the Parent Company 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 and the New H Shares	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares (minimum)	Percentage of total issued Shares (%)
Domestic Share				
Parent Company	237,500,000	50.19	439,987,125	60.76
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	0.73
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.49
H Shares				
H Shares in issue				
Oriental Patron	94,343,000	19.94	94,343,000	13.03
Public	132,570,000	28.01	132,570,000	18.31
New H Shares ¹	0	0	48,473,375	6.69
Total Number of Issued Shares	473,213,000	100	724,173,500	100

Note 1: 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”.

LETTER FROM THE BOARD

As demonstrated above, if the minimum of 48,473,375 New H Shares are issued, the Company's minimum public float upon completion of the New H Shares Issue and the Parent Company Subscription will be 25% (i.e. 18.31%+6.69%).

The Company would undertake 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 and the Parent Company Subscription.

The Company confirms that it will comply with Rule 7.27B of the Listing Rules in respect of the Parent Company Subscription and New H Shares Issue.

F. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT AND THE TERMINATION AGREEMENT AND THE EXTENSION RESOLUTIONS

As it takes more time than expected to get approval from CSRC in respect of the New H Shares Issue and the Company has received a letter from the Parent Company where the Parent Company asks to negotiate with the Company about reducing the scale of the Parent Company Subscription as it has made adjustment to its fund allocation on the Parent Company Subscription according to its latest investment plan for the year 2019, the Company and the Parent Company entered into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation to make amendment to the Parent Company Domestic Shares Subscription Agreement and 2017 Supplemental Parent Company Domestic Shares Subscription Agreement. The Directors consider that the terms and conditions of the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement have been negotiated on an arm's length basis, and are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company confirms that while the Domestic Shares of the Company are not listed and thus can't be traded on an open market, the proposed price of the Domestic Shares is still higher than the closing price of the H Shares as at the Latest Practicable Date. Therefore, the Company is of the view that the subscription price of the Domestic Shares under the Parent Company Subscription is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The placing price of the New H Shares under the New H Shares Issue shall be determined by the Company with reference to market conditions after obtaining the relevant approval from CSRC and it would not be practical to determine a fixed placing price as at the Latest Practicable Date, and the Company believes that such approach is consistent to the prevailing market practice for issuance of H shares. As the H Shares and the Domestic Shares are of different nature, the difference between the placing price of the New H Shares Issue and the subscription price of the Parent Company Subscription shall not render that such prices are not fair and reasonable and not in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As it takes more time than expected to get approval from CSRC in respect of the New H Shares Issue and relevant conditions for the Hainan HNA Subscription have changed and the Company has received a letter from Hainan HNA where Hainan HNA asks to negotiate with the Company about adjusting the Hainan HNA Subscription as it has made adjustment to its long-term financial plan, the Company and Hainan HNA entered into the Termination Agreement after negotiation to terminate the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement. The Directors consider that the termination of the Hainan HNA Subscription and entering into the Termination Agreement do not and will not have any material adverse effect on the existing operation, business and financial position of the Group and that the terms and conditions of the Termination Agreement have been negotiated on an arm's length basis, and are on normal commercial terms and 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, 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.

The Directors are of the view that though it would be more than two years since the Company first proposed the Parent Company Subscription and New H Shares Issue, the terms of the Parent Company Subscription and New H Shares Issue remain fair and reasonable as the market condition and the financials of the Company have no material change at relevant times. The reason for further extending the validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue was that the Company has not been able to obtain the relevant approval from CSRC.

For illustration purpose only, the closing prices of the Company's H Shares at relevant times are set out below.

Date	Event	H Shares closing price
30 December 2016	The Company initially published the announcement in relation to, among others, the Parent Company Subscription and New H Shares Issue.	HK\$7.70
28 April 2017	The Company despatched the initial circular in relation to, among others, the Parent Company Subscription and New H Shares Issue.	HK\$6.50
1 February 2018	The Company published the extension announcement in relation to, among others, extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$7.92

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Date	Event	H Shares closing price
6 March 2018	The Company despatched the extension circular in relation to, among others, extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$8.30
21 December 2018	The Company published the announcement in relation to, among others, the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$6.30
11 April 2019	The Latest Practicable Date	HK\$6.41

As indicated in the above, the closing price of the Company's H Shares on 11 April 2019 (i.e. HK\$6.41) is very close to that on 28 April 2017 (i.e. HK\$6.50), thus the market condition of the Company's H Shares as at the Latest Practicable Date remains basically the same as that when the Company first proposed the Parent Company Subscription and New H Shares Issue. The Company confirms that the share capital of the Company remained unchanged during the past three years.

The key financial indicators of the Group during the past three years are set out below.

	Total equity (RMB)	Earnings per share (RMB)
For the year ended 31 December 2016	3,727,668,399	0.83
For the six months ended 30 June 2017	3,982,100,593	0.66
For the year ended 31 December 2017	4,091,993,288	1.02
For the six months ended 30 June 2018	4,404,277,983	0.79
For the year ended 31 December 2018	4,571,939,621	1.31

As indicated in the above, there was no material change in the key financials of the Group in the past three years.

Based on the above, the Company is of the view that the terms of the Parent Company Subscription and New H Shares Issue (including the issue price and number of the New H Shares to be issued) remain fair and reasonable.

LETTER FROM THE BOARD

In relation to the acquisition of the Phase I Runway Assets, the Board is of the view that as the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement, to the extent not amended by the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, still remain valid and binding on the parties thereto, it is not a new transaction in relation to the acquisition of the Phase I Runway Assets. The Company confirms that there was no material change in the market condition or financials of the Phase I Runway Assets as at the Latest Practicable Date, as compared to those when the Company first proposed the acquisition of the Phase I Runway Assets on 30 December 2016. Furthermore, there is no valid period specified in the valuation report contained in the circular of the Company dated 28 April 2017 and therefore, the Board is of the view that it still can be used as the reference for the consideration of the then acquisition of the Phase I Runway Assets. The Phase I Runway Assets mainly consist of three parts: (i) the land with a total area of approximately 1,956,800 m²; (ii) the relevant constructions, including but not limited to the runway, the taxiway and the fences; (iii) the equipment, including but not limited to machinery equipment, transportation equipment and office equipment in relation to the Phase I Runway Assets. According to the benchmark land price in Haikou City promulgated by the people's government of Haikou City recently, the benchmark price of land for airport increased by approximately 2.86% as compared to that in January 2017. On the other hand, the net book value of the constructions and equipment of the Phase I Runway Assets decreased by approximately 6.5% as compared to that in January 2017, mainly due to normal depreciation. As the value of the land is much more than the value of the constructions and equipment of the Phase I Runway Assets, the Company is of the view that the value of the Phase I Runway Assets remains stable in the past two years.

Based on the above, the Company is of the view that the terms of the acquisition of the Phase I Runway Assets (including the amount of consideration) remain fair and reasonable and the Extension Resolutions are in the interest of the Company and the Shareholders as a whole.

G. 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 and the proposed New H Shares Issue will be approximately RMB1,246,000,000 (equivalent to approximately HK\$1,390,935,000) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB1,204,000,000 (equivalent to approximately HK\$1,344,050,000).

LETTER FROM THE BOARD

Taking into consideration of the amendment made to the Parent Company Subscription by the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, the Board has resolved to make the following adjustments to the use of net proceeds from the Parent Company Subscription and the proposed New H Shares Issue (after deducting relevant expenses):

1. Approximately 29% 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 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 the Hainan Branch of China Development Bank Limited (國家開發銀行股份有限公司海南省分行). It was estimated at the time that approximately RMB4.16 billion would be available to fund the portion of the construction responsible by the Company. Pursuant to the loan agreement entered into among the Company, the Parent Company, China Development Bank Limited (國家開發銀行股份有限公司), 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) and 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) on 1 February 2018 and the loan allocation agreement entered into between the Company and the Parent Company on 1 February 2018, the Company only obtained RMB3.9 billion funding from the loan. Accordingly, approximately RMB0.2 billion of the proceeds from the Parent Company Subscription and the proposed H Shares Issue will be allocated to fund the short-fall.

(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 consolidate existing operation level of the Meilan Airport and to improve safety operation of the Meilan Airport, it is expected that the Company will invest approximately RMB0.15 billion in maintenance of the terminal buildings of Meilan Airport in 2019.

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.

2. Approximately 33% 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 (基礎雲平台), 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.

LETTER FROM THE BOARD

3. Approximately 29% shall be used for acquisition of 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 construction planning of the Phase II Building Project, the estimated construction costs of the nine (9) staff quarters in the phase I project of the Phase II Building Project were approximately RMB0.34 billion. The consideration for acquisition of such staff quarters is estimated to be approximately RMB0.35 billion, including the 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 with Hainan Development and Reform Commission (海南省發展和改革委員會) and the Parent Company has confirmed that 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.

4. Approximately 9% 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 9% of the proceeds (approximately RMB0.1 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).

H. 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.

I. INFORMATION OF THE COMPANY, THE PARENT COMPANY AND HAINAN HNA

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.

Hainan HNA is principally engaged in investment, construction and management of properties and infrastructures. Based on available information, the Company is held as to 50.19% by the Parent Company, which is in turn held as to 15.96% by HNA Airport Group Co., Ltd. (海航機場集團有限公司), which is a holding subsidiary of Hainan HNA.

LETTER FROM THE BOARD

J. PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS

Subject to the approval by the Shareholders at the Annual General Meeting, the Board proposes to appoint Mr. Wang Hong (王宏先生) (“**Mr. Wang Hong**”), as an executive Director with effect from the date of the Annual General Meeting.

In order to allow the Shareholders to conduct the vote in respect of the proposed appointment, the biographical details of Mr. Wang Hong are set out below pursuant to the Rule 13.51(2) of the Listing Rules.

Mr. Wang Hong, aged 51, obtained a bachelor’s degree from Central China Normal University (華中師範大學) in Wuhan City, the PRC, majoring in human resources. From August 1985 to January 2003, he successively worked as a wireless correspondent at Yichang Station of Civil Aviation* (民航宜昌站), the project leader of construction headquarters of Yichang Sanxia Airport* (宜昌三峽機場建設指揮部), the deputy director and then the director of the smart center of Yichang Sanxia Airport* (宜昌三峽機場智慧中心), the manager of Ground Service Branch of Yichang Sanxia Airport Co., Ltd.* (宜昌三峽機場有限責任公司地勤服務分公司) and the director of the command center of Yichang Sanxia Airport Co., Ltd.* (宜昌三峽機場有限責任公司指揮中心). Mr. Wang Hong also successively held various positions in Yichang Sanxia Airport Co., Ltd.* (宜昌三峽機場有限責任公司), as the assistant to the general manager, the deputy general manager, the general manager and then the chairman of the board from January 2003 to July 2017. From July 2017 to March 2018, he successively served as the president of Sanya Phoenix International Airport Co., Ltd.* (三亞鳳凰國際機場有限責任公司) and the deputy head of the South China Sea modern logistics preparation working group of HNA Modern Logistics Group Co., Ltd.* (海航現代物流集團有限公司). Mr. Wang Hong has worked as the deputy general manager of Haikou Meilan International Airport Co., Ltd.* (海口美蘭國際機場有限責任公司) since March 2018.

Save as disclosed above and as at the date of this circular, Mr. Wang Hong (i) has not held any other directorships in listed public companies in the last three years; (ii) does not have any relationship with any other Directors, supervisors and senior management of the Company or substantial shareholders or controlling shareholders of the Company; and (iii) was not interested in any shares of the Company as defined in Part XV of the SFO. There is no information in relation to the appointment of Mr. Wang Hong as an executive Director which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Wang Hong will be appointed as an executive Director for a term of three years commencing on the grant of approval at the Annual General Meeting and subject to re-election in accordance with the Articles of Association or pursuant to the Listing Rules. The remuneration of Mr. Wang Hong as an executive Director will be determined according to the remuneration policies as approved at the Annual General Meeting.

LETTER FROM THE BOARD

Subject to the approval by the Shareholders at the Annual General Meeting, the Board proposes to appoint Mr. Wang Hexin (王賀新先生) (“**Mr. Wang Hexin**”) as an executive Director with effect from the date of the Annual General Meeting.

In order to allow the Shareholders to conduct the vote in respect of the proposed appointment, the biographical details of Mr. Wang Hexin are set out below pursuant to the Rule 13.51(2) of the Listing Rules.

Mr. Wang Hexin, aged 45, obtained a bachelor’s degree from Renmin University of China (中國人民大學) in Beijing City, the PRC, majoring in information management. From July 2003 to January 2008, Mr. Wang Hexin successively worked as the deputy general manager, the general manager, the vice chairman and then the chairman of Hainan Xinglong Hot Spring Kangle Garden Co., Ltd.* (海南興隆溫泉康樂園有限公司), and the assistant to executive president of HNA Group Co., Ltd.* (海航集團有限公司). From January 2008 to July 2009, he successively served as the vice chairman and president, and then the chairman of HNA Property Holding (Group) Co., Ltd.* (海航置業控股(集團)有限公司), and concurrently served as the general manager of infrastructure management department of HNA Group Co., Ltd.* (海航集團有限公司). From July 2009 to April 2013, Mr. Wang Hexin successively worked as the executive chairman of HNA Retailing Holding Co., Ltd.* (海航商業控股有限公司), the executive vice president and then the chief executive officer of HNA Industry Group Co., Ltd.* (海航實業集團有限公司), and the senior vice president and then the vice president of finance investment department of HNA Industry Holding (Group) Co., Ltd.* (海航實業控股(集團)有限公司). From April 2013 to June 2015, he served as the vice president of finance investment department of HNA Property Holding (Group) Co., Ltd.* (海航置業控股(集團)有限公司) and then the vice president of HNA Property Holding (Group) Co., Ltd.* (海航置業控股(集團)有限公司). Mr. Wang Hexin also served as the vice president of Hainan Air Travel Transportation Service Co., Ltd.* (海南航旅交通服務有限公司) from June 2015 to May 2018. He has served as the venture investment president of the Company since May 2018.

Save as disclosed above and as at the date of this circular, Mr. Wang Hexin (i) has not held any other directorships in listed public companies in the last three years; (ii) does not have any relationship with any other Directors, supervisors and senior management of the Company or substantial shareholders or controlling shareholders of the Company; and (iii) was not interested in any shares of the Company as defined in Part XV of the SFO. There is no information in relation to the appointment of Mr. Wang Hexin as an executive Director which is required to be disclosed pursuant to Rules 13.5 1(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Wang Hexin will be appointed as an executive Director for a term of three years commencing on the grant of approval at the Annual General Meeting, subject to re-election in accordance with the Articles of Association or pursuant to the Listing Rules. The remuneration of Mr. Wang Hexin as an executive Director will be determined according to the remuneration policies as approved at the Annual General Meeting.

LETTER FROM THE BOARD

K. PROPOSED APPOINTMENT OF AN INDEPENDENT REPRESENTATIVE SUPERVISOR

Subject to the approval by the Shareholders at the Annual General Meeting, the Board proposes to appoint Mr. Liao Hongyu (廖虹宇先生) (“**Mr. Liao**”) as an independent representative supervisor of the Company with effect from the date of the Annual General Meeting.

In order to allow the Shareholders to conduct the vote in respect of the proposed appointment, the biographical details of Mr. Liao are set out below pursuant to the Rule 13.51(2) of the Listing Rules.

Mr. Liao, aged 40, obtained a bachelor’s degree majoring in economic law from Southwest University of Political Science & Law* (西南政法大學) in Chongqing City, the PRC. Mr. Liao successively served as various roles in HNA Group Co., Ltd.* (海航集團有限公司). He served as a legal assistant from October 2001 to May 2004, as a senior legal counsel from May 2004 to October 2007 and as the legal manager from October 2007 to October 2009. He also served as the deputy general manager of comprehensive management department and the deputy general manager of risk control department of HNA Tourism Management Holding Co., Ltd.* (海航旅遊管理控股有限公司) from October 2009 to January 2010 and from January 2010 to August 2010, respectively. From July 2010 to April 2012, Mr. Liao served as the deputy general manager of compliance department of Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600221.SH). Mr. Liao successively held various positions in HNA Tourism Group Co., Ltd.* (海航旅遊集團有限公司), including as the assistant to president from April 2012 to April 2015, as the chief risk control officer from April 2015 to December 2015 and as the risk control director from December 2015 to January 2016. Mr. Liao also worked as the president of HNA Innovation Co., Ltd.* (海航創新股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600555.SH), from January 2016 to February 2017 and as the chairman of the board and the president of Sanya Phoenix International Airport Co., Ltd.* (三亞鳳凰國際機場有限責任公司) from February 2017 to April 2017. He also served as the chairman of the board and the president of HNA Airport Group Co., Ltd.* (海航機場集團有限公司) from April 2017 to January 2018. Mr. Liao was elected as an executive Director at the annual general meeting of the Company held on 30 January 2018 and he served as the chairman of the Board, the authorized representative of the Company and an executive Director from January 2018 to October 2018. He also served as the vice chairman of the Board from October 2018 to March 2019 and has served as a non-executive Director since October 2018.

Save as disclosed above and as at the date of this circular, Mr. Liao (i) has not held any other directorships in listed public companies in the last three years; (ii) does not have any relationship with any other Directors, supervisors and senior management of the Company or substantial shareholders or controlling shareholders of the Company; and (iii) was not interested in any shares of the Company as defined in Part XV of the SFO. There is no information in relation to the appointment of Mr. Liao as an independent representative supervisor of the Company which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Liao will be appointed as an independent representative supervisor of the Company for a term of three years commencing on the grant of approval at the Annual General Meeting, subject to re-election in accordance with the Articles of Association or pursuant to the Listing Rules. The remuneration of Mr. Liao as an independent representative supervisor of the Company will be determined according to the remuneration policies as approved at the Annual General Meeting.

LETTER FROM THE BOARD

L. PROPOSED GRANT OF GENERAL MANDATES TO ISSUE SHARES

The following proposed resolution will seek Shareholders' approval as a special resolution at the Annual General Meeting:

“THAT:

- (1) there be granted to the Board, an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares, separately or at the same time, and make or grant offers, agreements, purchase options or warrants, subject to the following conditions:
 - (a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements, purchase options or warrants which might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares, allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Board pursuant to such mandate, shall not exceed:
 - (i) in the case of Domestic Shares, 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue at the date of passing this resolution; and
 - (ii) in the case of H Shares, 20 per cent of the aggregate nominal amount of H Shares of the Company in issue at the date of passing this resolution; and
 - (c) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC, the Securities Law of the PRC and relevant laws and regulations, and the Listing Rules (as the same may be amended from time to time) and only if all necessary approvals (if required) from the CSRC and/or other relevant PRC governmental authorities are obtained; and
- (2) contingent on the Board resolving to issue shares pursuant to sub-paragraph (1) of this resolution, the Board be authorised to:
 - (a) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including (without limitation to):
 - (i) determine the class and number of shares to be issued;
 - (ii) determine the issue price of the new shares;

LETTER FROM THE BOARD

- (iii) determine the opening and closing dates of the new issue;
 - (iv) determine the use of proceeds of the new issue;
 - (v) determine the class and number of new shares (if any) to be issued to the existing shareholders;
 - (vi) make or grant such offers, agreements or options as may be necessary in the exercise of such powers; and
 - (vii) in the case of an offer or allotment of shares to the shareholders of the Company, exclude shareholders who are resident outside the PRC or the Hong Kong on account of prohibitions or requirements under overseas laws or regulations or for some other reason(s) which the Board considers necessary or expedient; and
- (b) increase the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this resolution, register the increased capital with the relevant authorities in the PRC and make such amendments to the Articles of Association as it thinks fit so as to reflect the increase in the registered capital of the Company; and
 - (c) make all necessary filings and registrations with the PRC, Hong Kong and/or other relevant authorities.

For the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
- (b) the expiration of the 12-month period following the passing of this resolution; or
- (c) the date on which the authority set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting.”

LETTER FROM THE BOARD

M. ANNUAL GENERAL MEETING AND CLASS MEETINGS

The Annual General Meeting and Class Meetings will be convened to consider and, if thought fit, approve, among other things, (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; (ii) the Termination Agreement and the termination of the Hainan HNA Subscription; (iii) the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions); (iv) the proposed appointment of executive Directors; (v) the proposed appointment of an independent representative supervisor of the Company and (vi) the proposed grant of general mandates to issue shares. 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 Annual General Meeting and the Domestic Shareholders Class Meeting for approving (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, the Termination Agreement and the Extension Resolutions, and no Shareholder is required to abstain from voting to approve the relevant resolution(s) at the Annual General Meeting and the Class Meetings.

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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription Extension Resolutions.

Set out on pages 68 to 82 of this circular are the notices convening the Annual General Meeting and the Class Meetings to be held at 10:00 a.m. on Monday, 3 June 2019 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC.

Pursuant to Rule 13.39(4) of the Listing Rules, voting at the Annual General Meeting and the Class Meetings will be conducted by poll. The poll results will be published on the websites of the Company and of the Stock Exchange following the Annual General Meeting and the Class Meetings.

LETTER FROM THE BOARD

Forms of proxy for use at the Annual General Meeting and the Class Meetings are accompanied with this circular. Whether or not you are able to attend the Annual General Meeting and the Class Meetings, you are requested to complete and return the accompanying forms 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 Annual General Meeting and the Class Meetings. Completion and return of the forms of proxy shall not preclude you from attending and voting at the Annual General Meeting and the Class Meetings or any adjourned meetings should you so desire.

The reply slips for the Annual General Meeting and the Class Meetings are also enclosed with this circular. You are reminded to complete and sign the reply slips and return the signed reply slips to the office of the secretary to the Board of the Company at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC no later than Tuesday, 14 May 2019 in accordance with the instructions printed thereon.

N. BOOK CLOSURE

The Company's register of members will be closed from Saturday, 4 May 2019 to Monday, 3 June 2019 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the Annual General Meeting and the Class Meetings, 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 3 May 2019.

O. RECOMMENDATIONS

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement are on normal commercial terms and 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 resolution set out in the notices of the Annual General Meeting and the Class Meetings for approval of the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder.

The Board is of the opinion that the terms and conditions of the Termination Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the resolution set out in the notices of the Annual General Meeting and the Class Meetings for approval of the Termination Agreement and the termination of the Hainan HNA Subscription.

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.

LETTER FROM THE BOARD

Each of Mr. Wang Zhen, Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Yu Yan and Mr. Xing Zhoujin is interested in (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription 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.

The Directors also believe that all other resolutions proposed for consideration and approval by the Shareholders at the Annual General Meeting and the Class Meetings are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders vote in favour of all other resolutions to be proposed at the Annual General Meeting and the Class Meetings as set out in the notices of Annual General Meeting and the Class Meetings.

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 Annual General Meeting and the Class Meetings regarding (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions, and the letter from Octal Capital Limited containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions, details of which are set out on pages 30 to 31 of this circular. None of the members of the Independent Board Committee has any material interest relating to (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription 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
Regal International Airport Group Company Limited*
Wang Zhen
Chairman

Hainan, the PRC
18 April 2019

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

瑞港國際機場集團股份有限公司
Regal International Airport Group Company Limited*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 357)

18 April 2019

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES
SUBSCRIPTION AGREEMENT
AND
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION**

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions that are subject to the Independent Shareholders' approval, details of which are set out in the letter from the Board in the circular to the Shareholders dated 18 April 2019 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us regarding (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement are on normal commercial terms, and the Parent Company Subscription 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 Parent Company Subscription 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 (i) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription 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 THE INDEPENDENT FINANCIAL ADVISER

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 18 April 2019 in respect of the Major and Connected Transaction prepared for the purpose of inclusion in this circular.



Octal Capital Limited
801–805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

18 April 2019

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES
SUBSCRIPTION AGREEMENT
AND
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement entered into between the Company and the Parent Company; and (ii) the Parent Company Subscription Extension Resolutions, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular dated 18 April 2019 (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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement

The Board announces that on 21 December 2018, the Company and the Parent Company entered into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation, pursuant to which, the Company and the Parent Company mutually agreed to make the following amendment to the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement:

The Parent Company agreed to subscribe for the 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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Agreement are more than 25% and the consideration exceeds HK\$10,000,000, the Parent Company Subscription constitutes non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules.

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 proposed acquisition of the Phase I Runway Assets (“**Runway Acquisition**”) contemplated under the Parent Company Domestic Shares Subscription Agreement are more than 25% but less than 100%, such transaction constitutes major transaction of the Company under Chapter 14 of the Listing Rules.

Accordingly, the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder are subject to reporting, announcement and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

(ii) The Extension Resolutions

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 other things, the Parent Company Subscription and the New H Shares Issue and the circular of the Company dated 6 March 2018 and the poll results announcement of the Company dated 20 March 2018 in relation to, among other things, the extension of validity period of Shareholders’ resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.

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, details of the comments and the chronological events are set out in the Letter from the Board.

As at the Latest Practicable Date, CSRC is still reviewing the application submitted by the Company. 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 and the New H Shares Issue. Such timetable is based on the assumption that the Company can obtain the CSRC approval for the New H Shares Issue as expected and will be subject to adjustment based on the 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 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 December 2018, in order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription contemplated thereunder and the New H Shares Issue, the Board proposed to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

convene the EGM and the Class Meetings for the Shareholders to consider, among other things, the Extension Resolutions (including 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 and the New H Shares Issue for a further period of nine (9) months, i.e. from 26 December 2018 to 25 September 2019 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.

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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription 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) and a major and connected transaction in relation to the loan agreement and the loan allocation agreement and extension of validity period of shareholders' resolutions and authorization granted to the Board in relation to the parent company subscription, the Hainan HNA subscription and the new H shares issue (details can be referred to the circular of the Company dated 6 March 2018) (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 transactions. 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE 2018 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

In arriving at our opinion in relation to the Parent Company Subscription pursuant to the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, we have considered the following principal factors and reasons:

I. Background and reasons for and the benefits of entering into, among others, the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement

- ***Background of the Company***

The Group is principally engaged in both aviation and non-aviation businesses. Its aviation business mainly consists of provision of terminal facilities, ground handling services and passenger services, and its non-aviation business mainly includes leasing of the commercial and retail outlets at Meilan Airport, franchising of the airport-related business, leasing of the advertising spaces and parking lots, provision of cargo handling services and sales of consumable goods.

- ***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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- ***The 2018 Supplemental Parent Company Domestic Shares Subscription Agreement***

Reference is made to the announcements of the Company dated 30 December 2016 and 27 April 2017 and the circular of the Company dated 28 April 2017 in relation to, among other things, the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which the Parent Company agreed to subscribe for the 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), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I.

The Company has received a letter from the Parent Company where the Parent Company asks to negotiate with the Company about reducing the scale of the Parent Company Subscription as it has made adjustment to its fund allocation on the Parent Company Subscription according to its latest investment plan for the year 2019 considering that it takes more time than expected to get approval from CSRC in respect of the New H Shares Issue.

The Board announces that on 21 December 2018, the Company and the Parent Company entered into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation, pursuant to which, the Company and the Parent Company mutually agreed to make the following amendment to the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement:

The Parent Company agreed to subscribe for the 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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I.

- ***Reasons for and benefits or entering into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement***

As it takes more time than expected to get approval from CSRC in respect of the New H Shares Issue and the Company has received a letter from the Parent Company where the Parent Company asks to negotiate with the Company about reducing the scale of the Parent Company Subscription as it has made adjustment to its fund allocation on the Parent Company Subscription according to its latest investment plan for the year 2019, the Company and the Parent Company entered in to the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation to make amendment to the Parent Company Domestic Shares Subscription Agreement and 2017 Supplemental Parent Company Domestic Shares Subscription Agreement. The Directors consider that the terms and conditions of the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement have been negotiated on an arm's length basis, and are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Taking into consideration of the amendment made to the Parent Company Subscription by the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, it is noted that the gross proceeds from the Parent Company Subscription and the proposed New H Shares Issue will be narrowed down from approximately RMB3,546,000,000 (equivalent to approximately HK\$3,958,473,000) to RMB1,246,000,000 (equivalent to approximately HK\$1,390,935,000). The most significant changes on the use of proceed include (i) reduction of the investment for acquisition of staff quarter and other associated facilities from approximately RMB1.321 billion to RMB0.35 billion; (ii) abort of the investment on the development, optimization and expansion of the operation and business of direct wholly-owned subsidiaries of the Company for approximately RMB0.483 billion and (iii) reduction of the investment in the maintenance of the terminal buildings of Meilan Airport from approximately RMB0.577 billion to RMB0.15 billion. According to our discussion with the management of Company, the management agrees that (i) the implementation of Airport Project and (ii) introducing innovative technology and upgrading Meilan Airport to a “smart airport” are in the first-priority to be achieved. The reduction of the use of proceed mainly resulted in suspending the plan to acquire the office buildings, conference centres, amenities centres and training centres and only acquiring staff quarters and other associated facilities. In addition, as there was a shift of business priority, lesser investment was allocated to the investment on the operation and business of direct wholly subsidiaries of the Company and the maintenance of the terminal buildings of Meilan Airport. The Directors considered that the reduction of gross proceed is aligned with the current investment plan of the fund allocation from Parent Company, and the adjustment on the use of proceed is based on the priority of the project and the effect on the existing operation, business and financial position of the Group. The Directors consider that the adjustment on the use of proceed do not and will not have any material adverse effect on the existing operation business and financial position of the Group and in the interests of the Company and the Shareholders as a whole.

We have reviewed the terms of the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and noted that except for subscription size of the new Domestic Shares, other terms remain the same as the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement. Also, we have reviewed the price of the Company’s H Shares during the past three years starting from the announcement in relation to, among others, the Parent Company Subscription and New H Shares Issue dated 30 December 2016, we note that the average closing price of the Company’s H Shares has been moving within the range from HK\$6.2 to HK\$8.3 per Share during November 2017 to January 2019 in general except for April and May 2018. We also note that the issue price of the Domestic Shares of RMB8.0 represents a premium over the closing price of the Company’s H Shares on 11 April 2019 of HK\$6.41 and also represent a premium over the closing price on 27 April 2017 when the Company announced the Supplemental Parent Company Domestic Share Subscription Agreement, thus we consider the level of the Issue Price is fair and reasonable.

In light of the above, we concur with the Directors’ view that the terms and conditions of the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement have been negotiated on an arm’s length basis, and are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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II. Possible financial effects on the Parent Company Subscription to the Group

Earnings

Reference is made to the prospectus of the Company dated 6 November 2002 (the “**Prospectus**”), the Company and the Parent Company entered into an agreement on 25 October 2002 (the “**Runway Agreement**”) in respect of the operation and maintenance of the runway at Meilan Airport and other integrated services provided to airline customers in consideration for a right to 25% of certain of the aircraft fees, passenger charges and basic ground handling service fees (the “**Service Fees**”). The parties had confirmed in the Runway Agreement that the Service Fees comprising the aircraft movement fees (for domestic, Hong Kong, Macau and foreign airlines), the passengers charges (for domestic airlines) and the basic ground handling services fees (for Hong Kong, Macau and foreign airlines), have been shared by the Company and the Parent Company on such ratio as the CAAC or any other regulatory authorities may from time to time prescribe, which as at the date of the Runway Agreement and up to the Latest Practicable Date has been on the basis of 75% to the Company and 25% to the Parent Company.

Upon completion of the Parent Company Subscription (which included the acquisition of Phase I Runway Assets), there is no immediate material impact on earnings of the Group, while the above Service Fees’ sharing arrangement in the current respective ratio of 75% versus 25% between the Company and the Parent Company would be adjusted, subject to the final decision of and approval by the CAAC. It is expected that as a result of completion of the acquisition of Phase I Runway Assets, the current 25% share of Service Fees by the Parent Company would be greatly reduced in the future, and in turn further contribute to the Group’s earnings base in the long run, but the quantification of such impact will depend on the future operating performance of the Group following completion of the acquisition of Phase I Runway Assets. For Independent Shareholders’ reference, the 25% share of the Service Fees received by the Parent Company had amounted to approximately RMB190.5 million, RMB250.3 million and RMB149.6 million for each of the two financial years ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Working capital

Base on the interim report of the Company for the six months ended 30 June 2018 (the “**Interim Report**”), the Group’s deficiency of working capital (i.e. total current assets of approximately RMB607.3 million, less total current liabilities of approximately RMB2,787.0 million) and cash at banks and on hand as at 30 June 2018 amounted to approximately RMB2,179.7 million and RMB210.9 million, respectively, representing a current ratio of approximately 0.22. This showed that the Group’s working capital position was relatively tighter at that time.

As the total consideration for the acquisition of Phase I Runway Assets will be fully settled by allotment and issue of new Domestic Shares to the Parent Company, it would not exert any considerable immediate pressure on the working capital of the Group. Immediately after completion of the Parent Company Subscription, the Group’s working capital position would be enhanced as a result of the net cash proceeds received from the Parent Company.

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Net asset value

It is currently expected that there will not be any material adverse impact of the net asset value of the Group following the completion of the Parent Company Subscription, as the increase in the value of the non-current assets attributable to the Phase I Runway Assets will be funded by the allotment and issue of new Domestic Shares as the consideration for the Runway Acquisition, whilst the Parent Company Subscription would generate meaningful cash resources and enhance the net asset value of the Group.

According to the Interim Report, the Group had consolidated net asset value (excluding non-controlling interests) of approximately RMB4,368.9 million as at 30 June 2018, representing a net asset value per Share of approximately RMB9.23 (equivalent to approximately HK\$10.31). The Subscription Price of RMB8.00 per new Domestic Share would represent a slight discount on the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately RMB9.23 as at 30 June 2018. On such basis, it is anticipated that the total net asset value of the Group as well as the net asset value per Share would be remained stable, immediately after the completion of the Parent Company Subscription.

Gearing position

As at 30 June 2018, the Group's interest-bearing borrowings and net asset value amounted to approximately RMB1,937.0 million and RMB4,368.9 million respectively, and hence a relatively moderate gearing ratio (which is calculated as total interest-bearing borrowings, corporate bonds and long-term payables divided by the net asset value of the Group) of approximately 44.3%. As the consideration for the Runway Acquisition will be settled by allotment and issue of new Domestic Shares to the Parent Company, it is currently anticipated that the gearing position of the Group would decrease to a lower level, because its net asset value would be enhanced following completion of the Parent Company Subscription as a whole.

In light of the foregoing financial effects of the Parent Company Subscription (which included the Runway Acquisition) on the earnings, working capital, net asset value and gearing position of the Group, we are of the view that the Parent Company Subscription (which included the Runway Acquisition) would have positive impact on the Group's financial position. Therefore, we are of the view that the Parent Company Subscription (which included the Runway Acquisition) is in the interests of the Company and the Shareholders as a whole.

III. Potential dilution effect on the interests of other public Shareholders

Based on the shareholding structure of the Company as at the Latest Practicable Date as set out in the Letter from the Board, 132,570,000 H Shares were held by public Shareholders which represent approximately 28.01% of the issued share capital of the Company. Immediately after the issuance of Subscription Shares I and the New H Shares, the corresponding shareholding of public Shareholders will be diluted to approximately 15.14%. In view of such scenario, the shareholding dilution effect appears to be pretty material, while such dilution effect is inevitable on the grounds that the Company (i) would take up full control over the Phase I Runway Assets without expending any cash resources or incur any liability of the Group so as to alleviate its reliance on the operational support by the controlling Shareholder in the long-term future; and (ii) would have received considerable amount of net proceeds from allotment and issue of the Subscription share I to the Parent Company.

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However, the Independent Shareholders should note that dilution effect on earnings per Share and shareholding is inevitable for the allotment and issue of new Domestic Shares and New H Shares. Having considered (i) the benefit of the Runway Acquisition, (ii) the possible enhancement and broadening of shareholders' capital base of the Company upon completion of the Parent Company Subscription and (iii) the expected increase in the net asset value per Share upon completion of the Parent Company Subscription, we consider that the dilution effect on the shareholding is fair and reasonable, so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above principal factors and reasons as discussed above, we consider that the entering into of the 2018 Supplemental Parent Company Domestic Shares Subscription 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 Parent Company Subscription 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 to approve the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder.

B. THE PARENT COMPANY SUBSCRIPTION 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 Parent Company Subscription Extension Resolutions, we have considered the following principal factors and reasons:

1. Reasons for and benefit of the Parent Company Subscription 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 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and 2018 Supplemental Parent Company Domestic Shares Subscription Agreement), 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). As mentioned in the Letter from the Board, the Company's PRC legal advisors advised that the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement which are amended by the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement remain valid and legally binding on the parties thereto.

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According to the section headed “G – Use of Proceeds” of the circular of the Company dated 28 April 2017, the 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 Runway Acquisition 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 Runway Acquisition, 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 and the proposed New H Shares Issue will improve capital structure, strengthen the financial risk resilience, enhance the 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).

According to the operation data published in the official website of Meilan Airport, the summary of historical passenger throughput, historical cargo throughput and aircraft movement from 2016 to 2018 is shown in the table below.

Year	Historical passenger throughput <i>(Unit: million people/year)</i>	Historical cargo throughput <i>(Unit: 1,000 ton/year)</i>	Aircraft movement <i>(Unit: 1,000 time/year)</i>
2016	18.80	274.53	135.52
2017	22.58	299.18	157.54
2018	24.12	324.70	165.19
Annual average growth rate (2016–2018)	13.5%	8.8%	10.6%
Annual average growth rate (2005–2015)	8.7%	8.4%	7.7%

According to the appendix headed “Appendix III – Traffic Study Report” of the circular of the Company dated 28 April 2017 regarding the matter from the annual rate of growth (from 2005 to 2015), the growth rate of passenger throughput, cargo throughput and aircraft movement is 8.7%, 8.4% and 7.7% respectively. As indicated in the above table, the demand of Meilan Airport has been on an increasing trend, with the passenger throughput at approximately 18.80 million, 22.58 million and 24.12 million for 2016, 2017 and 2018, respectively, with a cumulative annual growth rate of 13.5%; whilst the cargo throughput was approximately 274,530 tonnes, 299,180 tonnes and 324,700 tonnes for 2016, 2017 and 2018, respectively, with a cumulative annual growth rate of 8.8%; and the aircraft movement was approximately 135,523 times,

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157,735 times and 165,186 times for 2016, 2017 and 2018, respectively, with a cumulative annual growth rate of 10.6%. Base on the above information for the increasing demand of Meilan Airport, it is expected that the prospect of Phase I Runway Assets has been improved and no less favourable than that of the time when Company first proposed the Runway Acquisition. Thus, we are of the view that the Runway Acquisition remains fair and reasonable as the Company first proposed.

As described by the management of Company in the Interim Report, the current development strategy of the Company is to gradually participate in business such as export of operation and management to domestic and foreign airports, as well as expansion in upstream and downstream industry chain of airport, which expand the operating scale of the Group. Taking the opportunity from the “One Belt, One Road (一帶一路)” initiative, the management expected to enrich and adjust its industrial structure through the Runway Acquisition to build the Group into a global leading integrated service provider in airport investment, operation and management.

We are of the view that the 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 Parent Company Subscription Extension Resolutions in order to continue the Runway Acquisition.

For (i) background of and reasons for and benefits of entering into, among others, the Parent Company Domestic Shares Subscription Agreement, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement; (ii) principal terms and conditions of the Parent Company Domestic Shares Subscription Agreement, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 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 as in the paragraph headed “Potential dilution effect on the interests of other public Shareholders” in our letter of this circular.

Progress of the CSRC approval

As set out in the Letter from the Board, as at the Latest Practicable Date, as CSRC is still 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 and the New H Shares Issue before the expiry of the validity period of the Shareholders’ resolutions on 25 December 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.

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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 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 due to the restrictions contained in article 6 of Regulation of Domestic Investment Civil Aviation (Trial Implementation)* (《國內投資民用航空業規定(試行)》(民航總局令第148號)). The Parent Company has issued a letter to the Company, respectively, confirming in writing that the Parent Company Domestic Shares Subscription Agreements will continue to remain valid and legally binding on the parties thereto.

In consideration of the Independent Shareholders' resolutions relating to Parent Company Subscription and the New H Shares Issue, which were approved and passed by the Independent Shareholders at the 2017 EGM and the 2017 Class Meetings respectively, the validity period of these Shareholders' resolutions will expire on 25 December 2018. The Board proposes to convene the EGM and the Class Meetings for Independent Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolution).

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 Agreements; and (v) ranking of the Subscription Shares I, 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 Parent Company Subscription 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

Subscription Price

As disclosed in the 2017 EGM Circular, the subscription price of each of the Parent Company 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 43.8% of the closing price of HK\$6.21 per H Share as quoted on the Stock Exchange on 20 December 2018, being the last trading day in the H Shares immediately before the date on which the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement was signed ("**Last Trading Day**");
- (ii.) a premium of approximately 38.5% of the closing price of HK\$6.446 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;

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- (iii.) a premium of approximately 35.5% of the closing price of HK\$6.59 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 39.3% of the closing price of HK\$6.41 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v.) a premium of approximately 34.3% of the closing price of HK\$6.65 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
- (vi.) a premium of approximately 34.5% of the closing price of HK\$6.64 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 41.7% of the closing price of HK\$6.3 per H Share as quoted on the Stock Exchange on the 21 December 2018, being the date of the announcement of the Company in relation to the Extension Resolutions (“**Extensions Announcement Day**”);
- (viii.) a premium of approximately 40.3% of the average closing price of approximately HK\$6.364 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 36.6% of the average closing price of approximately HK\$6.535 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 31.2% of the average closing price of approximately HK\$6.805 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 2017 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 1.45 times and 11.96 times, which were higher than that of the Company

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implied by the Subscription Price of RMB8.00 (equivalents to HK\$8.93) at approximately 0.65 times and 5.53 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 5.38 times) and net asset value (approximately 5.23 times) of Beijing Capital when compared to that of the Company.

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 2017 up to the Extensions Announcement Day, being a period approximately 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 the period over two 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 eleven transactions are eligible and sufficient for us to make a meaningful comparison and analysis. Base on the aforesaid selection criteria, we consider that the list of the Comparable Issues is an exhaustive list and 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 Extension Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %	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 Extension Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %
Shanghai Fudan Microelectronics Group Company Limited (1385)	13/12/2018	5.73	(19.73)	(19.91)
Xinte Energy Co., Ltd. (1799)	13/11/2018	7.78	11.96	16.71
Sinopharm Group Co. Ltd. (1099)	11/7/2018	24.97	(5.61)	(3.05)
Jiangsu Nandasoft Technology Company Limited (8045)	11/4/2018	0.147	0.00	8.11
Xi'an Haitiantian Holdings Co., Ltd. (8227)	10/10/2017	0.21	(96.65)	(96.44)
Harbin Electric Company Limited (1133)	4/9/2017	4.03	20.96	20.65

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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 Extension Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %	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 Extension Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %
Chongqing Rural Commercial Bank Co., Ltd. (3618)	23/8/2017	5.75	20.54	19.89
Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (1543)	29/6/2017	1.43	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	10.34	11.01
Launch Tech Company Limited (2488)	28/3/2017	8.16	15.04	12.14
	Maximum		20.96	20.65
	Minimum		(96.65)	(96.44)
	Average		(3.60)	(2.57)
	Median		5.00	8.11
The Company (357)	As at Extension Announcement Day (21/12/2018)	8.00	41.7	40.3

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

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

- (i) the considerable premiums of approximately 43.8% and 41.7% represented by the Subscription Price to the closing price on the Pre-Agreement Day and Last Trading Day respectively lie well above the range of premiums/discounts represented by the Comparable Issues on the relevant last trading day immediately before the date on which the subscription agreement was signed and well above the average discount of approximately 3.60% thereof, which ranges very widely from a discount of approximately 96.65% to a premium of approximately 20.96%; and
- (ii) the considerable premium of approximately 38.5% and 40.3% represented by the Subscription Price over 5-day average closing price for the last five trading days up to the Last Trading Day and Extension Announcement Day and including the Last Trading Day and Extensions Announcement Day fall within the range of premiums/discounts represented by 5-day average closing prices of the Comparable Issues on the relevant last five consecutive trading days immediately before the date on which the subscription agreement was signed and lie well above the average discount of approximately 2.57% of the Comparable Issues, which also ranges very widely from a discount of approximately 96.44% to a premium of approximately 20.65%.
- (iii) among the eleven Comparable Issues indicated in the above table, more than half of the companies in the Comparable Issues issued their domestic shares at a premium of the domestic subscription price over the prevailing market price, which is represented by (i) the closing price of the H Share as at the last trading date immediately before the date on which the subscription agreement was signed and (ii) the average closing price of H shares for the last five consecutive trading days immediately before the date on which the subscription agreement was signed, respectively. Base on this observation, it is common for a company to issue its domestic shares at a premium of the domestic subscription price over the prevailing market price.

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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 12 months commencing from 1 December 2017 to the Last Trading Day and the subsequent period up to and including the Latest Practicable Date (the "Review Period") are shown as follows:

	Highest closing price HK'	Lowest closing price HK'	Average daily closing price HK'	Number of trading days in each month
2017				
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	8.46	7.90	8.25	21
April	11.28	8.69	10.23	19
May	10.36	9.53	9.93	21
June	9.71	7.50	8.73	20
July	7.64	7.30	7.50	21
August	7.50	7.07	7.28	23
September	7.12	6.58	6.90	19
October	6.99	6.62	6.81	21
November	7.36	6.74	7.03	22
December	7.12	6.21	6.60	19
2019				
January	6.78	6.29	6.59	22
February	6.83	6.69	6.75	17
March	7.32	6.56	6.94	21
April (up to and including the Latest Practicable Date)	6.81	6.41	6.66	8

Source: www.hkex.com.hk

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During most of the Review Period, the monthly average daily closing price of the H Shares had been fluctuating and ranged from HK\$6.60 to HK\$8.73 per H Share (the “**Price Range**”). The lowest closing price of the H Shares at approximately HK\$6.21 per H Share was recorded in December 2018. The Subscription Price at RMB8.00 (equivalents to HK\$8.93 as at the Latest Practicable Date) is lower than the maximum average daily closing price of approximately HK\$10.23 and HK\$9.93 per H Share in April 2018 and May 2018, respectively, except for these two months, The Subscription Price is higher than the monthly average daily closing price for each month 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 monthly average daily closing price for each month within the Price Range except for April 2018 and May 2018; 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 2017, 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 remains unchanged as agreed in the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement which was approved in 2017 EGM;
- (ii.) 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;
- (iii.) 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
- (iv.) 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 2017.

We consider that the terms of the Parent Company Subscription 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 THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the Parent Company Subscription 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 Parent Company Subscription Extension Resolutions to be proposed at the EGM and the Class Meeting.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
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 24 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 16 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 2016, 2017 and 2018 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 2016 published on 18 April 2017 (pages 167 to 272) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0418/LTN20170418381.pdf>);
- annual report of the Company for the year ended 31 December 2017 published on 18 April 2018 (pages 141 to 268) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0418/LTN20180418381.pdf>); and
- annual report of the Company for the year ended 31 December 2018 to be published on 18 April 2019 (pages 156 to 264).

2. INDEBTEDNESS

As at the close of business on 31 March 2019, 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>
Current	
Short-term borrowings	<u>379,450</u>
Total borrowings	<u><u>379,450</u></u>
Representing:	
– guaranteed and secured (a)	<u>379,450</u>
Total borrowings	<u><u>379,450</u></u>
Long-term corporate bonds – unguaranteed and unsecured (b)	<u><u>1,019,042</u></u>
Obligations under finance leases	
Obligations under finance leases without guarantee (c)	<u><u>62,023</u></u>
Obligations under entrusted loan	
Obligation under entrusted loan with guarantee (d)	27,073
Obligation under entrusted loan without guarantee (e)	<u>849,025</u>
Total indebtedness	<u><u>2,336,613</u></u>

- (a) On 19 October 2018, the Company entered into a working capital loan agreement with Haikou Branch of Nanyang Commercial Bank (China) Limited, whereby the Company obtained guaranteed borrowing of RMB379,450,000 with fixed interest rate of 6.8%.
- (b) 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 March 2019, the unrecognised financing charge amounted to RMB4,112,064. As at 31 March 2019, the payables for finance lease amounted to RMB66,022,975, of which RMB44,046,424 is due within one year.
- (d) Payable for entrusted loans represents the minimum payment of entrusted loan provided by Dongyin Financial Leasing (Tianjin) Co., Ltd.* (東銀融資租賃(天津)有限公司) to the Group less unrecognized finance charges. As at 31 March 2019, the balance of entrusted loans payable was RMB27,072,615, of which RMB27,072,615 is due within one year. Such loan was guaranteed by the Parent Company.
- (e) Payable for entrusted loans represents the minimum payment of entrusted loan provided by HNA Group Co., Ltd.* (海航集團有限公司) and Haikou Meilan International Airport Co., Ltd.* (海口美蘭國際機場有限責任公司) to the Group. As at 31 March 2019, the balance of entrusted loans payable was RMB849,024,625, of which RMB849,024,625 is due over one year.

At the close of business on 31 March 2019, 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 March 2019, 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 March 2019.

3. WORKING CAPITAL

As at 31 March 2019, the Group recorded net current liabilities of RMB2,573,335,710. Meanwhile, the Company and Parent Company are jointly constructing Meilan Airport Phase II Expansion Project, amongst which the capex of the part the Company being responsible to construct is estimated to be approximately RMB7.2 billion. The Company needs funding to support these construction projects and refinance of existing debts. The Company has received long-term interest-free loans of approximately RMB850 million from related parties in March 2019. Parent Company as the borrower and the Company as co-borrower have jointly obtained a syndicated loan facility of RMB7.8 billion (China Development Bank Limited as the mandated lead manager, ICBC Hainan Branch and ABC Hainan Branch as the participant banks) specifically to finance the construction of the Meilan Airport Phase II Expansion Project. Pursuant to the loan allocation agreement entered into between the Company and Parent Company, the Company was assigned the loan facility of RMB3.9 billion, which the Company has not yet drawn down. 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, including net proceeds from this subscription, 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 year ended 31 December 2018, the Group recorded an audited revenue of RMB1,703,824,329, and a net profit attributable to Shareholders of RMB622,041,325. Earnings per share was RMB1.31.

The Company considers that in 2019, 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 pilot free trade zone, free-trade port and international tourism island in Hainan 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)” and “Action Plan for the Construction of a Strong Civil Aviation Power in the New Era”, 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 extensively participate in industry authoritative accreditation including ACI (Airports Council International) 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 2019, the Company will focus on improving the aviation market development in the summer and autumn by focusing on the core indicators of improving flight execution rate and passenger load factor, and achieving a large increase in passenger throughput to lay a good and solid foundation for the completion of the annual production tasks. We will continue to promote the expansion of time and reasonable use of work, to solve the development bottleneck constraints, continue to promote the fine management of flights and promote the incremental development of the transformation and expand the scope of the check-in machine port and increase the construction of the international transit hub.

Non-aviation Business

In 2019, the Company will be proactively “identifying passengers and expanding throughput”, with the goal of creating a normalized brand marketing promotion, data-oriented development, accurate marketing, strengthening market research, clarifying passenger consumption needs, and establishing a daily marketing mechanism for marketing activities, fully improving the revenue from the non-aviation business of Meilan Airport.

In the meantime, the Company will also carry out brand promotion efforts to improve the service quality of Meilan Airport; optimize the financial structure to ensure a balanced funding; strengthen the safety management and control to smoothly realize the 21st safety operation year of Meilan Airport; push forward the infrastructure construction with all strength, ensuring the steady progress of every infrastructure project under construction at Meilan Airport, and the vigorous development of Meilan Airport Phase II expansion project, in an attempt to turn Meilan Airport into a comprehensive three-dimensional transportation center based in northern Hainan, covering the whole Hainan Province and linking Southeast Asia, by 2020.

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 2018, 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 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 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 Shareholders	Capacity	Class of shares	Number of ordinary shares	Percentage to domestic shares issued	Percentage to total issued share 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 issued 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 owner	94,343,000(L)	41.58%	19.94%
UBS Group AG (Note 3)	Security interests in shares and interest of controlled corporations	21,796,012(L)	9.61%	4.61%
UBS AG (Note 4)	Beneficial owner, security interests in shares and interest of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%

APPENDIX II**GENERAL INFORMATION**

Name of Shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
ARC Capital Holdings Limited (<i>Note 5</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
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%
JP Morgan 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%

Name of Shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Unique Element Corp. (Note 7)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi (Note 7)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited (Note 7)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%

Notes:

- Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
- 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.
- 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 3,937,143 shares through its security interest and hold 17,858,869 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. 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 440,000, 660,300, 16,749,100 and 9,469 long position shares in the Company, respectively.
- According to the disclosure of interest filed by UBS AG on the website of the HK 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) SA, UBS Global Asset Management (Hong Kong) Ltd 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.
- 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.
- Among the 13,607,488 shares in the Company, JP Morgan 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. Greenwood Asset Management Limited was wholly owned by Greenwood Asset Management Holdings Limited. 81% interest in Greenwood Assets Management Holdings Limited were held by Unique Element Corp., which in turn was wholly owned by Jiang Jinzhi. Greenwood Asset Management Limited held 13,549,000 shares 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 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 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 2018, 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 53, 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 2018 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (b) the Termination Agreement;
- (c) the loan agreement entered into among the Company, the Parent Company, China Development Bank Limited (國家開發銀行股份有限公司), 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) and 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) on 1 February 2018;
- (d) the loan allocation agreement entered into between the Company and the Parent Company on 1 February 2018;
- (e) the Parent Company Domestic Shares Subscription Agreement;
- (f) the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement;

- (g) the Hainan HNA Domestic Shares Subscription Agreement; and
- (h) the Supplemental Hainan HNA Domestic Shares Subscription Agreement.

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 10th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (c) the Termination Agreement;
- (d) the loan agreement entered into among the Company, the Parent Company, China Development Bank Limited (國家開發銀行股份有限公司), 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) and 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) on 1 February 2018;
- (e) the loan allocation agreement entered into the Company and the Parent Company on 1 February 2018;
- (f) the Parent Company Domestic Shares Subscription Agreement;
- (g) the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (h) the Hainan HNA Domestic Shares Subscription Agreement;
- (i) the Supplemental Hainan HNA Domestic Shares Subscription Agreement;
- (j) the letter from the Board, the text of which is set out on pages 6 to 29 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 2016, 2017 and 2018;
- (n) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (o) the circular of the Company dated 6 March 2018; and
- (p) this circular.

APPENDIX III DETAILS OF THE PARENT COMPANY 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 the 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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73).

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 2017 Supplemental Parent Company Domestic Shares Subscription Agreement dated 27 April 2017 and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 December 2018

Parties: (a) the Company; and
(b) the Parent Company.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

The cash subscription price for the 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 39.3% of the closing price of HK\$6.41 per H Share as quoted on the Stock Exchange on the Latest Practicable Day;
- (b) a premium of approximately 34.2% of the average closing price of approximately HK\$6.652 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 34.4% of the average closing price of approximately HK\$6.642 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 RMB202,487,125.

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;
- (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;

APPENDIX III DETAILS OF 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 proposed New H Shares Issue and within a term of nine months, from 26 December 2018 to 25 September 2019, 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

B. 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 24 million passengers in 2018. 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.

C. 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 constituted a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules.

APPENDIX III DETAILS OF THE PARENT COMPANY 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 constituted a major transaction of the Company under Chapter 14 of the Listing Rules and also constituted non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules.

D. REASONS FOR AND BENEFITS OF THE PARENT COMPANY SUBSCRIPTION AND THE 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 and the 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).

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

(a) Earnings

As disclosed in the annual report of the Group for the year ended 31 December 2018, the Group recorded a net profit attributable to Shareholders of the Company of approximately RMB622,041,325 for the year ended 31 December 2018. Upon the completion of the acquisition of the Phase I Runway Assets, it is expected that the net profit of the Group will increase.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

(b) Total assets and liabilities

As disclosed in the annual report of the Group for the year ended 31 December 2018, the Group had total assets of RMB8,866,140,984 as at 31 December 2018. 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, please refer to the circular of the Company dated 18 April 2019.

NOTICE OF THE ANNUAL GENERAL MEETING

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瑞港國際機場集團股份有限公司
Regal International Airport Group Company Limited*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 357)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Annual General Meeting**”) of Regal International Airport Group Company Limited (the “**Company**”) will be held at 10:00 am on Monday, 3 June 2019 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, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 18 April 2019 (the “**Circular**”).

BY WAY OF ORDINARY RESOLUTIONS

1. To consider and approve the work report of the board of directors of the Company (the “**Board**”) for the year ended 31 December 2018;
2. To consider and approve the work report of the board of supervisors of the Company for the year ended 31 December 2018;
3. To consider and approve the audited financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2018;
4. To consider and approve that the Company does not make final dividend distribution for the year ended 31 December 2018;
5. To consider and approve the annual remuneration proposal for the Company’s directors and supervisors for the year 2019;
6. To consider and approve the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the Company’s auditors, who will hold office until the conclusion of the next annual general meeting of the Company, and to authorise the chairman of the Board to determine their remunerations;
7. To consider and approve the appointment of Mr. Wang Hong (王宏先生) as an executive director of the Company, whose emolument will be determined with reference to the remuneration policies as approved at the Annual General Meeting, and to authorize the chairman of the Board or any executive director of the Company to execute a service contract or such other documents or supplemental agreements or deeds on behalf of the Company;

NOTICE OF THE ANNUAL GENERAL MEETING

8. To consider and approve the appointment of Mr. Wang Hexin (王賀新先生) as an executive director of the Company, whose emolument will be determined with reference to the remuneration policies as approved at the Annual General Meeting, and to authorize the chairman of the Board or any executive director of the Company to execute a service contract or such other documents or supplemental agreements or deeds on behalf of the Company;
9. To consider and approve the appointment of Mr. Liao Hongyu (廖虹宇先生) as an independent representative supervisor of the Company, whose emolument will be determined with reference to the remuneration policies as approved at the Annual General Meeting, and to authorize the chairman of the Board or any executive director of the Company to execute a service contract or such other documents or supplemental agreements or deeds on behalf of the Company; and
10. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) of the Company holding 5 per cent or more of the shares carrying the right to vote at such meeting.

BY WAY OF SPECIAL RESOLUTIONS

11. To consider and approve the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 December 2018 entered into between the Company and the Parent Company in relation to the subscription of (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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I;
12. To consider and approve the Termination Agreement dated 21 December 2018 entered into between the Company and Hainan HNA in relation to the termination of the Hainan HNA Subscription;
13. 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 December 2018 to 25 September 2019;
14. 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 December 2018 to 25 September 2019, 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 Circular):
 - 14.1. Class of Shares to be issued;
 - 14.2. Time of issuance;
 - 14.3. Size of issuance;

NOTICE OF THE ANNUAL GENERAL MEETING

- 14.4. Ranking of New H Shares;
- 14.5. Listing;
- 14.6. Method of issuance;
- 14.7. Target places;
- 14.8. Pricing mechanism;
- 14.9. Method of subscription;
- 14.10. Accumulated profits;
- 14.11. Use of proceeds;
- 14.12. Validity period of the resolutions;
- 15. 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 December 2018 to 25 September 2019;
- 16. 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 December 2018 to 25 September 2019. 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 ANNUAL GENERAL 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;

17. **“THAT:**

- (1) there be granted to the Board, an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares, separately or at the same time, or make or grant offers, agreements, purchase options or warrants, subject to the following conditions:
 - (a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements, purchase options or warrants which might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares, allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Board pursuant to such mandate, shall not exceed:
 - (i) in the case of Domestic Shares, 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue at the date of passing this resolution; and
 - (ii) in the case of H Shares, 20 per cent of the aggregate nominal amount of H Shares of the Company in issue at the date of passing this resolution; and

NOTICE OF THE ANNUAL GENERAL MEETING

- (c) the Board shall only exercise its power under such mandate in accordance with the Company Law of the PRC, Securities Law of the PRC and relevant laws and regulations, and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals (if required) from the China Securities Regulatory Commission and/or other relevant PRC governmental authorities are obtained; and
- (2) contingent on the Board resolving to issue shares pursuant to sub-paragraph (1) of this resolution, the Board be authorised to:
 - (a) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including (without limitation to):
 - (i) determine the class and number of shares to be issued;
 - (ii) determine the issue price of the new shares;
 - (iii) determine the opening and closing dates of the new issue;
 - (iv) determine the use of proceeds of the new issue;
 - (v) determine the class and number of new shares (if any) to be issued to the existing shareholders;
 - (vi) make or grant such offers, agreements or options as may be necessary in the exercise of such powers; and
 - (vii) in the case of an offer or allotment of shares to the shareholders of the Company, exclude shareholders who are resident outside the PRC or the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”) on account of prohibitions or requirements under overseas laws or regulations or for some other reason(s) which the Board considers necessary or expedient;
 - (b) increase the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this resolution, register the increased capital with the relevant authorities in the PRC and make such amendments to the Articles of Association as it thinks fit so as to reflect the increase in the registered capital of the Company; and
 - (c) make all necessary filings and registrations with the PRC, Hong Kong and/or other relevant authorities.

NOTICE OF THE ANNUAL GENERAL MEETING

For the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
 - (b) the expiration of the 12-month period following the passing of this resolution; or
 - (c) the date on which the authority set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting.”
18. 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 order of the Board
Regal International Airport Group Company Limited*
Wang Zhen
Chairman

Hainan Province, the PRC

18 April 2019

As at the date of this notice, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Tu Haidong, Mr. Xing Zhoujin and Mr. Yu Yan; (ii) three non-executive Directors, namely Mr. Liao Hongyu, 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*

Notes:

- (A) The Company’s register of members will be closed from Saturday, 4 May 2019 to Monday, 3 June 2019 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 3 May 2019.
- (B) 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 Friday, 3 May 2019 are entitled to attend and vote at the Annual General Meeting after complying with the necessary registration procedures.

NOTICE OF THE ANNUAL GENERAL MEETING

- (C) Holders of H shares and domestic shares of the Company, who intend to attend the Annual General Meeting, must complete and return the reply slips for attending the Annual General Meeting to the office of the secretary to the Board not later than 20 days before the date of the Annual General Meeting, i.e. no later than Tuesday, 14 May 2019. 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 office of the secretary to the Board are as follows:

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

- (D) Each holder of H shares who has the right to attend and vote at the Annual General 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 Annual General 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 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 Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the Annual General Meeting or any adjournment thereof in order for such documents to be valid.
- (F) 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 Annual General Meeting. Notes (D) and (E) also apply to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to the office of the secretary to the Board, the address of which is set out in Note (C) above, not less than 24 hours before the time for holding the Annual General Meeting or any adjournment thereof in order for such documents to be valid.
- (G) If a proxy attends the Annual General 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 Annual General 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 Annual General 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 Annual General Meeting is expected to last not more than one day. Shareholders or proxies attending the Annual General 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 Annual General Meeting will demand a poll in relation to all the proposed resolutions at the Annual General Meeting.
- (J) For the year 2019, the allowance standard (after tax) for directors and supervisors of the Company will be as follows: the allowance paid to the executive directors will be RMB70,000 per person; the allowance paid to the non-executive directors will be RMB50,000 per person; the allowance paid to the independent non-executive directors will be RMB100,000 per person; and the allowance paid to supervisors will be RMB20,000 per person. Since 2013, directors and supervisors nominated by controlling shareholders shall no longer be entitled to duty allowance.

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

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瑞港國際機場集團股份有限公司
Regal International Airport Group 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 a domestic shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of Regal International Airport Group Company Limited (the “**Company**”) will be held at 10:00 am on Monday, 3 June 2019 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, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 18 April 2019 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 December 2018 entered into between the Company and the Parent Company in relation to the subscription of (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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I;
2. To consider and approve the Termination Agreement dated 21 December 2018 entered into between the Company and Hainan HNA in relation to the termination of the Hainan HNA Subscription;
3. 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 December 2018 to 25 September 2019;
4. 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 December 2018 to 25 September 2019, 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 Circular):
 - 4.1. Class of Shares to be issued;

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- 4.2. Time of issuance;
 - 4.3. Size of issuance;
 - 4.4. Ranking of New H Shares;
 - 4.5. Listing;
 - 4.6. Method of issuance;
 - 4.7. Target places;
 - 4.8. Pricing mechanism;
 - 4.9. Method of subscription;
 - 4.10. Accumulated profits;
 - 4.11. Use of proceeds;
 - 4.12. Validity period of the resolutions;
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 Parent Company Subscription, for a further period of nine (9) months, from 26 December 2018 to 25 September 2019;
 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 December 2018 to 25 September 2019. 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 DOMESTIC 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
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 order of the Board
Regal International Airport Group Company Limited*
Wang Zhen
Chairman

Hainan Province, the PRC
18 April 2019

As at the date of this notice, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Tu Haidong, Mr. Xing Zhoujin and Mr. Yu Yan; (ii) three non-executive Directors, namely Mr. Liao Hongyu, 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) The Company's register of members will be closed from Saturday, 4 May 2019 to Monday, 3 June 2019 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the Domestic 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 Friday, 3 May 2019.
- (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 Friday, 3 May 2019 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 Tuesday, 14 May 2019. 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.

瑞港國際機場集團股份有限公司
Regal International Airport Group 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 an H shareholders class meeting (the “**H Shareholders Class Meeting**”) of Regal International Airport Group Company Limited (the “**Company**”) will be held at 10:00 am on Monday, 3 June 2019 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, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 18 April 2019 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 December 2018 entered into between the Company and the Parent Company in relation to the subscription of (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) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I;
2. To consider and approve the Termination Agreement dated 21 December 2018 entered into between the Company and Hainan HNA in relation to the termination of the Hainan HNA Subscription;
3. 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 December 2018 to 25 September 2019;
4. 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 December 2018 to 25 September 2019, 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 Circular):
 - 4.1. Class of Shares to be issued;
 - 4.2. Time of issuance;

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- 4.3. Size of issuance;
 - 4.4. Ranking of New H Shares;
 - 4.5. Listing;
 - 4.6. Method of issuance;
 - 4.7. Target placees;
 - 4.8. Pricing mechanism;
 - 4.9. Method of subscription;
 - 4.10. Accumulated profits;
 - 4.11. Use of proceeds;
 - 4.12. Validity period of the resolutions;
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 Parent Company Subscription, for a further period of nine (9) months, from 26 December 2018 to 25 September 2019;
 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 December 2018 to 25 September 2019. 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 H 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
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 order of the Board
Regal International Airport Group Company Limited*
Wang Zhen
Chairman

Hainan Province, the PRC
18 April 2019

As at the date of this notice, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Tu Haidong, Mr. Xing Zhoujin and Mr. Yu Yan; (ii) three non-executive Directors, namely Mr. Liao Hongyu, 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) The Company's register of members will be closed from Saturday, 4 May 2019 to Monday, 3 June 2019 (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 Friday, 3 May 2019.
- (B) 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 Friday, 3 May 2019 are entitled to attend and vote at the H Shareholders Class Meeting after complying with the necessary registration procedures.
- (C) 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 Tuesday, 14 May 2019. 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

- (D) 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.
- (E) 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.
- (F) 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.
- (G) 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.
- (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 H Shareholders Class Meeting will demand a poll in relation to all the proposed resolutions at the H Shareholders Class Meeting.