Hainan Meilan International Airport Company Limited
(the "Company")

Terms of Reference and Procedures of the Audit Committee of the Board of Directors (the "Board") of the Company

1. Authorities and Responsibilities

The Audit Committee of the Board (the "Committee", which has the same meaning as the "Audit Committee" under the Company Law of the People's Republic of China (the "**Company Law**") and the Company's Articles of Association) is a special committee under the Board, in addition to exercising the powers of the supervisory board as prescribed by the Company Law, its authorities and responsibilities are as follows:

1.1 to supervise financial reporting and provide independent opinions on the effectiveness of the internal controls of the Company and its subsidiaries ("**the Group**") to assist the Board in fulfilling its responsibilities;

1.2 to assure that appropriate accounting principles and reporting practices are followed;

1.3 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors (the "**External Auditors**"), and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal;

1.4 to serve as a focal point for communication between other directors, the External Auditors and the internal auditors or any person responsible for internal audit function (the "**IA People**") as regards their duties relating to financial and other reporting, internal controls, external and the IA People and such other matters as the Board determines from time to time;

1.5 to review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of the External Auditors may include:

(a) consider all relationships between the Group and the External Auditors (including non-audit services);

(b) obtain from the External Auditors annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and

(c) meet with the External Auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the External Auditors may wish to raise.

1.6 to develop and implement policy on engaging the External Auditors to supply non-audit services. For the purpose of this clause, "External Auditors" include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed. The Committee should ensure that the External Auditors' provision of non-audit services does not impair its independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to the provision of non-audit services, the Committee may wish to consider:

(a) whether the skills and experience of the External Auditors make it a suitable supplier of non-audit services;

(b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the External Auditors provide non-audit services;

(c) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the External Auditors; and

(d) criteria for compensation of the individuals performing the audit.

1.7 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports (including Directors' Report, Chairman's Statement and management discussion and analysis), and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from the audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting and auditing standards;

(f) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and legal requirements in relation to financial reporting; and

(g) reviewing the fairness of connected transactions and ensuring that the Company shall make disclosures in accordance with the Listing Rules and accounting standards.

1.8 regarding item 1.7 above:

(a) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the auditors; and

(b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the compliance officer of the Company or the auditors.

1.9 to review audit and control related corporate representations made to External Auditors, IA People and to the shareholders of the Company;

1.10 to review with External Auditors and IA People, the Group's management, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;

1.11 to review and monitor the effectiveness of the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

1.12 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;

1.13 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

1.14 where an internal audit function exists, to ensure co-ordination between the IA People and External Auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

1.15 to review the Group's financial and accounting policies and practices;

1.16 to review the External Auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

1.17 to ensure that the Board will provide a timely response to the issues raised in the External Auditors' management letter;

1.18 to report to the Board on the matters set out in Code Provision D.3.3 of Part II of Appendix C1 (Corporate Governance Code) to the Listing Rules;

1.19 to consider other topics as defined by the Board;

1.20 to consider agreeing with the Board the Company's policies on hiring employees or former employees of the External Auditors and monitoring the application of these policies. The Committee should then be in a position to consider whether there has been or appears to be any impairment of the External Auditors' judgment or independence for the audit;

1.21 where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the External Auditors, to ensure that the Company includes in the Corporate Governance Report a statement explaining the Committee's recommendation and the reason(s) why the Board has taken a different view;

1.22 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

1.23 to act as the key representative body for overseeing the Company's relations with the External Auditor; and

1.24 other matters required by applicable laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed (including the Listing Rules, hereinafter referred to as the "**Laws and Regulations**") and the articles of association of the Company, and as authorized by the Board.

2. Constitution

2.1 Members of the Committee shall be appointed by the Board from amongst the directors of the Company. The Committee shall consist of at least three (3) members, all of whom shall be non-executive directors (unless an employee director who is not a senior management officer of the Company is appointed as a member of the Audit Committee), and the majority shall be independent non-executive directors, and at least one (1) member must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.

2.2 The Chairman of the Committee (the convener) shall be appointed by the Board and must be an independent non-executive director with accounting expertise, selected from among the Committee members.

2.3 A former partner of the auditing firm currently responsible for auditing the accounts of our Group is prohibited from acting as a Committee member for a period of two (2) years from the later of the following dates:

(a) the date on which the person ceased to be a partner in the company; or

(b) the date on which the person ceased to have a financial interest in the company.

2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by resolutions passed by the Board.

2.5 The company secretary of the Company shall act as the secretary of the Committee.

2.6 The term of office of the members of the Committee shall be the same as that of their directors. Upon the expiration of the term of office of the members, they are eligible for re-election (in the case of re-election). During the period, if a member ceases to serve as a director of the Company due to resignation or other reasons, his membership shall be automatically lost from the date of his ceasing to serve as a director of the Company, and the Committee shall make up the number of members in accordance with clauses 2.1 to 2.4, and the term of office of the supplementary members shall end at the end of the term for which they serve as directors.

2.7 The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

3. Frequency and proceedings of meetings

3.1 The Committee shall convene meetings in accordance with the applicable Laws and Regulations. Extraordinary meetings may be convened upon the proposal of two or more members, or when the Chairman (the convener) deems it necessary. Meetings may be conducted in person, via video conference, by telephone conference, or by fax voting; however, if the applicable Laws and Regulations contain specific provisions regarding the manner of convening meetings, such provisions shall prevail.

Meetings shall be convened and presided by the Chairman of the Committee (the convener); If the Chairman of the Committee (the convener) is unable to convene and/or preside over a meeting for any reason, the Chairman of the Committee (the convener) may delegate another member of the Committee (who shall be an independent non-executive director) to convene and/or preside over the meeting; if the Chairman of the Committee (the convener) has not delegated another member (an independent non-executive director) to convene and/or preside over the meeting, a majority of the Committee members shall jointly elect one member (who shall be an independent non-executive director) to convene and preside over the meeting.

3.2 The Committee shall have meetings with the auditors at least twice a year.

3.3 Notice of Meeting

(a) Unless otherwise agreed by all the Committee members, the notice period for meetings of the Committee convened in accordance with the applicable Laws and Regulations shall not be less than seven (7) days. Extraordinary meetings may be convened without regard to this time restriction, provided that members are given sufficient time to review meeting documents.

(b) Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the company secretary of the Company by such Committee member or in such other manner as the Committee members may from time to time determine.

(c) Notice of meeting shall state the time and place of the meeting and the matters to be considered.

(d) All relevant meeting documents shall be sent to all members of the Committee and to other attendees as appropriate at least three (3) days before the date of the meeting (or such other period as the members may agree).

3.4 Committee meeting should be held only when more than two-thirds (2/3) of the Committee members are present, each member has one vote. Resolutions made at a meeting shall be valid only if they are passed by a majority vote of all members of the Committee.

3.5 If necessary, other directors and senior management of the Company may be invited to attend the meeting.

3.6 All persons present at the meeting are obliged to keep the matters discussed at the meeting confidential and shall not disclose relevant information without authorization. In the event of a breach of confidentiality, the relevant personnel shall bear legal responsibility in accordance with the relevant provisions of the applicable Laws and Regulations.

4. Alternate Committee members

If a Committee member is unable to attend a Committee meeting for any reason, the member may appoint in writing another Committee member to attend and vote at the Committee meeting on his/her behalf.

5. Authorities of the Committee

5.1 The Committee acts in accordance with the applicable Laws and Regulations, the provisions of the Company's Articles of Association, and the authority granted by the Board to deal with the matters set out in clause 1 above.

5.2 The Committee should be provided with sufficient resources to perform its duties.

5.3 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice, at the Company's expense, and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

5.4 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

6. Minutes of meetings

6.1 Minutes of the Committee's resolutions shall be prepared in accordance with the regulations. Minutes of Committee meetings shall be kept by the company secretary of the Company and should be open for inspection at any reasonable time on reasonable notice by any director of the Company. The company secretary shall circulate the draft and final versions of minutes of Committee meetings to all the Committee members for their comments and records respectively, within a reasonable time after the meeting. The final versions of minutes shall be signed by the members of the Committee present.

6.2 The company secretary of the Company shall transfer the minutes of Committee meetings to the Company's archives for filing in a timely manner in accordance with the requirements of the relevant provisions of the Company's archive management.

7. Written resolutions

Resolutions may be passed by all Committee members in writing. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

8. Reporting procedures

The Committee should report back to the Board on its decisions or recommendations, unless there are the applicable Laws and Regulations or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

9. Continuing application of the articles of association of the Company

Any provision of the articles of association of the Company regulating the proceedings of meetings of the Committee and/or the proceedings of meetings of the Board, so far as applicable to the Committee meetings and not superseded by these terms of reference and procedures, shall apply to the proceedings of meetings of the Committee.

These terms of reference and procedures shall be deemed to be the terms of reference of the Committee as stipulated in the articles of association of the Company.

10. Powers of the Board

The Board may, subject to compliance with the articles of association of the Company and the applicable Laws and Regulations (including Appendix C1 (Corporate Governance Code) to the Listing Rules), at any time amend, supplement and revoke these terms of reference and procedures and any resolution passed by the Committee provided that such amendment, supplement or revocation shall not affect the validity of any prior act or resolution already taken or passed by the Committee.

11. Uncovered matters and conflicts

For matters not covered in these terms of reference and procedures, or in the event of any conflict with the applicable Laws and Regulations and the articles of association of the Company, the provisions of the applicable Laws and Regulations and the articles of association of the Company shall prevail.

12. Supplementary Provisions

In these terms of reference and procedures, the terms "or more," "upon expiration," and "within" include the specified number; the terms "less than" and "exceeding" exclude the specified number.

13. Language

If there is any inconsistency between the English and Chinese versions of these terms of reference and procedures, the Chinese version shall prevail.