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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 affected for transmission to the purchaser or the transferee.

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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)

**MAJOR AND CONNECTED TRANSACTION
THE 2023 SUPPLEMENTAL PARENT COMPANY
DOMESTIC SHARES SUBSCRIPTION AGREEMENT;
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
PROPOSED AOA CONSEQUENTIAL AMENDMENTS**

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



A letter from the Board is set out on pages 7 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 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 26 to 48 of this circular.

The notices for convening the Extraordinary General Meeting and the Class Meetings to be held at 10:00 a.m. on Wednesday, 20 December 2023 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 82 to 93 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 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
“2023 Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 17 September 2023 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 and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement
“AOA Consequential Amendments”	the consequential amendments to the Articles of Association 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 Wednesday, 20 December 2023 for the purposes of considering and, if thought fit, approving, among other things, the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, 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

DEFINITIONS

“Extraordinary General Meeting”	the Extraordinary General Meeting to be convened by the Company on Wednesday, 20 December 2023 for the purposes of considering and, if thought fit, approving, among other things, the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, the Extension Resolutions, the proposed AOA Consequential Amendments, including any adjournment in respect thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as 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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as 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”	10 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular

DEFINITIONS

“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
“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 authorise 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 2023 and ending on 17 September 2024
“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, the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2023 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

DEFINITIONS

“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 authorise 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 2023 and ending on 17 September 2024, 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 2023 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription
“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 and adjusted by the 2023 Supplemental 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 Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the Domestic Shareholders and the H Shareholders
“Shares”	Domestic Shares and H Shares
“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

DEFINITIONS

“Subscription Shares”	a maximum of 140,926,000 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 = RMB0.9171 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, Authorised Representative*)
Ren Kai (*Chief Financial Officer*)
Xing Zhoujin (*Authorised Representative*)

Registered Office:

Office Building of Meilan Airport
Haikou City
Hainan Province
the PRC

Non-executive Directors:

Wu Jian
Li Zhiguo
Wang Zhen

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,

**MAJOR AND CONNECTED TRANSACTION
THE 2023 SUPPLEMENTAL PARENT COMPANY
DOMESTIC SHARES SUBSCRIPTION AGREEMENT;
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
PROPOSED AOA CONSEQUENTIAL AMENDMENTS**

A. BACKGROUND

Reference is made to the announcement of the Company dated 17 September 2023 in relation to (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; (ii) 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 (iii) the proposed AOA Consequential Amendments.

* For identification purposes only

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References are 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 resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue; (ii) the supplemental circular of the Company dated 21 September 2021, the circular of the Company dated 30 September 2022 and the poll results announcements of the Company dated 8 October 2021 and 8 November 2022, respectively, 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 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 authorisation granted to the Board in relation to the Parent Company Subscription expired on 17 September 2023. 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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; (ii) the Extension Resolutions; and (iii) the proposed AOA Consequential Amendments, 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. THE 2023 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

The Company and the Parent Company entered into the 2020 Parent Company Domestic Shares Subscription Agreement on 24 July 2020, pursuant to which the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares and settle the consideration by way of transfer of the Phase I Runway Assets by the Parent Company to the Company. In order to complete the transactions contemplated under the 2020 Parent Company Domestic Shares Subscription Agreement, the Board announces that after negotiation, on 17 September 2023, the Company and the Parent Company entered into the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which the Company and the Parent Company mutually agreed to make the following amendments to the 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement:

- (i) The Parent Company agreed to subscribe for not more than 140,926,000 Domestic Shares to be issued by the Company and settle the consideration by way of transfer of the Phase I Runway Assets, which was determined based on the aggregate appraised asset value of the Phase I Runway Assets of approximately RMB1.52 billion as at 31 July 2023 (the "**2023 Valuation**"); and

LETTER FROM THE BOARD

- (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 (the “**Domestic Appraised Value**”) and the 2023 Valuation, the lower appraised value will be adopted by both parties as the consideration for the Parent Company Subscription by the Parent Company with an view to protect the interests of the minority Shareholders. Accordingly, where the Domestic Appraised Value is greater than the 2023 Valuation at that time, the consideration for the Parent Company Subscription shall be determined with reference to the 2023 Valuation without any adjustment; where the Domestic Appraised Value is less than the 2023 Valuation at that time, the consideration for the Parent Company Subscription shall be determined based on such Domestic 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 will seek approval from the Shareholders at the Extraordinary General Meeting and the Class Meetings to authorise the Board and/or designated persons by the Board to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2023 Valuation and any Domestic Appraised Value).

The 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement which were amended by the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto. If there is any conflict exists, the provisions in the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement shall prevail. The pricing mechanism for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement. There were only slight adjustments to the total consideration of the Parent Company Subscription and the maximum number of the Domestic Shares to be issued, which was determined with reference to the 2023 Valuation, and the assets falling within the Phase I Runway Assets.

The Directors 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.

LETTER FROM THE BOARD

C. 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 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. In light of the uncertainty in respect of the time required for CSRC approval, it may take longer time for the Company to obtain such approval and accordingly more time may be required. 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 the filing process (i.e. submitting filing materials to the CSRC and completing the filing) and complete the closing work of the Parent Company Subscription and the New H Shares Issue. Such timetable is based on the assumption that the Company can obtain the approval from the CSRC for the Parent Company Subscription and complete the filing for the New H Share Issue as expected, and is adjustable according to the market conditions. Therefore, the Company believes that a further twelve-month extension is required and is in the best interest of the Shareholders.

In order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription, 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 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 2023 and ending on 17 September 2024, 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 not more than 1% between the 2023 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.

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.

LETTER FROM THE BOARD

(c) Size of issuance

The New H Shares to be issued shall not exceed 155,000,000 H Shares, representing not more than approximately 32.75% of the total share capital of the Company before completion of the Parent Company Subscription and the New H Shares Issue, approximately 20.15% of total share capital of the Company as enlarged by the Parent Company Subscription (assuming the maximum of 140,926,000 Subscription Shares are subscribed by the Parent Company) and the New H Shares Issue; representing not more than approximately 68.31% of share capital of H Shares of the Company before completion of the New H Shares Issue, and approximately 40.59% of share capital of H Shares of the Company as enlarged by the New H Shares Issue.

(d) Ranking of the 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.

(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) as a result of 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\$11.78) 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

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- (3) 90% of the highest among the followings:
- (i) the closing price of H Shares 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.

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, 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 completion of the 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 2023 and ending on 17 September 2024.

LETTER FROM THE BOARD

The Board will also seek the Shareholders' approval at each of the Extraordinary General Meeting and the Class Meetings to extend the authorisation 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 2023 and ending on 17 September 2024:

- (1) to 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, registrations, filings, sanctions and permissions;
- (2) to 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 matters;
- (3) to 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 approve any revision or amendments to such agreement(s);
- (4) to deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
- (5) to, depending on the requirements at the time of the issuance, engage and appoint financial adviser, 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) to 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) to 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) to 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) to 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;

LETTER FROM THE BOARD

(10) to 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) to take all necessary actions to deal with the matters in relation to the proposed New H Shares Issue.

D. POSSIBLE CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement is approved by the Shareholders at the forthcoming Extraordinary General Meeting and the Class Meetings; (ii) the proposed Extension Resolutions are granted by the Shareholders at the forthcoming Extraordinary General Meeting and the Class Meetings; (iii) the Board exercises the proposed Specific Mandate in full; (iv) all conditions for the proposed New H Shares Issue have been satisfied; (v) the maximum of 155,000,000 New H Shares are issued pursuant to the proposed Specific Mandate; and (vi) the maximum of 140,926,000 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	378,426,000	49.20%
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	29.50%
New H Shares	0	0	155,000,000	20.15%
Total Number of Issued Shares	473,213,000	100	769,139,000	100

As indicated above, the public float of the Company in such scenario will be approximately 49.65%.

LETTER FROM THE BOARD

Assuming that the Company fails to issue any New H Shares and the maximum of 140,926,000 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 (maximum)	Percentage of total issued Shares (%)
Domestic Shares				
Parent Company	237,500,000	50.19	378,426,000	61.62
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	36.95
New H Shares	0	0	0	0
Total Number of Issued Shares	<u>473,213,000</u>	<u>100</u>	<u>614,139,000</u>	<u>100</u>

As indicated above, the public float of the Company in such scenario will be approximately 36.95%.

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 would undertake to comply with the public float requirement under Rule 8.08(1) of the Listing Rules after completion of the New H Shares Issue and the Parent Company Subscription.

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

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

E. PROPOSED AOA CONSEQUENTIAL AMENDMENTS

The Board proposed to convene the Extraordinary General Meeting and the Class Meetings for the grant of authority to make proposed AOA Consequential Amendments as 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 is required to be reflected in the Articles of Association.

F. REASONS FOR AND BENEFITS OF THE EXTENSION RESOLUTIONS

The validity period of the Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue expired on 17 September 2023. In order to further promote the Parent Company Subscription and the New H Shares Issue, the Company proposes 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 RMB574,026,202.98.

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements, the Phase I Runway Assets is 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. As disclosed in the circular of the Company dated 14 December 2022, the Company and the Parent Company entered into a lease agreement (the "**Leased Agreement**") in respect of the leasing of the lands, buildings, structures and equipment (the "**Leased Assets**") at Meilan Airport. The Leased Assets include the Phase I Runway Assets, for which the Company shall pay an annual rental fee of approximately RMB557 million in which the annual rental fee for Phase I Runway Assets was approximately RMB84.53 million. Upon completion of the Parent Company Subscription (which includes the acquisition of Phase I Runway Assets), the lease of the Phase I Runway Assets shall end. Accordingly, the annual rental fee to be paid by the Company to the Parent Company would be reduced by approximately RMB84.53 million. It is expected that the earnings of the Company would be improved as the lease expenses reduced. To ensure the timely completion of the Parent Company Subscription and avoid the possible adverse impact of the tightening 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 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 fund raising to improve working capital

As an important transportation hub for the construction of Hainan Free Trade Port, Meilan Airport is well positioned to capture opportunities in connection with the Hainan Free Trade Port. 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).

Reference is made to the announcement of the Company dated 5 January 2021. As disclosed in the announcement, Aero Infrastructure Holding Company Limited and the Company entered into the Past New H Shares Subscription Agreement. The Company received a notice of arbitration (the “**Notice of Arbitration**”). Pursuant to the Notice of Arbitration, Aero Infrastructure Holding Company Limited, as the claimant (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. The Claimant alleged that the Company breached the Subscription Agreement and claimed damages in the amount of HK\$5,832 million or HK\$6,962 million and related arbitration costs in the Notice of Arbitration. The Arbitration is still in the second stage of the proceedings, and is pending the decision of the arbitration tribunal on whether there is a causal relationship between the Company's breach and the loss alleged by the Claimant and, should there be a causal relationship, the amount of damages to be awarded to the Claimant. For further details of the Arbitration, please refer to the announcements of the Company dated 5 January 2021 and 15 June 2023, respectively.

From a macroeconomic perspective, due to adverse factors such as interest rate hikes in the United States and geopolitical tensions, fund-raising through either issue of new share and placing is facing certain challenges. Therefore, the Company may need more time to complete the New H Share Issue, including approaching and negotiating with potential investors. In addition, based on the advice of the Company's relevant legal advisers, the Parent Company Subscription is subject to the approval from the CSRC, while the existence of the Arbitration may increase the uncertainty of obtaining the approvals by the Company. As the New H Shares Issue is conditional upon the completion of the Parent Company Subscription, the timing of the New H Shares Issue may also be affected and delayed accordingly.

Taking the above events into consideration, the Board believes that the Company needs more time to complete the Parent Company Subscription and the New H Shares Issue. The Company needs to, among others, approach and negotiate with potential investors, complete the New H Shares Issue (including but not limited to signing the placing agreement and obtaining the approval from the Stock Exchange) and to complete the closing work of the Parent Company Subscription and the New H Shares Issue. Therefore, the Company believes that a further twelve(12)-month extension is required and is in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 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 Free Trade Port. 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.

Currently, based on the review requirements of the CSRC, the Company is conducting relevant work in relation to the Parent Company Subscription, including preparation of the documents to be submitted to the CSRC such as application reports and private placement memorandum.

G. USE OF PROCEEDS

The use of proceeds from the proposed New H Shares Issue will remain the same as disclosed in the circular of the Company 30 September 2022.

Solely for illustration purposes, assuming the New H Shares are fully placed at the price of RMB10.80 (equivalent to approximately HK\$11.78), the gross proceeds from the proposed New H Shares Issue will be RMB1,674 million (equivalent to HK\$1,825.3 million) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB1,651 million (equivalent to approximately HK\$1,800.2 million).

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

1. Approximately 40% shall be used for expansions, upgrades, improvements and maintenance of the terminal buildings and other areas of Meilan Airport Phase I

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

As at the Latest Practicable Date, the Company had not entered into any agreements, arrangements, understandings or undertakings for the upgrades, improvements and maintenance of the terminal buildings of Meilan Airport Phase I.

LETTER FROM THE BOARD

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

To guarantee the smooth operations and reduce the financing costs of the Company, approximately 35% of the net proceeds shall be used to repay the short-term working capital loan with principal amount of approximately RMB300 million (annual interest rate no more than 3.55%) and replenish the working capital of the Company (including but not limited to operation costs of the Company, such as rentals for the Leased Assets, tax, labour costs, costs of water and electricity, environmental handling fee and afforestation fee).

3. Approximately 25% shall be used for introducing innovative technology and upgrading Meilan Airport to a “smart airport”

In recent years, 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 had not entered into any agreements, arrangements, understandings or undertakings for investment in innovation technology.

H. 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.

I. APPLICATION FOR LISTING

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

J. INFORMATION OF THE COMPANY AND THE PARENT COMPANY

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

The Parent Company is principally engaged in ancillary airport services business in the PRC. As at the Latest Practicable Date, the Parent Company is owned as to approximately 64.97% by certain PRC State-owned or State-controlled enterprises, including Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司) as to 46.81%, a company controlled by the State-owned Assets Supervision and Administration Commission of Hainan Province, CDB Development Fund Co., Ltd. (國開發展基金有限公司) as to 14.18%, a subsidiary of China Development Bank which is a policy-oriented financial institution directly under the State Council of the PRC, China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司) as to 2.42% and China National Aviation Fuel Supply Co., Ltd. (中國航空油料有限責任公司) as to 1.56%, each a company ultimately controlled by the State-owned Assets Supervision and Administration Commission. The remaining approximately 35.03% of equity interest of the Parent Company is indirectly held by CITIC

LETTER FROM THE BOARD

Limited. 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. (國開發基金有限公司) is a policy-oriented investment company focusing on investment in national key projects. China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司) is principally engaged in equity investment, investment management services and investment advisory services. China National Aviation Fuel Co., Ltd. (中國航空油料有限責任公司) 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 urbanisation.

K. LISTING RULES IMPLICATIONS

The Parent Company is a controlling Shareholder (as defined in the Listing Rules), and therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Parent Company Domestic Shares Subscription Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Parent Company Domestic Shares Subscription Agreements is more than 25%, such transaction constitutes a major transaction under Chapter 14 of the Listing Rules and non-exempt connected transaction under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

L. GENERAL

The Extraordinary General Meeting and Class Meetings will be convened for the relevant Shareholders to consider and, if thought fit, approve, among other things, the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions) and the proposed AOA Consequential Amendments. The Parent Company, which controls over the voting right in respect of its shares in the Company, will abstain from voting on the proposed resolutions to approve the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as the Parent Company Subscription Extension Resolutions at the Extraordinary General Meeting and the Domestic Shareholders Class Meeting.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder had a material interest in the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, the Extension Resolutions and the proposed AOA Consequential Amendments, and no Shareholder was required to abstain from voting to approve the relevant resolution(s) at the Extraordinary General Meeting and the Class Meetings.

LETTER FROM THE BOARD

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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as 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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as the Parent Company Subscription Extension Resolutions.

The Extraordinary General Meeting will be held at 10:00 a.m. on 20 December 2023 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 82 to 93 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 20 December 2023 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.

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.

LETTER FROM THE BOARD

M. BOOK CLOSURE

The Company's register of members will be closed from Friday, 1 December 2023 to Wednesday, 20 December 2023 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 30 November 2023.

N. RECOMMENDATIONS

The Company's daily business includes airport operation, and the subject matters of the transaction contemplated under the Parent Company Domestic Shares Subscription Agreements are the Phase I Runway Assets, which are part of the airport business of the Company. Accordingly, the Board, including the Independent Board Committee, is of the opinion 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 and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including the Independent Board Committee, recommends that the Independent Shareholders vote in favour of the resolutions set out in the notice of the Extraordinary General Meeting and the notices of the Class Meetings for approval of the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription.

The Board, including the Independent Board Committee/independent non-executive Directors, is 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/independent non-executive Directors, 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. Ren Kai, Mr. Xing Zhoujin, Mr. Wu Jian and Mr. Li Zhiguo is interested in (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) 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; Mr. Ren Kai, an executive Director and the chief financial officer of the Company, and Mr. Xing Zhoujin, an executive Director and the joint company secretary of the Company, serve as the chief financial officer and the secretary to the board of directors of the Parent Company, respectively; Mr. Wu Jian, a non-executive Director, and Mr. Li Zhiguo, a non-executive Director, are both the vice presidents of the Parent Company.

LETTER FROM THE BOARD

O. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendations to the Independent Shareholders as to the voting regarding (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions, and the letter from Octal Capital Limited containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions, details of which are set out on pages 24 to 25 of this circular. None of the members of the Independent Board Committee has any material interest relating to (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions.

Yours faithfully,

By order of the Board

Hainan Meilan International Airport Company Limited*

Wang Hong

Chairman and President

Hainan, the PRC
16 November 2023

**For identification purposes only*

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)

16 November 2023

To the Shareholders,

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
THE 2023 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES
SUBSCRIPTION AGREEMENT;
AND
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE
PARENT COMPANY SUBSCRIPTION**

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions that are subject to the Independent Shareholders' approval, details of which are set out in the letter from the Board in the circular to the Shareholders dated 16 November 2023 (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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as 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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as the Parent Company Subscription Extension Resolutions, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

*For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that (i) 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 as the Company operates airport business and the Phase I Runway Assets to be acquired by the Company pursuant to the Parent Company Domestic Shares Subscription Agreements will form part of its airport business, 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 so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the Parent Company Subscription Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription and the Parent Company Subscription Extension Resolutions.

Independent Board Committee

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders dated 16 November 2023 in respect of, inter alia, the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription and 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

16 November 2023

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
THE 2023 SUPPLEMENTAL PARENT COMPANY
DOMESTIC SHARES SUBSCRIPTION AGREEMENT;
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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as 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 16 November 2023 (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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement

Reference is made to the announcement of the Company dated 17 September 2023 in relation to (i) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; (ii) 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 (iii) the proposed AOA Consequential Amendments.

The Board announces that after negotiation, on 17 September 2023, the Company and the Parent Company entered into the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which the Company and the Parent Company mutually agreed to make certain amendments to the 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Extension Resolutions

References are also made to (i) the circular of the Company dated 20 August 2020 (the “**2020 Circular**”) and the poll results announcement of the Company dated 18 September 2020, in relation to, among others, the Shareholder’s resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue; (ii) the supplemental circular of the Company dated 21 September 2021 (the “**2021 Supplemental Circular**”) 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 granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue; and (iii) the circular of the Company dated 30 September 2022 (the “**2022 Circular**”) and the poll results announcement of the Company dated 8 November 2022 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 granted 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 expired on 17 September 2023.

In order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription, 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 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 2023 and ending on 17 September 2024.

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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription, as well as the Parent Company Subscription Extension Resolutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription and 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 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 and the New H Shares Issue (details can be referred to the 2021 Supplemental Circular); and (ii) the extension of validity period of Shareholder's resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue (details can be referred to the 2022 Circular) (the "**Previous Engagements**"). Under the Previous Engagements, we were required to express our opinions 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 were comparable to market rates and the fees did not form a significant portion to our overall income; (ii) we had 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 continued 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 neither 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

1. **Background of entering into, among others, the 2023 Supplemental 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.

- *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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement*

As set out in the 2020 Circular, among other things, the Company and the Parent Company entered into the 2020 Parent Company Domestic Shares Subscription Agreement on 24 July 2020, pursuant to which the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares and settle the consideration by way of transfer of the Phase I Runway Assets by the Parent Company to the Company. In order to complete the transactions contemplated under the 2020 Parent Company Domestic Shares Subscription Agreement, the Board announces that after negotiation, on 17 September 2023, the Company and the Parent Company entered into the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which the Company and the Parent Company mutually agreed to make the following amendments to the 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement:

- (i) The Parent Company agreed to subscribe for not more than 140,926,000 Domestic Shares to be issued by the Company and settle the consideration by way of transfer of the Phase I Runway Assets, which was determined based on the aggregate appraised asset value of the Phase I Runway Assets of approximately RMB1.52 billion as at 31 July 2023 (the “**2023 Valuation**”); and

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- (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 (the “**Domestic Appraisal Value**”) and the 2023 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 the minority Shareholders. Accordingly, where the Domestic Appraised Value is greater than the 2023 Valuation at that time, the consideration for the Parent Company Subscription shall be determined with reference to the 2023 Valuation without any adjustment; where the Domestic Appraised Value is less than the 2023 Valuation at that time, the consideration for the Parent Company Subscription shall be determined based on such Domestic 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 will seek approval from the Shareholders at the Extraordinary General Meeting and the Class Meetings to authorise the Board and/or designated persons by the Board to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2023 Valuation and any Domestic Appraised Value).

The 2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement which were amended by the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto. If there is any conflict exists, the provisions in the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement shall prevail. The pricing mechanism for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement. There were only slight adjustments to the total consideration of the Parent Company Subscription and the maximum number of the Domestic Shares to be issued, which was determined with reference to the 2023 Valuation, and the assets falling within the Phase I Runway Assets.

The 2023 Valuation

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have interviewed Vigers Appraisal and Consulting Limited (the “**Valuer**”), who prepared the 2023 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 which the Valuer has confirmed their independence.

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We have reviewed the report of the 2023 Valuation (the “**2023 Valuation Report**”) and discussed with the Valuer on the 2023 Valuation Report. We noted that the Valuer has adopted a combination of (i) the market approach for the valuation of the land portion of the Phase I Runway Assets by making reference to the standard land price and the sales and purchase transactions as available in Haikou City, Hainan Province, the PRC and (ii) the depreciated replacement cost approach for the valuation of (a) the building and structure portion and (b) the plant and equipment portion of the Phase I Runway Assets by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

In respect of the valuation of the land portion of the Phase I Runway Assets using the market approach, we understand that the Valuer selected the comparable sale and purchase transactions of land based on the selection criteria of (i) the locality of the land which is in the adjacent area of the Phase I Runway Assets (i.e. Jiangdong New Area, Haikou City); (ii) the usage of the land similar to that of the land portion of the Phase I Runway Assets; and (iii) the transactions that were completed in 2023. Based on the above selection criteria and the information of the sale and purchase transactions of land which is publicly available from an official website of the Government of Hainan Province, the Valuer selected four sale and purchase transactions of land in Haikou City (the “**Land Comparables**”) for making a meaningful comparison, with some adjustments made on the Land Comparables in relation to the dissimilarities on authorised years of land use, shape and area of the land slot, road proximity and degree of land development. The Valuer considered that the Land Comparables are fair and representative samples for evaluating the land portion of the Phase I Runway Assets.

The above selection criteria employed by the Valuer could enable it to identify relevant transactions that closely resemble the Phase I Runway Assets in terms of their proximity in location and the usage of land based on transactions that are completed recently. As regards the criteria on the location of land, the Valuer considered that it is commonly used in market approach for land valuation to select land of comparable transactions that are in close proximity to the land portion of the Phase I Runway Assets. We noted the Valuer selected the Land Comparables that are within the Jiangdong New Area, Haikou City which is in the same district where the Phase I Runway Assets are located and we considered it appropriate. As regards the criteria on usage of land, it enables the Valuer to select land of comparable transactions that are specific to its usage as the value of land with different usage such as those used for residential, commercial, industrial or agricultural purposes in the same district would vary. However, as explained by the Valuer, given the usage of the Phase I Runway Assets as airport runway is unique and there are infrequent sale and purchase transactions of land of similar usage in the nearby location of the Phase I Runway Assets, the Valuer considered that land transactions of logistics and industrial usage are the most similar and comparable to the land portion of the Phase I Runway Assets. We considered it appropriate for the Valuer to employ such criteria on narrowing down the land usage in the sample selection in order to enhance the relevance of the selection results. As regards the criteria on transactions that were completed in 2023, the Valuer considered that it could capture the most recent economic conditions during which the comparable transactions were completed. We considered it appropriate for the Valuer select the four Land Comparables occurred in 2023 that enhanced the relevance of the selection results which could better reflect the recent market sentiment and the transaction prices of the Land Comparables closer to the Valuation Date. Having considered the rationale in employing the above selection criteria, we are of the view that the Valuer's selection criteria for the Land Comparables are fair and reasonable.

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As advised by the Valuer, the adjustments on the Land Comparables in relation to the dissimilarities on authorised years of land use, shape and area of the land slot, road proximity and degree of land development, were made in accordance with the requirements of HKIS Valuation Standards 2020 (the “**Valuation Standards**”) published by The Hong Kong Institute of Surveyors. The Valuation Standards required that a valuer should analyse and make adjustments for any material differences between the comparable transactions and the subject asset where the common differences include, among others, (i) material characteristics (age, size, specifications, etc.); (ii) relevant restrictions on either the subject asset or the comparable assets; and (iii) geographical location (location of the asset and/or location of where the asset is likely to be transacted/used) and the related economic and regulatory environments. The Valuer explained that the adjustments were commonly made in valuation for similar land transactions so as to eliminate the material impacts from the dissimilarities in respect of the abovementioned characteristics in order to form a basis for comparing the land portion of the Phase I Runway Assets. We have reviewed the Valuer’s adjustment calculations for the Land Comparables, the specifications of the Land Comparables from the public disclosure provided by Hainan Province government, and maps showing the locations and surrounding environments of the Land Comparables; and noted that the adjustments made to the transaction values of the Land Comparables improved the comparability of the Land Comparables, and by refining the Land Comparables through adjustments, the material impacts from the dissimilarities between the Land Comparables and the Phase I Runway Assets were eliminated. Having considered that (i) the adjustments were in the scope of common examples provided by the Valuation Standards and (ii) the adjustments were necessary to reflect the material differences between the Land Comparables and Phase I Runway Assets for a meaningful comparison, we are of view that the adjustments made to the Land Comparables by the Valuer are reasonable and fair for evaluating the land part of the Phase I Runway Assets.

In order to assess the fairness and reasonableness of the Land Comparables, we, on our best effort basis, have independently ascertained the relevant public websites where the Valuer obtained information of the Land Comparables, and we did not identify any other transactions which fulfill the Valuer’s selection criteria. We have reviewed the Land Comparables and compared to our own research and we did not identify any anomaly in the information of the Land Comparables adopted by Valuer. Therefore, we concur with the view of the Valuer that the Land Comparables are fair and representative samples for comparison.

As regards the adoption of the valuation approaches, we understood from the Valuer that it had also considered using (i) standard land price approach; and (ii) the income or earnings approach (the “**Alternative Approaches**”) in valuing the land portion of the Phase I Runway Assets. However, we understood from the Valuer that since the latest data in respect of standard land price was only available up to the year 2020, it considered that such outdated data could not reflect the current market situation, and thus, the standard land price approach was not an appropriate methodology to be applied in valuing the land portion of the Phase I Runway Assets. On the other hand, since the allocation of the forecast income and expenses attributable to the Phase I Runway Assets was not readily available and could not be clearly separated from the entire airport, the income approach was therefore not appropriate for valuing the land portion of the Phase I Runway Assets. Based on the above, the Valuer considered the market approach was the most appropriate valuation method for valuing the land portion of the Phase I Runway Assets.

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In respect of the building and structure portion of the Phase I Runway Assets, the Valuer has adopted the depreciated replacement cost approach for the valuation which takes into account the replacement costs after deducting depreciation charges. As advised by the Valuer, the nature of the buildings and structures could not be valued on the basis of market value, therefore, such buildings and structures were valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach takes into account the current cost of replacement (reproduction) of the buildings and structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. As confirmed by the Valuer, the depreciated replacement cost approach is commonly adopted for valuation of assets which cannot be valued by market approach and the depreciated replacement cost approach generally furnishes the most reliable indication of value for assets in the absence of a known and established secondhand market based on comparable sales.

Based on our review of the appraised value of the building and structure portion of the Phase I Runway Assets under the depreciated replacement cost approach, we noted that the replacement cost of the building and structure portion of the Phase I Runway Assets adopted by the Valuer was applied with reference to the current market construction cost of the relevant buildings and structures after taking into account the management fee, interest expenses, tax and other expenses. We have reviewed the calculation of the appraised value of the building and structure portion of the Phase I Runway Assets and we did not identify any anomaly in the Valuer's calculation. Based on the above, we considered that the methodology of depreciated replacement cost approach applied by the Valuer in valuing building and structure portion of the Phase I Runway Assets is fair and appropriate.

In respect of the plant and equipment portion of the Phase I Runway Assets, the Valuer has adopted the depreciated replacement cost approach for the valuation which takes into account the replacement costs after deducting depreciation charges of the plant and equipment portion of the Phase I Runway Assets. As advised by the Valuer, the specialised plant and equipment of the Phase I Runway Assets were seldom sold and there was not an active and efficient secondhand market, therefore, it was hard to find any readily identifiable market comparables in respect of such kind of assets. As such, we understand that the plant and equipment were valued on the basis of their depreciated replacement cost and it generally furnishes the most reliable indication of value for assets in absence of a known and established secondhand market based on comparable sales. As confirmed by the Valuer, the depreciated replacement cost approach is commonly adopted for valuation of assets which cannot be valued by market approach.

We have obtained the list of the plant and equipment portion of the Phase I Runway Assets from the Company and noted that the relevant original purchase costs are the same as the Valuer's adopted values in computing the depreciated replacement costs of such plant and equipment. We understand from the Valuer that in computing the depreciated replacement cost of the plant and equipment, consideration had been given to their physical depreciation, which was the loss in value due to physical deterioration resulting from wear and tear in operation. We have reviewed the calculation of the appraised value of the plant and equipment portion of the Phase I Runway Assets and we did not identify any anomaly in the Valuer's calculation. Based on the above, we considered that the methodology of depreciated replacement cost approach by the Valuer is fair and appropriate.

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We understand that the Valuer has considered (i) the market approach; and (ii) the income or earnings approach in valuing the building and structure portion and the plant and equipment portion of the Phase I Runway Assets. As the building and structure portion and the plant and equipment portion of the Phase I Runway Assets are specialised for the use in Meilan Airport, a fair and representative market value of similar assets was hard to obtain, and thus, the market approach was not an appropriate methodology to be applied in valuing the building and structure portion and the plant and equipment portion of the Phase I Runway Assets. Similar to the situation of the land portion of the Phase I Runway Assets, the allocation of the forecast income and expenses was not readily available and could not be clearly separated from the entire airport, and thus, the income or earnings approach was not applied in valuing the building and structure portion and the plant and equipment portion of the Phase I Runway Assets.

Hence, the combination of the value of (i) the land portion; (ii) the building and structure portion; and (iii) the plant and equipment portion represents the market value of the Phase I Runway Assets.

Having considered that (i) the valuation approaches for the respective portions of the Phase I Runway Asset, namely the land portion, the building and structure portion and the plant and equipment portion, are commonly adopted methodology in valuing the assets of similar nature; and (ii) there were no anomaly noted during our review on the 2023 Valuation, we are of the view that the methodology adopted by the Valuer is fair and appropriate.

Based on the foregoing, we considered the 2023 Valuation Report to be an appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the terms under the Parent Company Subscription (which involves the proposed acquisition of the Phase I Runway Assets (the “**Runway Assets Acquisition**”)). Further details of the bases and assumptions of the 2023 Valuation are included in the 2023 Valuation Report as contained in the Appendix IV to the Circular.

Since the total consideration for the Runway Assets Acquisition is equivalent to the amount of the 2023 Valuation at approximately RMB1.52 billion (the “**Consideration**”) as evaluated and concluded by the Valuer, we consider that the basis for determining the Consideration is fair and reasonable.

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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 the Phase I runway of Meilan Airport and other auxiliary facilities, are located at the Meilan Airport in Haikou City, Hainan Province, the PRC and thus they form an essential component of the Group's airport services. The 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 RMB574,026,202.98.

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreements, the Phase I Runway Assets is 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, as set out in the circular of the Company dated 14 December 2022, the Company (as lessee) and the Parent Company (as lessor) entered into a lease agreement (the "**Lease Agreement**") in respect of the leasing of the lands, buildings, structures and equipment at Meilan Airport (the "**Leased Assets**") which included the Phase I Runway Assets. Pursuant to the Lease Agreement, the lease of the Phase I Runway Assets shall end on the date of completion of the Parent Company Subscription (which included the acquisition of Phase I Runway Assets) and the allotment of the Subscription Shares to the Parent Company while the annual rental in relation to the Phase I Runway Assets of approximately RMB84.53 million will no longer be payable by the Company to the Parent Company. Therefore, the earnings of Company would be improved upon completion of the Parent Company Subscription as the annual rental in relation to the Leased Assets would be reduced.

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.

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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. Based on the 14th Five-Year Plan, the aviation passenger throughput will increase from approximately 45 million people in 2020 to 62 million people in 2025 and the air cargo throughput will increase from approximately 215,000 tonnes in 2020 to 400,000 tonnes in 2025. The strategic inclusion of Meilan Airport in the transportation development plan of the Hainan government reinforces the advantages in the Runway Assets Acquisition. 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).

According to the operational data published in the annual report of the Company for the year ended 31 December 2021, annual report of the Company for the year ended 31 December 2022 and the interim report of the Company for the six months ended 30 June 2023 and the official website of Meilan Airport, the summary of historical passenger throughput, historical cargo throughput and aircraft movement from 1 January 2020 to 30 June 2023 is shown 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 tonnes)</i>
2020	16.49	134.72	129.73
2021	17.52	148.38	138.93
2022	11.16	124.38	105.68
Annual growth rate (2020 – 2021)	6.2%	10.1%	7.1%
Annual growth rate (2021 – 2022)	(36.3)%	(16.2)%	(23.9)%
Jan – Jun 2022	6.56	74.19	58.63
Jan – Jun 2023	12.05	93.08	85.37
Year-on-year growth rate	83.7%	25.5%	45.6%

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The passenger throughput, cargo throughput and aircraft movement decreased during the year of 2022 due to certain regional outbreaks of COVID-19 pandemic (the “COVID-19”) in the PRC which temporarily affected the demand of the airline industry in 2022. The aviation market has swiftly rebounded subsequent to the nationwide loosening of COVID-19 restrictions on travel and production by the PRC government since 8 January 2023.

With the resumption of airline routes and the reopening of the air travel market, the performance of Meilan Airport in the first six months of 2023 (“1H2023”) was significantly better than that in the same period in 2022. In view of the overall improvement in the performance of Meilan Airport in 1H2023, there has been a substantial year-on-year increase in passenger throughput, cargo throughput, and aircraft movement with increment of approximately 83.7%, 25.5% and 45.6% as compared with the corresponding throughput and aircraft movement amount in the first six months in 2022.

Considering the substantial growth in operational data for 1H2023 driven by the resumption of the routes and the rebound in demand for Meilan Airport, we are of view that the Runway Assets 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. Moreover, the continuous revitalisation witnessed in the aviation industry and the regional economy, coupled with the robust government support in Hainan Province for the tourism sector, provides additional evidence to back the favourable implications of the Runway Assets Acquisition for the Company. We concur with the view of the management of the Company that the prospect of Phase I Runway Assets will remain favourable as compared with the time when the Company first proposed the Runway Assets Acquisition. Therefore, 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 Assets Acquisition.

For (i) information of the Phase I Runway Assets; (ii) 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 (iii) 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 our letter contained in the 2020 Circular, 2021 Supplemental Circular and 2022 Circular.

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 Parent Company Subscription and the New H Shares Issue

References are made to the announcements of the Company dated 5 January 2021 and 15 June 2023 (the “**Announcements**”). As disclosed in the Announcements, Aero Infrastructure Holding Company Limited and the Company entered into the Past New H Shares Subscription Agreement. The Company received a notice of arbitration (the “**Notice of Arbitration**”). Pursuant to the Notice of Arbitration, Aero Infrastructure Holding Company Limited, as the claimant (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. The Claimant alleged that the Company breached the Subscription Agreement and claimed damages in the amount of HK\$5,832 million or HK\$6,962 million and related arbitration costs in the Notice of Arbitration. The Arbitration is still in the second stage of the proceedings, and is pending the decision of the arbitration tribunal on whether there is a causal relationship between the Company's breach and the loss alleged by the Claimant and, should there be a causal relationship, the amount of damages to be awarded to the Claimant.

Currently, based on the review requirements of the CSRC, the Company is conducting relevant work in relation to the Parent Company Subscription, including preparation of the documents to be submitted to the CSRC such as application reports and private placement memorandum. Based on the advice of the Company's relevant legal advisers, the existence of the Arbitration may increase the uncertainty of obtaining the approvals by the Company, and the timing of the New H Shares Issue may be affected and delayed accordingly, as the New H Shares Issue is conditional upon the completion of the Parent Company Subscription.

In addition, from a macroeconomic perspective, due to adverse factors such as interest rate hikes in the United States and geopolitical tensions, fund-raising through either issue of new share and placing is facing certain challenges. Therefore, the Company may need more time to complete the New H Share Issue, including approaching and negotiating with potential investors.

For the overall timetable, after obtaining the approval from the CSRC, the Company expects it would 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 the filing process (i.e. submitting filing materials to the CSRC and completing the filing) and complete the closing work of the Parent Company Subscription and the New H Shares Issue. Such timetable is based on the assumption that the Company can obtain the approval from the CSRC for the Parent Company Subscription and complete the filing for the New H Share Issue as expected, and is adjustable according to the market conditions.

Taking the above events into consideration, the Board believes that the Company needs more time to complete the Parent Company Subscription and the New H Shares Issue. Therefore, the Company believes that a further twelve(12)-month extension is required and is in the best interest of the Company and the Shareholders as a whole.

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Having considered that the expected time required to address the above events 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 (12) extension is required.

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\$11.78) 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 Shares 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, prospects and the asset quality of the Company, and with reference to the net asset value per Share, the market price of 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.

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Based on the Pricing Mechanism, the subscription price for the Parent Company Subscription will be at least RMB10.80 (equivalent to approximately HK\$11.78) per Subscription Share (the “**Minimum Subscription Price**”), representing a price floor of the Parent Company Subscription.

(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 H Shares as quoted on the Stock Exchange during the period commencing from 16 September 2022 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\$26.00 on 26 January 2023, while the lowest closing price of the Shares was HK\$5.91 on 24 October 2023 (the “**Price Range**”) with an average daily closing price of H Shares of approximately HK\$15.10 per H Share. The Minimum Subscription Price of RMB10.80 (equivalent to approximately HK\$11.78) is within the Price Range and it represents a discount of approximately 54.69% and a premium of approximately 99.32% 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 premium of approximately 62.71% over the closing price of HK\$7.24 per H Share as quoted on the Stock Exchange on 15 September 2023, being the latest closing price of the H Share prior to the date of the announcement of the Company in relation to the Extension Resolutions (“**Extension Announcement Date**”);

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- (ii) a premium of approximately 57.23% over the average closing price of HK\$7.49 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day prior to the Extension Announcement Date;
- (iii) a premium of approximately 53.79% over the average closing price of HK\$7.66 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day prior to the Extension Announcement Date;
- (iv) a premium of approximately 68.53% over the closing price of HK\$6.99 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a premium of approximately 63.61% over the average closing price of HK\$7.20 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Latest Practicable Date; and
- (vi) a premium of approximately 70.23% over the average closing price of HK\$6.92 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.

As depicted in the above illustration, the Minimum Subscription Price exhibits a considerable premium over both the recent closing prices and average closing prices. In view of the possible fluctuation of the trading prices of the H Shares in the market preceding the Effective Date, we have further conducted an evaluation of the Pricing Mechanism in various scenarios of the price movements of the H Shares as set out below (assuming the audited net asset value of the Company for the year ended 31 December 2022 (“FY2022”) to be the latest financial year preceding the Effective Date).

According to the Pricing Mechanism, in the event that the closing price of the H Shares preceding the Effective Date (the “**Effective Date Closing Price**”) falls below HK\$13.09 such that the 90% of the Effective Date Closing Price is below HK\$11.78 (90% x HK\$13.09) (equivalent to approximately RMB10.80); and (ii) the audited net asset value per share of the Company as at 31 December 2022 was approximately RMB9.32 based on the 2022 Annual Report of the Company, Minimum Subscription Price of RMB10.80 (equivalent to approximately HK\$11.78) will be applied, providing a price floor for the Parent Company Subscription which is favourable to the Company.

On the other hand, in the event that the Effective Date Closing Price is above HK\$13.09 such that the 90% of the Effective Date Closing Price is above HK\$11.78 (90% x HK\$13.09) (equivalent to approximately RMB10.80) and (ii) the audited net asset value per share of the Company as at 31 December 2022 was approximately RMB9.32 based on the 2022 Annual Report of the Company, the 90% of the Effective Date Closing Price will be applied as the subscription price under the Parent Company Subscription according to the Pricing Mechanism, representing a 10% discount to the Effective Date Closing Price which is well below the largest discount of the Minimum Subscription Price to the closing price of H Share of approximately 54.69% during the Review Period.

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The Minimum Subscription Price introduced by the Pricing Mechanism provides a safeguard for any downward price fluctuation of H Shares as well as the audited net asset value which is in favour of the Company and the Independent Shareholders. 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.

Hence, we considered that the Parent Company Subscription Extension Resolutions under which the Pricing Mechanism is in place is in the interest of the Company and the Independent Shareholders as a whole.

(ii) *Comparison with industry comparables*

We attempted to perform a trading multiples analysis of price-to-earnings (“P/E”) ratio and price-to-book (“P/B”) ratio of comparable companies which are the most common approaches adopted by the investment community in valuing entities. Given the Group is principally engaged in airport management and operation services in the PRC, we have conducted a search for comparable companies which are (i) listed companies in Hong Kong and/or the PRC; and (ii) are principally engaged in airport management and operation services in the PRC. To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of five comparable companies (the “**Industry Comparable(s)**”) based on the abovementioned selection criteria.

Since the Company recorded basic losses per Share of RMB0.33 for FY2022, P/E ratio is not applicable for our analysis. As the airport management and operation services industry is capital-intensive in nature, we consider that it is also appropriate to compare the P/B ratio of the Industry Comparables with the implied P/B ratio as illustrated by the Minimum Subscription Price. Set out below is summary of the P/B ratio analysis:

Company name	Principal business	Market capitalization as at the Extension Announcement Date ^{Note 1} (HK\$ million)	Net asset attributable to the shareholders of the company ^{Note 2} (HK\$ million)	P/B ratio as at the Extension Announcement Date ^{Note 2} (times)
Beijing Capital International Airport Co., Ltd. (694.HK)	Principally engaged in operating and managing aeronautical and non-aeronautical businesses at Beijing Capital Airport	17,080.34	16,975.28	1.01

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Company name	Principal business	Market capitalization as at the Extension Announcement Date ^{Note 1} (HK\$ million)	Net asset attributable to the shareholders of the company ^{Note 2} (HK\$ million)	P/B ratio as at the Extension Announcement Date ^{Note 2} (times)
Guangzhou Baiyun International Airport Company Limited (600004.SH)	Principally engaged in aviation services such as aircraft takeoff and landing, parking, passenger services, security checks, and aviation ground support services for aircraft, passengers, cargo, and mail at Guangzhou Baiyun International Airport	30,580.76	18,916.72	1.62
Shanghai International Airport Co., Ltd. (600009.SH)	Principally engaged in aeronautical services which directly associated with aircraft, passengers, and cargo services, and non-aeronautical businesses such as commercial leasing, office space rental, check-in counter rental, and freight station operations at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport	103,571.40	43,332.35	2.39
Xiamen International Airport Co., Ltd (600897.SH)	Principally engaged in aeronautical services which directly associated with aircraft, passengers, and cargo services, and non-aeronautical businesses such as commercial leasing, office space rental, check-in counter rental, parking lot operations at multiple airports in Fujian province	4,318.91	4,319.61	1.00

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Company name	Principal business	Market capitalization as at the Extension Announcement Date ^{Note 1} (HK\$ million)	Net asset attributable to the shareholders of the company ^{Note 2} (HK\$ million)	P/B ratio as at the Extension Announcement Date ^{Note 2} (times)
Shenzhen Airport Co., Ltd. (000089.SZ)	Principally engaged in aeronautical services which refer to providing aviation ground support and ground handling agency services, and nonaeronautical businesses including aviation logistics, aviation value-added services, and advertising services at Shenzhen Baoan International Airport	15,541.21	11,588.20	1.34
		Maximum		2.39
		Minimum		1.00
		Average		1.47
		Median		1.34
Company		5,574.45 ^{Note 4}	4,752.83	1.17 ^{Note 5}

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

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 Extension Announcement Date.
2. 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 interim reports.
3. The financial information has been converted into HK\$ based on HK\$1.00 = RMB0.9171.
4. The implied market capitalisation of the Company (“**Implied Market Capitalisation**”) is calculated based on Minimum Subscription Price and number of issued shares of the Company as at the Extension Announcement Date (i.e. 473,213,000 Shares).
5. The ratio was calculated based on the Implied Market Capitalisation and the net asset value attributable to the shareholders of the Company as at 30 June 2023.

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As set out in the table above, we noted that the respective P/B ratio of the Industry Comparables on the Extension Announcement Date ranged from approximately 1.00 time to approximately 2.39 times with an average of approximately 1.47 times and a median of approximately 1.34 times. Upon comparison, the P/B ratio as implied by the Minimum Subscription Price of approximately 1.17 times was (i) within the range of the P/B ratio of the Industry Comparables; (ii) lower than the median of the P/B ratio of the Industry Comparables; and (iii) lower than the average of the P/B ratio of the Industry Comparables. Notably, there is only one Industry Comparable (i.e. Beijing Capital International Airport Co., Ltd.) listed on the Stock Exchange, where the Company's H Shares are listed, while the remaining four Industry Comparables are listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange as A shares in the PRC. The P/B ratio of the Industry Comparable listed on the Stock Exchange is 1.01 times which closely aligns with the implied P/B ratio of the Parent Company Subscription. The P/B ratio of the four other Industry Comparables listed in the PRC are influenced by different market players, varied market sentiment, and regulatory environments. The disparity in market structure contributes to the relative higher P/B ratios observed among these four Industry Comparables, as well as the higher median and average P/B ratios of the Industry Comparables. Based on our observations that the implied P/B ratio of the Company (i) is aligned with the Industry Comparable listed in Hong Kong; and (ii) falls within the range of the Industry Comparables, which include Industry Comparables priced at premium compared to the shares listed in Hong Kong, we consider that the implied P/B ratio is reasonable.

Having considered the analysis and factors set out in our letter contained in 2020 Circular, 2021 Supplemental Circular, 2022 Circular, and our updated analysis above, including,

- (i) Runway Assets 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. Moreover, the continuous revitalisation witnessed in Meilan Airport, the aviation industry and the regional economy, coupled with the robust government support in Hainan Province for the tourism sector, provides additional evidence to back the favourable implications of the Runway Assets Acquisition for the Company. 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 Assets Acquisition; and

- (ii) the Pricing Mechanism is fair and reasonable,

we are of the view that 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription, and 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.

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

Earnings

As explained in the section headed “Reasons for and benefits of the Parent Company Subscription Extension Resolutions” above, the lease of the Phase I Runway Assets under the Lease Agreement shall end on the date of completion of the Parent Company Subscription (which included the acquisition of Phase I Runway Assets). As a result, the annual rental in relation to the Phase I Runway Assets of approximately RMB84.53 million will no longer be payable by the Company to the Parent Company. Therefore, the earnings of Company would be improved upon completion of the Parent Company Subscription as the annual rental in relation to the Leased Assets would be reduced.

Working capital

Base on the 2022 Annual Report of the Company, the Group’s deficiency of working capital (i.e. total current assets of approximately RMB480.0 million, less total current liabilities of approximately RMB6,000.0 million) amounted to approximately RMB5,520.0 million as at 31 December 2022, representing a current ratio of approximately 8.0%. 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 of the net asset value of the Group following the completion of the Parent Company Subscription, as the increase in the value of the non-current assets attributable to the Phase I Runway Assets will be funded by the allotment and issue of new Domestic Shares as the consideration for the Runway Assets Acquisition, whilst the Parent Company Subscription would generate meaningful cash resources and enhance the net asset value of the Group.

According to the 2022 Annual Report of the Company, the Group had consolidated net asset value (excluding non-controlling interests) of approximately RMB4,409.4 million as at 31 December 2022, representing a net asset value per Share of approximately RMB9.32. Assuming the subscription price is 90% of the latest closing price of H Shares prior to the Extension Announcement Date (i.e. HK\$7.24 (equivalent to approximately RMB6.64), the Minimum Subscription Price of RMB10.80 would be applied, representing a premium of approximately 15.9% on the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022. On such basis, it is anticipated that the net asset value per Share would increase immediately after the completion of the Parent Company Subscription.

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Gearing position

As at 31 December 2022, the Group's interest-bearing borrowings and net asset value amounted to approximately RMB2,044.0 million and RMB4,406.5 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 46.4%. As the consideration for the Runway Assets Acquisition will be settled by allotment and issue of new Domestic Shares to the Parent Company, it is currently anticipated that the gearing position of the Group would decrease to a lower level, because its net asset value would be enhanced following completion of the Parent Company Subscription as a whole.

In light of the foregoing financial effects of the Parent Company Subscription (which included the Runway Assets 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 Assets 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 Assets 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 11.00% to approximately 36.95%. 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 11.00%, 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 Assets Acquisition, (ii) the possible enhancement and broadening of shareholders' capital base of the Company upon completion of the Parent Company Subscription and the New H Shares Issue, which should provide a larger market base to allow an open market for trading of the H Shares; and (iii) the expected increase in the total net asset value of the Group upon completion of the Parent Company Subscription and the New H Shares Issue, we consider that the benefits of the allotment and issue of new Domestic Shares and New H Shares will outweigh the dilution impact on the Independent Shareholders, and thus, such dilution is fair and reasonable, so far as the Independent Shareholders are concerned.

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RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the entering into of the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription and the Parent Company Subscription Extension Resolutions are on normal commercial terms 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. Furthermore, having considered that (i) the primary function of the Group centers around airport operation and the Phase I Runway Assets form an essential component of its airport services; and (ii) upon the completion of the acquisition of the Phase I Runway Assets, the Phase I Runway Assets will form part of the assets operated by the Group in its daily airport operation, we are of the opinion that the transaction contemplated under the Parent Company Domestic Shares Subscription Agreements will be conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the resolution in respect of the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription and the Parent Company Subscription Extension Resolutions to be proposed at the Extraordinary General Meeting and the Class Meeting.

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 30 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 2020, 2021 and 2022 and six months ended 30 June 2023 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 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>);
- annual report of the Company for the year ended 31 December 2022 published on 24 April 2023 (pages 200 to 314)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400445.pdf>); and
- interim report of the Company for the six months ended 30 June 2023 published on 12 September 2023 (pages 43 to 100)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0912/2023091200347.pdf>).

2. INDEBTEDNESS

As at the close of business on 31 October 2023, 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 October 2023
	<i>RMB'000</i>
Bank borrowings	
Short-term borrowings – unguaranteed and unsecured (a)	30,000
Syndicated loan – guaranteed and secured (b)	1,944,000
	<hr/>
Other liabilities:	
Interest on bank loans payable	9,810
Lease liabilities – unguaranteed and unsecured (c)	1,590,888
Payables to related parties and third parties – unguaranteed and unsecured (d)	1,051,009
	<hr/>
Other current liabilities	
Provision for joint repayment commitment – unguaranteed and unsecured (b)	2,625
Total liabilities	<u><u>4,898,332</u></u>

- (a) The Company secured a loan facility of RMB300 million in May 2022, and as at 31 October 2023, the drawn loan amount was RMB300 million, with the average annual interest rate of 3.38%.
- (b) As at 31 October 2023, the Company had 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 had withdrawn outstanding principal of RMB3.13 billion of the borrowings under the syndicated loan arrangement, and the Company was jointly liable for the repayment of the outstanding principal 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) As at 31 October 2023, the balance of lease liabilities was approximately RMB1.59 billion, of which RMB0.56 billion will be due within one year.

- (d) It represents mainly the amounts due to the Parent Company and third parties of HNA Equity Management Co., Ltd. and HNA Group Co., Ltd (“**HNA Group**”), 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 the Past New H Shares Subscription Agreement in relation to the subscription of 200,000,000 New H Shares 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. The Arbitration is still in the second stage of the proceedings, and is pending the decision of the arbitration tribunal on whether there is a causal relationship between the Company's breach and the loss alleged by the Claimant and, should there be a causal relationship, the amount of damages to be awarded to the Claimant. For further details of the Arbitration, please refer to the announcements of the Company dated 5 January 2021 and 15 June 2023, respectively.

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, as a security of which 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 were pledged to the lender. 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 October 2023, the pledge of such equity interests had not been released.

At the close of business on 31 October 2023, 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 October 2023, 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 October 2023.

3. WORKING CAPITAL

The Group recorded the net loss of approximately RMB56 million for six months ended 30 June 2023. As at 30 June 2023, the Group recorded current liabilities of approximately RMB6.45 billion, which exceeded its current assets by approximately RMB5.68 billion. The Group's current liabilities mainly comprise short-term borrowings of RMB0.3 billion and the syndicated loan of RMB1.94 billion, amounts due to related parties of RMB0.79 billion, lease liabilities due within one year of RMB0.55 billion and the construction fee payable of Meilan Airport Phase II Expansion Project (the "**Phase II Expansion Project**") of RMB1.22 billion.

On 23 December 2020, the Company received notice of arbitration 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**"). In June 2023, the Company received the arbitral award of the first phase in which the majority opinion of the arbitral tribunal found that the Company had not used its best endeavors to facilitate the transaction of the subscription agreement and therefore found that there was a breach of contract. As at the Latest Practicable Date, the Arbitration Case is still in the second stage of the proceedings, and is pending the decision of the arbitration tribunal on whether there is a causal relationship between the Company's breach and the loss alleged by the Claimant and, should there be a causal relationship, the amount of damages to be awarded to the Claimant.

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 (the "**Syndicated Loan Agreement**") and are jointly and severally liable for the repayment of the Loan (the "**Joint Repayment Commitment**"). As at 30 September 2023, the draw-down of the Syndicated Loan totalled approximately RMB5.18 billion, and the repayment of principal amounted to RMB0.11 billion, of which the Parent Company had outstanding principal of RMB3.13 billion and the Company had outstanding principal of 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 Court (the "**Hainan High 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**") ("**Parent Company's Defaults**"). The Parent Company's Defaults resulted in the participating lenders under the Syndicated Loan 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 RMB3.13 billion and the right to request, at any time, 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 Court ruled on the completion of the HNA Group Substantial Consolidated Restructuring and the Syndicated Loan Agreement to continue.

A short-term bank loan of the Company amounting to approximately RMB0.38 billion was overdue in November 2020 (the “**Overdue Payment**”), which constituted an event of default of the Syndicated Loan. As at January 2022, the Company has fully repaid the principal and interest of the loan.

The abovementioned Arbitration Case, the Parent Company’s Defaults and Overdue Payment triggered events of default of the Syndicated Loan. As at the Latest Practicable Date, the Company and the Parent Company have not obtained the written waiver from the participating lenders under the Syndicated Loan, nor received notice from the participating lenders under the Syndicated Loan requiring the Company to immediately repay the Syndicated Loan or undertake the Joint Repayment Commitment.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern.

In view of the above, the Directors 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 and continue as going concern for 12 months from this circular date. The Group is planning a series of measures to mitigate pressure on working capital, including but not limited to:

- 1) In respect of the Arbitration Case, as at the Latest Practicable Date, the arbitration was still in progress. The Company will continue to make written submission according to the request by the arbitration tribunal. The Company will continue to actively defend against the opposing allegations through the Company’s arbitration lawyer in the second stage of the arbitration proceedings with the best endeavor to avoid compensation for the damages claimed by the applicant;
- 2) The Company and the Parent Company have obtained the agreement from the participating lenders under the Syndicated Loan to continue to perform the Syndicated Loan Agreement. The Company and the Parent Company are negotiating with the participating lenders under the Syndicated Loan about the waiver in respect of aforementioned events of default. Management believes that the participating lenders under the Syndicated Loan will agree to waive the above defaults and will not require the Company to early repay the principal and interest of the Syndicate Loan of the Company of RMB1.94 billion or settle the principal and interest of the Syndicate Loan of the Parent Company of RMB3.13 billion;
- 3) In December 2022, Hainan Provincial Development and Reform Commission has approved a facility of RMB0.7 billion sourced from the 2023 local government specific bond for the Phase II Expansion Project. As at October 2023, it has received a total of RMB140 million in loans. The Parent Company and the Company will follow up with the People’s Government of Hainan Province to draw down the facility to settle the construction fees of the Phase II Expansion Project. As at the Latest Practicable Date, the Company and the Parent Company had applied to the Department of Finance of Hainan Province for the 2024 local government specific bond of RMB300,000,000. Management is of the view that the Company can continue to obtain facilities from local government to finance the repayment of construction fees of the Phase II Expansion Project;

- 4) The Company has negotiated with the Parent Company and obtained its consent that the Company can repay the amounts due to the Parent Company when the Company has sufficient working capital, including the Company's amounts due to the Parent Company of about RMB1.27 billion and the lease liabilities payable within one year of about RMB0.55 billion as at 30 June 2023;
- 5) In June 2023, the Group obtained the approval of the CAAC that the standard peak hour capacity for flights at Meilan Airport was increased from 30 to 40 flights/hour. The Group continued to timely take a number of measures to match transportation capacity with market demand, build an aviation regional gateway hub facing the Pacific and Indian Oceans, reasonably control the airport operation cost, accelerate the upgrades of luxury shops in Terminal 2 and develop an exclusive online shopping platform for Meilan Airport duty-free shops to increase the working capital inflow of the Company; and
- 6) The Company continued to communicate with major banks and financial institutions to actively obtain new bank facilities. As at the Latest Practicable Date, the Company has obtained a financing facility of RMB200 million from a domestic commercial bank to supplement the Company's working capital.

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 12 months from this circular date.

Notwithstanding, significant uncertainty exists as to whether the management of 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 applicant of the Arbitration Case;
- 2) Whether the Company can successfully obtain the official waiver from the participating lenders under the Syndicated Loan in respect of the aforementioned events of default and then the Company is not required by the participating lenders under the Syndicated Loan to early repay the balance of the Syndicated Loan drawn down by the Company of RMB1.94 billion or settle the balance of the Syndicated Loan drawn down by the Parent Company of RMB3.13 billion;
- 3) Whether the Company can continue to utilise, at any time, the facility of local government specific bonds to settle the construction payment of the Phase II Expansion Project;
- 4) Whether the Group's airport operation will generate the expected stable net operating cash inflow; and
- 5) Whether the Group can sign the loan agreements with the bank offering the intentional financing facility and draw down the loan when necessary.

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 12 months, the Group will not have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2022, the Group recorded an audited revenue of approximately RMB1,141.46 million, and a net loss attributable to Shareholders of approximately RMB155.30 million. Loss per share was RMB0.33. For the first half year ended 30 June 2023, the Group recorded an unaudited revenue of approximately RMB1,065.95 million, and a net loss attributable to Shareholders of approximately RMB50.62 million. Loss per share was RMB 0.11.

In the first half of 2023, China's civil aviation industry firmly established the concept of safe development, strictly implemented safety responsibilities, strengthened the safety awareness and safety management of all employees, deepened the investigation and rectification of hidden dangers, systematically managed and controlled various safety risks, efficiently coordinated safe operation and resumption of production. The CAAC has adhered to the principle of seeking progress while maintaining stability, progressing step by step, and scientifically researched and judged the situation of market recovery trend, and based on the results of dynamic safety assessment, carried out classification differentiation control of the operation volume of airlines and the airport, and promoted the recovery of the aviation market in stages and in an orderly manner according to the principle of "Safety First, Market-driven, Support Takes Priority". As at 30 June 2023, the industry had completed 53.13 billion ton kilometers of transportation, 284 million passenger carriers and 3.276 million tons of cargo and mail transportation, representing 84.6%, 88.2% and 93.1% of the corresponding period in 2019, respectively. At present, the safety situation has generally remained stable, the whole industry has formed a consensus on safe and orderly recovery, and the transportation and production as a whole have shown a good situation of stable recovery, safe operation, and orderly competition. Steady progress was made in deepening reform in important areas, international exchanges and cooperation in civil aviation continued to deepen, various special aircraft, charters and major transportation support tasks were successfully fulfilled, and new results were achieved in the high-quality development of civil aviation.

In the first half of 2023, the aviation market recovered significantly, and the passenger throughput of Meilan Airport increased significantly compared with the same period of 2022. The Company actively communicated with airlines to increase wide-body transportation capacity for popular destinations to meet passenger travelling needs. In addition, the Company paid close attention to market trends, seized favorable opportunities such as the small batches of seasonal travelers, large-scale local convention and exhibition activities, and new international shipping routes, publicised the Haikou market on a number of mainstream media, and continuously transmitted favorable market information. Meanwhile, the Company cooperated with major airlines and OTA (Online Travel Agency) platforms to carry out publicity and promotion activities, in order to attract traffic for the airline market and increase market development efforts.

In the second half of 2023, Hainan province will focus on the four leading industries (i.e. tourism, modern service industry, high-tech industry and high-efficiency agriculture with tropical characteristic), enhance the effect of investment promotion, and promote the early landing, implementation and realisation of results of contracted projects. It will continue to create new consumption hot-spots, standardise the order of the tourism market, and allow tourists to enjoy greater discounts, experience better experiences, and keep them to stay for a longer period. It will accelerate policy transformation, amplify the effectiveness of policies, vigorously carry out stress testing, and complete the construction of the hardware project for lockdown operation on schedule, so as to strongly boost the confidence and expectation of main market entities. While exploring the potential of key industries and promoting the upgrade of service industry, it will step up its efforts in the expansion of international market, accelerate the development of new business models for foreign trade, and introduce high-quality landmark foreign investment projects, so as to maintain the momentum of externally oriented economic growth.

In the second half of 2023, the recovery and development of civil aviation will enter a critical period of incremental quality improvement. The Group will resolutely stick to the bottom line of safety, strengthen the implementation of the main accountability of safety, focus on improving safety assurance capabilities, further consolidate and strengthen the safety foundation, guard against and resolve safety risks, and maintain a safe operating environment. The Group will also make a scientific arrangement of transportation capacity and fully utilise operation assurance resources, striving to improve operation assurance efficiency and production and operation indicators on the basis of ensuring safe operation. Adhering to the principle of seeking progress while maintaining stability, improving the travel efficiency and travel experience of passengers, and guaranteeing the smooth operation of major air transportation, the Group will strengthen the operation and management of corporate safety management, production organisation, personnel training, resource guarantee and other aspects. The Group continuously tracked the progress of flight slot capacity application, and communicated the airline's incremental plan according to the production situation and movements to achieve maximum efficiency benefits from the slots.

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) had 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 had or may have with the Company.

As at the Latest Practicable Date, none of the Directors had any material interest, directly or indirectly, in any asset which, since 31 December 2022, 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 or arrangement 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, 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; Mr. Ren Kai, an executive Director and the chief financial officer of the Company, and Mr. Xing Zhoujin, an executive Director and the joint company secretary of the Company, serve as the chief financial officer and the secretary to the board of directors of the Parent Company, respectively; Mr. Wu Jian, a non-executive Director, and Mr. Li Zhiguo, a non-executive Director, are both the vice presidents of the Parent Company.

Save as disclosed above, as at the Latest Practicable Date, no other Director was a director or employee of a company which had 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 was 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%

*For identification purposes only

H Shares

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
UBS Group AG (Note 2)	Interest of controlled corporations	26,519,413(L)	11.69%	5.60%
HSBC Holdings plc (Note 3)	Interest of controlled corporations	12,094,000(L) 12,094,000(S)	5.32% 5.32%	2.56% 2.56%
M&G Plc (Note 4)	Interest of controlled corporations	13,925,090(L) 1,198,910(S)	6.13% 0.53%	2.94% 0.25%

Notes:

- Haikou Meilan International Airport Company Limited 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 100% interest in Hainan Airport Group Co., Ltd* (海南機場集團有限公司), Hainan Airport Group Co., Ltd held 56.00% interest in Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司), and Hainan Airport Industrial Investment Co., Ltd. held 46.81% interest in the Parent Company. Therefore, both Hainan Development Holdings Co., Ltd. and Hainan Airport Industrial Investment Co., Ltd. were deemed to be interested in 237,500,000 Domestic Shares in long position held by the Parent Company.
- According to the disclosure of interest filed on the website of the Stock Exchange, UBS Group AG held 100% interest in (i) UBS AG; (ii) UBS Asset Management (Singapore) Ltd; (iii) UBS Fund Management (Luxembourg) S.A.; (iv) UBS Fund Management (Switzerland) AG; (v) UBS Switzerland AG; (vi) UBS Asset Management (Americas) Inc.; (vii) UBS Asset Management (Hong Kong) Ltd; (viii) UBS Asset Management Switzerland AG; and (ix) Credit Suisse Funds AG. Accordingly, UBS Group AG was deemed to be interested in 4,363,913, 512,300, 19,940,100, 40,000, 222,100, 23,000, 1,297,000, 39,000 and 82,000 H Shares in long position held by the above companies respectively.
- According to the disclosure of interest filed on the website of the Stock Exchange, HSBC Holdings plc held 100% interest in HSBC Bank plc. Accordingly, HSBC Holdings plc was deemed to be interested in the 12,094,000 H Shares in long position and 12,094,000 H Shares in short position held by HSBC Bank plc.
- According to the disclosure of interest filed on the website of the Stock Exchange, M&G Plc held 100% interest in M&G Group Regulated Entity Holding Company Limited, which held 100% interest in M&G Group Limited. M&G Plc also 100% interest in The Prudential Assurance Company. M&G Group Limited held 100% interest in M&G FA Limited, which held 100% interest in M&G Luxembourg S.A., M&G Investment Management Limited and M&G Securities Limited. Accordingly, M&G Plc was deemed to be interested in the 1,882,000, 13,925,090 and 12,043,090 H Shares in long position held by M&G Luxembourg S.A., M&G Investment Management Limited and M&G Securities Limited respectively, and 1,198,910 and 1,198,910 H Shares in short position held by M&G Investment Management Limited and M&G Securities Limited respectively.
- (L) and (S) represent long position and short position respectively.

*For identification purposes only

Save as disclosed above, as at the Latest Practicable Date, so far as was 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

Since 31 December 2022 (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 in this circular, the Directors were 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 was 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 is the qualifications of the experts who have 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
Vigers Appraisal & Consulting Limited (“Vigers”)	Professional surveyors and valuers

Each of Octal Capital and Vigers 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 Vigers was not beneficially interested in the share capital of any member of the Group nor did it have 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 did it have 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 joint secretaries of the Company are Mr. Xing Zhoujin and Mr. Chen Yingjie. Mr. Xing Zhoujin, aged 58, 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. Mr. Chen Yingjie, aged 36, is an intermediate economist certified by the Ministry of Human Resources and Social Security of the PRC, with qualification certificates of secretary for directorate issued by the Shenzhen Stock Exchange and the Shanghai Stock Exchange, respectively. He also holds a securities practitioner qualification certificate issued by the Securities Association of China and a fund practitioner qualification certificate issued by the Asset Management Association of China. He has been acting as the general manager of the department of investment and operation (Office of the Board) of the Company, assisting the chairman of the Board and Mr. Xing Zhoujin, the company secretary of the Company to manage the listing affairs of the Company.
- (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text.

8. MATERIAL CONTRACTS

The following contract (not being contracts entered into in the ordinary course of business) was 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 2023 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 2023 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (e) the letter from the Board, the text of which is set out on pages 7 to 23 of this circular;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 24 to 25 of this circular;
- (g) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 48 of this circular;
- (h) the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (i) the traffic study report set out in the circular of the Company dated 30 September 2022.

A. THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

Set forth below are the major terms of the 2020 Parent Company Domestic Shares Subscription Agreement. For further details about the Parent Company Subscription, including the traffic study report (the “**Traffic Study Report**”) prepared by the independent traffic study report consultant, please refer to the circular of the Company dated 30 September 2022. Since the date of the Traffic Study Report and up to the Latest Practicable Date, the management of the Company was not aware of any material adverse change which may materially affect information contained in Traffic Study Report. Having considered the following factors, the Directors are of the view that the Traffic Study Report remains relevant for the Shareholders to evaluate the transactions contemplated under Parent Company Domestic Shares Subscription Agreements: (i) there is no expiry period set out in the Traffic Study Report, which is therefore still valid as at the date of this circular; (ii) although the Traffic Study Report was prepared in 2022, given that the forecast made in the Traffic Study Report covers a period from the year 2022 to 2050, it still contains meaningful information; and (iii) the management of the Company was not aware of any material adverse change for the assumptions and inputs contained in the Traffic Study Report up to the Latest Practicable Date. Therefore, the Company is of the view that there is no need to prepare a new study report covering the similar period.

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\$11.78) 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.

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

- (i) the Board has passed resolutions to approve, and the Independent Shareholders have, in accordance with the Articles of Association and the Listing Rules, approved the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder; and
- (ii) the general meeting of the Parent Company has passed the relevant resolutions approving the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder.

B. THE 2021 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 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 (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.

For details of the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement, please refer to the letter from the Board in this circular.

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).

Pursuant to the Lease Agreement dated 9 November 2022 entered into between the Company and the Parent Company, the relevant operation and ancillary assets (including Phase I Runway Assets) of Meilan Airport Phase 1 and Phase 2 held by the Parent Company were leased by the Group for a term of 3 years commencing from 1 January 2023, with an annual rent of approximately RMB557 million. For details of the Lease Agreement, please refer to the announcement dated 9 November 2022 and circular dated 14 December 2022 of the Company.

Upon completion of the acquisition of the Phase I Runway Assets, the Phase I Runway Assets will be wholly-owned by the Company. In the event that the Parent Company subscribes for the Subscription Shares with the Phase I Runway Assets as consideration during the term of the Lease Agreement, the lease of the Phase I Runway Assets shall end on the date of completion of allotment of the Subscription Shares to the Parent Company (i.e. the date of registration of such Subscription Shares under the name of the Parent Company with China Securities Depository and Clearing Corporation Limited). Accordingly, the annual rental fee to be paid by the Company to the Parent Company would be reduced by approximately RMB84.53 million.

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 2022, the Group recorded an audited net loss attributable to Shareholders of approximately RMB155.30 million for the year ended 31 December 2022. For the six months ended 30 June 2023, the Group recorded an unaudited net loss attributable to Shareholders of approximately RMB50.62 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 2022, the Group had total assets of approximately RMB10.640 billion as at 31 December 2022. As at 30 June 2023, the Group had total assets of approximately RMB12.069 billion. Upon completion of the acquisition of the Phase I Runway Assets, it is expected that the total assets of the Group will increase, and total liabilities will decrease due to the early termination of the lease liabilities recognised for the Phase I Runway Assets.

For other information in relation to the Parent Company Subscription, please refer to the circulars of the Company dated 24 July 2020, 21 September 2021 and 30 September 2022 respectively.

Vigers Appraisal and Consulting Limited

General Practice Sector

27/F Standard Chartered Tower,
Millennium City 1, 388 Kwun Tong Road,
Kowloon, Hong Kong

T: +852 6651-5330 E: GP@Vigers.com W: www.Vigers.com

The Board of Directors

**Hainan Meilan International Airport Company Limited**

Office Building of Meilan Airport,
Haikou City,
Hainan Province, the PRC

EXECUTIVE SUMMARY**VALUATION OF PLANT AND EQUIPMENT**

In accordance with your instructions for us to conduct and prepare a re-valuation of certain plant and equipment (collectively referred to as the “**Equipment**”) exhibited to us as being owned by “**Haikou Meilan International Airport Company Limited**” (herein referred to as the “**Company**”), we confirm that we made relevant enquiries and obtained such further information as is available for the purpose of providing you with our opinion of the market value of the Equipment.

Our report consists of this letter which identifies the assets appraised, valuation methodology, scope of our investigation, assumptions and considerations, and opinion of value.

Based on the succeeding, it is our opinion that the market value (in-continued use) of the subject Equipment, appraised as at 31st July 2023, is reasonably represented in the amount of:

RMB2,302,100

(Renminbi Two Million Three Hundred Two Thousand One Hundred)

We hereby certify that we have neither present nor prospective interest in the Company or the appraised Equipment or the values reported.

This valuation report is presented subject to our assumptions and consideration, and limitations as stated in this report.

Our report is provided for the stated purposes and for the sole use of the named client. It will be confidential to the client and his professional advisers. We will not be responsible for any losses suffered arising from a use other than that for which the report was originally prepared. The client may not disclose the content of our report to any other party other than his professional advisers. We do not intend or expect our valuation to be relied upon by any other party, and accordingly if, contrary to this provision, our valuation is disclosed to and relied upon by any other party other than the client himself we cannot accept any responsibility whatsoever to such a person.

Yours faithfully
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

Sr David W. I. CHEUNG
MRICS MHKIS RPS(GP)
RICS Registered Valuer
China Real Estate Appraiser (CIREA)
Deputy Managing Director

Note: Sr David W. I. CHEUNG is a “Registered Professional Surveyor in General Practice Division” (“**RPS(GP)**”) under the Surveyors Registration Ordinance” (Cap. 417) in Hong Kong, and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 40 years’ property and business valuation experiences in various regions including, the PRC, Japan, the United Kingdom, Canada and the United States of America.

VALUATION REPORT**PURPOSE OF VALUATION**

It is our understanding that this valuation is for the purposes of incorporation in the circular.

DATE OF VALUATION

Our opinion of the market value (in-continued use) of the Equipment is stated as at 31st July 2023.

BASIS OF VALUATION

We have valued the Equipment on the basis of Market Value defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

ASSETS APPRAISED

The assets subject of this valuation, as per the list provided to us, utilized by the Company in carrying-out its business, consist of following:

Machinery – generator set, air compressor, transformer, high voltage switch cabinet, constant current dimmer, spray machine, grass cutter, aircraft jackcraft airbag, aircraft rescue lifting equipment, insect lamp killer, aircraft towing harness, flat trailer and other auxiliaries facilities and equipment.

Motor Vehicles – patrol car, tractor, truck, electric vehicle, dumper, bulldozer and others.

Office Equipment – camera, air-conditioner, computer, monitor, projector, UPS, console, printer, network switch, walkie-talkie, water heater and others.

Location

The Equipment is situated at the Company's facilities located at Meilan International Airport, Lingshan Town, Meilan District, Haikou City, Hainan Province, the PRC.

Observations and Comments

As per your instructions, we did not conduct an inspection of all subject Equipment and have relied considerably on the information and asset list provided to us. We have agreed and accepted to make the following assumptions:

Based on the documents made available to us, we have assumed and accepted that the subject Equipment physically exists and conforms to the physical characteristics and quantity as reported to us.

1. As reported to us and based on the documents provided to us, we assumed that the subject Equipment is capable to be operated to perform within its designed parameters.
2. That the subject Equipment is in good working condition and subjected to routine maintenance.

VALUATION METHODOLOGY

There are three (3) recognized and accepted approaches to value assets, namely: cost approach (depreciated replacement cost), market data or comparative sales approach and income or earnings approach.

Cost Approach (depreciated replacement cost) – it considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for assets in the absence of known market based on comparable sales.

Market Data or Comparative Sales Approach – it considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is established market comparable maybe appraised by this approach.

Income or Earnings Approach – a technique in which the estimated stream of future benefits maybe enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

Analysis

The value derived from income or earnings approach is for a total business enterprise, which includes all classifications of assets such as real estate, plant and machinery, intangibles and working capital. It is extremely difficult to segregate an earning and expenses stream attributable only to specific piece of asset. Therefore, this approach was not used.

The two approaches deemed appropriate in valuing the subject assets that were considered were the cost approach (depreciated replacement cost) and the market data or comparative sales approach. The value developed using market data or comparative sales approach is significant because it is a direct reading and interpretation of what has actually been established between buyers and sellers in the actual market place. The market has already made deduction for physical depreciation, some functional and economic obsolescence. However, since complex and specialized plants similar to the subject appraised assets are seldom sold and no active and efficient secondhand market for all items of machinery exists, it is hardly to find a readily identifiable used market comparables. Therefore, the best indication of market value for these assets without a known and established secondhand market comparables is arrived at using the cost approach.

In the cost approach (depreciated replacement cost), one consideration was the physical depreciation, which is the loss in value due to physical deterioration resulting from wear and tear in operation and exposure to the elements. Deterioration due to age and deterioration due to usage are the main factors that affect physical condition. Physical condition due to wear and tear is proportional to use rather than age. Use is the best indicator to estimate physical deterioration. Although age of an asset is not the controlling factor in determining its physical condition, consideration must be given to age because the passage of time results in a certain amount of depreciation that could not be observed. Other factors considered were functional and economic obsolescence.

Market approach is best applied when duplicate or similar assets exist and have been sold or available for sale in a measurable comparative market. An upward or downward adjustment is made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

SCOPE OF INVESTIGATION, ASSUMPTIONS AND CONSIDERATIONS

In developing our opinion of market value (in-continued use) of the Equipment, consideration has been given to accrued depreciation that was based on present and prospective serviceability in comparison with new units of like kind, maintenance policy, character, level of use and to all other factors that are deemed to have an influence in its value. Furthermore, we have assumed that it will continue to be used in its present existing state in the business of the Company for which it was designed, built and erected, subject to potential profitability of the business.

The opinion of market value (in-continued use) of the Equipment as installed for intended utilization is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the subject Equipment in the open market or from alternative use of the Equipment.

We have assumed in our market value (in-continued use) estimate that the Equipment will be used in its present existing state with the benefit of continuity of the tenure of land and buildings during the foreseeable future.

We have made no investigation of and assume no responsibility for titles to or liabilities against the Equipment appraised.

Our investigation was restricted to a desktop valuation of the subject Equipment and does not attempt to arrive at any conclusion of values of the Company as a total business entity.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the subject Equipment is used.

We have not made any deduction in respect of any grant either available or received, neither has any adjustment been made for any outstanding amounts owing under financing agreements.

We have relied to a considerable extent on information provided to us by the Company such as records, listings, and cost information.

OPINION OF VALUE

Premised on the above and as supported by the accompanying schedule of assets, we are of the opinion that the market value (in-continued use) of the Equipment for its intended usage, as part of an on-going business, appraised as at 31st July 2023, is fairly represented in the amount of:

RMB2,302,100

(Renminbi Two Million Three Hundred Two Thousand One Hundred)

summarized below:

	Market Value (in-continued use) as at 31st July 2023 RMB
• Machinery & Office Equipment	2,013,200
• Motor Vehicles	<u>288,900</u>
Grand Total	<u><u>2,302,100</u></u>

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from **Vigers Appraisal and Consulting Limited**, an independent professional valuer, in connection with the valuation(s) of the property held by the Group as at 31st July 2023.*

Vigers Appraisal and Consulting Limited

General Practice Sector

27/F Standard Chartered Tower,
Millennium City 1, 388 Kwun Tong Road,
Kowloon, Hong Kong

T: +852 6651-5330 E: GP@Vigers.com W: www.Vigers.com
The Board of Directors

**Hainan Meilan International Airport Company Limited**

Office Building of Meilan Airport,
Haikou City,
Hainan Province, the PRC

Dear Sir/Madam,

We refer to the recent instruction from “**Hainan Meilan International Airport Company Limited**” (referred to as the “**Company**”) to us to value the property interest(s) of the property held by “**Haikou Meilan International Airport Company Limited**” (海口美蘭國際機場有限責任公司) (“**Haikou Meilan**”). We confirm that we have inspected the property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of value(s) of the property as at 31st July 2023 (the “**Date of Valuation**”).

Basis of Value

Our valuation(s) is/are our opinion of market value(s) of the property which is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. Our valuation(s) has/have been prepared in accordance with “HKIS Valuation Standards 2020” published by “The Hong Kong Institute of Surveyors” (“**HKIS**”), “RICS Valuation – Global Standards” published by the “Royal Institution of Chartered Surveyors” (“**RICS**”), relevant provisions in the Companies Ordinance and Chapter 5 and Practice Note 12 under the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (Main Board) published by “The Stock Exchange of Hong Kong Limited” (“**HKEx**”). Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement(s), special consideration or concession granted by anyone associated with the sale, or any element of special value(s). The market value of a property is also estimated without regard to cost(s) of sale and purchase, and without offset for any associated tax(es).

Approach to Value

In valuing the property interest(s), we have adopted a combination of the market approach and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In respect of the land portion(s) of the property, reference has been made to the standard land price and the sales evidence as available to us in the locality. In respect of the building and structure portion(s) of the property which is lack of sufficient comparable for comparison, we have adopted cost approach which “provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence”. Our valuation(s) of the property is/are assessed based on “depreciated replacement cost” (“**DRC**”) which is “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”. Since the property comprises various building(s) and structure(s) of a complex or development(s), the reported market value(s) only apply(ies) to the whole of the complex or development as a unique interest; and no piecemeal transaction of the complex or development is assumed. The DRC assessed is subject to adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. In our valuation(s), no consideration has been taken into account of alternative use(s) or development option(s); nor have we considered any redevelopment potential of the property, unless otherwise stated in our valuation report(s).

Title Investigation

The property is located in the People’s Republic of China (the “**PRC**”), and we have been given extracted copy(ies) of relevant title document(s) for the property(ies) but we have not checked the title(s) to the property nor scrutinized the original title document(s). We have relied on the advice given by the Company and her legal adviser on the laws of the PRC, “King & Wood Mallesons, Beijing” (hereinafter referred to as the “**PRC Legal Adviser**”) regarding title(s) to and ownership of the property. For the purpose of our valuation(s), we have taken the legal opinion prepared by the PRC Legal Adviser into account, in particular title(s), ownership, encumbrances and so on of the property. While we have exercised our professional judgement in arriving at our valuation(s), you are urged to consider our valuation assumptions with caution.

Valuation Consideration

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Company, particularly planning approval(s) or statutory notice(s), easement(s), land-use rights' term(s), site and floor areas, development costs incurred and to be incurred, occupancy status as well as in the identification of the property. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the PRC Legal Adviser and we have been advised that no material fact has been omitted from the information provided. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the property but we have assumed that the site and floor areas shown on the document(s) handed to us are accurate and reliable. All dimension(s), measurement(s) and area(s) included in our valuation report(s) are based on the information contained in the document(s) provided to us and are therefore approximations. We had carried out on-site inspection to the property but we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other part(s) of the structure(s) of the property which was/were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part(s) of the property is/are free from any structural or non-structural defect(s).

Valuation Assumption

Our valuation(s) has/have been made on the assumption that the property could be sold in the prevailing market in existing state assuming sale with vacant possession and without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value(s) of the property unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the property.

In our valuation(s), we have assumed that the owner(s) of the property has/have free and uninterrupted rights to use and assign the property during the unexpired land-use rights' term(s) granted subject to payment of usual land-use fee(s). Our valuation(s) for the property is/are carried out on the basis of a cash purchase, and no allowance has been made for interest(s) and/or funding cost(s) in relation to the sale or purchase of the property.

We had carried out on-site inspection to the property but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development(s) erected or to be erected on the property. Our valuation(s) has/have been carried out on the assumption that these aspects are satisfactory.

Our value assessment(s) of the property is/are the estimated value(s) without regard to cost(s) of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the property has/have been disregarded. In our valuation(s), we have assumed that the property is free from encumbrances, restriction(s) and outgoing(s) of an onerous nature which may serve to affect the value(s) of the property.

Remarks

As confirmed by the Company,

- (1) the use(s) of the property do(es) not constitute any breach of environmental regulation(s); and
- (2) there is no plan to change the use(s) of the property.

We hereby confirm that:

- (1) we have no present or prospective interest in the property; and are not a related corporation of nor having a relationship with the Company or other party/parties who the Company is contracting with;
- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;
- (3) our valuation(s) has/have been prepared on a fair and unbiased basis;
- (4) the valuer's compensation is not contingent upon reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount(s) of the value estimate, the attainment of a stipulated result, or occurrence of subsequent event; and
- (5) we are independent of the Company.

Unless otherwise stated, all monetary amounts stated herein are denoted in Renminbi (“**RMB**”), the lawful currency of the PRC.

We enclose herewith the Property Valuation Report.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL AND CONSULTING LIMITED

Sr David W. I. CHEUNG
MRICS MHKIS RPS(GP)
RICS Registered Valuer
China Real Estate Appraiser (CIREA)
Deputy Managing Director

Note: Sr David W. I. CHEUNG is a “Registered Professional Surveyor in General Practice Division” (“**RPS(GP)**”) under the “Surveyors Registration Ordinance” (Cap. 417) in Hong Kong, and is a “RICS Registered Valuer” under the “Valuer Registration Scheme” regulated by the RICS with over 40 years’ property and business valuation experiences in various regions including the PRC, Japan, the United Kingdom, Canada and the United States of America.

PROPERTY VALUATION REPORT

Property held by Haikou Meilan for Owner-occupation purpose

The Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
The land, buildings and structures located within Haikou Meilan International Airport, Lingshan Town, Meilan District, Haikou City, Hainan Province, the PRC	<p>The property comprises 4 parcels of land (Lot Nos.: 460108102011GB02029, 460108102011GB02011 and 460108101022GB02137, 460108101022GB02138) with a total site area of approximately 1,952,587.34 square metres, 2 power substations completed in 1999 with a total gross floor area of approximately 1,235.57 square metres and various structures including runway, taxiway, carport, warehouse and fences erected thereon.</p> <p>The property is held with the land use rights for terms expiring on 25th May 2065, 26th March 2069 and 5th October 2069 respectively for civil airport uses.</p>	The property is occupied by “Haikou Meilan” for civil airport and ancillary facilities uses.	<p>RMB1,519,380,000 (RENMINBI ONE BILLION FIVE HUNDRED NINETEEN MILLION THREE HUNDRED AND EIGHTY THOUSAND ONLY)</p> <p>(100% interest attributable to the Company: RMB1,519,380,000 (RENMINBI ONE BILLION FIVE HUNDRED NINETEEN MILLION THREE HUNDRED AND EIGHTY THOUSAND ONLY))</p>

Notes

- Pursuant to 5 “Real Estate Title Certificates”, the property having a total site area of approximately 1,952,587.34 square metres and a total gross floor area of approximately 1,235.57 square metres was to be granted to the Company for civil airport uses. Details are summarized as follows:

No.	Lot No.	Real Estate Title Certificate No.	Title Owner	Site Area (square metres)	Gross Floor Area (square metres)	Land-use Rights Expiry
1.	460108102011 GB02029	Qiong (2019) Haikou Shi Bu Dong Chan Quan No. 0170302	The Company		795.96	25th May 2065
2.		Qiong (2019) Haikou Shi Bu Dong Chan Quan No. 0170304	The Company	1,891,452.00	439.61	
3.	460108102011 GB02011	Qiong (2020) Haikou Shi Bu Dong Chan Quan No. 0018828	The Company	8,820.69	Not applicable	26th March 2069

No.	Lot No.	Real Estate Title Certificate No.	Title Owner	Site Area (square metres)	Gross Floor Area (square metres)	Land-use Rights Expiry
4.	460108101022 GB02137	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031664	The Company	16,652.10	Not applicable	5th October 2069
5.	460108101022 GB02138	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031665	The Company	35,662.55	Not applicable	5th October 2069
Total:				1,952,587.34	1,235.57	

- According to a memorandum issued by the Company's PRC legal adviser, "King & Wood Mallesons, Beijing" the title owner of the property is the Company but the property is actually held and owned by "Haikou Meilan" which still has the rights to occupy, use and handle the property.
- The Company has been previously named as "海南美蘭國際機場股份有限公司", "海航基礎股份有限公司" and "瑞港國際機場集團股份有限公司".
- In respect of the land portion(s) of the property, reference has been made to the standard land price and the sales evidence as available to us in the locality. From the information obtained from an official website of the Government of Hainan Province, land comparables with certain criteria are selected, (i) located in the adjacent area of the property (i.e. Jianguo New Area, Haikou City); (ii) similar usages; and (iii) transactions being completed in 2023. As a result, the site value of recently transacted neighbouring land varied from RMB720 to RMB747 per square metre.
- An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by Ms Xu Xiao Yun *China Registered Real Estate Appraiser* on 14th September 2023.

Valuation Breakdown

1. Land

No.	Real Estate Title Certificate No.	Site Area (square metres)	Market Value in Existing State as at the Date of Valuation (RMB)
1.	Qiong (2019) Haikou Shi Bu Dong Chan Quan Nos. 0170302 and 0170304	1,891,452.00	1,367,000,000
2.	Qiong (2020) Haikou Shi Bu Dong Chan Quan No. 0018828	8,820.69	7,000,000
3.	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031664	16,652.10	12,000,000
4.	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031665	35,662.55	27,000,000
Sub-Total		1,952,587.34	1,413,000,000

2. Building with Real Estate Title Certificate

<u>No.</u>	<u>Item</u>	<u>Real Estate Title Certificate No.</u>	<u>Gross Floor Area</u> <i>(square metres)</i>	<u>Market Value in Existing State as at the Date of Valuation</u> <i>(RMB)</i>
1.	East Lighting Substation	Qiong (2019) Haikou Shi Bu Dong Chan Quan No. 0170304	439.61	530,000
2.	West Lighting Substation	Qiong (2019) Haikou Shi Bu Dong Chan Quan No. 0170302	795.96	960,000
Sub-Total			1,235.57	1,490,000

3. Building without Real Estate Title Certificate

<u>No.</u>	<u>Item</u>	<u>Gross Floor Area</u> <i>(square metres)</i>	<u>Market Value in Existing State as at the Date of Valuation</u> <i>(RMB)</i>
1.	Field Equipment Garage	381.40	490,000
2.	Rescue Warehouse	812.04	980,000
Sub-Total		1,193.44	1,470,000

4. Structure

No.	Item	Market Value in Existing State as at the Date of Valuation
		<i>(RMB)</i>
1.	Aircraft Runway	58,000,000
2.	Aircraft Taxiway	43,000,000
3.	Flight Zone Boundary Alteration	1,020,000
4.	Flight Zone Boundary Replacement	450,000
5.	Fence Facilities (Flight Zone Boundary Alteration)	950,000
	Sub-Total	103,420,000

NOTICE OF THE EXTRAORDINARY GENERAL 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 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 Wednesday, 20 December 2023 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 16 November 2023 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement dated 17 September 2023 entered into between the Company and the Parent Company and the Parent Company Subscription;
2. 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 2023 to 17 September 2024;
3. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024, 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):
 - 3.1. Class of Shares to be issued;
 - 3.2. Time of issuance;
 - 3.3. Size of issuance;
 - 3.4. Ranking of New H Shares;
 - 3.5. Listing;

* For identification purpose only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- 3.6. Method of issuance;
- 3.7. Target placee(s);
- 3.8. Pricing mechanism;
- 3.9. Method of subscription;
- 3.10. Accumulated profits;
- 3.11. Use of proceeds;
- 3.12. Validity period of the resolutions;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024;
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 all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024. 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;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (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;
6. To consider and approve the 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 2023 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription;
 7. To consider and approve the proposed AOA Consequential Amendments; and
 8. 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
16 November 2023

* For identification purpose only

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the Board comprises (i) three executive directors, namely Mr. Wang Hong, Mr. Ren Kai and Mr. Xing Zhoujin; (ii) three non-executive directors, namely Mr. Wu Jian, Mr. Li Zhiguo and Mr. Wang Zhen; 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 Friday, 1 December 2023 to Wednesday, 20 December 2023 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 30 November 2023.
- (B) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Friday, 1 December 2023 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 Share registrar, Computershare Hong Kong Investor Services Limited at 17M 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
the PRC
Tel: (86-898) 6996 6999
Fax: (86-898) 6996 8999

- (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 Wednesday, 20 December 2023 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 16 November 2023 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement dated 17 September 2023 entered into between the Company and the Parent Company and the Parent Company Subscription;
2. 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 2023 to 17 September 2024;
3. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024, 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):
 - 3.1. Class of Shares to be issued;
 - 3.2. Time of issuance;
 - 3.3. Size of issuance;
 - 3.4. Ranking of New H Shares;
 - 3.5. Listing;

* For identification purpose only

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- 3.6. Method of issuance;
- 3.7. Target placee(s);
- 3.8. Pricing mechanism;
- 3.9. Method of subscription;
- 3.10. Accumulated profits;
- 3.11. Use of proceeds;
- 3.12. Validity period of the resolutions;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024;
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 all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024. 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;

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- (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;
6. To consider and approve the 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 2023 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription;
 7. To consider and approve the proposed AOA Consequential Amendments; and
 8. 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
16 November 2023

* For identification purpose only

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

As at the date of this notice, the Board comprises (i) three executive directors, namely Mr. Wang Hong, Mr. Ren Kai and Mr. Xing Zhoujin; (ii) three non-executive directors, namely Mr. Wu Jian, Mr. Li Zhiguo and Mr. Wang Zhen; 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 Friday, 1 December 2023 to Wednesday, 20 December 2023 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 30 November 2023.
- (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 Friday, 1 December 2023 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
the 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 Wednesday, 20 December 2023 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 16 November 2023 (the “**Circular**”).

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2. 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 2023 to 17 September 2024;
3. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024, 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):
 - 3.1. Class of Shares to be issued;
 - 3.2. Time of issuance;
 - 3.3. Size of issuance;
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NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- 3.6. Method of issuance;
- 3.7. Target placee(s);
- 3.8. Pricing mechanism;
- 3.9. Method of subscription;
- 3.10. Accumulated profits;
- 3.11. Use of proceeds;
- 3.12. Validity period of the resolutions;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024;
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 all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2023 to 17 September 2024. 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;

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (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;
 - (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;
6. To consider and approve the 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 2023 Valuation and any new valuation) and sign any supplemental agreement (if necessary) in relation to the Parent Company Subscription;
 7. To consider and approve the proposed AOA Consequential Amendments; and
 8. 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
16 November 2023

* For identification purpose only

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

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

Notes:

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- (B) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Friday, 1 December 2023 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 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 Share registrar, Computershare Hong Kong Investor Services Limited at 17M 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 authorised 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 authorisation 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.