
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 **Hainan Meilan International Airport 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 effected for transmission to the purchaser or the transferee.

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

海南美蘭國際空港股份有限公司
Hainan Meilan International Airport Company Limited*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 357)

**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 PROPOSED AOA CONSEQUENTIAL AMENDMENTS; AND
THE PROPOSED APPOINTMENT OF AN EXECUTIVE DIRECTOR;
NOTICE OF
THE EXTRAORDINARY GENERAL MEETING
AND
NOTICES OF 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 23 of this circular. A letter from the Independent Board Committee is set out on page 24 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 25 to 44 of this circular.

The notices for convening the Extraordinary General Meeting and the Class Meetings to be held at 10:00 a.m. on 8 November 2022 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 89 to 101 of this circular. Whether or not you are able to attend the Extraordinary 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:

“2020 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 18 September 2020
“2020 EGM”	the extraordinary general meeting of the Company held on 18 September 2020
“2020 Parent Company Domestic Shares Subscription Agreement”	the subscription agreement dated 24 July 2020 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“2021 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 8 October 2021
“2021 EGM”	the extraordinary general meeting of the Company held on 8 October 2021
“2021 Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 21 August 2021 entered into by the Company and Parent Company for the amendments of certain terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement
“2021 Valuation”	the aggregate appraised asset value of approximately RMB1.52 billion for the Phase I Runway Assets as at 30 June 2021, details of which are set out in the valuation report contained in the circular of the Company dated 21 September 2021
“AOA Consequential Amendments”	the consequential amendments to the Articles of Association as the Board thinks fit to reflect the latest registered capital structure and number of issued Shares of the Company as a result of each of the issuance of the Subscription Shares and the New H Shares
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of Directors
“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 Extraordinary General Meeting or any adjournment thereof on Tuesday, 8 November 2022 for the purposes of considering and, if thought fit, approving, among other things, the Extension Resolutions and the proposed AOA Consequential Amendments, including any adjournment in respect thereof
“Company”	海南美蘭國際空港股份有限公司 (Hainan Meilan International Airport Company Limited*), a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	shall have the meaning as defined in the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Date of Relevant Agreement”	the date on which: (a) the subscription agreement(s) in respect of the New H Shares Issue is entered into between the Company and the placee(s); and/or (b) the placing agreement(s) in respect of the New H Shares Issue is entered into between the Company with the placing agent(s)
“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
“Effective Date”	the effective date of the Parent Company Domestic Shares Subscription Agreements when all the relevant conditions precedent are fulfilled or waived
“Extension Resolutions”	the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions
“Extraordinary General Meeting”	the Extraordinary General Meeting to be convened by the Company on Tuesday, 8 November 2022 for the purposes of considering and, if thought fit, approving, among other things, the Extension Resolutions, the proposed AOA Consequential Amendments and the proposed appointment of an executive Director, including any adjournment in respect thereof
“Group”	the Company and its subsidiaries

DEFINITIONS

“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
“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 the Parent Company Subscription Extension Resolutions
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on 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 Extraordinary General Meeting and the Class Meetings pursuant to the Listing Rules
“Latest Practicable Date”	27 September 2022, 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 Committee”	the listing committee of the Stock Exchange
“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
“New H Shares”	a maximum of 155,000,000 H Shares proposed to be issued upon the exercise of the Specific Mandate
“New H Shares Issue”	the issuance of the New H Shares by way of private placing upon the exercise of the Specific Mandate, if granted, subject to fulfilment of certain conditions stated in this circular

DEFINITIONS

“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 twelve (12) months, commencing from 18 September 2022 and ending on 17 September 2023
"Nomination Committee"	the nomination committee of the Board
“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.*), a limited liability company established in the PRC and the controlling shareholder of the Company
“Parent Company Domestic Shares Subscription Agreements”	2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement
“Parent Company Subscription”	the subscription of the Subscription Shares by the Parent Company 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 twelve (12) months, commencing from 18 September 2022 and ending on 17 September 2023, including the grant of authorization to the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription
“Past New H Shares Issue”	the issuance of the maximum number of 200,000,000 new H Shares by way of private placing
“Past New H Shares Subscription Agreement”	the Subscription Agreement as defined in the announcement of the Company dated 30 September 2019
“Phase I Runway Assets”	the Phase I runway of Meilan Airport and other auxiliary facilities as more particularly described in the 2020 Parent Company Domestic Shares Subscription Agreement
“PRC”	the People’s Republic of China and for the purpose of this circular only, excluding Hong Kong and Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the Domestic Shareholders and the H Shareholders
“Shares”	Domestic Shares and H Shares
“Specific Mandate”	the specific mandate granted to the Board by the Shareholders to issue not more than 155,000,000 New H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	a maximum of 140,741,000 new Domestic Shares proposed to be subscribed by the Parent Company pursuant to the Parent Company Domestic Shares Subscription Agreements
“%”	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 = RMB0.8524 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.

LETTER FROM THE BOARD

海南美蘭國際空港股份有限公司 Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

Executive Directors:

Wang Hong (*Chairman and President, Authorized Representative*)

Wang Zhen

Yu Yan

Xing Zhoujin (*Authorized Representative*)

Non-executive Directors:

Qiu Guoliang

Li Zhiguo

Wu Jian

Registered Office:

Office Building of Meilan Airport

Haikou City

Hainan Province, the PRC

Principal Place of Business in Hong Kong:

Room 2204, 22/F

Fu Fai Commercial Centre

27 Hillier Street

Sheung Wan, Hong Kong

Independent Non-executive Directors:

Fung Ching, Simon

Deng Tianlin

George F Meng

Ye Zheng

To the Shareholders,

Dear Sir/Madam,

**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 PROPOSED AOA CONSEQUENTIAL AMENDMENTS; AND
THE PROPOSED APPOINTMENT OF AN EXECUTIVE DIRECTOR;
NOTICE OF
THE EXTRAORDINARY GENERAL MEETING
AND
NOTICES OF THE CLASS MEETINGS**

A. BACKGROUND

Reference is made to the announcements of the Company dated 8 August 2022 and 9 September 2022 in relation to (i) 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; (ii) the proposed AOA Consequential Amendments and (iii) the proposed appointment of an executive Director.

* For identification purposes only

LETTER FROM THE BOARD

References are also made to (i) the circular of the Company dated 20 August 2020 and the poll results announcement of the Company dated 18 September 2020, in relation to, among others, the Shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the New H Share Issue; and (ii) the supplemental circular of the Company dated 21 September 2021 and the poll results announcement of the Company dated 8 October 2021, in relation to, among others, the Shareholders' resolutions and authorization granted to the Board in relation to 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.

The validity period of the Shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription has expired on 17 September 2022. Based on the reasons disclosed in this circular below, the Company believes that a further twelve (12)-month extension is required and is in the best interest of the Shareholders.

The purpose of this circular is to provide you with information regarding (i) the Extension Resolutions; (ii) the proposed AOA Consequential Amendments; and (iii) the proposed appointment of an executive Director, and to give you notices of the Extraordinary General Meeting and the Class Meetings to consider and, if thought fit, to approve the resolutions to be proposed at the Extraordinary General Meeting and the Class Meetings.

B. 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 of the Company dated 20 August 2020 and the poll results announcement of the Company dated 18 September 2020, (i) the 2020 Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder were approved by the Shareholders; (ii) the Board was authorized to deal with and complete the Parent Company Subscription and the New H Shares Issue within twelve (12) months following the passing of the relevant resolutions at the 2020 EGM and the 2020 Class Meetings.

As disclosed in the supplemental circular of the Company dated 21 September 2021 and the poll results announcement of the Company dated 8 October 2021, (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder were approved by the Shareholders; and (ii) the Board was authorized to deal with and complete the Parent Company Subscription and the New H Shares Issue within twelve (12) months following the passing of the relevant resolutions at the 2021 EGM and the 2021 Class Meetings.

As disclosed in the announcement of the Company dated 8 August 2022, the validity period of the Shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription has expired on 17 September 2022.

Reference is made to the announcement of the Company dated 15 March 2021. As disclosed in the announcement, on 15 March 2021, the Company received a notice from the Parent Company regarding the court ruling on acceptance of the restructuring of the Parent Company (the "Restructuring").

LETTER FROM THE BOARD

As disclosed in the supplemental circular of the Company dated 21 September 2021, taking into consideration the Restructuring, the Board believes that the Company needs more time to complete the Parent Company Subscription and the New H Share Issue.

Since 2021 EGM, the Company has been proactively following up with the latest status and development of the Restructuring with a view to facilitating the Parent Company Subscription and the New H Share Issue.

In respect of the Restructuring, on 23 October 2021, the administrator of HNA Group Co., Ltd. (海航集團有限公司) (“**HNA Group**”) issued the announcement of the Voting Result of the Restructuring Plan (Draft) for the Substantial Consolidated Restructuring of 321 Companies including HNA Group Co., Ltd. (the “**Restructuring Plan**”), which included the Parent Company. According to such announcement, the Restructuring Plan was passed by voting. On 31 October 2021, the Parent Company received a notice that Hainan High People’s Court has ruled to approve the Restructuring Plan, and terminate the restructuring process of such companies. For further details, please refer to the announcements of the Company dated 23 October and 1 November 2021. The Restructuring was completed on 24 April 2022. As the management of the Company understands that the right of control on the Company and its certainty is one of the key concerns of CSRC in reviewing the Company’s application in relation to the Parent Company Subscription and the New H Share Issue, the Company was only able to continue facilitating the Parent Company Subscription and the New H Share Issue upon the completion of the Restructuring.

As a result of the afore-mentioned events, as at the Latest Practicable Date, the Company has not yet obtained the approval from CSRC in relation to the Parent Company Subscription and the New H Share Issue. Furthermore, as the completion of the Parent Company Subscription is a condition precedent to the New H Share Issue, the Company is unable to complete the New H Share Issue at this stage.

As the Restructuring was completed on 24 April 2022, the Company is able to continue facilitating the Parent Company Subscription and the New H Share Issue. The Company had actively made preparations, including but not limited to the preparation for the Extension Resolutions and the engagements of relevant professional parties. As disclosed in the Company’s announcement dated 8 August 2022, the validity period of the shareholders’ resolutions and the authority granted to the Board regarding the Parent Company Subscription and New H Shares Issue has expired on 17 September 2022. The Company was not able to obtain relevant approval from CSRC before this expiration date. As valid shareholders’ resolutions approving the Parent Company Subscription and New H Shares Issue is one of the necessary documents to be submitted to CSRC for the application for approval, the Company is of the view that it is more appropriate to renew the Extension Resolutions first. Therefore, as at the date of this Circular, the Company has not yet submitted the relevant application to CSRC.

The Board believes that the Company needs more time to complete the Parent Company Subscription and the New H Share Issue. The Company needs to liaise with the relevant governmental departments and obtain CSRC’s approval for the Parent Company Subscription and the New H Shares Issue (including but not limited to the preparation of the application materials), which is beyond the control of the Company. After obtaining such approval, the Company expects to need approximately 2 to 3 months to identify, approach and negotiate with potential investors, and approximately 2 to 3 months to complete the New H Shares Issue (including but not limited to negotiating and executing the placing agreement(s) and obtaining the approval from the Stock Exchange for listing of relevant new H Shares) and complete the closing work of the Parent Company Subscription and the New H Shares Issue. Therefore, the Company believes that a further twelve-month extension is required and is in the best interest of the Shareholders.

LETTER FROM THE BOARD

Based on the 2021 Valuation, the value of the Phase I Runway Assets was approximately RMB1.52 billion as at 30 June 2021. The consideration for the Parent Company Subscription will still be based on the 2021 Valuation. The Phase I Runway Assets mainly consist of three parts: (i) the land with a total area of approximately 1,952,587.34 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. The net book value of the constructions and equipment of the Phase I Runway Assets as at 30 June 2022 decreased by approximately 3% as compared to that as at 30 June 2021, mainly due to normal depreciation. Based on the public information available to the Company, there is no material difference between the price for comparable land in Haikou City and the price of the relevant land involved in the Phase I Runway Assets. Therefore, the Board is of the view that there is no material change between the current value and the value set out in the 2021 Valuation of the relevant land involved in the Phase I Runway Assets. As the value of the land is much higher 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 has remained stable in the past year. In relation to the acquisition of the Phase I Runway Assets, the Company considers that there was no material change for the current value of the Phase I Runway Assets as at the Latest Practicable Date, as compared to those as at 2021 Valuation. Furthermore, the valuer adopted the cost approach (depreciated replacement cost) and the market data or comparative sales approach and did not take into account the future profitability of the Phase I Runway Assets in arriving at the 2021 Valuation. As such, the Company considers that the pandemic-induced decline in revenue of the Company in the first half of 2022 would not have a material effect on the valuation of the Phase I Runway Assets.

The Board proposed to seek the Independent Shareholders' approval to, in the event that a new valuation report is required to be issued by a domestic or offshore appraisal entity in accordance with the requirements of domestic and offshore laws and regulations or regulatory authorities, and if there is any difference between such valuation results and the 2021 Valuation, authorize the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription.

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 Extraordinary General Meeting and the Class Meetings for the Shareholders to consider, among other things, each of the Extension Resolutions to extend the validity period of the Shareholders' resolutions and the authorization granted to the Board to deal with and complete the Parent Company Subscription and the New H Shares Issue for a further period of twelve (12) months, commencing from 18 September 2022 and ending on 17 September 2023, including the grant of authorization to the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription. The Parent Company and its associates will abstain from voting on the Parent Company Subscription Extension Resolutions.

LETTER FROM THE BOARD

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 Extraordinary 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.

(c) Size of issuance

The New H Shares to be issued shall not exceed 155,000,000 H Shares, representing not more than 32.75% of the total share capital of the Company before the Parent Company Subscription and the New H Shares Issue, and approximately 20.15% of total share capital of the Company as enlarged by the Parent Company Subscription (assuming the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company) and the New H Shares Issue; and representing not more than 68.31% of share capital of H Shares of the Company before the New H Shares Issue, and 40.59% of share capital of H Shares of the Company as enlarged by 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 New H Shares to be allotted and issued.

(f) Method of issuance

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

LETTER FROM THE BOARD

(g) Target placee(s)

Upon the grant of the Specific Mandate, 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.

If any investor of the New H Shares becomes a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the completion of the New H Shares Issue, the Company will ensure compliance with the public float requirement under Rule 8.08(1) of the Listing Rules upon completion of the New H Shares Issue. If the number of the placee(s) 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 an issue price which is the highest of the followings:

- (1) RMB10.80 (equivalent to approximately HK\$12.67) per Subscription Share, being the audited net asset value per Share of the Company as at 31 December 2019; or
- (2) the audited net asset value per Share of the Company as at the end of the financial year preceding the Date of Relevant Agreement; or
- (3) 90% of the highest among the followings:
 - (i) the closing price of H Share as quoted on the Stock Exchange at the Date of Relevant Agreement;
 - (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 Relevant Agreement;
 - (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 Relevant Agreement; 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 Relevant Agreement.

LETTER FROM THE BOARD

Such pricing mechanism of the issue price was determined by the Board after taking into account the interests of existing Shareholders, investors' capabilities, the potential issuance risks, the market practice and applicable regulatory requirements, as well as the conditions of the civil aviation industry, the business pattern, the operation status and prospects and the asset quality of the Company and with reference to the net asset value per Share of the Company, the market price of the H Shares and the market conditions at the Date of Relevant Agreement. The applicable exchange rate of Renminbi to Hong Kong dollars shall be the exchange rate of Renminbi to Hong Kong dollars promulgated by the People's Bank of China on the Date of Relevant Agreement.

(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 subscription agreement(s) to be entered into between the Company and the placee(s) and/or the placing agreement(s) to be entered into between the Company and the placing agent(s) in relation to the proposed New H Shares Issue.

(j) Accumulated profits

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

(k) Use of proceeds

Please refer to the section headed "Use of Proceeds" in this circular for details.

(l) Validity period of the resolutions

The resolutions relating to the Specific Mandate will be extended and valid for a further period of twelve (12) months, commencing from 18 September 2022 and ending on 17 September 2023.

The Board will also seek the Shareholders' approval at each of the Extraordinary General Meeting and the Class Meetings to extend the authorization to 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 twelve (12) months, commencing from 18 September 2022 and ending on 17 September 2023:

- (1) 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;
- (2) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;

LETTER FROM THE BOARD

- (3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
- (4) 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;
- (5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, 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;
- (6) 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;
- (7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
- (8) 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;
- (9) 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;
- (10) adjust or waive in time any one of the conditions precedent for the proposed New H shares Issue based on the actual conditions; and
- (11) take all necessary actions to deal with the matters in relation to the proposed New H Shares Issue.

LETTER FROM THE BOARD

C. POSSIBLE CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the proposed Extension Resolutions are granted by the Shareholders at the forthcoming Extraordinary General Meeting and the Class Meetings; (ii) the Board exercises the proposed Specific Mandate in full; (iii) all conditions for the proposed New H Shares Issue have been satisfied; (iv) the maximum of 155,000,000 New H Shares are issued pursuant to the proposed Specific Mandate; and (v) the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company 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 the Subscription Shares and the New H Shares	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares (maximum)	Percentage of total issued Shares (%)
Domestic Shares				
Parent Company	237,500,000	50.19	378,241,000	49.19
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	0.69
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.46
H Shares				
H Shares in issue				
Public Shareholders	226,913,000	47.95	226,913,000	29.51
New H Shares	0	0	155,000,000	20.15
Total Number of Issued Shares	473,213,000	100	768,954,000	100

As indicated above, the public float of the Company in such scenario will be approximately 49.66%.

LETTER FROM THE BOARD

Assuming that the Company fails to issue any New H Shares and the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company pursuant to the Parent Company Subscription, the resulting changes in the issued 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 the Subscription Shares	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares <i>(maximum)</i>	Percentage of total issued Shares (%)
Domestic Shares				
Parent Company	237,500,000	50.19	378,241,000	61.61
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	0.86
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.57
H Shares				
H Shares in issue				
Public Shareholders	226,913,000	47.95	226,913,000	36.96
New H Shares	0	0	0	0
Total Number of Issued Shares	<u>473,213,000</u>	<u>100</u>	<u>613,954,000</u>	<u>100</u>

As indicated above, the public float of the Company in such scenario will be approximately 36.96%.

Therefore, the Company is able to comply with the minimum public float requirement in the above two scenarios after the completion of the Parent Company Subscription and the New H Shares Issue.

The Company will ensure compliance with (i) the public float requirement under Rule 8.08(1) of the Listing Rules after completion of the Parent Company Subscription and the New H Shares Issue and (ii) Rule 7.27B of the Listing Rules in respect of the Parent Company Subscription and the New H Shares Issue.

The Company confirms that the acquisition of the Phase I Runway Assets, the Parent Company Subscription and the New H Shares Issue will not result in a change of control of the Company after the completion of such transactions.

LETTER FROM THE BOARD

D. PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 8 August 2022, the Board proposed to convene the Extraordinary General Meeting and the Class Meetings for granting of authority to the Board to make consequential amendments to the Articles of Association as it thinks fit to reflect the latest registered capital structure of the Company as a result of each of the issuance of the Subscription Shares and the New H Shares.

E. REASONS FOR AND BENEFITS OF THE EXTENSION RESOLUTIONS

The validity period of the Shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue has expired on 17 September 2022. In order to further promote the Parent Company Subscription and the New H Shares Issue, the Company proposes the Extension Resolutions after considering, among others, the following reasons:

1. Acquisition 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. 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. The original cost of the construction of the Phase I Runway Assets of the Parent Company was approximately RMB592,255,000.

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements, the Phase I Runway Assets are owned and operated by the Parent Company. The Directors are of the view that 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 in the civil aviation industry. In addition, upon the completion of the acquisition of the Phase I Runway Assets, the Phase I Runway Assets will be wholly-owned by the Company. The increase in 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. To ensure the timely completion of the Parent Company Subscription and avoid the possible adverse impact of the tightening of local property transfer policies by the government of Haikou City, as agreed by both parties, as at the Latest Practicable Date, the Parent Company has cooperated with the Company to complete the transfer and registration procedures of part of the Phase I Runway Assets in advance. Before the completion of the Parent Company Subscription, the Parent Company will still have the ownership and operation right of such part of the Phase I Runway Assets.

LETTER FROM THE BOARD

2. Equity fundraising to improve working capital

As an important transportation hub for the construction of Hainan Free Trade Port (“**Hainan FTP**”), Meilan Airport is well positioned to capture opportunities in connection with the Hainan FTP. The Company believes that the proposed New H Shares Issue will improve its capital structure, strengthen its financial risk resilience, enhance its solvency and expand its financial base. As such, the Company wishes to take advantage of the relatively low cost to raise additional funds through the issuance of the New H Shares to the investors to replenish its working capital to equip the Group to carry out the renovation and expansion of infrastructure and the intelligent upgrade of the airport and to fund any operational needs of the Company (including the repayment of debts).

The Company confirms that as the majority shareholder(s) of the Company needs to be entities incorporated in the PRC according to relevant PRC laws and regulations, the completion of the Parent Company Subscription is a condition precedent for the New H Shares Issue. Upon the completion of the Parent Company Subscription, the Company will proceed with the New H Shares Issue. As mentioned above, the Company believes that the proposed New H Shares Issue will improve its capital structure, strengthen its financial risk resilience, enhance its solvency and expand its financial base with a view to capture opportunities in connection with the Hainan FTP. If both of the Parent Company Subscription and the New H Shares Issue do not proceed, there is no need to make consequential amendments to the Articles of Association and therefore, it is not necessary to conduct the proposed AOA Consequential Amendments.

F. USE OF PROCEEDS

The use of proceeds will remain the same as disclosed in the announcements of the Company dated 24 July 2020 and 21 August 2021 and the circulars of the Company dated 20 August 2020 and 21 September 2021.

Solely for illustration purposes, assuming the New H Shares are fully placed at the price of RMB10.80 (equivalent to approximately HK\$12.67), the gross proceeds from the proposed New H Shares Issue will be approximately RMB1,674,000,000 (equivalent to approximately HK\$1,963,866,729) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB1,651,000,000 (equivalent to approximately HK\$1,936,884,091).

The net proceeds from the proposed New H Shares Issue, after deducting relevant expenses, are intended to be used as follows:

1. **Approximately 40% are intended to be used for expansions, upgrades, improvements and maintenance of existing terminal buildings and other areas of Meilan Airport**

The existing terminal buildings of Meilan Airport have been in use for over twenty (20) years. In order to consolidate existing operation level of Meilan Airport and to improve safety operation of Meilan Airport, it is expected that the Company will invest approximately 40% of the net proceeds in the upgrades, improvements and maintenance of the existing terminal buildings of Meilan Airport.

LETTER FROM THE BOARD

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

2. Approximately 35% are intended to be used to repay the loans and replenish the working capital of the Company

To guarantee the smooth operation and to reduce the financing cost of the Company, approximately 35% of the net proceeds are intended to be used to repay the loans and 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).

3. Approximately 25% are intended to 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 25% of the net proceeds 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.

G. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE (12) MONTHS

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

H. APPLICATION FOR LISTING

Application will be made to the Listing Committee for listing or, and permission to deal in, the New H Shares on the Stock Exchange.

LETTER FROM THE BOARD

I. INFORMATION OF THE COMPANY AND THE PARENT COMPANY

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

The Parent Company is principally engaged in ancillary airport service business in the PRC. As at the Latest Practicable Date, the Parent Company was owned by Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司, a company controlled by the State-owned Assets Supervision and Administration Commission of Hainan Province) as to approximately 46.81%, CDB Development Fund Co., Ltd. (國開發基金有限公司, a subsidiary of China Development Bank which is the financial policy institution directly under the State Council of China) as to approximately 14.18%, China Southern Airlines Company Limited (中國南方航空股份有限公司) and China National Aviation Fuel Supply Co., Ltd. (中國航空油料有限責任公司) (each a company controlled by the State-owned Assets Supervision and Administration Commission) as to approximately 2.42% and 1.56%, respectively. CITIC Limited indirectly holds approximately 35.03% of equity interest of the Parent Company. The State-owned Assets Supervision and Administration Commission of Hainan Province is a special institution directly under the government of Hainan Province and responsible for the supervision and administration of state-owned assets of Hainan Province. CDB Development Fund Co., Ltd. is a policy-oriented investment company focusing on investment in national key projects. China Southern Airlines Co., Ltd. is a company listed on the Shanghai Stock Exchange (stock code: 600029.SH), mainly providing air transport service, general aviation service, aircraft maintenance service and other aviation-related services. China National Aviation Fuel Supply Co., Ltd. is principally engaged in the wholesale of gasoline, kerosene and diesel oil in the civil aviation system of the PRC. CITIC Limited is a company listed on the Stock Exchange (stock code: 00267), mainly engaging in businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization.

J. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Subject to the approval by Shareholders at the Extraordinary General Meeting, the Board proposes to appoint Mr. Ren Kai (任凱先生) (“**Mr. Ren**”) as an executive Director with effect from the date of the Extraordinary General Meeting.

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

Mr. Ren, aged 38, obtained a bachelor’s degree from Hainan University (海南大學) in July 2009, majoring in accountancy. He is currently the chief financial officer of the Company as well as the Parent Company.

LETTER FROM THE BOARD

From July 2009 to July 2011, he successively served as the audit assistant and the manager of PricewaterhouseCoopers. From July 2011 to January 2013, he served as the deputy financial manager of China Great Land Holdings Ltd. (Hainan Company)(新加坡華地控股有限公司(海南公司)). From January 2013 to March 2016, he served as the head of the finance department of Hainan Yangpu Development and Construction Holdings Co., Ltd. (海南省洋浦開發建設控股有限公司). From March 2016 to August 2019, he served as the head of and the section chief assistant of the finance department of Hainan Development Holdings Co., Ltd. (海南省發展控股有限公司) (“**Hainan Development Holdings**”). From August 2019 to July 2020, he served as the chief financial officer (section chief assistant level) of Hainan Holdings Energy Co., Ltd. (海南海控能源股份有限公司) (formerly known as “HaiNan Tihierg Co., Ltd. (海南天匯能源股份有限公司)”, listed on the National Equities Exchange and Quotations, stock code: 833042). From May 2020 to May 2021, he also served as a director and chief accountant (section chief assistant level) of Hainan Development Holdings Nanhai Co., Ltd. (海控南海發展股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002163.SZ). From May 2021 to June 2022, he successively served as the section chief assistant of the finance department of Hainan Development Holdings, the director of Hainan Development Holding Real Estate Group Co., Ltd. (海南發展控股置業集團有限公司), the director and chief financial officer of Haikou Airport Aircraft Maintenance Engineering Co., Ltd. (海口空港飛機維修工程有限公司) and the director of Hainan Basuo Port Limited (海南八所港務有限責任公司). Since June 2022, he has been serving as the chief financial officer of the Parent Company. Since September 2022, he has been serving as the chief financial officer of the Company.

Save as disclosed above, as at the date of this Circular, Mr. Ren (i) has not held any other directorship in listed public companies in the last three (3) years; (ii) does not have any relationship with any Directors, supervisors and senior management of the Company or substantial Shareholders or controlling Shareholders (as defined under the Listing Rules); and (iii) was not interested in any shares within the meaning of Part XV of the SFO. There is no other information in relation to the proposed appointment of Mr. Ren as an executive Director which is required to be disclosed pursuant to Rule 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.

Subject to the approval by the Shareholders at the Extraordinary General Meeting, Mr. Ren will be appointed as an executive Director for a term of three (3) years commencing on the grant of approval at the Extraordinary General Meeting and subject to re-election in accordance with the Articles of Association and pursuant to the Listing Rules. According to Mr. Ren’s own will, he will not receive any director’s emoluments from the Company.

The appointment of Mr. Ren has been considered and approved by the Nomination Committee and the Board. In approving such appointment, the Nomination Committee has considered his past experience. The Nomination Committee is of the view that Mr. Ren will bring to the Board his own perspective, skills and experience, as described in his biographical details set out above. Based on the board diversity policy adopted by the Company, the Nomination Committee considers that Mr. Ren can contribute to the diversity of the Board in various aspects, including culture, knowledge, educational background, experience and skills. In particular, the Nomination Committee has considered his experience in finance management and capital operation.

LETTER FROM THE BOARD

K. EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS

The Extraordinary General Meeting and Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Extension Resolutions, the proposed AOA Consequential Amendments and (for the Extraordinary General Meeting only) the proposed appointment of an executive Director. 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 Extraordinary General Meeting and the Domestic Shareholders Class Meeting for approving the Parent Company Subscription Extension Resolutions.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the Extension Resolutions and the proposed AOA Consequential Amendments, and no Shareholder is required to abstain from voting to approve the relevant resolution(s) at the Extraordinary General Meeting and the Class Meetings.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Fung Ching, Simon, Mr. Deng Tianlin, Mr. George F Meng and Mr. Ye Zheng, none of whom has any direct or indirect interest in 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 Parent Company Subscription Extension Resolutions.

Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Parent Company Subscription Extension Resolutions.

The Extraordinary General Meeting will be held at 10:00 a.m. on Tuesday, 8 November 2022 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC. The Class Meetings will be held immediately following the conclusion of the Extraordinary General Meeting or any adjournment thereof.

Set out on pages 89 to 101 of this circular are the notice for convening the Extraordinary General Meeting and the notices for convening the Class Meetings to be held at 10:00 a.m. on Tuesday, 8 November 2022 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 Extraordinary 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 Extraordinary General Meeting and the Class Meetings.

Forms of proxy for use at the Extraordinary General Meeting and the Class Meetings are accompanied with this circular. Whether or not you are able to attend the Extraordinary 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 Extraordinary General Meeting and the Class Meetings.

LETTER FROM THE BOARD

Shareholders are reminded that completion and delivery of the forms of proxy will not preclude the Shareholders from attending and voting in person at the Extraordinary General Meeting and the Class Meetings or at any adjourned meeting(s) should they so wish.

L. BOOK CLOSURE

The Company's register of members will be closed from Thursday, 20 October 2022 to Tuesday, 8 November 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the Extraordinary 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 Wednesday, 19 October 2022.

M. RECOMMENDATIONS

The Board (including the Independent Board Committee) considers that the transactions contemplated under the Parent Company Domestic Shares Subscription Agreements will be conducted in the ordinary and usual course of business of the Company, and the terms and conditions of the Parent Company Domestic Shares Subscription Agreements have been negotiated on an arm's length basis, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (including the Independent Board Committee in relation to the Parent Company Subscription Extension Resolutions) is also of the opinion that the terms and conditions of the Extension Resolutions and the proposed AOA Consequential Amendments 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 in relation to the Parent Company Subscription Extension Resolutions) recommends that the Independent Shareholders/Shareholders vote in favour of the Extension Resolutions and the proposed AOA Consequential Amendments.

Each of Mr. Wang Hong, Mr. Xing Zhoujin, Mr. Qiu Guoliang, Mr. Li Zhiguo and Mr. Wu Jian is interested in the Parent Company Subscription Extension Resolutions as they are nominated to the Board by the Parent Company and some also hold directorship or senior management position in the Parent Company, and therefore had abstained from voting on the relevant resolutions at the Board meeting approving the same. Mr. Wang Hong, an executive Director, the chairman of the Board and president of the Company, has served as chairman of the board of directors and the legal representative of the Parent Company and Mr. Qiu Guoliang, a non-executive Director, has served as the general manager of the Parent Company since June 2022, respectively. Mr. Li Zhiguo, a non-executive Director, has served as the deputy general manager of the Parent Company and Mr. Xing Zhoujin, an executive Director, has served as the secretary to the board of directors of the Parent Company, respectively.

LETTER FROM THE BOARD

The Directors also believe that all other resolutions proposed for consideration and approval by the Shareholders at the Extraordinary 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 Extraordinary General Meeting and the Class Meetings as set out in the notice of Extraordinary General Meeting and the notices of the Class Meetings.

N. 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 Extraordinary General Meeting regarding the Parent Company Subscription Extension Resolutions, and the letter from Octal Capital containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Parent Company Subscription Extension Resolutions, details of which are set out on pages 24 to 44 of this circular. None of the members of the Independent Board Committee has any material interest relating to the Parent Company Subscription Extension Resolutions.

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

By order of the Board
Hainan Meilan International Airport Company Limited*
Wang Hong
Chairman and President

Hainan, the PRC
30 September 2022

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

海南美蘭國際空港股份有限公司 Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

30 September 2022

To the Shareholders,

Dear Sir/Madam,

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 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 30 September 2022 (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 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 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.

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 that the transactions contemplated under the Parent Company Domestic Shares Subscription Agreements will be conducted in the ordinary and usual course of business of the Company, and the terms and conditions of the Parent Company Domestic Shares Subscription Agreements have been negotiated on an arm's length basis, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the Parent Company Subscription Extension Resolutions.

Independent Board Committee

Fung Ching, Simon <i>Independent</i> <i>non-executive Director</i>	Deng Tianlin <i>Independent</i> <i>non-executive Director</i>	George F Meng <i>Independent</i> <i>non-executive Director</i>	Ye Zheng <i>Independent</i> <i>non-executive Director</i>
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* For identification purposes only

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 30 September 2022 in respect of, inter alia, the Parent Company Subscription Extension Resolutions prepared for the purpose of inclusion in this circular.



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

30 September 2022

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Parent Company Subscription Extension Resolutions, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular dated 30 September 2022 (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.

The Extension Resolutions

Reference is made to the announcement of the Company dated 8 August 2022 in relation to 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; and the Proposed AOA Consequential Amendments.

References are also made to (i) the circular of the Company dated 20 August 2020 and the poll results announcement of the Company dated 18 September 2020, in relation to, among others, the Shareholder’s resolution and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Share Issue; and (ii) the supplemental circular of the Company dated 21 September 2021 and the poll results announcement of the Company dated 8 October 2021 in relation to, among others, the Shareholder’s resolutions and authorisation granted to the Board in relation to the extension of validity period of Shareholders’ resolutions and authorisation grant to the Board in relation to the Parent Company Subscription and the New H Shares Issue.

The validity period of the Shareholder’s resolutions and authorisation granted to the Board in relation to the Parent Company Subscription has expired on 17 September 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Extraordinary General Meeting and the Class Meetings for the Shareholders to consider, among other things, each of 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 twelve (12) months, commencing from 18 September 2022 and ending on 17 September 2023, including the grant of authorisation to the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription.

As the restructuring of the Parent Company has only been completed on 24 April 2022, which has contributed to the delay of the application process by the Company with CSRC, the Company is still in the process of preparing new application documents. Therefore, the Company believes that a further twelve (12)-month extension is required and is in the best interest of the Shareholders.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. Ye Zheng, none of whom has any direct or indirect interest in the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on 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 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 (i) the very substantial acquisition and connected transaction in relation to the supplemental investment and construction agreement and the major and connected transaction in relation to the 2020 Parent Company Domestic Shares Subscription Agreement (details can be referred to the circular of the Company dated 20 August 2020); and (ii) the major and connected transaction in relation to the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the extension of validity period of shareholder's resolutions and authorisation granted to the Board in relation to the Parent Company Subscription (details can be referred to the circular of the Company dated 21 September 2021) (the "**Previous Engagements**"). Under the Previous Engagements, 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 Engagements, we consider our independence is unaffected due to the facts that (i) under Previous Engagements, we were entitled to receive normal professional fees that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

are comparable to market rates and the fees do not form a significant portion to our overall income; (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 engagements was handled independently as an individual task. Therefore, we consider ourselves eligible to act as the independent financial adviser to the Company under the requirements of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group and the 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 and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PARENT COMPANY SUBSCRIPTION EXTENSION RESOLUTIONS

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

1. Background of entering into, among others, the Parent Company Domestic Shares Subscription Agreement

- ***Background of the Company***

The Group is principally engaged in aeronautical and non-aeronautical businesses at Meilan Airport in Hainan Province, the PRC. Its aeronautical business mainly consists of provision of terminal facilities, ground handling services and passenger services, and its non-aeronautical 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.

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- *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.

- *The Parent Company Domestic Shares Subscription Agreement*

As set out in the announcements of the Company dated 24 July 2020 and the circular of the Company dated 20 August 2020 in relation to, among other things, the 2020 Parent Company Domestic Shares Subscription Agreement, pursuant to which the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares as the consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company. The Company and the Parent Company further entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement on 21 August 2021 to make certain amendments to the 2020 Parent Company Domestic Shares Subscription Agreement, details of which are set out in the supplemental circular of the Company dated 21 September 2021 (the “**Supplemental Circular**”) and in “Appendix III – Details of the Parent Company Subscription” to the Circular.

The 2020 Parent Company Domestic Shares Subscription Agreement which was amended by the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding while the pricing mechanism and the maximum number of Domestic Shares to be issued under the Parent Company Subscription remained unchanged and the total consideration for the Parent Company Subscription will still be based on the 2021 Valuation in respect of the Phase I Runway Assets of approximately RMB1.52 billion.

The Board proposed to seek the Independent Shareholders’ approval to, in the event that a new valuation report is required to be issued by a domestic or offshore appraisal entity in accordance with the requirements of domestic and offshore laws and regulations or regulatory authorities, and if there is any difference between such valuation results and the 2021 Valuation, authorize the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription. Pursuant to the Supplemental Parent Company Domestic Shares Subscription Agreement, if there is any difference between the valuation results and the 2021 Valuation, the lower appraised value will be adopted by both parties as the consideration for the Parent Company Subscription. For the avoidance of any doubt, if there is a difference of more than 1% between the 2021 Valuation and any new valuation, the Board will seek further approval from the Independent Shareholders before determining the final consideration for the Phase I Runway Assets (the “**Consideration Adjustment Mechanism**”).

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In compliance with the requirements of Rule 13.80 of the Listing Rules, as set out in the Supplemental Circular, we have interviewed the Vigers Appraisal & Consulting Limited (the “Valuer”), who prepared the 2021 Valuation, and noted that the Valuer has possessed sufficient qualifications and experience in valuing assets similar to that of the Phase I Runway Assets for listed companies in the PRC and Hong Kong over the years. Meanwhile, we have reviewed the scope of services provided under the engagement of the Valuer and we noted that the scope of work is appropriate to the opinion given and, as confirmed by the Valuer during our enquiry, there were no limitations on the scope of work. We have also made inquiry on any current or prior relationship between the Valuer and the Group, the Parent Company and their core connected persons of which the Valuer has confirmed their independence. During the course of our review of the 2021 Valuation and enquiry with the Valuer, we understand the reasons behind and appropriateness for the Valuer to adopt the combined valuation approaches (i.e. market approach and cost approach) for the valuation of the Phase I Runway Assets, and have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the 2021 Valuation. For our detailed analysis on the 2021 Valuation, please refer to our letter included in the Supplemental Circular.

Based on the 2021 Valuation, the Phase I Runway Assets consist of three parts: (i) the land portion with a total area of approximately 1,952,587.34m²; (ii) the building and structure portion, including but not limited to the runway, the taxiway and the fences; (iii) the plant and equipment portion, including but not limited to machinery equipment, transportation equipment and office equipment in relation to the Phase I Runway Assets. The Valuer has adopted the market approach for the valuation of the land portion of the Phase I Runway Assets and has adopted the cost approach for the valuation of the building and structure portion and the plant and equipment portion of the Phase I Runway Assets. As the market approach and the cost approach did not take into account the future profitability of the Phase I Runway Assets, the decline in revenue of the Company in the first half of 2022 would not result in a material downward adjustment to the value of the Phase I Runway Assets. As advised by the management of the Company, there is no indication that may cause the impairment of the building and structure portion and the plant and equipment portion of the Phase I Runway Assets. We, on our best effort basis, have also performed research on the relevant public websites where the Valuer obtained information of the selected comparables for the valuation of the land portion of the Phase I Runway Assets. We noted that since the date of report of the 2021 Valuation, there was one additional comparable which fulfilled the selection criteria of the Valuer and the transaction unit price of the additional comparable had no material difference with unit price adopted by the Valuer in the 2021 Valuation. Besides, according to the notice issued by the Human Resources and Social Security Department of Hainan Province (海南省人力資源和社會保障廳) on 15 October 2021, the minimum wage standard increased from RMB1,670 per month to RMB1,830 per month. Furthermore, based on the information in National Bureau of Statistics of the PRC (中國國家統計局), the consumer price index which is used as a measure of inflation has been increased from 0.9% in January 2022 to 2.7% in July 2022, indicating the PRC was in a period of inflation and it is reasonable that there would not be any material downward adjustment to the parameters used for valuing the building and structure portion and the plant and equipment portion of the Phase I Runway Assets under cost approach. Having considered the above, we are of the view that downward adjustment to the current value of the Phase I Runway Assets as at the Latest Practicable Date as compared to the value set out in the 2021 Valuation would not be material. On the other hand, the Consideration

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Adjustment Mechanism offered a protection to the interest of the Independent Shareholders as any difference of more than 1% between the 2021 Valuation and any new valuation, the Board will seek further approval from the Independent Shareholders before determining the final consideration for the Phase I Runway Assets. Thus, we considered the 2021 Valuation is still valid and the consideration for the Parent Company Subscription to be determined with reference to the 2021 Valuation with the Consideration Adjustment Mechanism is fair and reasonable.

2. Reasons for and benefits of the Parent Company Subscription Extension Resolutions

Acquisition 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. The original cost of the construction of the Phase I Runway Assets of the Parent Company was approximately RMB592.3 million.

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements (the “**Runway Acquisition**”), the Phase I Runway Assets are 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. In addition, upon the completion of the Runway Acquisition, the Parent Company’s share of the service fees will reduce from 25% to such lesser amount to be approved by the CAAC, and as a result of the Runway Acquisition, will strengthen the revenue stream and competitiveness of the Company. To ensure the timely completion of the Parent Company Subscription and avoid the possible adverse impact of the tightening of local property transfer policies by the government of Haikou City, as agreed by both parties, as at the Latest Practicable Date, the Parent Company has cooperated with the Company to complete the transfer and registration procedures of part of the Phase I Runway Assets in advance. Before the completion of the Parent Company Subscription, the Parent Company will still have the ownership and operation right of such part of the Phase I Runway Assets.

Meanwhile, Meilan Airport, being an important transportation hub for the construction of Hainan Free Trade Port, is well positioned to capture opportunities in connection with the Hainan Free Trade Port. On 20 May 2021, the General Office of the People’s Government of Hainan Province (海南省人民政府辦公廳) issued the “14th Five-Year” Plan for Integrated Transportation of Hainan Province (《海南省「十四五」綜合交通運輸規劃》) (the “**14th Five-Year Plan**”), which confirmed the overall goals, key tasks and policy directions of integrated transportation development of Hainan Province. Based on the 14th Five-Year Plan, the passenger throughput will be increased from approximately 45 million people in 2020 to 60 million people in 2025 and the cargo throughput will be increased from approximately 215,000 tonnes in 2020 to 400,000 tonnes in 2025.

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According to the operational data published in the official website of Meilan Airport, the historical passenger throughput, historical cargo throughput and aircraft movement from 1 January 2020 to 30 June 2022 is summarized in the table below.

Year	Historical passenger throughput <i>(Unit: million people)</i>	Historical cargo throughput <i>(Unit: thousand tonnes)</i>	Aircraft movement <i>(Unit: thousand times)</i>
2020	16.49	222.37	128.86
2021	17.52	239.86	138.03
Annual growth rate (2020 – 2021)	6.2%	7.9%	7.1%
Jan – Jun 2021	9.97	86.83	74.50
Jan – Jun 2022	6.56	74.19	58.14
Year-on-year growth rate	(34.2)%	(14.6)%	(22.0)%

The passenger throughput, cargo throughput and aircraft movement has been decreased during the six months ended 30 June 2022 due to certain regional outbreaks of COVID-19 pandemic (the “**COVID-19**”) in PRC. The PRC government has implemented strict preventive and control measures, including citywide lockdowns and restrictions on entry and exit to prevent the spread of the virus. The passenger throughput, cargo throughput and aircraft movement decreased by approximately 34.2%, 14.6% and 22.0% respectively.

Although the regional outbreaks of COVID-19 will temporarily affect the demand for the airline industry, the management of Company considered that with the emergency public health measures successfully implemented by the PRC government, the COVID-19 will be under control with minimized negative effect on the airline industry.

In view of the overall performance of Meilan Airport in 2021, the passenger throughput, the cargo throughput and the aircraft movement have increased for the year ended 31 December 2021 (“**FY2021**”). The passenger throughput was approximately 17.52 million for FY2021, representing an increase of approximately 6.2% as compared to the same period for 2020, whilst the cargo throughput was approximately 239,860 tonnes for FY2021, representing an increase of approximately 7.9% as compared to the same period for 2020, and the aircraft movement was approximately 138,030 times for FY2021, representing an increase of approximately 7.1% as compared to the same period for 2020.

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Taking into account the recovery of the domestic economy, the resumption of the routes of Meilan Airport and the rebound in the demand for Meilan Airport during FY2021, the management of Company expected that the prospect of Phase I Runway Assets will be no less favourable than that of the time when the Company first proposed the Runway Acquisition. Thus, we are of the view that the Runway Acquisition remains fair and reasonable as the Company proposed for the first time.

As described by the management of the Company in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), Meilan Airport continued to improve service quality and flight punctuality rate by continuously deepening the coordination mechanism of the Operation Coordination and Management Committee (運行協調管理委員會), improving the efficiency of ground operation guarantee, optimizing passenger services under the situation of normalized COVID-19 prevention and control, and promoting key service measures. On the other hand, the government of Hainan Province actively promoted the tourism of Hainan Province, in order to develop Hainan Province into an International Tourism Consumption Centre. During 2021, the government in Hainan Province initiated several tourism projects, including construction of Haikou International Duty Free City in the west coast of Haikou City which is expected to operate in 2022 and the construction of tourism highway of Hainan Island which is positioned as “No. 1 National Coast Scenic Highway”. Besides, several national exhibitions were held in Hainan International Convention and Exhibition Center attracted thousands of domestic and foreign associations and enterprises from over 10 countries and regions, 20 provinces and cities, to participate in. Taking into account the development of the tourism in Hainan Province, the management expected that the Runway Acquisition will help to increase the service quality of Meilan Airport and embrace the government strategies to develop the tourism of Hainan Province which will further increase the demand for airline services in Hainan Province.

Apart from the uncertainties arisen from the COVID-19, 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 eventually. 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 information of (i) the Phase I Runway Assets; (ii) 2021 Valuation; (iii) background of and reasons for and benefits of entering into, among others, the 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement; and (iv) principal terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement, please refer to the circulars of the Company dated 20 August 2020 and 21 September 2021 for details.

Having considered the above analysis and factors, we are of the view that the reasons for and benefits 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.

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Progress of the CSRC approval

References are made to the announcements of the Company dated 15 March 2021, 24 October 2021 and 1 November 2021. As disclosed in the announcements, on 15 March 2021, the Company received notice from the Parent Company regarding the court ruling on acceptance of the restructuring of Parent Company (the “**Restructuring**”). On 23 October 2021, the administrator of HNA Group Co., Ltd. (海航集團有限公司) issued the announcement of the Voting Result of the Restructuring Plan (Draft) for the Substantial Consolidated Restructuring of 321 Companies including HNA Group Co., Ltd. (the “**Restructuring Plan**”), which included the Parent Company. According to such announcement, the Restructuring Plan was passed by voting. On 31 October 2021, the Parent Company received a notice that Hainan High People’s Court has ruled to approve the Restructuring Plan, and terminate the restructuring process of such companies. The Restructuring was completed on 24 April 2022. As the management of the Company understands that the right of control on the Company and its certainty is one of the key concerns of the CSRC in reviewing the Company’s application in relation to the Parent Company Subscription, the Company was only able to continue facilitating the Parent Company Subscription upon the completion of the Restructuring.

As at the Latest Practicable Date, the Company was in the process to facilitate the Parent Company Subscription and the New H Share Issue, and the Board believes that the Company needs more time to complete the Parent Company Subscription. The Company needs to liaise with the relevant governmental department and obtain the CSRC approval for the Parent Company Subscription and the New H Shares Issue (including but not limited to the preparation of the application materials), which is beyond the control of the Company. After obtaining such approval, the Company expects to need approximately 2 to 3 months to identify, approach and negotiate with potential investors, and approximately 2 to 3 months to complete the New H Shares Issue (including but not limited to negotiating and executing the placing agreement(s) and obtaining the approval from the Stock Exchange for listing of relevant new H Shares) and complete the closing work of the Parent Company Subscription and the New H Shares Issue.

As advised by the management of the Company, the above-mentioned timeline was estimated based on the Company’s past experience in the correspondence with the CSRC in respect of the Parent Company Subscription and the estimated time required in preparing the application materials for the CSRC. Having considered that the key concerns of the CSRC in reviewing the Company’s application in relation to the Parent Company Subscription should have been addressed upon completion of the Restructuring, and taking into account of the time required for the Company to carry out the New H Shares Issue for which there is a common timeframe required for such scale of fundraising, we concur with the view of the Directors that a further twelve-month extension is required.

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3. Principal terms of the Parent Company Subscription

Subscription price of the Parent Company Subscription

As disclosed in the Circular, the pricing mechanism of the Subscription Shares to be issued for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement (the “**Pricing Mechanism**”). Pursuant to the 2020 Parent Company Domestic Shares Subscription Agreement, the Subscription Shares will be allotted and issued at a subscription price which is the highest of the followings:

- (a) RMB10.80 (equivalent to approximately HK\$12.67) per Subscription Share, being the audited net asset value per Share of the Company as at 31 December 2019; or
- (b) the audited net asset value per Share of the Company as at the end of the financial year preceding the Effective Date; or
- (c) 90% of the highest among the followings:
 - (i) the closing price of H Share as quoted on the Stock Exchange at the Effective Date;
 - (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Effective Date;
 - (iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Effective Date; 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 Effective Date.

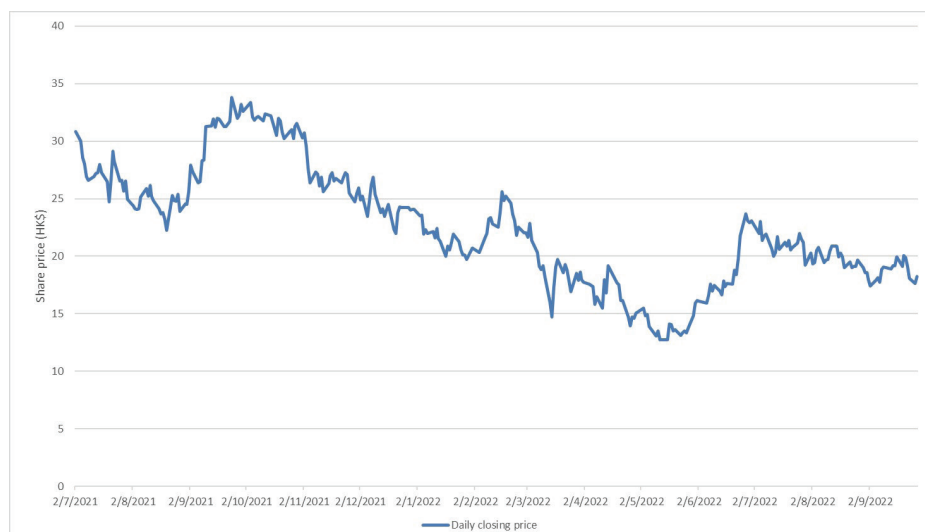
The Pricing Mechanism was determined after arm’s length negotiation between the Company and the Parent Company after taking account the conditions of the civil aviation industry, the business pattern, the operation status and prospects and the asset quality of the Company, and with reference to the net asset value per Share of the Company, the market price of the H Shares and the market conditions at the Effective Date. The applicable exchange rate of Renminbi to Hong Kong dollars shall be the exchange rate of Renminbi to Hong Kong dollars promulgated by the People’s Bank of China on the Effective Date.

Based on the Pricing Mechanism, the subscription price for the Parent Company Subscription will be at least RMB10.80 (equivalent to approximately HK\$12.67) per Subscription Share (the “**Minimum Subscription Price**”), representing a price floor of the Parent Company Subscription.

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(i) *Review on H Share price performance*

The following is a share price chart illustrating the highest and lowest closing prices and the daily closing price of the H Shares as quoted on the Stock Exchange during the period commencing from 1 July 2021 up to and including the Latest Practicable Date (the “**Review Period**”):



Source: www.hkex.com.hk

During the Review Period, the highest closing price of the Shares was HK\$33.80 on 24 September 2021, while the lowest closing price of the Shares was HK\$12.72 on 13 May 2022 and 16 May 2022 (the “**Price Range**”) with an average daily closing price of the H Shares of approximately HK\$22.48 per H Share. The Minimum Subscription Price is lower than the Price Range. The Minimum Subscription Price represents a discount of approximately 62.5% and 0.4% to the highest closing price and the lowest closing price of the Shares during the Review Period, respectively.

For illustration purpose, the Minimum Subscription Price represents:

- (i) a discount of approximately 43.1% of the closing price of HK\$22.25 per H Share as quoted on the Stock Exchange on 20 August 2021, being the last trading day in the H Shares immediately before the date on which the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement was signed (the “**Last Trading Day**”);
- (ii) a discount of approximately 45.9% of the closing price of HK\$23.42 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 discount of approximately 48.2% of the closing price of HK\$24.44 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 discount of approximately 34.8% of the closing price of HK\$19.44 per H Share as quoted on the Stock Exchange on 8 August 2022, being the date of the announcement of the Company in relation to the Extension Resolutions (“**Extensions Announcement Date**”);
- (v) a discount of approximately 36.3% of the closing price of HK\$19.90 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Extensions Announcement Date;
- (vi) a discount of approximately 37.8% of the closing price of HK\$20.37 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day up to and including the Extensions Announcement Date;
- (vii) a discount of approximately 30.6% of the closing price of HK\$18.26 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (viii) a discount of approximately 31.8% of the closing price of HK\$18.58 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
- (ix) a discount of approximately 33.5% of the closing price of HK\$19.04 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.

According to the Pricing Mechanism, the Minimum Subscription Price will only be effective if (i) the 90% of recent closing price of H Share preceding the Effective Date fall below RMB10.80 (equivalent to approximately HK\$12.67), represents that the H Share price falls below HK\$14.08; and (ii) the audited net asset value per share of the Company as at the end of the financial year preceding the Effective Date falls below RMB10.80. The Minimum Subscription Price provides a protection for the downward price movement of H Share as well as the audited net assets value which is in favor of the Company and the Independent Shareholders.

With reference to the prevailing share price of the H Shares, it is uncertain that the H Share will drop below HK\$14.08 per Share. Meanwhile, when the closing price and the average price on or preceding to the Effective Date is above HK\$14.08 per Share, the discount would not be more than 10% to the prevailing market price of the H Shares.

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As the Effective Date is uncertain and the final subscription price of the Subscription Shares is yet to be determined, in order to illustrate the subscription price discount/premium under the recent share price of the Company, we assumed the Effective Date is the Extensions Announcement Date. The closing price of H Shares as quoted on the Stock Exchange (i) at the Extensions Announcement Date was HK\$19.44; (ii) over the last five (5) trading days prior to the Extensions Announcement Date was HK\$19.90; (iii) over the last ten (10) trading days prior to the Extensions Announcement Date was HK\$20.37; and (iv) over the last twenty (20) trading days prior to the Extensions Announcement Date was HK\$20.61. As the closing price of H Shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the Extensions Announcement Date is the highest closing price among the benchmark dates under the Pricing Mechanism, thus the subscription price calculated under the Pricing Mechanism of the Subscription Shares will be approximately HK\$18.55 (90% x HK\$20.61) (the “**Illustration Price**”) which is higher than that of the Minimum Subscription Price and the net asset value per share of the Company as at 31 December 2021 (i.e. RMB9.58 (equivalent to approximately HK\$11.21)). Further, the Illustration Price represents:

- (i) a discount of approximately 16.6% of the closing price of HK\$22.25 per H Share as quoted on the Stock Exchange on Last Trading Day;
- (ii) a discount of approximately 20.8% of the closing price of HK\$23.42 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Last Trading Day;
- (iii) a discount of approximately 24.1% of the closing price of HK\$24.44 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 discount of approximately 4.6% of the closing price of HK\$19.44 per H Share as quoted on the Stock Exchange on Extensions Announcement Date;
- (v) a discount of approximately 6.8% of the closing price of HK\$19.90 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Extensions Announcement Date;

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- (vi) a discount of approximately 8.9% of the closing price of HK\$20.37 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day up to and including the Extensions Announcement Date;
- (vii) a premium of approximately 1.6% over the closing price of HK\$18.26 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (viii) a discount of approximately 0.2% of the closing price of HK\$18.58 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
- (ix) a discount of approximately 2.6% of the closing price of HK\$19.04 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.

Upon comparison between the discounts of the Illustration Price to the relevant benchmark closing prices as illustrated above (the “**Illustration Price Discount**”) and the discounts of the Minimum Subscription Price to the relevant benchmark closing prices as illustrated above (the “**Minimum Price Discount**”), the Illustration Price Discount is lower than the Minimum Price Discount.

Although the Subscription Price is uncertain, if the closing price of the H Shares falls below HK\$14.08 per H Share, the discount to the Subscription Price would be limited to the Minimum Price Discount. On the other hand, if the closing price of the H Shares is on an upward trend, the discount to the Subscription Price will be lower than the Minimum Price Discount.

Therefore, we are of the view that the Pricing Mechanism is fair and reasonable and is in the interest of the Company and the Independent Shareholders as a whole.

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(ii) *Comparison with industry comparables*

To assess the fairness and reasonableness of the subscription price per Subscription Shares, we have also endeavoured to identify all listed companies in Hong Kong and PRC which are principally engaged in the same industry with similar business operation of the Company and provide airport management and operation services in the PRC and examined the price to net asset value multiple (the “**P/B Ratio**”) as well as price to earnings multiple (the “**P/E Ratio**”) using the closing prices of such companies as quoted on the Extensions Announcement Date. We have identified an exhaustive list of five listed companies in Hong Kong or the PRC which are principally engaged in the airport management and operation services in the PRC on the official websites of Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange (the “**Industry Comparable(s)**”) for the purpose of our analysis. Summarised below are our relevant findings:

Company name	Principal business	Market capitalization as at the Extensions Announcement Date ^{Note 1} (HK\$' million)	Net profit attributable to the shareholders of the company (HK\$' million)	P/E Ratio as at the Extensions Announcement Date ^{Note 2} (times)	Net asset attributable to the shareholders of the company (HK\$' million)	P/B Ratio as at the Extensions Announcement Date ^{Note 3} (times)
Beijing Airport (694.HK)	Principally engaged in the operation and management of Beijing Capital Airport and the provision of related services in the PRC.	20,789.47	N/A ^{Note 5}	N/A ^{Note 5}	23,604.53	0.88
Guangzhou Baiyun International Airport Co. Ltd. (600004.SH)	Principally engaged in airport support services in Guangzhou Baiyun International Airport.	35,831.64	N/A ^{Note 5}	N/A ^{Note 5}	21,329.01	1.68
Shanghai International Airport Co., Ltd. (600009.SH)	Principally engaged in provision of full range of services including air traffic control, terminal management, cargo handling, advertising, space rental, and other related services.	128,553.95	N/A ^{Note 5}	N/A ^{Note 5}	31,585.32	4.07
Xiamen International Airport Co., Ltd (600897.SH)	Principally engaged in aviation businesses, leasing and franchising businesses, cargo business, as well as parking business.	5,275.35	165.81	31.81	4,496.79	1.17
Shenzhen Airport Co., Ltd (000089.SZ)	Principally engaged in provision of airport terminal ground passenger transportation and cargo delivery services.	16,339.92	N/A ^{Note 5}	N/A ^{Note 5}	13,560.71	1.20
		Maximum		31.81		4.07
		Minimum		31.81		0.88
		Average		31.81		1.80
		Median		31.81		1.20
Company		8,778.10 ^{Note 6}	895.20	9.81 ^{Note 7}	5,304.30	1.65 ^{Note 8}

Source: www.hkex.com.hk, www.sse.com.cn and www.szse.cn

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Notes:

1. The market capitalisation is calculated based on the closing share price and number of issued shares of the respective companies as at the Extensions Announcement Date.
2. The P/E Ratio of the Industry Comparables are calculated based on their respective market capitalisation divided by the net profit attributable to the shareholders of the company as disclosed in their respective latest published annual reports.
3. The P/B Ratio of the Industry Comparables are calculated based on their respective market capitalisation divided by the net asset attributable to the shareholders of the company as disclosed in their respective latest published annual reports or quarterly reports.
4. The financial information has been converted into HK\$ based on RMB1 = HK\$1.17.
5. The P/E Ratio is not available as the company recorded net loss attributable to the shareholders of the company as disclosed in their respective latest published annual report.
6. The implied market capitalisation of the Company (“**Implied Market Capitalisation**”) is calculated based on Illustration Price and number of issued shares of the Company as at the Extensions Announcement Date (i.e. 473,213,000 Shares).
7. The ratio is calculated based on the Implied Market Capitalisation and the net profit attributable to the shareholders of the Company for the year ended 31 December 2021.
8. The ratio is calculated based on the Implied Market Capitalisation and the net asset value attributable to the shareholders of the Company as at 31 December 2021.

We noted that out of the five Industry Comparables we identified, only one Industry Comparable (i.e. Xiamen International Airport Co., Ltd) recorded net profit attributable to the shareholders of the company in its latest financial year with a high P/E Ratio of approximately 31.81 times as compared to the P/E Ratio of approximately 9.81 times as implied by the Illustration Price. According to the 2020 Parent Company Domestic Shares Subscription Agreement, the subscription price of the Subscription Shares will be determined based on the Pricing Mechanism. As the Effective Date is uncertain and the final subscription price of the Subscription Shares is yet to be determined, the implied P/E Ratio of the Company is for reference only. We have further calculated the implied P/E Ratio of the Company by the highest closing price of the Shares during the Review Period (i.e. HK\$33.80 on 24 September 2021) which was approximately 17.87 times. The P/E Ratio as implied by the highest closing price during the Review Period was lower than the P/E Ratio of the Industry Comparable. Having considered that (i) the Effective Date is uncertain and the final subscription price of the Subscription Shares is yet to be determined; and (ii) there is only one Industry Comparable for the P/E Ratio analysis, we cannot draw a decisive conclusion based on the P/E Ratio analysis.

As regards the P/B Ratio analysis, we noted that the P/B Ratio of the Industry Comparables on the Extensions Announcement Date ranged from approximately 0.88 time to approximately 4.07 times with an average of approximately 1.80 times and a median of approximately 1.20 times. Upon comparison, the P/B Ratio as implied by the Illustration Price of approximately 1.65 times was (i) within the range of the P/B Ratio of the Industry Comparables; (ii) higher than the median of the P/B Ratio of the Industry Comparables; and (iii) slightly lower than the average of the P/B Ratio of the Industry Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the analysis and factors set out in our letter contained in Company's circular dated 21 September 2021 and our updated analysis above, including,

- (i) 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 eventually. 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 complete the Runway Acquisition; and
- (ii) the Pricing Mechanism is fair and reasonable,

we are of the view that the Parent Company Subscription Extension Resolutions 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.

4. 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**"), where the Company and the Parent Company entered into 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 aircraft fees, passenger charges and basic ground handling 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 at such ratio as the CAAC or any other regulatory authorities may prescribe from time to time, 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 the 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 to the Parent Company would be greatly reduced in the future, which could in turn further have an impact on the Group's earnings base eventually, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Working capital

Based on the 2021 Annual Report, the Group's deficiency of working capital (i.e. total current assets of approximately RMB622.6 million, less total current liabilities of approximately RMB6,285.6 million) amounted to approximately RMB5,663.0 million as at 31 December 2021, representing a current ratio of approximately 9.9%. 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 the Subscription 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.

Net asset value

It is currently expected that there will not be any material adverse impact on 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 2021 Annual Report, the Group had consolidated net asset value (excluding non-controlling interests) of approximately RMB4,533.6 million as at 31 December 2021, representing a net asset value per Share of approximately RMB9.58 (equivalent to approximately HK\$11.21). Assuming the subscription price is 90% of the closing price of H Share as at the Extension Announcement Date (i.e. HK\$19.44 (equivalent to approximately RMB16.62)), the subscription price of HK\$17.50 per Subscription Share would represent a premium of approximately 56.1% over the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2021. On such basis, it is anticipated that the net asset value per Share would increase immediately after the completion of the Parent Company Subscription.

Gearing position

As at 31 December 2021, the Group's interest-bearing borrowings and net asset value amounted to approximately RMB2,009.9 million and RMB4,566.1 million respectively, and hence a relatively moderate gearing ratio (which is calculated as total bank loans, finance lease payable and entrusted loans payable divided by the net asset value of the Group) of approximately 44.0%. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

5. 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, 226,913,000 H Shares were held by public Shareholders which represent approximately 47.95% of the issued share capital of the Company. Immediately after the Parent Company Subscription and assuming that the Company fails to issue any New H Shares, the corresponding shareholding of public Shareholders will be diluted by approximately 10.99% to approximately 36.96%. The abovementioned dilution effect does not represent the theoretical dilution effect as defined under Rule 7.27B of the Listing Rules. For details of the possible changes in share capital and shareholding structure, please refer to the Letter from the Board.

Although the shareholding of public Shareholders will be diluted by approximately 10.99%, such dilution is inevitable on the grounds that the Company would take up full control over the Phase I Runway Assets without expending any cash resources or incurring any liability of the Group so as to alleviate its reliance on the operational support by the controlling Shareholder in the long-term future. However, the Independent Shareholders should note that dilution of the earnings per Share and shareholding is inevitable for the allotment and issue of new Domestic Shares and New H Shares. Having considered (i) the benefits of the Runway Acquisition, (ii) the possible enhancement and broadening of shareholders' capital base of the Company upon completion of the Subscription and the Parent Company Subscription; and (iii) the expected increase in the total net asset value of the Group upon completion of the Subscription and the Parent Company Subscription, we consider that the dilution of the shareholding will outweigh the dilution impact on the Independent Shareholders and is fair and reasonable, so far as the Independent Shareholders are concerned.

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 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 Extraordinary General Meeting and the Class Meetings.

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

Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 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 20 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 2019, 2020 and 2021 and six months ended 30 June 2022 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 2019 published on 22 April 2020 (pages 172 to 284) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200577.pdf>);
- annual report of the Company for the year ended 31 December 2020 published on 20 May 2021 (pages 199 to 316) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0520/2021052000527.pdf>);
- annual report of the Company for the year ended 31 December 2021 published on 20 April 2022 (pages 182 to 296) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000771.pdf>); and
- interim report of the Company for the six months ended 30 June 2022 published on 20 September 2022 (pages 42 to 96) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0920/2022092000512.pdf>).

2. INDEBTEDNESS

As at the close of business on 31 August 2022, 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:

	31 August 2022
	<i>RMB '000</i>
Bank borrowings	
Short-term borrowings – unguaranteed and unsecured (a)	20,000
Syndicated loan – guaranteed and secured (b)	1,944,000
	<u>1,964,000</u>
Other liabilities:	
Interest on bank loans payable	12,967
Lease liabilities (c)	86,699
Payables to related parties – unguaranteed and unsecured (d)	793,862
	<u>893,529</u>
Other current liabilities – provision for joint repayment commitment (b)	2,586
Total liabilities	<u><u>2,860,114</u></u>

- (a) The Company secured a loan facility of RMB300 million in May 2022, and as at 31 August 2022, the drawn loan amount was RMB20 million, with the annual interest rate of 3.55%.
- (b) As at 31 August 2022, the Company has withdrawn RMB1.94 billion of the borrowings under the syndicated loan arrangement, which has been presented as non-current liabilities due within one year. The borrowings bear an annual interest rate of 3.9%.

In the meantime, the Parent Company has withdrawn RMB3.24 billion of the borrowings under the syndicated loan arrangement, and the Company was jointly responsible for the repayment of the borrowings withdrawn by the Parent Company. The Company has recognised “other current liabilities – provision for joint repayment commitment” of approximately RMB3 million.

For detailed arrangement of the syndicated loans, please refer to the relevant disclosure in the “Working Capital” below.

- (c) Lease liabilities are the balance of the minimum lease payments of fixed assets leased by the Group under financing lease after deducting unrecognised finance charge and the balance of the minimum lease payments of fixed assets leased by the Group under operating lease. As at 31 August 2022, the balance of lease liabilities was RMB86,699,000, of which RMB77,808,000 will be due within one year.

As at 31 August 2022, the balance of unrecognised finance charge was RMB1,164,000.

- (d) It represents mainly the amounts due to the Parent Company, which are interest-free, unsecured and presented as current liabilities.

Contingent Matters

As disclosed in the announcement of the Company dated 5 January 2021, Aero Infrastructure Holding Company Limited and the Company entered into a subscription agreement in relation to the subscription of 200,000,000 New H Shares (the “**Past New H Shares Subscription Agreement**”) on 29 September 2019. Aero Infrastructure Holding Company Limited (the “**Claimant**”) filed an arbitration (the “**Arbitration**”) with the Hong Kong International Arbitration Centre against the Company asserting allegations in connection with the Past New H Shares Subscription Agreement and as at the Latest Practicable Date, the Claimant has submitted the response to the Arbitration and supporting documents and the Company has submitted the first round written affirmative defenses and supporting documents and is in the process of preparing the second round affirmative defenses and supporting documents. The Company does not believe that there is a breach of the subscription agreement as described by the Claimant and will raise a strong defended in the arbitration proceedings. As of the Latest Practicable Date, the case is still in progress. The management believes there is no breach by the Company as claimed in the notice of arbitration and believes that it is less likely that the claim of the arbitration by the Claimant will be supported by the arbitration tribunal after consultation with lawyers, and therefore no accrual of estimated liabilities is required.

In addition, the Company obtained a loan in the principal amount of US\$75,000,000 from Aero Infrastructure Investment Company Limited in August 2019, which was pledged against the Company’s 100% equity interest in Hainan Ruigang Logistics Co., Ltd. (海南瑞港物流有限公司) and 51% equity interest in Hainan Meilan International Airport Cargo Co., Ltd. (海南美蘭國際機場貨運有限責任公司), both being a subsidiary of the Company. The loan was repaid on 8 July 2020 and the Company needs further cooperation from the lender for the release of such pledge, which are still pending. As at 31 August 2022, the pledge of such equity interests had not been released.

At the close of business on 31 August 2022, save as disclosed in this circular, 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 August 2022, 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 August 2022.

3. WORKING CAPITAL

As at 30 June 2022, the Group recorded current liabilities of RMB6.09 billion, which exceeded its current assets by approximately RMB5.60 billion. The Group's current liabilities mainly comprised the syndicated loan of RMB1.94 billion, amounts due to related parties of RMB0.79 billion and construction fee payable of Meilan Airport Phase II Expansion Project (the "**Phase II Expansion Project**") of RMB1.20 billion. In addition, as at 30 June 2022, the Group's cash and cash equivalents only amounted to RMB130 million.

The Company and the Parent Company jointly constructed the Phase II Expansion Project. The Parent Company (as the borrower) and the Company (as the co-borrower) have obtained a syndicated loan (the "**Syndicated Loan**") with a total facility of RMB7.8 billion and maturity of 20 years which is specifically for financing the construction of the Phase II Expansion Project. The Company and the Parent Company jointly undertake the repayment obligation for each loan drawn down under the Syndicated Loan Agreement and are jointly and severally liable for the repayment of the Loan (the "**Joint Repayment Commitment**"). As at 30 June 2022, the draw-down of the Syndicated Loan totalled approximately RMB5.18 billion, of which the Parent Company has drawn down approximately RMB3.24 billion and the Company has drawn down approximately RMB1.94 billion. In 2019, the Parent Company has triggered the event of default of the Syndicated Loan Agreement. Furthermore, as HNA Group and its certain related parties including the Parent Company were not able to settle their debts in due course and were insolvent as a whole, Hainan High People's Court ("**Hainan High People's Court**") ruled on the acceptance of the substantial consolidated restructuring of HNA Group and its related companies inclusive of the Parent Company totalling 321 companies on 13 March 2021 (the "**HNA Group Substantial Consolidated Restructuring**") (the "**Parent Company's Defaults**"). Parent Company's Defaults resulted in the loan syndicate has the right to request, at any time, the Company as the co-borrower to undertake the Joint Repayment Commitment to repay the Syndicated Loan drawn down by the Parent Company amounting to RMB3.24 billion and the right to request the Company to early repay the balance of the Syndicated Loan drawn down by the Company amounting to RMB1.94 billion and suspend offering the remaining loan facility of RMB1.96 billion to the Company. On 24 April 2022, Hainan High People's Court ruled on the completion of the HNA Group Substantial Consolidated Restructuring and the Syndicate Loan Agreement to continue.

A short-term bank loan of the Company amounting to approximately RMB380 million was overdue since November 2020 (the "**Overdue Debt**"), which constituted an event of default of the Syndicated Loan. As of January 2022, the Company has fully repaid the principal and interest of the loan.

On 23 December 2020, the Company received arbitration application requiring the Company to pay a compensation for the damage with a maximum amount of HK\$6.962 billion in respect of the H shares subscription agreement entered into in prior year (the “**Arbitration Case**”). As at the date of this circular, taking into account the opinion of the third party law firm, the management is of the view that the Company has no breach of the contract as claimed by the applicant and it is less likely that the damage claimed by the applicant will be supported by the arbitration center. The Company has not made any provision for the Arbitration Case.

The abovementioned Arbitration Case, Parent Company’s Defaults and Overdue Debt triggered events of default of the Syndicated Loan. As at the date of this circular, the Company and the Parent Company have not obtained the written waiver from the loan syndicate, notwithstanding the Company and the Parent Company have not received notice from the loan syndicate requiring the Company to repay the Syndicated Loan or undertake the Joint Repayment Commitment.

In the first half of 2022, COVID-19 pandemic (the “**COVID-19**”) adversely affected passenger travel and flight traffic. For the six months ended 30 June 2022, Meilan Airport experienced a decline in flight take-offs and landing, passenger throughput as well as cargo and mail throughput resulting in a decrease in the operating revenue and net cash inflow from operating activities of the Group by 30.4% and 53.0%, respectively, as compared to the corresponding period of 2021. In addition, as the Phase II Expansion Project has been put into operation since December 2021, the Group’s operating expenses increased significantly and the Group’s gross profit margin decreased to 16.7%.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the sufficiency of the Group’s working capital.

In view of the above, the directors of the Company have carefully considered the Group’s future working capital, operating position and available sources of financing so as to assess whether the Group has sufficient working capital and sources of financing to ensure that it can settle its debts when they fall due in 12 months from the date of this circular. The Group and the Parent Company are trying to take certain measures to improve its financial position and cash flow status, including but not limited to:

- 1) In respect of the Arbitration Case, as at the date of this circular, the Arbitration is still in progress and the Company is in the progress of preparing information for the second round of submissions and supporting materials to the arbitration centre. The Company will raise a strong defense through the Company’s arbitration lawyers. The management is of the view that it is less likely that the matters claimed by the applicant will be supported by the arbitration center and the Company will be required to pay a compensation for the damage as requested by the applicant;

- 2) The Company, together with the Parent Company, has obtained the agreement of the loan syndicate to continue to perform in accordance with the repayment term and requirements as agreed in the original syndicated loan contract. The Company and the Parent Company are negotiating with the loan syndicate about the waiver in respect of aforementioned events of default. Management believes that the loan syndicate will agree to waive the above defaults and will not require the Company to early repay the principal and interest of the Syndicate Loan drawn down by the Company of RMB1.94 billion or settle the principal and interest of the Syndicate Loan drawn down by the Parent Company of RMB3.24 billion;
- 3) In December 2021, Hainan Provincial Development and Reform Committee has approved a facility of RMB1.4 billion sourced from the 2022 local government specific bond for the Phase II Expansion Project, and by the end of August 2022, the total amount of RMB0.8 billion was received. The Parent Company and the Company will follow up with the People's Government of Hainan Province to utilise the remaining facility of government specific bonds for the Phase II Expansion Project when necessary; and
- 4) The Group has timely taken a number of measures to mitigate the adverse impact of the COVID-19 on the Group's business, including but not limited to joining hands with airlines to develop the air transportation market and accelerating the leasing and renovation of duty-free shops in Terminal 2.

The Board has reviewed the Group's cash flow forecast prepared by the management of the Company and the Directors are of the opinion that, after careful consideration of the resources available to the Group, including the internally generated funds and the available banking and other financing resources, and taking into account the above plans and measures, 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.

Notwithstanding, significant uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- 1) Whether the Company will not be required to pay the damage as claimed by the Claimant of the Arbitration Case;
- 2) Whether the Company can obtain the loan syndicate's waiver in respect of the aforementioned events of default and then the Company is not required to early repay the balance of the Syndicate Loan drawn down by the Company of RMB1.94 billion or settle the balance of the Syndicate Loan drawn down by the Parent Company of RMB3.24 billion;

- 3) Whether the Company can continue to utilise the undrawn facility of local government to settle the construction payment of the Phase II Expansion Project; and
- 4) Whether the Group's airport operation businesses will achieve its targets as expected and generate stable net operating cash inflow accordingly.

If the above conditions are not met and the Group is unable to take other measures to defer payment of its debts as they become due over the next twelve months, the Group will not have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2021, the Group recorded an audited revenue of approximately RMB1,605.71 million, and a net profit attributable to Shareholders of approximately RMB765.13 million. Earning per share was RMB1.62. For the first half year ended 30 June 2022, the Group recorded an unaudited revenue of approximately RMB622.63 million, and a net loss attributable to Shareholders of approximately RMB11.79 million. Loss per share was RMB0.02.

In the first half of 2022, the economy experienced a heightened downward pressure due to the impact of unexpected factors such as the Pandemic rebound and the war between Russia and Ukraine. In line with the clear requirement of “to stabilize the economy, to prevent the Pandemic and to secure development”, the domestic economy efficiently bolstered Pandemic prevention capabilities and facilitated economic and social development, accelerated the progress of implementing various policies to stabilize the economy, and achieved positive results. Hainan Province has launched a series of policies to stabilize the economy and assist enterprises to alleviate their difficulties, while the overall positive trend remains unchanged with remarkable economic development highlights, but there are still challenges such as the economy not recovering as expected. In order to implement the requirements of the provincial Party Committee and the government of Hainan Province on “efficiently bolstered Pandemic prevention capabilities and facilitated economic and social development”, Hainan Province Department of Tourism, Culture, Radio, Television and Sports further strengthened its analysis and assessment of the tourism market on and off of the Island, and promptly launched the “Unconventional Measures to Promote the Recovery and Revitalisation of the Tourism Industry”, with the focus on launching thematic activities in the tourism market inside and outside the province from June to August 2022 to boost the tourism market by implementing precise relief, precise marketing, and precise Pandemic prevention.

Currently, the risk of stagflation in the world economy is on the rise, the policies of major economies are tending to tighten, external instability and uncertainties have increased significantly, the impact of the domestic Pandemic has not been completely eliminated, demand contraction is intertwined with supply shocks, structural contradictions and cyclical problems are superimposed, the operation of market players is still relatively difficult, and the foundation for sustained economic recovery is unstable.

In the second half of 2022, the mainland will seize the critical period of economic recovery by ensuring the effective implementation of a series of policies to stabilize the economy, and continue to proceed with the “Six Stabilizations” (i.e. “stabilization of employment”, “stabilization of finance”, “stabilization of foreign trade”, “stabilization of foreign investment”, “stabilization of investment” and “stabilization of expectations”) and accomplish the “Six Guarantees” (i.e. “guarantee of employment rate”, “guarantee of basic people’s livelihood”, “guarantee of market players”, “guarantee of food and energy security”, “guarantee of the stability of the industrial chain and supply chain” and “guarantee of grassroots operations”), in order to consolidate the foundation for a stable economic recovery and ensure the economy running within a reasonable range. On the basis of the prevention and control of the Pandemic, the Hainan government will further facilitate the consumption recovery by continuously launching the “attracting customers to the Island” campaign, and accelerating the construction of the Hainan Free Trade Port and the establishment of the first wave of lockdown operation projects. Meanwhile, the Hainan government will increase efforts to help enterprises to alleviate their difficulties and reduce their operating costs, with the launch of a three-year campaign to improve production safety.

2022 is the year for the phase of consolidation and enhancement, and the final year of the three-year action for special rectification of national production safety. In conjunction with the work plan of the CAAC for the civil aviation industry for the second half of 2022, the Group will strengthen the maintenance of various facilities and equipment to maintain the bottom line of aviation safety and prevent the occurrence of serious accidents. The Group will ensure the absolute safety of aviation operations and people’s lives, to uphold the concept of safe development, implement various safety measures, enhance the awareness of the red lines, strengthen the bottom-line mindset, continue to strengthen the management of the safety process, and strive for a better investigation and management of hidden dangers.

The Group will also strictly follow the deployment of governments at all levels for the second half of the year, and make every effort to improve operating results and make up for the decline in the first half of the year. The Group will relentlessly work on Pandemic prevention and control, guard the border against the importation of cases, effectively implement regularized anti-pandemic measures to establish a robust pandemic prevention command system and pandemic prevention protocols, improve the practical pandemic prevention and control abilities, and optimize the business mechanism of safeguarding international freight flights. The Group will cooperate with provincial and municipal governments, and coordinate airline, and other collaborators to promote the Hainan’s tourism market, while taking up social responsibility and assisting merchants in the area of Meilan Airport to relieve their pressure, strengthening the capacity of staff to improve corporate governance and service standards, and achieve steady, efficient and integrated development.

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 2021, 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.

Mr. Wang Hong, the chairman and president of the Company and an executive Director, also serves as a chairman of the board of directors and the legal representative of the Parent Company; Mr. Xing Zhoujin, an executive Director and company secretary of the Company, also serves as the secretary to the board of directors of the Parent Company; Mr. Qiu Guoliang, a non-executive Director, also served as a general manager of the Parent Company; Mr. Li Zhiguo, a non-executive Director, also serves as the deputy general manager of the Parent Company; and Mr. Wu Jian, a non-executive Director, also serves as the assistant to the president of the Parent Company.

Save as disclosed above, as at the Latest Practicable Date, no other 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	Number of Domestic Shares	Percentage to Domestic Shares issued	Percentage to total issued share capital
Haikou Meilan International Airport Company Limited* (海口美蘭國際機場有限責任公司) (Note 1)	Beneficial owner	237,500,000(L)	96.43%	50.19%
Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司) (Note 1)	Interest of controlled corporations	237,500,000(L)	96.43%	50.19%
Hainan Development Holdings Co., Ltd.* (海南省發展控股有限公司) (Note 1)	Interest of controlled corporations	237,500,000(L)	96.43%	50.19%

H Shares

Name of shareholders	Capacity	Number of H Shares	Percentage to H Shares issued	Percentage to total issued share capital
ARC Capital Holdings Limited (Note 2)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited (Note 2)	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. (Note 2)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited (Note 2)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited (Note 2)	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited (Note 2)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited (Note 2)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited (Note 2)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited (Note 2)	Beneficial owner	32,788,500(L)	14.45%	6.93%
UBS Group AG (Note 3)	Interest of controlled corporations	25,658,624(L) 2,899,414(S)	11.31% 1.28%	5.42% 0.61%
Aspex Management (HK) Limited (Note 4)	Investment manager	22,500,000(L)	9.92%	4.75%
JPMorgan Chase & Co. (Note 5)	Interest of controlled corporations	3,032,039(L) 2,901,981(S)	1.34% 1.27%	0.64% 0.61%
	Person having a security interest in shares	6,941,000(L)	3.06%	1.47%
	Approved lending agent	3,622,814(P)	1.59%	0.77%
CITIC Securities Company Limited (Note 6)	Interest of controlled corporations	11,570,000(L) 11,570,000(S)	5.09% 5.09%	2.44% 2.44%
Matthews International Capital Management, LLC (Note 7)	Investment manager	11,437,000(L)	5.04%	2.42%

Notes:

1. Haikou Meilan International Airport Company Limited (海口美蘭國際機場有限責任公司) is established in the PRC and is the controlling shareholder of the Company. According to the disclosure of interest filed on the website of the Stock Exchange, Hainan Development Holdings Co., Ltd. (海南省發展控股有限公司) held 56.00% interests in Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司), which in turn held 46.81% interests in the Parent Company. Therefore, each of Hainan Development Holdings Co., Ltd. and Hainan Airport Industrial Investment Co., Ltd. was deemed to be interested in 237,500,000 domestic shares of the Company in long position held by the Parent Company.
2. According to the disclosure of interest filed on the website of the Stock Exchange, PAG Holdings Limited held 99.17% interests in Pacific Alliance Group Limited, which in turn held 90% interests in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interests in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interests in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 H shares of the Company in long position in its capacity as investment manager. ARC Capital Holdings Limited was a corporation controlled by ARC Capital Partners Limited. ARC Capital Holdings Limited held 46.67% interests in Walden Ventures Limited, which in turn held 32,788,500 H shares of the Company in long position. Pacific Alliance Investment Management Limited held 100% interests in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 H shares of the Company in long position in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. was a corporation controlled by Pacific Alliance Group Asset Management Limited. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interests in Walden Ventures Limited, which in turn held 32,788,500 H shares of the Company in long position.
3. According to the disclosure of interest filed on the website of the Stock Exchange, UBS Group AG held 100% interests in each of UBS AG, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Deutschland) GmbH, UBS Fund Management (Switzerland) AG, UBS Switzerland AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd and UBS Asset Management Switzerland AG. Therefore, UBS Group AG was deemed to be interested in 4,281,926, 541,300, 18,899,200, 193,000, 40,000, 909,198, 23,000, 732,000 and 39,000 H shares of the Company in long position held by the aforesaid companies, respectively and 2,839,414 and 60,000 H Shares of the Company in short position held by UBS AG and UBS Securities LLC (which is also owned as to 100% by UBS Group AG) respectively.
4. According to the disclosure of interest filed on the website of the Stock Exchange, Aspex Management (HK) Limited was deemed to be interested in 22,500,000 H shares of the Company in long position in its capacity as investment manager.
5. According to the disclosure of interest filed on the website of the Stock Exchange, JPMorgan Chase & Co. held 100% interests in each of JPMorgan Chase Bank, National Association and JPMorgan Chase Holdings LLC:
 - (i) JPMorgan Chase Bank, National Association held 100% interests in:
 - (a) J.P. Morgan International Finance Limited, which in turn held 100% interests in:
 - (A) J.P. MORGAN CAPITAL HOLDINGS LIMITED, which in turn held 100% interests in J.P. MORGAN SECURITIES PLC. J.P. MORGAN SECURITIES PLC held 9,246,039 H shares of the Company in long position and 2,889,981 H shares of the Company in short position; and
 - (B) J.P. Morgan SE, which held 4,000 H shares of the Company in long position,
 - (b) JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, which held 3,622,814 H shares of the Company in long position,

therefore, JPMorgan Chase Bank, National Association was deemed to be interested in 12,872,853 H shares of the Company in long position held by J.P. MORGAN SECURITIES PLC, J.P. Morgan SE and JPMORGAN CHASE BANK, N.A. – LONDON BRANCH and 2,889,981 H shares of the Company in short position held by J.P. MORGAN SECURITIES PLC, respectively;

- (ii) JPMorgan Chase Holdings LLC, which in turn held 100% interests in J.P. Morgan Broker-Dealer Holdings Inc.. J.P. Morgan Broker-Dealer Holdings Inc. held 100% interests in J.P. Morgan Securities LLC, which held 723,000 H shares of the Company in long position and 12,000 H shares of the Company in short position, respectively,

therefore, JPMorgan Chase Holdings LLC was deemed to be interested in 723,000 H shares of the Company in long position and 12,000 H shares of the Company in short position held by J.P. Morgan Securities LLC, respectively.

Therefore, JPMorgan Chase & Co was deemed to be interested in 13,595,853 H shares of the Company in long position (including in the capacity of interest of corporation controlled, person having a security interest in shares and approved lending agent) and 2,901,981 H shares of the Company in short position held by JPMorgan Chase Bank, National Association and JPMorgan Chase Holdings LLC, respectively.

6. According to the disclosure of interest filed on the website of the Stock Exchange, CITIC Securities Company Limited held 100% interests in CITIC Securities International Company Limited, which in turn held 100% interests in CLSA B.V.. CLSA B.V. held 100% interests in CITIC CLSA Global Markets Holdings Limited, which in turn held 100% interests in CSI Capital Management Limited. Therefore, CITIC Securities Company Limited was deemed to be interested in 11,570,000 H shares of the Company in long position and 11,570,000 H Shares of the Company in short position held by CSI Capital Management Limited.
7. According to the disclosure of interest filed on the website of the Stock Exchange, Matthews International Capital Management, LLC was deemed to be interested in 11,437,000 H shares of the Company in long position in its capacity as investment manager.
8. (L), (S) and (P) represent long position, short position and lending pool 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

In the first half of 2022, due to the ongoing impacts of the COVID-19, Meilan Airport experienced a decline in flight take-offs and landing, passenger throughput as well as cargo and mail throughput, resulting in a decrease in the operating revenue of the Company as compared with the same period last year. In addition, as the Phase II Expansion Project has been put into operation, the depreciation and amortisation of the relevant assets and operating expenses increased significantly for the six months ended 30 June 2022, together with a significant increase in financial expenses resulting from the cessation of capitalisation of the interest of the relevant borrowings. For details, please refer to the profit warning announcement of the Company dated 29 July 2022 and the interim report of the Company for the six months ended 30 June 2022 published on 20 September 2022. Since 31 December 2021 (the date to which the latest audited financial statements of the Group were made up) and as at the Latest Practicable Date, save as disclosed above, the Directors are not aware of any material adverse change in the financial position or trading position of the Group.

5. LITIGATION

Other than the Arbitration, 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
Chelbi Engineering Consultants, Inc. (“Chelbi”)	Independent traffic study report consultant

Each of Octal Capital and Chelbi 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, each of Octal Capital and Chelbi 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 56, 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 2020 Parent Company Domestic Shares Subscription Agreement; and
- (b) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be posted on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.mlairport.com>) for at least 14 days from the date of this circular:

- (a) the Past New H Shares Subscription Agreement;
- (b) the 2020 Parent Company Domestic Shares Subscription Agreement;
- (c) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (d) the letter from the Board, the text of which is set out on pages 6 to 23 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 24 of this circular;
- (f) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 44 of this circular; and
- (g) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix.

A. THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

Set forth below are the major terms of the 2020 Parent Company Domestic Shares Subscription Agreement:

Date

24 July 2020

Parties

- (i) the Company; and
- (ii) the Parent Company

Subscription Shares

Pursuant to the 2020 Parent Company Domestic Shares Subscription Agreement, the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company.

The Subscription Shares will be allotted and issued at a subscription price which is the highest of the followings:

- (1) RMB10.80 (equivalent to approximately HK\$12.67) per Subscription Share, being the audited net asset value per Share of the Company as at 31 December 2019; or
- (2) the audited net asset value per Share of the Company as at the end of the financial year preceding the Effective Date; or
- (3) 90% of the highest among the followings:
 - (i) the closing price of H Share as quoted on the Stock Exchange at the Effective Date;
 - (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Effective Date;
 - (iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Effective Date; 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 Effective Date.

The final amount of the Subscription Shares is to be calculated by dividing the total subscription price for the Subscription Shares by the final subscription price per Subscription Share.

Conditions precedent

Effectiveness of the 2020 Parent Company Domestic Shares Subscription Agreement is 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 in accordance with the Articles of Association and the Listing Rules approving, among others, the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder;
- (b) the passing of resolutions by the general meeting of the Parent Company approving the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder; and
- (c) the obtaining of approvals from relevant competent departments and/or regulatory authorities, including but not limited to CSRC, the Stock Exchange (where applicable) and the SFC (where applicable), in relation to the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder.

B. THE SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

Set forth below are the major terms of the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement:

Date

21 August 2021

Parties

- (i) the Company; and
- (ii) the Parent Company

Amendment to the 2020 Parent Company Domestic Shares Subscription Agreement

Pursuant to the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement, the Company and the Parent Company mutually agreed to make the following amendments to the Parent Company Domestic Shares Subscription Agreement:

- (i) The Parent Company agreed to subscribe for not more than 140,741,000 Domestic Shares to be issued by the Company as the consideration for the transfer of the Phase I Runway Assets, which was determined based on the 2021 Valuation; and

- (ii) The Parent Company and the Company further agreed that if, in accordance with the requirements of domestic laws and regulations or regulatory authorities, a relevant valuation report is required to be issued by a domestic appraisal entity, and if there is any difference between the valuation results and the 2021 Valuation, the lower appraised value will be adopted by both parties as the consideration for the Parent Company Subscription by the Parent Company with a view to protect the interests of minority shareholders of the Company. Accordingly, where the domestic appraised value is greater than the 2021 Valuation at that time, the consideration for the Parent Company Subscription shall be determined with reference to the 2021 Valuation without any adjustment; where the domestic appraised value is less than the 2021 Valuation at that time, the consideration for the Parent Company Subscription shall be determined based on such lower appraised value. The parties agreed to make necessary written confirmation or sign a supplemental agreement (if required) in accordance with the final valuation results at that time.

The Board and/or designated persons by the Board were authorized by the Shareholders at the 2021 EGM and 2021 Class Meetings to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2021 Valuation and any domestic appraised value).

The 2020 Parent Company Domestic Shares Subscription Agreement which are amended by the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto. The price mechanism and the maximum number of Domestic Shares to be issued for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement. There was only a slight adjustment to the total consideration of the Parent Company Subscription, which was determined with reference to the 2021 Valuation.

C. INFORMATION OF THE PHASE I RUNWAY ASSETS

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements, the Phase I Runway Assets are 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.

D. 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 2021, the Group recorded an audited net profit attributable to Shareholders of approximately RMB765.13 million for the year ended 31 December 2021. For the six months ended 30 June 2022, the Group recorded an unaudited net loss attributable to Shareholders of approximately RMB11.79 million. Upon the completion of the acquisition of the Phase I Runway Assets, the Group's net loss is expected to decrease and the net profit is expected to increase.

(b) Total assets and liabilities

As disclosed in the annual report of the Group for the year ended 31 December 2021, the Group had total assets of approximately RMB11.14 billion as at 31 December 2021. As at 30 June 2022, the Group had total assets of approximately RMB10.84 billion. 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 circulars of the Company dated 24 July 2020 and 21 September 2021.

I. BACKGROUND

(I) Hainan Meilan International Airport Company Limited

Haikou Meilan International Airport commenced its services on 25 May 1999. With beautiful scenery, spectacular view and a greenbelt area ratio of up to 99.6%, it was considered as China's No. 1 ecological landscape garden airport.

In recent years, Haikou Meilan International Airport has developed rapidly. The transportation capacity has been rising over the years. Its annual growth rate of passenger throughput remains above 10%, except for the years of COVID-19 outbreak. As of 26 December 2011, the passenger throughput of Haikou Meilan International Airport topped 10 million, since which it has been considered on a par with other major airports in Mainland China. The National Development and Reform Commission approved the Phase II expansion project for Haikou Meilan International Airport (hereinafter referred to as “**Phase II Expansion Project**”) in March 2012. The Phase II Expansion Project was built in conformity with the standards of a five-star airport and was officially put into operation on 2 December 2021.

In order to meet relevant requirements, Hainan Meilan International Airport Company Limited (hereinafter referred to as “**Meilan Airport Company**”) entrusted CHELBI Engineering Consultants, Inc. in July 2022 to forecast the future traffic flow of Haikou Meilan International Airport (by 2050) for inclusion in this circular.

(II) CHELBI Engineering Consultants, Inc.

As one of the earliest sino-foreign joint venture engineering consulting companies in Mainland China, CHELBI Engineering Consultants, Inc. (hereinafter referred to as “**CHELBI**”), founded in 1984, is currently one of the largest sino-foreign joint venture engineering consulting companies in Mainland China. It is principally engaged in businesses such as the research of transportation development strategies, planning and feasibility study of transportation and construction engineering projects, the research, survey and design, bidding consultation and bidding agency, project evaluation and project management of loan technical assistance projects of international financial organisations, the traffic safety study, consultation on the financing and marketisation operation of transportation infrastructure projects.

(III) Study Basis

The report collects base data that is relatively complete to use as an important reference for the traffic study, as follows:

- Haikou Meilan International Airport 2005-2021 Air Transport Statistics;
- Sanya Phoenix International Airport 2006-2021 Air Transport Statistics;
- The World Bank – Global Economic Prospects 2022: Outlook and Risks;
- Global Economic Prospects (South Asia);
- Feasibility Study Report on Haikou Meilan International Airport Phase II Expansion Project (July 2013);
- The development of civil aviation in China and the aviation industry of other major cities across the country;
- Historical statistic yearbooks and statistic communiqués of Hainan Province;
- Hainan International Tourism Island Construction Development Plan (2010-2020);
- Hainan National Sports Tourism Demonstration Zone Development Plan (2020-2025);
- Other industry-related regulations and standards.

To expressly indicate, the information providers are responsible for the accuracy and validity of the aforesaid information, and CHELBI has not independently verified any of the aforesaid information.

II. HAIKOU MEILAN INTERNATIONAL AIRPORT'S HISTORICAL DEVELOPMENT TREND

As a modernised 4E-rating civil airport, Haikou Meilan International Airport has been developing rapidly in recent years. Its three indicators, namely the passenger throughput, cargo and mail throughput and aircraft movements, maintained a relatively fast-growing momentum. Since international and regional flights were suspended in 2021 due to the COVID-19 pandemic, from the perspective of the average annual growth rate (from 2005 to 2021), the passenger throughput, cargo and mail throughput and aircraft movements have risen by 5.9%, 5.8% and 5.6% respectively. The increase in the proportion of wide-body passenger aircraft and large passenger aircraft makes it possible to meet more transportation needs with aircraft movements unchanged.

The passenger throughput of Haikou Meilan International Airport from 2005 to 2021 is shown in the table below.

Table 1 Historical passenger throughput of Haikou Meilan International Airport (Unit: passenger/year)

Year	Total	Domestic	International	Regional
2005	7,027,397	6,799,474	88,015	139,908
2006	6,668,016	6,397,147	140,299	130,570
2007	7,265,352	6,926,203	165,270	173,879
2008	8,221,997	7,871,710	189,079	161,208
2009	8,391,165	8,083,307	151,893	155,965
2010	8,773,771	8,416,614	191,481	165,676
2011	10,167,502	9,779,671	189,135	198,696
2012	10,696,721	10,266,721	191,347	238,653
2013	11,935,470	11,460,903	186,739	287,828
2014	13,853,859	13,307,062	244,889	301,908
2015	16,167,004	15,620,074	244,257	302,673
2016	18,803,727	17,994,611	425,069	384,047
2017	22,584,815	21,540,933	597,285	446,597
2018	24,123,582	22,814,745	835,934	472,903
2019	24,216,552	22,590,092	1,176,465	449,995
2020	16,490,216	16,350,057	100,330	39,829
2021	17,519,708	17,519,708	0	0
Average annual growth rate				
2006-2010	4.5%	4.4%	16.8%	3.4%
2011-2015	13.0%	13.2%	5.0%	12.8%
2016-2021	1.3%	1.9%	-16.3%	-33.3%
2006-2021	5.9%	6.1%	0.9%	-8.0%

Note: 1. The data in bold italics in the table refer to the average growth rates as of 2020

The cargo and mail throughput of Haikou Meilan International Airport from 2005 to 2021 is shown in the table below.

Table 2 Historical cargo and mail throughput of Haikou Meilan International Airport (Unit: ton/year)

Year	Total	Domestic	International	Regional
2005	60,590.3	60,103.1	212.3	274.9
2006	62,510.1	62,072.5	213.3	224.3
2007	69,791.0	69,265.3	65.8	459.9
2008	74,062.6	73,537.4	167.0	358.2
2009	77,786.1	77,476.0	137.4	172.7
2010	91,667.3	91,312.3	86.5	268.5
2011	97,826.9	97,414.1	107.9	304.9
2012	99,945.0	99,183.4	352.8	408.8
2013	111,813.6	110,876.6	382.6	554.4
2014	121,131.5	120,214.6	464.7	452.2
2015	135,944.7	135,144.1	197.6	603.0
2016	148,814.2	145,566.0	2,471.3	776.9
2017	154,495.7	151,376.5	2,152.2	967.0
2018	168,622.1	164,158.9	3,503.8	959.4
2019	175,566.7	168,831.5	5,680.3	1,054.9
2020	134,717.8	133,951.5	707.1	59.2
2021	148,378.7	141,041.0	7,286.4	51.3
Average annual growth rate				
2006-2010	8.6%	8.7%	-16.4%	-0.5%
2011-2015	8.2%	8.2%	18.0%	17.6%
2016-2021	1.5%	0.7%	82.4%	-33.7%
2006-2021	5.8%	5.5%	24.7%	-10.0%

The aircraft movements of Haikou Meilan International Airport from 2005 to 2021 is shown in the table below.

Table 3 Historical aircraft movements of Haikou Meilan International Airport (Unit: movement/year)

Year	Total	Domestic	International	Regional
2005	57,994	55,498	934	1,562
2006	54,222	51,389	1,187	1,646
2007	56,872	53,675	1,387	1,810
2008	63,100	59,895	1,508	1,697
2009	65,186	62,444	1,290	1,452
2010	67,501	64,551	1,551	1,399
2011	75,528	72,360	1,516	1,652
2012	79,886	76,002	1,651	2,233
2013	88,859	84,652	1,724	2,483
2014	102,130	96,839	2,870	2,421
2015	121,827	116,938	2,556	2,333
2016	132,857	126,742	3,033	3,082
2017	156,065	147,449	4,958	3,658
2018	164,090	154,718	5,739	3,633
2019	163,957	152,266	8,040	3,651
2020	129,726	128,479	866	381
2021	138,930	138,353	559	18

Average annual growth rate

2006-2010	3.1%	3.1%	10.7%	-2.2%
2011-2015	12.5%	12.6%	10.5%	10.8%
2016-2021	2.2%	2.8%	-22.4%	-55.5%
2006-2021	5.6%	5.9%	-3.2%	-24.3%

As observed from Tables 1 to 3, passenger throughput, cargo and mail throughput and aircraft movements of the airport were all affected by the COVID-19 pandemic to varying degrees in 2020-2021. International and regional flights were hit harder. The airport saw the highest growth in domestic passenger throughput and aircraft movements from 2005 to 2021, which is related to the sluggish global passenger transport market due to the COVID-19 pandemic. The highest growth in international cargo and mail throughput is closely associated with the internationalised development trend of the economy and society of Hainan Province.

III. ANALYSIS ON FACTORS AFFECTING FUTURE DEVELOPMENT OF AIR TRANSPORT SERVICES OF HAIKOU MEILAN INTERNATIONAL AIRPORT

(I) GDP

Economic and social development and the accompanying increase in disposable income are key factors driving international, regional and domestic air travel. The relationship between per capita income and travel frequency is quite close in each market. The economic situation of China is particularly important, as it is the key driver to promote the growth of air travel in the country and the increase in domestic passengers. The economic situation of countries where the inbound passengers belong to is equally important. The following table provides the GDP of related countries and regions as the basis for predicting the base scenario of airport traffic.

Table 4 The GDP growth rate forecast of major source markets of Haikou Meilan International Airport 2022-2050

Source markets	2022	2023	2024	2025-2030	2031-2040	2041-2050
PRC	4.3%	5.2%	5.1%	5.0%	4.5%	4.0%
Hainan Province	6%*	6%*	6%*	5.0%	4.0%	3.0%
Hong Kong	3%*	3%*	3%*	3.0%	2.5%	2.0%
Macau	5.5%*	5.5%*	5.5%*	4.7%	4.0%	3.0%
Taiwan	2%*	2%*	2%*	1.5%	1.0%	1.0%
Japan	1.7%	1.3%	0.6%	0.5%	0.4%	0.4%
South Korea	2.5%*	2.5%*	2.5%*	2.0%	1.5%	1.0%
Thailand	2.9%	4.3%	3.9%	3.5%	3.0%	2.5%
Vietnam	5.8%	6.5%	6.5%	6.0%	5.5%	5.0%
Singapore	3%*	3%*	3%*	3.0%	2.5%	2.0%
Indonesia	5.1%	5.3%	5.3%	5.0%	4.5%	4.0%
Australia	3%*	3%*	3%*	2.5%	2.0%	1.5%
Malaysia	5.5%	4.5%	4.4%	4.0%	3.5%	3.0%
Cambodia	4.5%	5.8%	6.6%	6.5%	6.0%	5.0%
Laos	3.8%	4.0%	4.2%	4.0%	3.5%	3.0%
Ukraine	-45.1%	2.1%	5.8%	5.5%	5.0%	4.5%
Brunei	1%*	1%*	1%*	0.8%	0.6%	0.5%
Myanmar	6.7%	6.8%	6.8%	6.5%	6.0%	5.5%
Kazakhstan	2.0%	4.0%	3.5%	3.0%	2.5%	2.0%
Russia	-8.9%	-2.0%	2.2%	2.0%	1.5%	1.0%
Philippines	5.7%	5.6%	5.6%	5.5%	5.0%	4.5%
Italy	1.7%	1.7%	1.7%	1.5%	1.0%	1.0%

Notes: 1. The data come from The World Bank – Global Economic Prospects 2022: Outlook and Risks and the official website of the World Bank;

2. The data with “*” and the forecasts for 2025-2050 are the results of extrapolations based on data sources.

(II) Hainan International Tourism Island

On 4 January 2010, the State Council promulgated its Opinions on Promoting the Construction and Development of Hainan International Tourism Island. As a major national strategy, China will initially build Hainan into a world-class island recreation and vacation resort by 2020, making it an island of liberalisation, greenness, civilisation and harmony.

Hainan International Tourism Island will be developed into a pilot zone for the reform and innovation of China's tourism industry, a world-class island recreation and vacation destination, a national demonstration zone in ecological civilisation construction, an important platform for international economic cooperation and cultural exchange, the South China Sea resource development and servicing base, as well as the national tropical modern agricultural base.

Transportation infrastructure is a major support for the construction of Hainan International Tourism Island. Although the construction plan and timetable of the Qiongzhou Strait Cross-sea Project have not yet been determined, the related preliminary strategic research work has been accelerated. The cross-sea channel directly connects the economies of Hainan, Guangdong and even the whole country, which not only can promote the development of Hainan, but also can create better opportunities for China's southeast coastal manufacturing industry to penetrate the Southeast Asian market. The establishment of the international tourism island can make Hainan a brand-new international consumer market, which is conducive to establishing the Made-in-China image worldwide. Furthermore, the development of Hainan is beneficial to the development and utilisation of petroleum and gas resources in the South China Sea, which is favourable for China to uphold its territorial sovereignty in the South China Sea.

(III) China (Hainan) Pilot Free Trade Zone

In 2018, Xi Jinping, President of the People's Republic of China, solemnly announced the CPC Central Committee's decision to build the island of Hainan into a pilot free trade zone at the celebration of the 30th Anniversary of the founding of Hainan Province and Hainan Special Economic Zone. The construction of the China (Hainan) Pilot Free Trade Zone (hereinafter referred to as the "**Pilot FTZ**") is a major decision made by the CPC Central Committee and the State Council based on the overall international and domestic development through in-depth research, overall consideration and scientific planning, and also a major measure that demonstrates China's determination to expand opening-up and actively promote the economic globalisation. In order to deeply implement the spirits of General Secretary Xi Jinping's important speech at the celebration of the 30th anniversary of the founding of the special economic zone in Hainan, follow the requirements in the CPC Central Committee and the State Council's Guidelines on Supporting Hainan to Comprehensively Deepen Reform and Opening-up and build the Pilot FTZ with high standards and high quality, the Overall Plan of China (Hainan) Pilot Free Trade Zone has been formulated.

Full play must be given to the overall advantages of the Pilot FTZ on Hainan Island and focus must be on the construction of a pilot zone for furthering all-round reform and opening-up, a national ecological civilisation pilot zone, an international tourism consumption centre and a service zone for implementing China's major strategies. A more proactive opening-up strategy

shall be adopted and the establishment of a new system of open economy shall be accelerated to promote a new pattern of opening-up in an all-round way, in a bid to build Hainan into China’s important gateway for opening up toward the Pacific Ocean and the Indian Ocean. According to the overall plan of Hainan Province, Hainan will focus on the development of tourism, modern service industry and high-tech industry, and scientifically arrange its industrial layout. Special customs supervision areas shall be set up according to development needs. Innovation shall be made in systems to promote trade and investment liberalisation and facilitation in the special customs supervision areas, which mainly involve the international investment and trade, bonded logistics, bonded maintenance and other businesses. A site shall be selected in Sanya to establish a customs quarantine area to carry out businesses such as the introduction and transit of global animal and plant germplasm resources.

The construction of the Pilot FTZ will bring a new round of development opportunities for the aviation industry in Hainan Province, and further promote the vigorous development of the aviation market.

(IV) Impacts of Sanya Phoenix International Airport

Sanya Phoenix International Airport is a domestic mainline airport with an area of over 471.20 hectares and a terminal area of 107,000 square metres. In 2021, Sanya Phoenix International Airport operated 158 routes in total, including 156 domestic routes, 2 international and regional routes, which connect 87 cities, including 85 domestic cities, 2 international and regional cities. A total of 47 airlines operated from the airport, including 29 domestic airlines, 18 international and regional airlines. The airport has been rated as SKYTRAX 4-star airport. The comparison between Sanya Phoenix International Airport and Haikou Meilan International Airport is shown below.

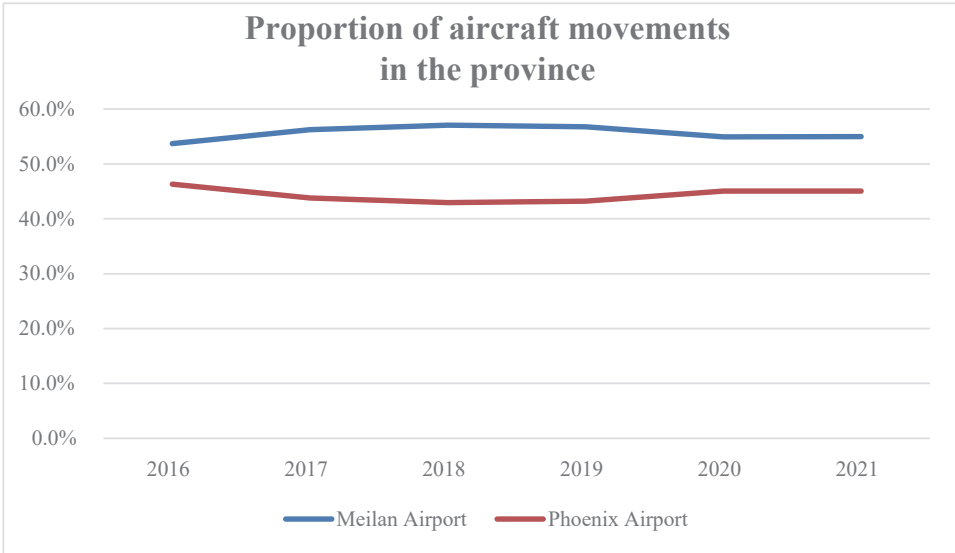


Figure 1 Proportion of aircraft movements of Sanya Phoenix International Airport and Haikou Meilan International Airport

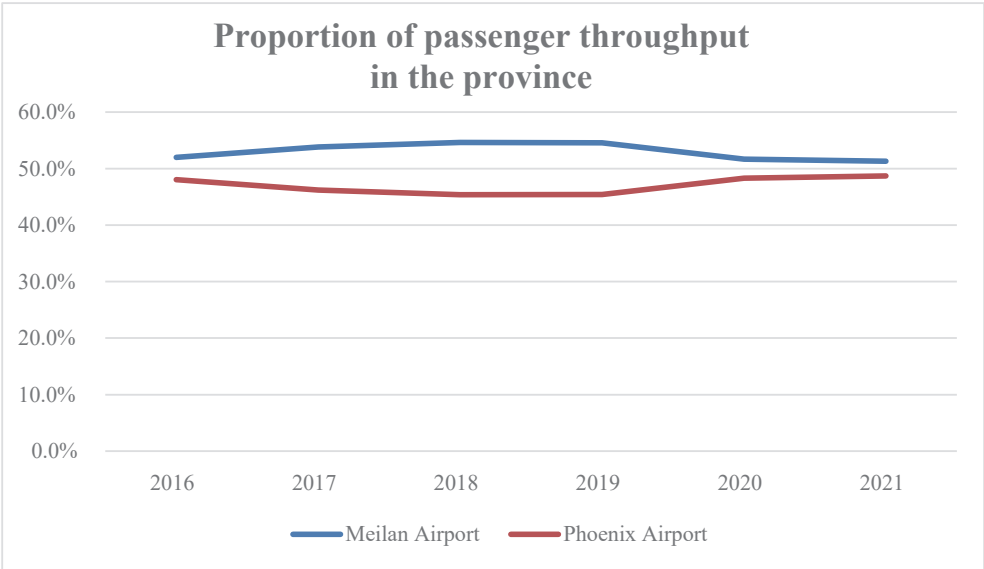


Figure 2 Proportion of passenger throughput of Sanya Phoenix International Airport and Haikou Meilan International Airport

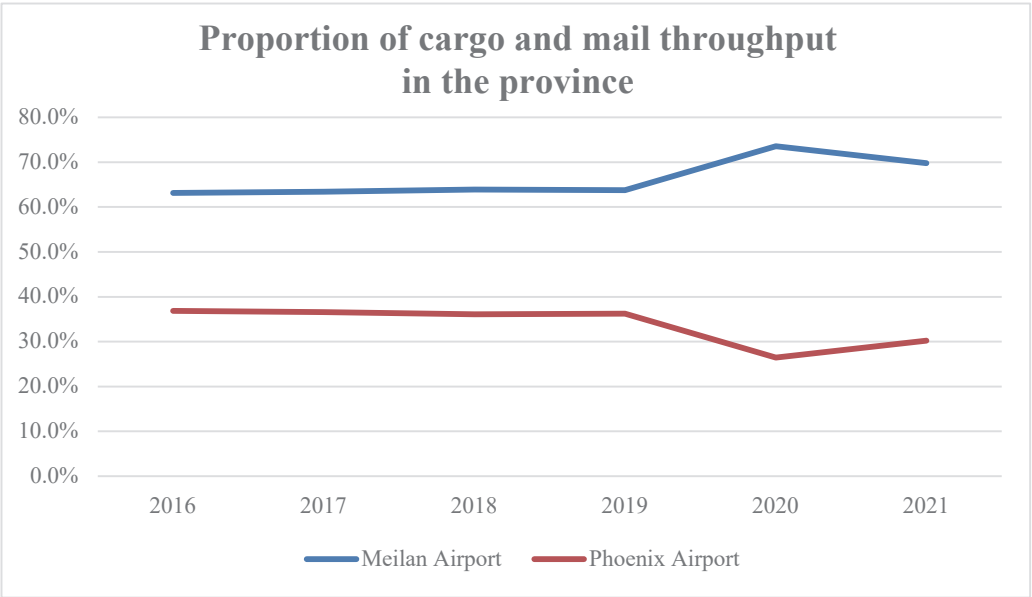


Figure 3 Proportion of cargo and mail throughput of Sanya Phoenix International Airport and Haikou Meilan International Airport

Sanya Phoenix International Airport saw lower aircraft movements, passenger throughput and cargo and mail throughput than Haikou Meilan International Airport.

In terms of the growth rate of the three indicators, Sanya Phoenix International Airport recorded an average annual growth rate of -0.13%, -0.87% and 3.65% in aircraft movements, passenger throughput and cargo and mail throughput, respectively, versus the average annual growth rate of 0.90%, -1.40% and 10.02% in aircraft movements, passenger throughput and cargo and mail throughput of Haikou Meilan International Airport. This is mainly due to the COVID-19 pandemic. However, it can still be seen that Sanya Phoenix International Airport saw lower growth rates in cargo and mail throughput and aircraft movements than Haikou Meilan International Airport.

Sanya Phoenix International Airport, currently a 4E-rated airport, plays a vital role in transportation diversion and jointly undertakes the air transportation tasks of Hainan Province with Haikou Meilan International Airport. Sanya Phoenix International Airport's passenger throughput hit 16.63 million in 2021. The Phase III expansion project of Sanya Phoenix International Airport was complete in 2017. It can now guarantee an annual passenger throughput of 25 million, providing better services for passengers.

(V) Airline Service and Fare Classes

Fare level is an important determinant of air travel demand. The key factors affecting Haikou Meilan International Airport fares are fluctuations in global oil prices and competitions within the airline industry. In the short term, the international crude oil prices keep rising; meanwhile, as of 30 June 2022, there are 35 airlines operating in Haikou Meilan International Airport, and have formed sufficient market competition. In the long run, the main factor affecting fares is the improvement in aircraft carrying efficiency brought about by advances in science and technology.

(VI) Capacity Constraints

With construction commencing on 6 September 2016, the Phase II Expansion Project was officially put into operation on 2 December 2021. Haikou Meilan International Airport in whole is designed to handle 35 million passengers and 400,000 tons of cargo per year by 2025, with a maximum capacity of 45 million passengers and 600,000 tons of cargo per year. As a landmark project in the construction of Hainan's free trade port, the Phase II Expansion Project is an important part of building a three-dimensional transportation network encompassing sea, land and air in Hainan, and strengthening connectivity with countries along the "Belt and Road". Meanwhile, the Phase II expansion project will not only significantly improve the existing infrastructure in the airport, but also further foster the economic and social development of Haikou City and even the surrounding areas.

The passenger throughput of Haikou Meilan International Airport amounted to 17.5197 million in 2021.

(VII) Aircraft Models

Haikou Meilan International Airport is now a 4F-rated airport. In the course of the construction of the Phase II Expansion Project, a 3,600-metre runway was built. There are two aircraft movement areas, namely the north and south aircraft movement area. The north aircraft movement area is ranked the 4F grade, which is capable of meeting the takeoff and landing requirement of Airbus A380, the currently largest civil aircraft. The maximum takeoff weight and the required runway length of each aircraft model are shown in the table below.

Table 5 Maximum takeoff weight and required runway length of each aircraft model

Models	Seats <i>(person)</i>	Cargo <i>(ton)</i>	Maximum structural weight <i>(ton)</i>	Actual takeoff weight <i>(ton)</i>	Runway length <i>(metre)</i>
B747-200	–	93.8	377.84	377.8	3,600
B747-400	334	28.18	385.5	385.5	3,630
B777-200	345	16.2	242.67	242.67	2,800
A330-200	283	18.85	233.0	233	3,200
A340-313	370	15.3	271.0	271	3,750
A380-841	555	66.4	560.0	560	3,600

IV. AIR TRAFFIC FORECAST OF HAIKOU MEILAN INTERNATIONAL AIRPORT

The econometric model is adopted by Haikou Meilan International Airport to forecast traffic flow, which has been widely recognised by the industry and has been promoted as the industry’s “best practice” by organisations like International Civil Aviation Organization (ICAO) and the Department of Transport of the United Kingdom.

According to the available historical data regarding the passenger throughput, cargo and mail throughput and aircraft movements of Haikou Meilan International Airport, based on the analysis of regional and national economic society and current position of transportation, and with reference to the national and regional economic prospects provided by the World Bank and the International Monetary Fund to further predict the trend type of economic and social development, this report adopts the elasticity coefficient method to estimate the passenger throughput, cargo and mail throughput and aircraft movements in the future.

- **Elasticity coefficient method**

By analysing the changing law of economic activities and social activities and their relationship with transportation, we can accurately grasp the changing law of traffic generation. The traffic flow forecasts are based on the economic and social forecasts. The elasticity coefficient method is used to predict the passenger throughput, cargo and mail throughput and aircraft movements in the future. The elasticity coefficient method is to analyse the relationship between economic development and transportation as a whole. The formula of elasticity coefficient is shown below:

$$\text{Elasticity Coefficient } e = \frac{\text{Percentage Ratio of Transport Indicator Movement}}{\text{Percentage Ratio of Economy Indicator Movement}}$$

According to the analysis of relevant indicators, regression analysis is generally conducted with use of the growth rates in passenger throughput, cargo and mail throughput and aircraft movements and the GDP growth rate to calculate the elasticity coefficients. The future elasticity coefficients can be determined by referring to these coefficients.

During the analysis of regional and international traffic flow of airports, domestic and international regions (Hong Kong and South Korea) that are most frequently connected are selected as examples. Through analysing the economic and social development of Hong Kong and South Korea and the airports' historical regional and international traffic flow, we can determine the future regional and international elasticity coefficients of the airports in order to estimate traffic flow growth.

Against the backdrop of China vigorously developing the tourism industry in Hainan Province, the passenger throughput of airports in Hainan Province is closely related to the country's economic development. Therefore, using GDP to predict domestic flights' traffic flow is relatively objective and feasible.

- **Forecast of elasticity coefficients for future traffic flow**

In the initial development stage of an airport, economic development generates a large demand for transportation, and traffic flow shows an explosive growth. At this time, the elasticity coefficients of passenger and cargo throughputs are relatively big. When the development of an airport becomes saturated, the routes and flights are gradually fixed, and the throughput gradually goes down due to the capacity constraints of the airport itself, the growth in the airport's traffic flow and economic development will gradually slow down, and the elasticity coefficient will decrease at this time.

When predicting the domestic, regional and international passenger throughput and cargo and mail throughput of Haikou Meilan International Airport, we predict future traffic flow growth with reference to the World Bank's reports on the development trend of GDP of China and typical countries and regions (South Korea and Hong Kong) and the elasticity coefficients based on historical traffic flow and GDP.

- **Forecast of growth rate of future airport traffic flow**

Based on the afore-predicted economic development rates and the airport throughput elasticity coefficients, the growth rate of the future traffic flow can be derived. The calculation formula is:

$$\gamma_k(h) = T_k(h) \cdot E$$

In the formula: $\gamma_k(h)$ – Airport traffic throughput growth rate (%);

$T_k(h)$ – Transportation elasticity coefficient;

E – GDP growth rate (%).

In view of the current development trend of the pandemic, the forecasts are based on the assumption that the impact of COVID-19 on the aviation and tourism sectors will be eliminated in 2024. Therefore, the data in 2021 (amid the pandemic) are used as the basic data for the forecasts of traffic flow for 2022-2023, while the forecasts for 2024 and beyond are based on the data in 2019 (prior to the pandemic) combined with the construction of the Phase II Expansion Project.

(I) Air Passenger Forecast

1. Domestic passenger throughput forecast

According to the forecast, as for the base scenario, the domestic passenger throughput of Haikou Meilan International Airport is expected to reach 62.94 million by 2050, representing an average annual growth rate of 4.4% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 3.5% and 5.2% respectively in the upcoming 28 years. For details, please refer to Table 6.

Table 6 Domestic passenger throughput forecast (Unit: passenger/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	18,536,727	18,687,397	18,800,399
2023	19,770,532	20,125,579	20,393,920
2024	30,342,627	31,692,840	32,736,640
2030	39,062,409	43,204,739	46,569,131
2040	44,391,120	53,639,890	61,751,538
2050	48,130,283	62,941,614	76,854,029
Average annual growth rate			
2022-2024	27.9%	30.2%	32.0%
2022-2030	9.8%	11.0%	12.0%
2022-2040	5.0%	6.0%	6.8%
2022-2050	3.5%	4.4%	5.2%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

2. *International passenger throughput forecast*

According to the forecast, as for the base scenario, the international passenger throughput of Haikou Meilan International Airport is expected to reach 11.19 million by 2050, representing an average annual growth rate of 7.7% in the 26 years after the estimated recovery from the pandemic. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 7.0% and 8.1% respectively in the 26 years after the estimated recovery from the pandemic. For details, please refer to Table 7.

Table 7 International passenger throughput forecast (Unit: passenger/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	0	0	0
2023	0	0	0
2024	1,617,985	1,639,102	1,655,033
2030	3,058,624	3,222,106	3,349,693
2040	6,395,580	7,145,735	7,762,094
2050	9,503,066	11,188,143	12,637,402
Average annual growth rate			
2024-2030	11.2%	11.9%	12.5%
2024-2040	9.0%	9.6%	10.1%
2024-2050	7.0%	7.7%	8.1%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

3. *Regional passenger throughput forecast*

According to the forecast, as for the base scenario, the regional passenger throughput of Haikou Meilan International Airport is expected to reach 1.09 million by 2050, representing an average annual growth rate of 2.3% in the 26 years after the estimated recovery from the pandemic. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 1.8% and 2.7% respectively in the 26 years after the estimated recovery from the pandemic. For details, please refer to Table 8.

Table 8 Regional passenger throughput forecast (Unit: passenger/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	0	0	0
2023	0	0	0
2024	583,103	602,741	617,813
2030	692,748	742,068	781,129
2040	823,986	926,994	1,012,173
2050	928,378	1,086,461	1,221,790
Average annual growth rate			
2024-2030	2.9%	3.5%	4.0%
2024-2040	2.2%	2.7%	3.1%
2024-2050	1.8%	2.3%	2.7%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

4. Total passenger throughput forecast

According to the forecast, as for the base scenario, the total passenger throughput of Haikou Meilan International Airport is expected to reach 75.22 million by 2050, representing an average annual growth rate of 5.1% in the upcoming 28 years after the estimated recovery from the pandemic. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 4.2% and 5.8% respectively in the upcoming 28 years. For details, please refer to Table 9.

Table 9 Total passenger throughput forecast (Unit: passenger/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	18,536,727	18,687,397	18,800,399
2023	19,770,532	20,125,579	20,393,920
2024	32,543,715	33,934,683	35,009,486
2030	42,813,781	47,168,913	50,699,954
2040	51,610,686	61,712,620	70,525,805
2050	58,561,727	75,216,218	90,713,221
Average annual growth rate			
2022-2024	32.5%	34.8%	36.5%
2022-2030	11.0%	12.3%	13.2%
2022-2040	5.9%	6.9%	7.6%
2022-2050	4.2%	5.1%	5.8%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

(II) Air Cargo Forecast**1. Domestic cargo forecast**

According to the forecast, as for the base scenario, the domestic cargo throughput of Haikou Meilan International Airport is expected to reach 1.01 million tons by 2050, representing an average annual growth rate of 7.0% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 6.0% and 7.7% respectively in the upcoming 28 years. For details, please refer to Table 10.

Table 10 Domestic cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	150,623	151,836	152,746
2023	158,531	160,871	162,636
2024	239,318	249,850	257,989
2030	341,403	377,064	405,996
2040	548,739	660,131	757,471
2050	775,548	1,007,641	1,224,473
Average annual growth rate			
2022-2024	26.0%	28.3%	30.0%
2022-2030	10.8%	12.0%	13.0%
2022-2040	7.4%	8.5%	9.3%
2022-2050	6.0%	7.0%	7.7%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

2. *International cargo forecast*

According to the forecast, as for the base scenario, the international cargo throughput of Haikou Meilan International Airport is expected to reach 190,000 tons by 2050, representing an average annual growth rate of 12.3% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 11.6% and 12.7% respectively in the upcoming 28 years. For details, please refer to Table 11.

Table 11 International cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	7,304	7,305	7,305
2023	8,427	8,479	8,518
2024	7,714	7,815	7,891
2030	17,754	18,680	19,403
2040	58,716	65,353	70,789
2050	159,478	186,471	209,554
Average annual growth rate			
2022-2024	2.8%	3.4%	3.9%
2022-2030	11.7%	12.5%	13.0%
2022-2040	12.3%	12.9%	13.4%
2022-2050	11.6%	12.3%	12.7%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

3. *Regional cargo forecast*

According to the forecast, as for the base scenario, the regional cargo throughput of Haikou Meilan International Airport is expected to reach 4,000 tons by 2050, representing an average annual growth rate of 16.9% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 16.3% and 17.4% respectively in the upcoming 28 years. For details, please refer to Table 12.

Table 12 Regional cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	54	55	55
2023	58	58	59
2024	1,415	1,463	1,499
2030	1,887	2,019	2,124
2040	2,759	3,098	3,378
2050	3,708	4,328	4,858
Average annual growth rate			
2022-2024	410.0%	416.7%	421.8%
2022-2030	55.8%	57.0%	57.9%
2022-2040	24.4%	25.1%	25.7%
2022-2050	16.3%	16.9%	17.4%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

4. Total cargo forecast

According to the forecast, as for the base scenario, the total cargo throughput of Haikou Meilan International Airport is expected to reach 1.2 million tons by 2050, representing an average annual growth rate of 7.5% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 6.6% and 8.2% respectively in the upcoming 28 years. For details, please refer to Table 13.

Table 13 Total cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	157,982	159,196	160,107
2023	167,016	169,408	171,213
2024	248,447	259,127	267,379
2030	361,044	397,764	427,523
2040	610,214	728,582	831,639
2050	938,735	1,198,441	1,438,884
Average annual growth rate			
2022-2024	25.4%	27.6%	29.2%
2022-2030	10.9%	12.1%	13.1%
2022-2040	7.8%	8.8%	9.6%
2022-2050	6.6%	7.5%	8.2%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

(III) Aircraft Movement Forecast**1. Domestic aircraft movement forecast**

According to the forecast, as for the base scenario, the domestic aircraft movement of Haikou Meilan International Airport is expected to reach 430,000 by 2050, representing an average annual growth rate of 3.9% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 2.9% and 4.6% respectively in the upcoming 28 years. For details, please refer to Table 14.

Table 14 Domestic aircraft movement forecast (Unit: movement/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	146,979	148,169	149,062
2023	157,679	160,497	162,626
2024	209,335	218,605	225,771
2030	271,827	300,566	323,903
2040	301,308	364,060	419,095
2050	330,204	431,755	527,130
Average annual growth rate			
2022-2024	19.3%	21.5%	23.1%
2022-2030	8.0%	9.2%	10.2%
2022-2040	4.1%	5.1%	5.9%
2022-2050	2.9%	3.9%	4.6%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

2. *International aircraft movement forecast*

According to the forecast, as for the base scenario, the international aircraft movement of Haikou Meilan International Airport is expected to reach 70,000 by 2050, representing an average annual growth rate of 18.8% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 18.1% and 19.4% respectively in the upcoming 28 years. For details, please refer to Table 15.

Table 15 International aircraft movement forecast (Unit: movement/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	560	560	560
2023	621	625	628
2024	10,009	10,146	10,249
2030	18,626	19,635	20,424
2040	39,993	44,709	48,586
2050	59,737	70,368	79,515
Average annual growth rate			
2022-2024	322.8%	325.6%	327.8%
2022-2030	55.0%	56.0%	56.8%
2022-2040	26.8%	27.5%	28.1%
2022-2050	18.1%	18.8%	19.4%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

3. *Regional aircraft movement forecast*

According to the forecast, as for the base scenario, the regional aircraft movement of Haikou Meilan International Airport is expected to reach 16,000 by 2050, representing an average annual growth rate of 27.1% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 26.5% and 27.6% respectively in the upcoming 28 years. For details, please refer to Table 16.

Table 16 Regional aircraft movement forecast (Unit: movement/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	19	19	19
2023	20	21	21
2024	4,923	5,087	5,214
2030	6,678	7,146	7,516
2040	10,004	11,231	12,243
2050	13,708	15,996	17,949
Average annual growth rate			
2022-2024	1,504.8%	1,526.0%	1,542.0%
2022-2030	107.9%	109.5%	110.7%
2022-2040	41.6%	42.5%	43.1%
2022-2050	26.5%	27.1%	27.6%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

4. Total aircraft movement forecast

According to the forecast, as for the base scenario, the total aircraft movement of Haikou Meilan International Airport is expected to reach 520,000 by 2050, representing an average annual growth rate of 4.6% in the upcoming 28 years. The forecasts of the underestimation scenario and overestimation scenario show an average annual growth rate of 3.7% and 5.2% respectively in the upcoming 28 years. For details, please refer to Table 17.

Table 17 Total aircraft movement forecast (Unit: movement/year)

Year	Underestimation scenario	Base scenario	Overestimation scenario
2022	147,558	148,748	149,641
2023	158,320	161,142	163,274
2024	224,266	233,838	241,234
2030	297,130	327,348	351,843
2040	351,305	420,001	479,924
2050	403,650	518,119	624,594
Average annual growth rate			
2022-2024	23.3%	25.4%	27.0%
2022-2030	9.1%	10.4%	11.3%
2022-2040	4.9%	5.9%	6.7%
2022-2050	3.7%	4.6%	5.2%

Note: The data forecasts for 2022 and 2023 take into account the impact of the COVID-19 pandemic.

V. DESCRIPTION OF RESULTS

Over the last dozen years, Haikou Meilan International Airport saw significant growth in traffic flow. The number of passengers saw an average annual growth rate of 5.9% from 2005 to 2021 (international and regional passenger flights were suspended in 2021 till now due to the pandemic). The growth in traffic flow is expected to continue under momentum arising from the new economic norms, the great development of Hainan International Tourism Island, the huge development of China's air transportation industry as well as the growth of international (inbound and outbound) and domestic tourism industry. In the short term, the overall trend of air transportation remains very optimistic, but the COVID-19 pandemic will have a certain impact on the aviation industry. In the long run, sustained economic growth and small adjustment in real airfares will continuously prop up the demand for air passenger services. During the forecast period (i.e. from 2022 to 2050), the average annual growth rate in passengers is expected to be 4.2%.

The outbreak of COVID-19 in 2020 had a huge impact on China and the world, and the transportation industry bore the brunt of the impact and suffered heavy losses. As of August 2022, order has been largely restored in China, but the global picture remains grim. Therefore, the forecasts for 2022 to 2023 have been reasonably reduced in light of the pandemic situation. The forecasts were made on the assumption that the pandemic can be largely overcome and order can be restored on a global scale in 2024.

In addition, it should be noted that the forecasts in this report are based on historical data and certain foreseeable preconditions and assumptions. Any forecast relating to airport traffic may be uncertain. Inevitably, some of the assumptions made during forecasting cannot be realised, and some unforeseen events or situations may also occur. Therefore, CHELBI cannot provide any form of guarantee as to whether the forecasts attached to the report can be achieved.

The following factors may lead to the deviation of the actual traffic from expectations:

- The growth rate of the Chinese economy is lower than the forecast value, or the expected economic growth rate of the major source countries of international arrivals is lower than the forecast value;
- Changes in governmental policies directly or indirectly affect the traffic flow of Haikou Meilan International Airport, such as the Cross-Sea Rail-Road Bridge above Qiongzhou Strait;
- Negative impact on Haikou Meilan International Airport due to aviation industry integration;
- The costs of airlines have changed dramatically (e.g. sudden changes in fuel prices), and such changes are passed on to consumers by raising airfares;
- External factors, including but not limited to: natural disasters, political unrest, outbreaks of diseases, terrorist activities and associated security concerns, and strikes.

This report is provided for the exclusive use of Meilan Airport Company. No third party can quote the data in this report without the authorisation of Meilan Airport Company or CHELBI.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

海南美蘭國際空港股份有限公司 Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Hainan Meilan International Airport Company Limited (the “Company”) will be held at 10:00 a.m. on Tuesday, 8 November 2022 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the “PRC”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 30 September 2022.

BY WAY OF ORDINARY RESOLUTIONS

1. To consider and approve the appointment of Mr. Ren Kai (任凱先生) as an executive director of the Company 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
2. To consider and approve proposals (if any) put forward by any Shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

BY WAY OF SPECIAL RESOLUTIONS

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 twelve (12) months, from 18 September 2022 to 17 September 2023;
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 twelve (12) months, from 18 September 2022 to 17 September 2023, 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 EXTRAORDINARY GENERAL MEETING

- 4.3. Size of issuance;
 - 4.4. Ranking of New H Shares;
 - 4.5. Listing;
 - 4.6. Method of issuance;
 - 4.7. Target placee(s);
 - 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 twelve (12) months, from 18 September 2022 to 17 September 2023;
 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 twelve (12) months, from 18 September 2022 to 17 September 2023. Such matters include but are not limited to:
 - (1) 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;
 - (2) 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;
 - (3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) 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 EXTRAORDINARY GENERAL MEETING

- (4) 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;
 - (5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, 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;
 - (6) 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;
 - (7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (8) 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;
 - (9) 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;
 - (10) adjust or waive in time any one of the conditions precedent for the proposed New H Shares Issue based on the actual conditions; and
 - (11) take all necessary actions to deal with the matters in relation to the proposed New H Shares Issue;
7. To consider and approve the authorization to the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription;
 8. To consider and approve the proposed AOA Consequential Amendments; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

9. To consider and approve proposals (if any) put forward by any Shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

By the order of the Board
Hainan Meilan International Airport Company Limited*
Wang Hong
Chairman and President

Hainan Province, the PRC
30 September 2022

As at the date of this notice, the Board comprises (i) four executive directors, namely Mr. Wang Hong, Mr. Wang Zhen, Mr. Yu Yan and Mr. Xing Zhoujin; (ii) three non-executive directors, namely Mr. Qiu Guoliang, Mr. Li Zhiguo and Mr. Wu Jian; and (iii) four independent non-executive directors, namely Mr. Fung Ching, Simon, Mr. Deng Tianlin, Mr. George F Meng and Mr. Ye Zheng.

Notes:

- (A) The Company's register of members will be closed from Thursday, 20 October 2022 to Tuesday, 8 November 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders must deliver their transfer documents, accompanied by the relevant share certificates and form 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 Wednesday, 19 October 2022.
- (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 Wednesday, 19 October 2022 are entitled to attend and vote at the EGM after complying with the necessary registration procedures.
- (C) Each holder of H Shares who has the right to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.
- (D) 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 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 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 Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (E) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. Notes (C) and (D) also apply to holders of Domestic Shares, except that the proxy form or other documents of authority must be delivered to the office of the secretary to the Board, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

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

* For identification purpose only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (F) If a proxy attends the EGM on behalf of a Shareholder, he should produce his ID card and the instrument signed by the proxy or his authorised representative, which specifies the date of its issuance. If the legal representative of the holder of legal person Share(s) attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person Share(s) appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorisation instrument affixed with the seal of the holder of the legal person Share(s) and duly signed by its legal representative.
- (G) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.
- (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 EGM will demand a poll in relation to all the proposed resolutions at the EGM.

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

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海南美蘭國際空港股份有限公司 Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the domestic shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 8 November 2022 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 30 September 2022.

BY WAY OF SPECIAL RESOLUTIONS

1. 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 twelve (12) months, from 18 September 2022 to 17 September 2023;
2. 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 twelve (12) months, from 18 September 2022 to 17 September 2023, 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):
 - 2.1. Class of Shares to be issued;
 - 2.2. Time of issuance;
 - 2.3. Size of issuance;
 - 2.4. Ranking of New H Shares;
 - 2.5. Listing;
 - 2.6. Method of issuance;

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- 2.7. Target placee(s);
- 2.8. Pricing mechanism;
- 2.9. Method of subscription;
- 2.10. Accumulated profits;
- 2.11. Use of proceeds;
- 2.12. Validity period of the resolutions;
3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2022 to 17 September 2023;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2022 to 17 September 2023. Such matters include but are not limited to:
 - (1) 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;
 - (2) 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;
 - (3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
 - (4) 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;
 - (5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, 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;

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (6) 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;
 - (7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (8) 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;
 - (9) 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;
 - (10) adjust or waive in time any one of the conditions precedent for the proposed New H Shares Issue based on the actual conditions; and
 - (11) take all necessary actions to deal with the matters in relation to the proposed New H Shares Issue;
5. To consider and approve the authorization to the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription;
 6. To consider and approve the proposed AOA Consequential Amendments; and
 7. To consider and approve proposals (if any) put forward by any Shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

By the order of the Board
Hainan Meilan International Airport Company Limited*
Wang Hong
Chairman and President

Hainan Province, the PRC
30 September 2022

As at the date of this notice, the Board comprises (i) four executive directors, namely Mr. Wang Hong, Mr. Wang Zhen, Mr. Yu Yan and Mr. Xing Zhoujin; (ii) three non-executive directors, namely Mr. Qiu Guoliang, Mr. Li Zhiguo and Mr. Wu Jian; and (iii) four independent non-executive directors, namely Mr. Fung Ching, Simon, Mr. Deng Tianlin, Mr. George F Meng and Mr. Ye Zheng.

* For identification purpose only

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

Notes:

- (A) The Company's register of members will be closed from Thursday, 20 October 2022 to Tuesday, 8 November 2022 (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 form 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 Wednesday, 19 October 2022.
- (B) Holders of the domestic shares of the Company whose names appear on the Company's register of members of domestic shares at the close of business on Wednesday, 19 October 2022 are entitled to attend and vote at the Domestic Shareholders Class Meeting after complying with the necessary registration procedures.
- (C) 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.
- (D) 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 office of the secretary to the Board, the address of which is set out below, 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.

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

- (E) 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.
- (F) The Domestic Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the Domestic Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.
- (G) 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

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海南美蘭國際空港股份有限公司 Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the H shareholders class meeting (the “**H Shareholders Class Meeting**”) of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 8 November 2022 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 30 September 2022.

BY WAY OF SPECIAL RESOLUTIONS

1. 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 twelve (12) months, from 18 September 2022 to 17 September 2023;
2. 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 twelve (12) months, from 18 September 2022 to 17 September 2023, 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):
 - 2.1. Class of Shares to be issued;
 - 2.2. Time of issuance;
 - 2.3. Size of issuance;
 - 2.4. Ranking of New H Shares;
 - 2.5. Listing;
 - 2.6. Method of issuance;
 - 2.7. Target placee(s);
 - 2.8. Pricing mechanism;

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- 2.9. Method of subscription;
- 2.10. Accumulated profits;
- 2.11. Use of proceeds;
- 2.12. Validity period of the resolutions;
3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2022 to 17 September 2023;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2022 to 17 September 2023. Such matters include but are not limited to:
 - (1) 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;
 - (2) 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;
 - (3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
 - (4) 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;
 - (5) 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;
 - (6) 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;

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (8) 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;
 - (9) 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;
 - (10) adjust or waive in time any one of the conditions precedent for the proposed New H Shares Issue based on the actual conditions; and
 - (11) take all necessary actions to deal with the matters in relation to the proposed New H Shares Issue;
5. To consider and approve the authorization to the Board and the persons delegated by the Board to determine the final consideration if there is no material difference in valuation (i.e. within a difference of not more than 1% between the 2021 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription;
 6. To consider and approve the proposed AOA Consequential Amendments; and
 7. To consider and approve proposals (if any) put forward by any Shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

By the order of the Board
Hainan Meilan International Airport Company Limited*
Wang Hong
Chairman and President

Hainan Province, the PRC
30 September 2022

As at the date of this notice, the Board comprises (i) four executive directors, namely Mr. Wang Hong, Mr. Wang Zhen, Mr. Yu Yan and Mr. Xing Zhoujin; (ii) three non-executive directors, namely Mr. Qiu Guoliang, Mr. Li Zhiguo and Mr. Wu Jian; and (iii) four independent non-executive directors, namely Mr. Fung Ching, Simon, Mr. Deng Tianlin, Mr. George F Meng and Mr. Ye Zheng.

* For identification purpose only

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

Notes:

- (A) The Company's register of members will be closed from Thursday, 20 October 2022 to Tuesday, 8 November 2022 (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 form 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 Wednesday, 19 October 2022.
- (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 Wednesday, 19 October 2022 are entitled to attend and vote at the H Shareholders Class Meeting after complying with the necessary registration procedures.
- (C) 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.
- (D) 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 of directors 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.
- (E) 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 Share(s) and duly signed by its legal representative.
- (F) 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.
- (G) 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.