
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

**EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO
THE PARENT COMPANY SUBSCRIPTION AND THE NEW H SHARES ISSUE,
PLACING OF NEW H SHARES UNDER THE SPECIFIC MANDATE,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICES OF THE EGM AND THE CLASS MEETINGS**

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



A letter from the Board is set out on pages 8 to 32 of this circular. A letter from the Independent Board Committee is set out on page 33 of this circular. A letter from Octal Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 55 of this circular.

The notices for convening the EGM and the Class Meetings to be held at 10:00 a.m. on Friday, 21 February 2020 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 86 to 97 of this circular. Whether or not you are able to attend the EGM or the Class Meetings, you are requested to complete and return the accompanying 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.

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DEFINITIONS

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

“2017 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 26 June 2017
“2017 EGM”	the extraordinary general meeting of the Company held on 26 June 2017
“2017 Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 27 April 2017 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“2018 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 20 March 2018
“2018 EGM”	the extraordinary general meeting of the Company held on 20 March 2018
“2018 Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 21 December 2018 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“2019 Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 3 June 2019
“AGM”	the annual general meeting of the Company held on 3 June 2019
“Airport Project”	the airport project under the investment and construction agreement dated 21 August 2015 entered into between the Company and the Parent Company
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Authority”	shall mean any national, supranational, regional or local government or governmental, administrative, fiscal, judicial or government-owned body, department, commission, authority, tribunal, agency or entity, or regulator (or any person, whether or not government owned and howsoever constituted or called, that exercises the functions of a regulator)
“Board”	the board of Directors
“Business Day(s)” or “business day(s)”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong

DEFINITIONS

“CAAC”	Civil Aviation Administration of China (中國民用航空局)
“CCO”	the Chief Commercial Officer and vice president of commercial operations of the Company, whose role and responsibilities include overseeing the commercial operations of the Group
“Class Meetings” and each as “Class Meeting”	the respective class meetings of the Domestic Shareholders and the H Shareholders to be convened by the Company immediately following the conclusion of the EGM or any adjournment thereof on Friday, 21 February 2020 for the purposes of considering and, if thought fit, approving, among other things, the Extension Resolutions and the Proposed Amendments, including any adjournment in respect thereof
“Company”	Hainan Meilan International Airport Company Limited * (海南美蘭國際空港股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Completion”	the completion of the Subscription pursuant to and in accordance with the terms and conditions of the Subscription Agreement
“Conditions”	conditions precedent to the Subscription Agreement as set out in the paragraph headed “Conditions precedent” in this circular
“connected person(s)”	shall have the meaning as defined in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Date of New H Shares Issue”	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)
“Deputy CFO”	the deputy chief financial officer of the Company, whose role and responsibilities are set out in the Subscription Agreement and include assisting the chief financial officer of the Group in the management of the relevant finance departments of the Group
“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

DEFINITIONS

“Domestic Shareholder(s)”	holders of Domestic Shares
“EGM”	an extraordinary general meeting of the Company to be held at 10:00 a.m. on Friday, 21 February 2020 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC
“Equity Securities”	means Shares, any securities which by their terms are convertible into or exchangeable for Shares, or any option or securities which confer on the holder the right to call for an issue of, or to receive, Shares or securities which are by their terms convertible into or exchangeable or exercisable for Shares, or any other type of equity or ownership interest in the Company
“Extension Resolutions”	the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Parent Company Subscription Extension Resolutions
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Parent Company Subscription Extension Resolutions
“Independent Shareholders”	Shareholders who do not have any material interests and are not required to abstain from voting at the EGM and the Class Meetings pursuant to the Listing Rules

DEFINITIONS

“Investor”	Aero Infrastructure Holding Company Limited, a company incorporated with limited liability under the laws of the Cayman Islands
“Investor Directors”	persons nominated by the Investor for election by the Shareholders at a general meeting of the Company as non-executive Directors on the Board
“Latest Practicable Date”	31 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the earlier of (i) 25 June 2020; and (ii) the expiry date of the Specific Mandate as extended by the New H Shares Issue Extension Resolutions (provided that in any event such date shall be no earlier than 31 March 2020), or such later date as the Parties may agree
“Material Adverse Change”	<p>(i) in respect of the Company or the Group, any change, effect, event, occurrence, state of fact or development has had, that will or may be expected to have a material adverse effect on (a) the business, operations, condition, prospects, properties, liabilities (including contingent liabilities), financial position or earnings of the Group (b) the consummation of the transactions contemplated by the Subscription Agreement in accordance with its terms, such that such transactions cannot be completed, or (c) the enforceability of this the Subscription Agreement against the Company or the Group; and</p> <p>(ii) in respect of the Parent Company, any change, effect, event, occurrence, state of fact or development has had, will or may be expected to have a material adverse effect on (a) the ability of the Parent Company in performing its obligations under the Parent Company Domestic Shares Subscription Agreements in accordance with their terms, or (b) the enforceability of the Parent Company Domestic Shares Subscription Agreements against the Parent Company</p>
“Meilan Airport”	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport*) located in Haikou City, Hainan Province, the PRC
“NDRC”	National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)

DEFINITIONS

“New Equity Issue”	any issue of new Equity Securities by the Company after Completion (save in the case of the grant of any share option by the Company pursuant to the share option scheme as may be adopted by the Company (if any), or any issue by the Company of new Shares pursuant to the exercise of any such share option)
“New H Shares”	the maximum number of 200,000,000 H Shares proposed to be issued upon the exercise of the Specific Mandate
“New H Shares Issue”	the entering into the subscription agreement(s) with the placee(s) and/or the entering into the placing agreement(s) with the placing agent(s) in relation to the issue of the maximum number of 200,000,000 H Shares by way of private placing, subject to fulfilment of certain relevant conditions (including but not limited to the approval from CSRC)
“New H Shares Issue Extension Resolutions”	the proposed resolutions (i) to extend the validity period of the Specific Mandate in relation to the New H Shares Issue and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the New H Shares Issue within a term of nine (9) months, from 26 September 2019 to 25 June 2020
“Parent Company”	Haikou Meilan International Airport Co., Ltd.* (海口美蘭國際機場有限責任公司), a limited liability company established in the PRC and the controlling shareholder of the Company
“Parent Company Director(s)”	Director(s) that have been nominated by the Parent Company
“Parent Company Domestic Shares Subscription Agreement”	the domestic shares subscription agreement dated 30 December 2016 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
“Parent Company Domestic Shares Subscription Agreements”	the Parent Company Domestic Shares Subscription Agreement, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement
“Parent Company Subscription”	the subscription of the Subscription Shares I contemplated under the Parent Company Domestic Shares Subscription Agreements
“Parent Company Subscription Extension Resolutions”	the proposed resolutions (i) to extend the validity period of the resolutions in relation to the Parent Company Subscription and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the Parent Company Subscription within a term of nine (9) months, from 26 September 2019 to 25 June 2020

DEFINITIONS

“Parties”	the Company and the Investor, being parties to the Subscription Agreement
“Phase I Runway Assets”	the Phase I runway of Meilan Airport and other auxiliary facilities as more particularly described in the Parent Company Domestic Shares Subscription Agreements
“PRC”	the People’s Republic of China and for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Amendments”	the proposed amendments to the Articles of Association as set out in this circular
“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
“Shareholders Agreement”	the shareholders’ agreement dated 29 September 2019 entered into between the Parent Company and the Investor in respect of the Company
“Shares”	Domestic Shares and H Shares
“Specific Mandate”	the specific mandate granted by the Shareholders to the Board in relation to the New H Shares Issue on 26 June 2017, as extended from time to time thereafter (including but not limited to the extension pursuant to the New H Shares Issue Extension Resolutions)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Committee”	the strategic committee of the Board
“Strategic Committee Member”	a member of the Strategic Committee
“Subscription”	the issuance by the Company, and the subscription by the Investor, of the Subscription Shares pursuant to and in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29 September 2019 and entered into between the Company and the Investor in respect of the Subscription

DEFINITIONS

“Subscription Price”	the price at which the Subscription Shares are to be allotted and issued by the Company pursuant to the Subscription Agreement
“Subscription Shares”	a total of 200,000,000 New H Shares to be allotted and issued by the Company, and subscribed for by the Investor, pursuant to the Subscription Agreement
“Subscription Shares I”	the new Domestic Shares proposed to be subscribed 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 = RMB0.8958 has been used for currency translation, where applicable. Such exchange rate is for illustrative purpose only and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

* For identification purpose only

LETTER FROM THE BOARD

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 Zhen (Chairman, Authorized Representative)

Wang Hong (President)

Wang Hexin

Yu Yan

Xing Zhoujin (Authorized Representative)

Registered Office:

Office Building of Meilan Airport

Haikou City

Hainan Province

the PRC

Non-executive Directors:

Chan Nap Kee, Joseph

Yan Xiang

Principal Place of Business in

Hong Kong:

10th Floor, Everbright Centre

108 Gloucester Road

Wanchai, Hong Kong

Independent Non-executive Directors:

Deng Tianlin

Fung Ching, Simon

George F Meng

He Linji

To the Shareholders,

Dear Sir/Madam,

**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,
PLACING OF NEW H SHARES UNDER THE SPECIFIC MANDATE,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICES OF THE EGM AND THE CLASS MEETINGS**

A. INTRODUCTION

Reference is made to the announcements of the Company dated 24 September 2019, 30 September 2019 and 17 December 2019. The purpose of this circular is to provide you with information regarding the Extension Resolutions and the Proposed Amendments, and to give you notices of the EGM and the Class Meetings to consider and, if thought fit, to approve the resolutions to be proposed at the EGM and the Class Meetings.

* For identification purposes only

LETTER FROM THE BOARD

B. EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION AND THE NEW H SHARES ISSUE

Reference is made to the circular of the Company dated 28 April 2017 and the poll results announcement of the Company dated 26 June 2017 in relation to, among other things, the Parent Company Subscription and the New H Shares Issue, the circular of the Company dated 6 March 2018, the poll results announcement of the Company dated 20 March 2018, the circular of the Company dated 18 April 2019 and the poll results announcement of the Company dated 3 June 2019 in relation to, among other things, the extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.

As disclosed in the circular of the Company dated 28 April 2017 and the poll results announcement of the Company dated 26 June 2017, the Board was authorized to deal with and complete the Parent Company Subscription and the New H Shares Issue within nine (9) months following the passing of the relevant resolutions at the 2017 EGM and the 2017 Class Meetings. The Parent Company Subscription and the New H Shares Issue will be completed on the same day. It is also disclosed in the circular of the Company dated 28 April 2017 that unless the parties otherwise agree in writing, the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement will automatically terminate to ensure that the completion of the Parent Company Subscription will happen on the same date as the completion of the New H Shares Issue.

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

As disclosed in the circular of the Company dated 18 April 2019 and the poll results announcement of the Company dated 3 June 2019, the Company and the Parent Company had entered into the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which, the Company and the Parent Company agreed in writing that except for the amendment made to the total amount of the Subscription Shares I to be subscribed by the Parent Company, other terms and conditions of the Parent Company Subscription, including, among others, the terms and conditions of the acquisition of the Phase I Runway Assets, in the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto, and the extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue was approved by the Shareholders at the AGM and the 2019 Class Meetings.

The Parent Company has issued a letter to the Company, confirming in writing that the Parent Company Domestic Shares Subscription Agreements will continue to remain valid and legally binding on the parties thereto. Based on the above, the Company's PRC legal advisors advised that the Parent Company Domestic Shares Subscription Agreements remain valid and legally binding on the parties thereto.

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

Date	Event
24 November 2017	CSRC provided 1st round verbal comments to the Company.
28 November 2017	The Company submitted responses to CSRC's comments and supplemental PRC legal opinions.
1 December 2017	CSRC provided 2nd round verbal comments to the Company.
5 December 2017	The Company submitted supplemental PRC legal opinions.
25 December 2017	CSRC provided 3rd round verbal comments to the Company.
5 January 2018	The Company submitted responses to CSRC's comments and supplemental PRC legal opinions.
1 August 2019	CSRC provided 4th round verbal comments to the Company, requesting the governmental department of the place of domicile of the Company to express its opinion on whether it supports the New H Shares Issue.

As at the Latest Practicable Date, the Company is still in the process of proactively liaising with the relevant governmental department on the issuance of the aforementioned relevant supporting letters. It is currently expected that it will take approximately six months for the Company to obtain the CSRC approval for the New H Shares Issue and two to three months to complete the closing work of the Parent Company Subscription and the New H Shares Issue (including but not limited to obtaining the approval from the Stock Exchange). Such timetable is based on the assumption that the Company can obtain the CSRC approval for the New H Shares Issue as expected and will be subject to adjustment based on the then market conditions. Therefore, the Company believes that a further nine-month extension is reasonably required and is in the best interests of the Shareholders. Considering that the validity period of the resolutions relating to each of the Parent Company Subscription and the New H Shares Issue has expired on 25 September 2019, in order to enable the Board to complete the Parent Company Subscription and the New H Shares Issue, the Board proposed to convene the EGM and the Class Meetings for the Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions) to extend the validity period of the Shareholders' resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription and the New H Shares Issue for a further period of nine (9) months, i.e. from 26 September 2019 to 25 June 2020 by way of special resolutions. The Parent Company and its associates will abstain from voting on the Parent Company Subscription Extension Resolutions. The New H Shares Issue is subject to the approval by CSRC.

The Company intends to seek further independent Shareholders' approval on the extension of validity period of Shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue if the Parent Company Subscription and the New H Shares Issue are not completed within the further extended period of nine (9) months, i.e. from 26 September 2019 to 25 June 2020.

LETTER FROM THE BOARD

Details of the Specific Mandate are set out below.

(a) Class of Shares to be issued

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

(b) Time of issuance

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

(c) Size of issuance

The proposed New H Shares to be issued shall not exceed 200,000,000 Shares, representing not more than 42.27% of the total share capital of the Company before the Parent Company Subscription and the New H Shares Issue, and 22.84% of total share capital of the Company after the Parent Company Subscription and the New H Shares Issue; and representing not more than 88.14% of share capital of H Shares of the Company before the New H Shares Issue, and 46.85% of share capital of H Shares of the Company after the completion of the New H Shares Issue.

(d) Ranking of New H Shares

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

(e) Listing

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

(f) Method of issuance

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

(g) Target placees

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.

LETTER FROM THE BOARD

If any investor of the New H Shares becomes a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the completion of the New H Shares Issue, the Company will ensure compliance with the public float requirement under Rule 8.08(1) of the Listing Rules upon completion of the New H Shares Issue. If the number of the placees is less than six (6), the Company will comply with the disclosure requirements under Rule 13.28(7) of the Listing Rules.

(h) Pricing mechanism

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

- (i) the closing price of H Share as quoted on the Stock Exchange at the Date of New H Shares Issue;
- (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Date of New H Shares Issue;
- (iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Date of New H Shares Issue; and
- (iv) the average closing price of H Shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the Date of New H Shares Issue.

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

(i) Method of subscription

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

(j) Accumulated profits

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

(k) Use of proceeds

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

LETTER FROM THE BOARD

(I) Validity period of the resolutions

The resolutions relating to the Specific Mandate to be set out in the notices of the EGM and Class Meetings will be valid for a further period of nine (9) months, from 26 September 2019 to 25 June 2020.

The Board will also seek the Shareholders' authorization and, where relevant, ratification at each of the EGM and the Class Meetings for the Board and the persons delegated by the Board to deal with all the matters in relation to the New H Shares Issue with full authority for a further period of nine (9) months, from 26 September 2019 to 25 June 2020. Such authorization and ratification matters include but are not limited to:

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

LETTER FROM THE BOARD

- (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
- (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange.

C. THE SUBSCRIPTION AGREEMENT

Set out below are the salient terms of the Subscription Agreement:

Date: 29 September 2019

Parties: (1) The Company as issuer
(2) The Investor as subscriber

Number of Subscription Shares

At Completion, the Subscription Shares (being 200,000,000 New H Shares) will be allotted and issued by the Company to the Investor under the Specific Mandate. The Subscription Shares represent approximately 88.14% and 42.26% of the total issued H Shares and the total issued Shares as at the Latest Practicable Date, respectively, and approximately 46.85% of the total issued H Shares and 22.84% of the total issued Shares immediately after Completion as enlarged by the Subscription and the Parent Company Subscription. The aggregate nominal value of the Subscription Shares, upon their issuance, will be RMB200,000,000.

Subscription Price

The Subscription Price of HK\$4.69 per Subscription Share:

- (i) represents a discount of approximately 8.4% to the closing price of HK\$5.12 per H Share as quoted on the Stock Exchange on 27 September 2019, being the last trading day prior to the date of the Subscription Agreement;
- (ii) represents a discount of approximately 8.5% to the average closing price of HK\$5.128 per H Share as quoted on the Stock Exchange for the last five (5) trading days prior to the date of the Subscription Agreement;
- (iii) represents a discount of approximately 9.9% to the average closing price of HK\$5.208 per H Share as quoted on the Stock Exchange for the last ten (10) trading days prior to the date of the Subscription Agreement; and
- (iv) represents a discount of approximately 7.6% to the average closing price of HK\$5.078 per H Share as quoted on the Stock Exchange for the last twenty (20) trading days prior to the date of the Subscription Agreement.

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The Subscription Price was determined after arm's length negotiation between the Company and the Investor which has taken into account, among other factors, recent market prices of the H Shares and the current market conditions.

Specific Mandate

As disclosed in the circular of the Company dated 18 April 2019 in respect of the AGM and the poll results announcement of the Company dated 3 June 2019, the proposed extension of the validity period of the Specific Mandate to 25 September 2019 was approved by the Shareholders at the AGM.

As disclosed in the announcement of the Company dated 24 September 2019, the Company intends to seek Shareholders' approval to further extend the validity period of the Specific Mandate and the authorisation to the Board to deal with and complete the New H Shares Issue granted on 26 June 2017 (as extended from time to time thereafter) for a further period of nine (9) months, i.e. from 26 September 2019 to 25 June 2020 by way of the New H Shares Issue Extension Resolutions. Subject to the approval of the Shareholders of the New H Shares Issue Extension Resolutions, the Subscription Shares will be allotted and issued pursuant to the Specific Mandate.

The maximum number of Shares that can be issued by the Company under the Specific Mandate is 200,000,000 New H Shares, being approximately 42.26% of the total issued Shares as at the Latest Practicable Date. As of the Latest Practicable Date, no Shares have been allotted and issued under the Specific Mandate. Upon the allotment and issuance by the Company of all the Subscription Shares to the Investor at Completion, the Specific Mandate will be utilised in full.

Board composition

Upon Completion:

- (i) the Board shall comprise 11 Directors, with no less than 4 independent non-executive Directors; and
- (ii) the Strategic Committee shall comprise 5 members, with no less than 3 members being independent non-executive Directors.

Right to nominate Investor Directors

Pursuant to the Subscription Agreement, from Completion, the Investor shall be entitled to, at its sole discretion, nominate Investor Directors as follows:

- (i) if and for as long as the Investor holds 15% or more of the total issued Shares, the Investor shall be entitled to, at its sole discretion nominate up to three (3) persons for election and approval by the Shareholders at a general meeting of the Company to be appointed as Investor Directors, and to remove or replace any such person(s) as Investor Director(s) from time to time; and

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- (ii) if and for as long as the Investor holds 10% or more but less than 15% of the total issued Shares, the Investor shall be entitled to, at its sole discretion nominate up to two (2) persons for election and approval by the Shareholders at a general meeting of the Company to be appointed as Investor Directors, and to remove or replace any such person(s) as Investor Director(s) from time to time.

Pursuant to the Subscription Agreement, the Board shall appoint one (1) of the Investor Directors to be a Strategic Committee Member.

In relation to the nomination and appointment of the Investor Directors and an Investor Director as a Strategic Committee Member, pursuant to the Shareholders Agreement, the Parent Company further undertakes to the Investor that within three (3) months after Completion:

- (i) the Company shall convene a Board meeting as soon as possible and propose all relevant resolutions to the Board to nominate the Investor Directors, and all the Parent Company Directors shall attend such Board meeting and vote in favour of each such resolutions (unless their fiduciary duties to the Company prevents them from doing so);
- (ii) the Company shall convene a general meeting (and each requisite class meetings of the relevant class meetings of Domestic Shares and H Shares, if applicable) and request the Shareholders to approve the nomination and appointment of the Investor Directors; and
- (iii) the Company shall convene a Board meeting on the same day the general meeting referred to in sub-paragraph (ii) above and propose a resolution to the Board to elect the Investor Director selected by the Investor as a Strategic Committee Member, and all the Parent Company Directors shall attend such Board meeting and vote in favour of such resolution (unless their fiduciary duties to the Company prevents them from doing so).

From and after Completion, pursuant to the terms of the Shareholders Agreement, the Parent Company shall exercise its voting rights and other powers as a Shareholder, and shall procure each Parent Company Director to exercise its voting rights and other powers as a Director, to give effect to the proposed appointment of each person nominated by the Investor (pursuant to its rights as described in the section under “Right to nominate Investor Directors” above) as an Investor Director and (if applicable) as a Strategic Committee Member, and to remove or replace any such person from time to time.

The right of the Investor to nominate any person to be appointed as an Investor Director shall cease if the Investor holds less than 10% of the total issued Shares at any time after Completion and the Investor shall, at that time, procure any Investor Director who was nominated by the Investor to resign.

Right to nominate CCO and Deputy CFO

Pursuant to the Subscription Agreement, from Completion and for as long as the Investor holds 10% or more of the total issued Shares, the Investor shall be entitled to, at its sole discretion:

- (i) nominate any one (1) person to be approved by the Board and appointed by the Company as the CCO, and to remove or replace any such person(s) from time to time; and

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- (ii) nominate any one (1) person to be approved by the Board and appointed by the Company as the Deputy CFO, and to remove or replace any such person(s) from time to time,

and the Company shall, pursuant to the terms of the Subscription Agreement, procure the appointment of each initial person nominated by the Investor as CCO and Deputy CFO respectively with effect from Completion.

The appointment of the Investor Directors, CCO and Deputy CFO will go through the Company's applicable nomination procedures as set out below:

- (1) the nomination committee of the Company will, as required in accordance with the terms of reference of the nomination committee of the Company, convene a meeting to review the qualification and other relevant materials of the Investor Directors, CCO and Deputy CFO nominated by the Investor and resolve to propose such candidates to the Board;
- (2) for the CCO and Deputy CFO, the Board will, if required, convene a meeting to review the relevant materials submitted by the nomination committee of the Company and resolve to approve the appointment of such candidates; and
- (3) for the Investor Directors, the Board will, if required, convene a meeting to review the relevant materials submitted by the nomination committee of the Company and resolve to propose the appointment of such candidates to the general meeting of the Company for the Shareholders' approval.

Pre-emption right

After Completion, so long as the Investor holds 10% or more of the total issued Shares, if the Company proposes to issue any new Equity Securities, the Investor shall have the right to, on a pre-emptive and pro-rata basis, subscribe for some or all of its pro rata share of the Equity Securities which the Company proposes to issue pursuant to such New Equity Issue in accordance with the terms and conditions of the Subscription Agreement. The exercise of such pre-emption right by the Investor shall be subject to (if applicable) the approval of the relevant transaction by the Shareholders at a general meeting and the relevant class meetings of Domestic Shares and H Shares (as applicable) pursuant to Listing Rule 14A.36 or any variation or replacement thereof (if required under the Listing Rules).

Conditions of Subscription

Completion will be conditional upon the following Conditions having been satisfied or waived on or before the Long Stop Date:

- (1) all and any necessary regulatory license, permit, consent, authorisation, permission or clearance (including but not limited to approvals from, if required and as appropriate, the CSRC and CAAC) for the Company to enter into the Subscription Agreement and performing its obligations thereunder have been obtained, and all necessary filings, registrations and/or notifications with or to the relevant authorities (if any) in connection with the Subscription having been made, and such filings, registrations and/or notifications remaining valid and effective;

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- (2) the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares in the terms of the Subscription Agreement (with or without conditions customary to transactions of similar nature);
- (3) on the date of Completion, the H Shares remaining listed and traded on the Main Board of the Stock Exchange, and there being no trading halt, suspension or limitation of trading in any of the H Shares listed on the Stock Exchange;
- (4) there not having occurred, at any time on and from the date of the Subscription Agreement until Completion, any breach by the Company of any provisions of the Subscription Agreement, except for such breaches as notified by the Company to the Investor in writing and as expressly waived its rights by the Investor in writing;
- (5) there being no action or investigation taken or initiated by any Authority to restrain, prohibit, challenge or otherwise enquire the terms of the Subscription, the Subscription Agreement or the Parent Company Domestic Shares Subscription Agreements (or, if there are such action or investigation, such action and/or investigation being resolved in full);
- (6) completion of the Parent Company Subscription (including completion of the transfer of the Phase I Runway Assets by the Parent Company to the Company) occurring in accordance with the terms of the Parent Company Domestic Shares Subscription Agreements on the date of Completion;
- (7) the Parent Company Domestic Shares Subscription Agreements becoming effective and there has been no breach by the Parent Company under any of the Parent Company Domestic Shares Subscription Agreements;
- (8) there being no material breach of any of the warranties as given by the Company in the Subscription Agreement on the date of the Subscription Agreement and on the date of Completion (except for as waived by the Investor in writing); and
- (9) from the date of the Subscription Agreement until and on the date of Completion there being no Material Adverse Change to the Parent Company, the Company or the Group.

If any of such Conditions shall not have been fulfilled or waived by the Company and the Investor on or before the Long Stop Date, the Subscription Agreement shall automatically terminate with immediate effect, except for the provisions of the Subscription Agreement which are stipulated to survive the termination of the Subscription Agreement.

Completion

Completion shall take place on the 10th Business Day after the day on which the last of the Conditions is fulfilled or waived (or such later date as the Parties may agree in writing).

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D. POSSIBLE CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the Subscription is approved by the Shareholders at the forthcoming EGM and Class Meetings; (ii) the Board exercises the Specific Mandate in full; (iii) all Conditions for the Subscription have been satisfied; (iv) at Completion, the maximum of 200,000,000 New H Shares are issued by the Company to the Investor pursuant to the Specific Mandate; and (v) the Parent Company completes the subscription of the Subscription Shares I pursuant to the Parent Company Subscription which shall be completed on the same day as the Completion, the resulting changes in the issued share capital and shareholding structure of the Company will be as follows (assuming that there is no change in the shareholding structure and in the issued share capital of the Company after the Latest Practicable Date and before the Completion):

Class of Shares	As at the Latest Practicable Date		Immediately after the issuance of the Subscription Shares and the Subscription Shares I	
	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	439,987,125	50.24
Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司)	5,287,500	1.12	5,287,500	0.60
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.40
H Shares				
H Shares in issue				
Soaring Eagle Industrial Limited ¹	50,920,650	10.76	50,920,650	5.82
Other public Shareholders	175,992,350	37.19	175,992,350	20.10
Public (in total)	175,992,350	37.19	226,913,000	25.92
Investor	0	0	200,000,000	22.84
Total Number of Issued Shares	473,213,000	100	875,700,125	100

Note 1: According to the disclosure of interest on the website of the Stock Exchange, Oriental Patron Resources Investment Ltd. previously held 94,343,000 H Shares and transferred 50,920,650 H Shares to Soaring Eagle Industrial Limited. Upon completion of such transfer, Oriental Patron Resources Investment Ltd. held 42,647,350 H Shares and became one of the public Shareholders of the Company.

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As indicated above, the public float of the Company in such scenario will be 25.92%. The Company is also able to comply with the minimum public float requirement in the other scenarios as set out below.

Assuming that the Company fails to issue any New H Shares and the Parent Company only subscribes for 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company, 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 the issuance of the Subscription Shares I	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares	Percentage of total issued Shares (%)
Domestic Shares				
Parent Company	237,500,000	50.19	427,487,125	64.46
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	0.80
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.53
H Shares				
H Shares in issue				
Soaring Eagle Industrial Limited	50,920,650	10.76	50,920,650	7.68
Other public Shareholders	175,992,350	37.19	175,992,350	26.53
Public (in total)	175,992,350	37.19	226,913,000	34.21
Investor	0	0	0	0
Total Number of Issued Shares	<u>473,213,000</u>	<u>100</u>	<u>663,200,125</u>	<u>100</u>

As indicated above, the public float of the Company in such scenario will be 34.21%.

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Assuming that the Company fails to issue any New H Shares and the Parent Company subscribes for all the Subscription Shares I (including (i) 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company and (ii) 12,500,000 new Domestic Shares by cash) 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 the issuance of the Subscription Shares I	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares	Percentage of total issued Shares (%)
Domestic Shares				
Parent Company	237,500,000	50.19	439,987,125	65.12
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	0.78
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.52
H Shares				
H Shares in issue				
Soaring Eagle Industrial Limited	50,920,650	10.76	50,920,650	7.54
Other public Shareholders	175,992,350	37.19	175,992,350	26.04
Public (in total)	175,992,350	37.19	226,913,000	33.58
Investor	0	0	0	0
Total Number of Issued Shares	<u>473,213,000</u>	<u>100</u>	<u>675,700,125</u>	<u>100</u>

As indicated above, the public float of the Company in such scenario will be 33.58%.

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Assuming that the maximum of 200,000,000 New H Shares are issued by the Company to the Investor pursuant to the Specific Mandate and the Parent Company only subscribes for 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company, 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 the issuance of the Subscription Shares and the Subscription Shares I	
	No. of Shares	Percentage of total issued Shares (%)	No. of Shares	Percentage of total issued Shares (%)
Domestic Shares				
Parent Company	237,500,000	50.19	427,487,125	49.52
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	0.61
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.41
H Shares				
H Shares in issue				
Soaring Eagle Industrial Limited	50,920,650	10.76	50,920,650	5.90
Other public Shareholders	175,992,350	37.19	175,992,350	20.39
Public (in total)	175,992,350	37.19	226,913,000	26.29
Investor	0	0	200,000,000	23.17
Total Number of Issued Shares	<u>473,213,000</u>	<u>100</u>	<u>863,200,125</u>	<u>100</u>

As indicated above, the public float of the Company in such scenario will be 26.29%.

Therefore, the Company is able to comply with the minimum public float requirement in all 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 Parent Company Subscription and the New H Shares Issue.

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

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

LETTER FROM THE BOARD

E. REASONS FOR AND BENEFITS OF THE EXTENSION RESOLUTIONS

As the Company is still in the process of obtaining the approval from CSRC in relation to the New H Shares Issue, the Board is of the view that it is necessary and in the interests of the Company and its Shareholders as a whole to propose the Extension Resolutions.

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

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

Date	Event	H Shares closing price
30 December 2016	The Company initially published the announcement in relation to, among others, the Parent Company Subscription and New H Shares Issue.	HK\$7.70
28 April 2017	The Company despatched the initial circular in relation to, among others, the Parent Company Subscription and New H Shares Issue.	HK\$6.50
1 February 2018	The Company published the extension announcement in relation to, among others, extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$7.92
6 March 2018	The Company despatched the extension circular in relation to, among others, extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$8.30
21 December 2018	The Company published the announcement in relation to, among others, the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$6.30

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Date	Event	H Shares closing price
18 April 2019	The Company despatched the circular in relation to, among others, the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement and extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.	HK\$6.60
24 September 2019	The Company published the announcement in relation to, among others, 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.	HK\$5.17
31 December 2019	The Latest Practicable Date	HK\$5.53

As indicated in the above, the closing price of the Company's H Shares on 31 December 2019 was HK\$5.53, representing a decrease of approximately 14.92% as compared to that on 28 April 2017 (i.e. HK\$6.50), which is within the normal market fluctuation range. There was no material adverse change in the market condition in respect of the Company's H Shares as at the Latest Practicable Date as compared with that when the Company first proposed the Parent Company Subscription and New H Shares Issue. The Company confirms that the share capital of the Company remained unchanged during the past three years.

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

	Total equity (RMB)	Earnings per share (RMB)
For the year ended 31 December 2016	3,727,668,399	0.83
For the six months ended 30 June 2017	3,982,100,593	0.66
For the year ended 31 December 2017	4,091,993,288	1.02
For the six months ended 30 June 2018	4,404,277,983	0.79
For the year ended 31 December 2018	4,571,939,621	1.31
For the six months ended 30 June 2019	4,852,336,726	0.58

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

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In relation to the acquisition of the Phase I Runway Assets, the Company confirms that there was no material change in the market condition or financials of the Phase I Runway Assets as at the Latest Practicable Date, as compared to those when the Company first proposed the acquisition of the Phase I Runway Assets on 30 December 2016. Furthermore, there is no valid period specified in the valuation report contained in the circular of the Company dated 28 April 2017 and therefore, the Board is of the view that it still can be used as the reference for the consideration of the then acquisition of the Phase I Runway Assets. The Phase I Runway Assets mainly consist of three parts: (i) the land with a total area of approximately 1,956,800 m²; (ii) the relevant constructions, including but not limited to the runway, the taxiway and the fences; (iii) the equipment, including but not limited to machinery equipment, transportation equipment and office equipment in relation to the Phase I Runway Assets. According to the benchmark land price in Haikou City promulgated by the people's government of Haikou City in 2019, the benchmark price of land for airport increased by approximately 2.86% as compared to that in January 2017. On the other hand, the net book value of the constructions and equipment of the Phase I Runway Assets as at the Latest Practicable Date decreased by approximately 8.6% as compared to that in January 2017, mainly due to normal depreciation. Save as disclosed above, the Directors are not aware of any other change in the market condition or financials of the Phase I Runway Assets. As the value of the land is much higher than the value of the constructions and equipment of the Phase I Runway Assets, the Company is of the view that the value of the Phase I Runway Assets remains stable in the past three years.

Based on the above, the Company is of the view that the terms of the acquisition of the Phase I Runway Assets (including the amount of consideration) remain fair and reasonable.

The Parent Company Subscription is related to the acquisition of Phase I Runway Assets while the New H Share Issue is another separate and independent matter. For the Parent Company Subscription, there is no change to the subscription price for the Subscription Shares I. The majority of the Subscription Shares I are the consideration for the acquisition of Phase I Runway Assets and as disclosed above, there was no material change in the market condition or value of the Phase I Runway Assets. In relation to the New H Share Issue, the issue price of the New H Shares was not fixed by the Company when the Company first proposed the transaction and the Shareholders authorised the Board to determine the terms of the New H Shares Issue in the validity period, including the actual size and issue price. As disclosed in the circular of the Company dated 28 April 2017, the subscription price for the Parent Company Subscription was determined after arm's length negotiation between the Company and the Parent Company taking into account, among other things, the market price of the H Shares and the market condition on 26 April 2017 (the last trading day prior to the date of the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement), and that as disclosed in this circular, the Subscription Price for the Subscription was determined after arm's length negotiation between the Company and the Investor which has taken into account, among other factors, the market price of the H Shares and the market condition on 27 September 2019 (the last trading day prior to the date of the Subscription Agreement). The Company confirms that while the Domestic Shares are not listed and thus can't be traded on an open market, the subscription price of the Domestic Shares is still higher than the price of the H Shares as at the Latest Practicable Date. Therefore, the Company is of the view that the subscription price of the Domestic Shares under the Parent Company Subscription is fair and reasonable and in the interest of the Company and the Shareholders as a whole. As the H Shares and the Domestic Shares are of different nature, though the Subscription and the Parent Company Subscription will be completed on the same day, the difference between the Subscription Price for the Subscription and the subscription price for the Parent Company Subscription shall not render that such prices are not fair and reasonable and not in the interest of the Company and the Shareholders as a whole.

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Based on the above, the Company is of the view that the terms of the Parent Company Subscription and New H Shares Issue (including the issue price and number of the New H Shares to be issued) remain fair and reasonable and that the Extension Resolutions are in the interests of the Company and the Shareholders as a whole.

F. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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

The Subscription will bring in a highly reputable and long term strategic investor, HOPU Investments, with extensive resources and expertise, who can add significant value to the Company and the development of the Meilan Airport. The following is a summary of the reasons, benefits, and strategic merits of HOPU Investments in the Subscription:

- (i) HOPU Investments will support the Company in enhancing its corporate governance, capital markets, strategic planning, investor relations and management initiatives;
- (ii) HOPU Investments will add value to the Company through its strong relationships with various financial institutions, extensive experience and strong network of financing resources across the capital structure to support the Company in its ongoing expansion projects and development objectives;
- (iii) HOPU Investments will have the right to appoint the CCO and Deputy CFO, which will provide additional resources and support to the Company to capture the significant opportunities from the phase II expansion of Meilan Airport, as well as enhancing financial discipline and control; and
- (iv) HOPU Investments has invested in a series of complementary airport-related investments, including companies in the logistics, car parking, technology, and financial services sectors, with which the Company can benefit through greater cooperation.

The Directors consider that the Subscription Agreement is entered into after arm’s length negotiations between the Company and the Investor on normal commercial terms, and the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, and are in the interest of the Company and the Shareholders.

LETTER FROM THE BOARD

G. USE OF PROCEEDS

The gross proceeds from the Subscription will be approximately HK\$938 million and the net proceeds (after deducting all applicable costs and expenses) will be approximately HK\$933 million. On such basis, the net price per Subscription Share will be approximately HK\$4.67.

The gross proceeds from the Parent Company Subscription will be approximately RMB100 million (equivalent to approximately HK\$111.63 million) and the net proceeds (after deducting all applicable costs and expenses) will be approximately RMB99.98 million (equivalent to approximately HK\$111.61 million).

The net proceeds from the Parent Company Subscription and the Subscription, after deducting relevant expenses, are expected to be used as follows:

1. Approximately 37% shall be used for expansions, upgrades, improvements and maintenance of existing terminal buildings and other areas of Meilan Airport

(a) *Investment in the Airport Project of Meilan Airport*

Reference is made to the announcement of the Company dated 23 August 2015 and the circular of the Company dated 7 October 2015 in relation to the Airport Project. As disclosed in the said announcement and circular, the Company intends to fund the construction of the Airport Project through, among others, a long-term project loan from the Hainan Branch of China Development Bank Limited (國家開發銀行股份有限公司海南省分行). It was estimated at the time that approximately RMB4.16 billion would be available to fund the portion of the construction responsible by the Company. Pursuant to the loan agreement entered into among the Company, the Parent Company, China Development Bank Limited (國家開發銀行股份有限公司), the Hainan Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司海南省分行) and the Hainan Branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司海南省分行) on 1 February 2018 and the loan allocation agreement entered into between the Company and the Parent Company on 1 February 2018, the Company only obtained RMB3.9 billion funding from the loan. Accordingly, approximately RMB0.2 billion of the net proceeds from the Parent Company Subscription and the Subscription will be allocated to fund the short-fall.

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

The terminal buildings of Meilan Airport have been in use for over twenty years. In order to consolidate existing operation level of Meilan Airport and to improve safety operation of Meilan Airport, it is expected that the Company will invest approximately RMB0.15 billion in maintenance of the terminal buildings of Meilan Airport in 2020.

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

LETTER FROM THE BOARD

2. Approximately 43% shall be used for introducing innovative technology and upgrading Meilan Airport to a “smart airport”

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

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

3. Approximately 20% shall be used for acquisition of staff quarters and other associated facilities

The size and amount of the existing office buildings and staff quarters are far from sufficient to support the needs of the rapidly increasing number of staff required to be stationed at Meilan Airport. Accordingly, the Company intends to acquire office buildings, conference centres, amenities centres, training centres and staff quarters and other associated facilities which are currently being constructed by the Parent Company on phase II of Meilan Airport (“Phase II Building Project”). According to the construction planning of the Phase II Building Project, the estimated construction costs of the nine (9) staff quarters in the phase I project of the Phase II Building Project were approximately RMB0.34 billion. The consideration for acquisition of such staff quarters is estimated to be approximately RMB0.35 billion, including the construction costs, consideration for relevant lands and relevant taxation costs. The Company will allocate approximately RMB0.19 billion of the net proceeds from the Parent Company Subscription and the Subscription for acquisition of such staff quarters, and will fund the short-fall with its own funds.

As at the Latest Practicable Date, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking for the Phase II Building Project.

As at the Latest Practicable Date, the Parent Company has completed the filing with Hainan Development and Reform Commission (海南省發展和改革委員會) and the Parent Company has confirmed that it is not aware of any issue which may lead to the non-materialization of the Phase II Building Project.

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

H. EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

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

I. APPLICATION FOR LISTING

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

LETTER FROM THE BOARD

J. INFORMATION OF THE COMPANY AND THE PARENT COMPANY

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

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

K. INFORMATION OF THE INVESTOR

The Investor is a company incorporated in the Cayman Islands and is principally engaged in investment holding. It is wholly owned by Aero Infrastructure Fund L.P., whose general partner is Aero Infrastructure Fund GP Limited, an affiliate of HOPU Investments. The limited partners of Aero Infrastructure Fund L.P., include affiliates of each of HOPU Investments, GIC, and other international, reputable, blue-chip, institutional investor(s) with extensive experiences and resources in investing in the private equity and infrastructure sector.

HOPU Investments is a leading Asian alternative asset management firm with principal offices across Asia in Beijing, Hong Kong, Singapore, and Shenzhen. HOPU Investments specializes in finding, creating, and executing on proprietary investment opportunities by leveraging its unique network, operational value-add, in-depth fundamental analysis, and execution expertise. HOPU Investments' key industry focuses include infrastructure, consumer, technology, healthcare, financial services, logistics, and real estate.

To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, the Investor and its beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and are independent of the Company or any connected person of the Company.

L. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As disclosed in the announcement of the Company dated 17 December 2019, according to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函〔2019〕97號)) and the Company Law of the PRC (2018 Amendment), the Board proposed to make certain amendments to the current Articles of Association. Details of the Proposed Amendments are set out in Appendix IV to this circular.

Save for the aforesaid Proposed Amendments, other provisions in the Articles of Association remain unchanged.

The Hong Kong and PRC legal advisers of the Company have confirmed that the Proposed Amendments conform with the requirements of the Listing Rules and the applicable PRC laws and regulations, respectively. The Directors also confirmed that there is nothing unusual about the Proposed Amendments for a company listed in Hong Kong.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at each of the EGM and the Class Meetings.

LETTER FROM THE BOARD

M. EGM AND CLASS MEETINGS

The EGM and Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions) and the Proposed Amendments. The Parent Company, which controls over the voting right in respect of its shares in the Company, will abstain from voting on the Parent Company Subscription Extension Resolutions at the EGM 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 other Shareholder has a material interest in the Extension Resolutions or the Proposed Amendments, and no other Shareholder is required to abstain from voting on the Extension Resolutions or the Proposed Amendments at the EGM and the Class Meetings.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the Parent Company Subscription Extension Resolutions.

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

Set out on pages 86 to 97 of this circular are the notices convening the EGM and the Class Meetings to be held at 10:00 a.m. on Friday, 21 February 2020 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 EGM 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 EGM and the Class Meetings.

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

The reply slips for the EGM and the Class Meetings are also enclosed with this circular. You are reminded to complete and sign the reply slips and return the signed reply slips to the office of the secretary to the Board at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC no later than Saturday, 1 February 2020 in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

N. BOOK CLOSURE

The Company's register of members will be closed from Wednesday, 22 January 2020 to Friday, 21 February 2020 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM and the Class Meetings, Shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 January 2020.

O. RECOMMENDATIONS

The Board is of the view that the Subscription Agreement was entered into after arm's length negotiations between the Company and the Investor on normal commercial terms, and the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

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

Each of Mr. Wang Zhen, Mr. Wang Hong, Mr. Wang Hexin, Mr. Yu Yan and Mr. Xing Zhoujin is interested in the Parent Company Subscription Extension Resolutions as they are nominated to the Board by the Parent Company, and therefore had abstained from voting on the relevant resolutions of the Board approving the same.

The Directors also believe that the Proposed Amendments is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders vote in favour of the Proposed Amendments.

P. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the EGM and the Class Meetings regarding the Parent Company Subscription Extension Resolutions, and the letter from Octal Capital containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Parent Company Subscription Extension Resolutions, details of which are set out on pages 34 to 55 of this circular. None of the members of the Independent Board Committee has any material interest relating to the Parent Company Subscription Extension Resolutions.

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

Yours faithfully,
By order of the Board
Hainan Meilan International Airport Company Limited*
Wang Zhen
Chairman

Hainan, the PRC
7 January 2020

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)

7 January 2020

To the Shareholders

Dear Sir/Madam,

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

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of the Parent Company Subscription Extension Resolutions that are subject to the Independent Shareholders' approval, details of which are set out in the letter from the Board in the circular to the Shareholders dated 7 January 2020 (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 has been appointed as the Independent Financial Adviser to advise us regarding the Parent Company Subscription Extension Resolutions. We wish to draw your attention to the letter from Octal Capital which contains advice to us in relation to the terms and conditions of the Parent Company Subscription Extension Resolutions, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider the terms and conditions of the Parent Company Subscription Extension Resolutions are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the Parent Company Subscription Extension Resolutions.

Yours faithfully,

Independent Board Committee

Deng Tianlin
Independent
non-executive Director

Fung Ching, Simon
Independent
non-executive Director

George F Meng
Independent
non-executive Director

He Linji
Independent
non-executive Director

* For identification purposes only

LETTER FROM OCTAL CAPITAL

The following is the full text of the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders dated 7 January 2020 in respect of, inter alia, the Parent Company Subscription Extension Resolutions prepared for the purpose of inclusion in this circular.



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

7 January 2020

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Parent Company Subscription Extension Resolutions, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular dated 7 January 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

The Extension Resolutions

Reference is made to (i) the circular of the Company dated 28 April 2017 and the poll results announcement of the Company dated 26 June 2017 in relation to, among other things, the Parent Company Subscription and the New H Shares Issue; (ii) the circular of the Company dated 6 March 2018, the poll results announcement of the Company dated 20 March 2018; and (iii) the circular of the Company dated 18 April 2019 and the poll results announcement of the Company dated 3 June 2019 in relation to, among other things, the extension of validity period of Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue.

The Company has already made an application to CSRC in respect of the New H Shares Issue on 10 July 2017. As at the Latest Practicable Date, the Company received one round of written comments and four rounds of verbal comments from CSRC, details of the comments and the chronological events are set out in the Letter from the Board.

LETTER FROM OCTAL CAPITAL

As at the Latest Practicable Date, CSRC is still reviewing the application submitted by the Company. It is currently expected that it will take approximately six months for the Company to obtain the CSRC approval of the New H Shares Issue and two to three months to complete the closing work of the Parent Company Subscription and the New H Shares Issue (including but not limited to obtaining the approval from the Stock Exchange). Such timetable is based on the assumption that the Company can obtain the CSRC approval for the New H Shares Issue as expected and will be subject to adjustment based on the then market conditions. Therefore, the Company believes that a further nine-month extension is required and is in the best interest of the Shareholders. Considering that the validity period of the resolutions relating to each of the Parent Company Subscription and the New H Shares Issue has expired on 25 September 2019, in order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription contemplated thereunder and the New H Shares Issue, the Board proposed to convene the EGM and the Class Meetings for the Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolutions) to extend the validity period of the Shareholders' resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription and the New H Shares Issue for a further period of nine (9) months, i.e. from 26 September 2019 to 25 June 2020 by way of special resolutions. The Parent Company and its associates will abstain from voting on the Parent Company Subscription Extension Resolutions. The New H Shares Issue is subject to the approval by CSRC.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the Parent Company Subscription Extension Resolutions.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Parent Company Subscription Extension Resolutions in this regard. We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Parent Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged by the Company as an independent financial adviser to the Company in respect of a major and connected transaction in relation to the loan agreement and the loan allocation agreement and extension of validity period of shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription, the Hainan HNA subscription and the new H shares issue (details can be referred to the circular of the Company dated 6 March 2018) and major and connected transaction in relation to the supplemental agreement and extension of validity period of shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription (details can be referred to the circular of the Company dated 18 April 2019) (the "**Previous Engagements**"). Under the Previous Engagements, we were required to express our opinion on and give recommendations to the Independent Board Committee and Independent Shareholders in respect of the transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or the Parent Company or any of its subsidiaries or their respective associates. Despite the Previous Engagement, we consider our independence is unaffected due to the facts that (i) under Previous Engagements, we were entitled to receive normal professional fees that are comparable to market rates and the fees do not form a significant portion to our overall income; (ii) the underlying transactions in each of our engagements are related to the acquisition of the Phase I Runway Assets and the Parent Company Subscription with slightly varied terms which should be considered as updates of the initial engagement. In light of the said variations and developments, we have to perform individual work process in each of our engagements and

LETTER FROM OCTAL CAPITAL

provide an updated opinion to Shareholders for re-assessment; (iii) we have discharged our responsibilities with due care and skill and performed our duties with impartiality in respect of each of our engagements with the Company; (iv) each of the engagement was handled independently as an individual task; and (v) our transaction team works on a rotation basis to ensure our independence to different transactions engaged with the Company. Therefore, we consider ourselves eligible to act as the independent financial adviser to the Company under the requirements of the Listing Rules.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE 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 Parent Company Domestic Shares Subscription Agreement

- ***Background of the Company***

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

- ***Background of the Parent Company***

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

LETTER FROM OCTAL CAPITAL

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

Reference is made to the announcements of the Company dated 30 December 2016, 27 April 2017 and 21 December 2018 and the circulars of the Company dated 28 April 2017 and 18 April 2019 in relation to, among other things, the Parent Company Domestic Shares Subscription Agreement, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, pursuant to which the Parent Company agreed to subscribe for the Subscription Shares I, which include: (i) 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company; and (ii) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per Subscription Shares I.

- ***The Subscription Agreement***

Reference is made to the announcement of the Company dated 30 September 2019, the Company and the Investor entered into the Subscription Agreement on 29 September 2019, pursuant to which the Investor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price of HK\$4.69 per Subscription Share.

The Subscription Shares (being 200,000,000 New H Shares) will be allotted and issued by the Company under the Specific Mandate. The Subscription Shares represent approximately 88.14% and 42.26% of the total issued H Shares and the total issued Shares as at the Latest Practicable Date, respectively, and approximately 46.85% of the total issued H Shares and 22.84% of the total issued Shares as enlarged by the Subscription and the Parent Company Subscription.

As disclosed in the Letter from the Board, the Company intends to seek Shareholders' approval to further extend the validity period of the Specific Mandate and the authorisation to the Board to deal with and complete the New H Shares Issue granted on 26 June 2017 (as extended from time to time thereafter) for a further period of nine (9) months, i.e. from 26 September 2019 to 25 June 2020 by way of the New H Shares Issue Extension Resolutions. Subject to the approval of the Shareholders of the New H Shares Issue Extension Resolutions, the Subscription Shares will be allotted and issued pursuant to the Specific Mandate. The maximum number of Shares that can be issued by the Company under the Specific Mandate is 200,000,000 New H Shares, being approximately 42.26% total issued Shares as at the Latest Practicable Date. As of the Latest Practicable Date, no Shares have been allotted and issued under the Specific Mandate. Upon the allotment and issuance by the Company of all the Subscription Shares to the Investor at Completion, the Specific Mandate will be utilised in full.

LETTER FROM OCTAL CAPITAL

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

Acquisition of the Phase I Runway Assets and Equity fundraising

On 30 December 2016, the Company and the Parent Company entered into the Parent Company Domestic Shares Subscription Agreement (as amended by the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and 2018 Supplemental Parent Company Domestic Shares Subscription Agreement), pursuant to which the Parent Company agreed to subscribe for Subscription Shares I, which include: (i) 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company (“**Runway Acquisition**”); and (ii) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73). As mentioned in the Letter from the Board, the Company’s PRC legal advisors advised that the Parent Company Domestic Shares Subscription Agreement and the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement which are amended by the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement remain valid and legally binding on the parties thereto.

Prior to the Runway Acquisition, the Phase I Runway Assets were previously owned and operated by the Parent Company, and the separation of operation of the Phase I Runway Assets and the terminal buildings of the Meilan Airport leads to unclear delineation of responsibilities which affects the operational efficiency and security of the Meilan Airport. The Runway Acquisition will enable the Company to better run its operational assets consistent with the “High Standard, Strict Compliance (高標準,嚴要求)” standards prevalent in the civil aviation industry, and as a result of the Runway Acquisition, will strengthen the revenue stream and competitiveness of the Company.

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

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According to the operation data published in the official website of Meilan Airport, the summary of historical passenger throughput, historical cargo throughput and aircraft movement from 1 January 2016 to 31 August 2019 is shown in the table below.

Year	Historical passenger throughput <i>(Unit: million people)</i>	Historical cargo throughput <i>(Unit: 1,000 ton)</i>	Aircraft movement <i>(Unit: 1,000 time)</i>
2016	18.80	274.53	132.90
2017	22.58	299.18	156.07
2018	24.12	324.70	164.09
Annual average growth rate (2016–2018)	13.5%	8.8%	11.3%
Annual average growth rate (2005–2015)	8.7%	8.4%	7.7%
Jan–Aug 2018	16.26	225.08	109.07
Jan–Aug 2019	16.43	223.86	109.82
Year-on-year growth rate (Aug 2018 & Aug 2019)	1.1%	(0.5)%	0.7%

According to the appendix headed “Appendix III – Traffic Study Report” of the circular of the Company dated 28 April 2017 regarding the matter from the annual rate of growth (from 2005 to 2015), the growth rate of passenger throughput, cargo throughput and aircraft movement is 8.7%, 8.4% and 7.7% respectively. As indicated in the above table, the demand of Meilan Airport has been on an increasing trend, with the passenger throughput at approximately 18.80 million, 22.58 million and 24.12 million for 2016, 2017 and 2018, respectively, with a cumulative annual growth rate of 13.5%; whilst the cargo throughput was approximately 274,530 tonnes, 299,180 tonnes and 324,700 tonnes for 2016, 2017 and 2018, respectively, with a cumulative annual growth rate of 8.8%; and the aircraft movement was approximately 132,900 times, 156,070 times and 164,090 times for 2016, 2017 and 2018, respectively, with a cumulative annual growth rate of 11.3%. During the first eight months of 2019, the passenger throughput and aircraft movement slightly increased to approximately 16.43 million and 109,820 times, respectively, which represents 1.1% and 0.7% of growth as compared to the first eight months of 2018; meanwhile, the cargo throughput slightly reduced to approximately 223,860 tonnes, which represents 0.5% decrease of demand as compared to the first eight months of 2018. Base on the above information for the increasing demand of Meilan Airport, it is expected that the prospect of Phase I Runway Assets has been improved and no less favourable than that of the time when the Company first proposed the Runway Acquisition. Thus, we are of the view that the Runway Acquisition remains fair and reasonable as the Company first proposed.

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As described by the management of Company in the interim report of the Company for the six months ended 30 June 2019 (“**2019 interim report**”), the current development strategy of the Company is to gradually participate in business such as export of operation and management to domestic and foreign airports, as well as expansion in upstream and downstream industry chain of airport, which expand the operating scale of the Group. Taking the opportunity from the “One Belt, One Road (一帶一路)” initiative, the management expected to enrich and adjust its industrial structure through the Runway Acquisition to build the Group into a global leading integrated service provider in airport investment, operation and management.

We are of the view that the Runway Acquisition is in line with the business development strategy of the Group and would alleviate its reliance on the operational support by the controlling Shareholder in the long run, it is necessary and in the interests of the Company and its Shareholder as a whole to propose the Parent Company Subscription Extension Resolutions in order to continue the Runway Acquisition.

Apart from the Runway Acquisition, the Parent Company Subscription and the Subscription provide opportunity for the Company to conduct equity fundraising exercise. According to the section headed “G. Use of proceeds” to the circular of the Company dated 18 April 2019, the net proceed from the Parent Company Subscription and the New H Shares Issue is expected to be approximately RMB1,204 million at an expected price per New H Share at approximately HK\$6.40. With the entering into of the Subscription Agreement, the net price per Subscription Shares will be approximately HK\$4.67 which is leading to a reduction of the aggregate net proceed from the Parent Company Subscription (approximately RMB99.98 million) and the Subscription (approximately HK\$933 million) to the amount of approximately RMB936 million. With reference to the section headed “G. Use of proceeds” to the Circular, the management planned that the net proceeds from the Parent Company Subscription and the Subscription will be used on (i) the investment in the Airport Project and maintenance of the terminal building of Meilan Airport, (ii) introducing innovative technology and upgrading Meilan Airport to a “smart airport”, and (iii) acquisition of staff quarters and other associated facilities. As the current net proceed from the Parent Company Subscription and the Subscription has a shortfall of approximately RMB268 million as compared to the previous expected net proceed in the circular of the Company dated 18 April 2019, the Company has slightly altered their plans for the use of proceeds by (i) reducing the amount of net proceed spending on acquisition of staff quarters and other associated facilities from approximately RMB0.35 billion to RMB0.19 billion and (ii) cutting off the net proceed amounting to approximately RMB0.1 billion for replenishing the working capital of the Company. The altered plans for the use of proceeds save approximately RMB260 million to overcome the approximately RMB268 million shortfall of the net proceeds from the Parent Company Subscription and the Subscription. The management of the Company confirmed us that the altered plans for the use of proceeds do have any material effect on the future development of the Group and the current internal source of fund is sufficient to compensate the expected shortfall from the net proceed. According to the 2019 interim report, the cash at bank and on hand and the total current assets of the Group are amounted to approximately RMB264 million and RMB696 million, respectively, as at 30 June 2019. Meanwhile, the net cash flows from operating activities is amounted to approximately RMB486 million for the six months ended 30 June 2019. Having considered the latest cash level and cash flow status of the Group, we concur with the management that the altered plans for the use of proceeds do have any material effect on the future development of the Group and the current internal source of fund is sufficient to compensate the expected shortfall from the net proceed.

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For (i) background of and reasons for and benefits of entering into, among others, the Parent Company Domestic Shares Subscription Agreement, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement; and (ii) principal terms and conditions of the Parent Company Domestic Shares Subscription Agreement, the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement, please refer to our letter contained in the circular of the Company dated 18 April 2019 for details.

Progress of the CSRC approval

As set out in the Letter from the Board, as at the Latest Practicable Date, as CSRC is still reviewing the Company's application for the New H Shares Issue. Given that the validity period of the Shareholders' resolutions on 25 September 2019 has expired, the Board is of the view that it is necessary and in the interests of the Company and its Shareholders as a whole to propose the Extension Resolutions.

We have reviewed the conditions for the New H Shares Issue to take effect and noted that the major outstanding condition is (i) the obtaining of approval from CSRC; and (ii) the Listing Committee granting listing of and permission to deal in the New H Shares to be issued and allotted pursuant to the proposed New H Shares Issue.

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

In consideration of the Independent Shareholders' resolutions relating to the Parent Company Subscription and the New H Shares Issue, which were approved and passed by the Independent Shareholders at the AGM and the 2019 Class Meetings respectively, the validity period of these Shareholders' resolutions has expired on 25 September 2019. The Board proposes to convene the EGM and the Class Meetings for Independent Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions and the New H Shares Issue Extension Resolution).

For information of (i) the Phase I Runway Assets; (ii) valuation of the Equipment under the Runway Acquisition; (iii) payment of the consideration for the Runway Acquisition; (iv) conditions precedent in relation to the Parent Company Domestic Shares Subscription Agreements; and (v) ranking of the Subscription Shares I, please refer to our letter in the circulars of the Company dated 28 April 2017 and 18 April 2019 for details.

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

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3. Principal terms of the Parent Company Subscription

Subscription price of the Parent Company Subscription

As disclosed in the Circular, the subscription price of the Parent Company Subscription is RMB8.00 (equivalent HK\$8.93) per Subscription Shares I. We understand from the management of the Company that the subscription price of the Subscription Shares I was determined after arm's length negotiation between the Company and the Parent Company taking into account, among other things, the prevailing market price of the H Shares and the market condition.

The subscription price of RMB8.00 per Subscription Shares I (equivalents to HK\$8.93) represents:

- (i.) a premium of approximately 43.8% of the closing price of HK\$6.21 per H Share as quoted on the Stock Exchange on 20 December 2018, being the last trading day in the H Shares immediately before the date on which the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement was signed ("**Last Trading Day**");
- (ii.) a premium of approximately 38.5% of the average closing price of HK\$6.446 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading day up to and including the Last Trading Day;
- (iii.) a premium of approximately 35.5% of the average closing price of HK\$6.59 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day up to and including the Last Trading Day;
- (iv.) a premium of approximately 61.5% of the closing price of HK\$5.53 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v.) a premium of approximately 68.7% of the average closing price of HK\$5.29 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 73.9% of the average closing price of HK\$5.14 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading day up to and including the Latest Practicable Date.

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

- (vii.) a premium of approximately 72.7% of the closing price of HK\$5.17 per H Share as quoted on the Stock Exchange on the 24 September 2019, being the date of the announcement of the Company in relation to the Extension Resolutions ("**Extensions Announcement Day**");

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- (viii.) a premium of approximately 69.6% of the average closing price of approximately HK\$5.264 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including Extensions Announcement Day;
- (ix.) a premium of approximately 71.6% of the average closing price of approximately HK\$5.204 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including Extensions Announcement Day; and
- (x.) a premium of approximately 78.5% of the average closing price of approximately HK\$5.004 per H Share as quoted on the Stock Exchange for the last twenty (20) consecutive trading days up to and including Extensions Announcement Day.

In any event, solely for Independent Shareholders' additional reference, the Subscription Price of HK\$4.69 per Subscription Share represents:

- (i.) a discount of approximately 8.4% to the closing price of HK\$5.12 per H Share as quoted on the Stock Exchange on 27 September 2019, being the last trading day prior to the date of the Subscription Agreement;
- (ii.) represents a discount of approximately 8.5% to the average closing price of HK\$5.128 per H share as quoted on the Stock Exchange for the last five (5) trading days prior to the date of the Subscription Agreement;
- (iii.) represents a discount of approximately 9.9% to the average closing price of HK\$5.208 per H share as quoted on the stock Exchange for the last ten (10) trading days prior to the date of the Subscription Agreement; and
- (iv.) represents a discount of approximately 7.6% to the average closing price of HK\$5.078 per H share as quoted on the stock Exchange for the last twenty (20) trading days prior to the date of the Subscription Agreement.

As indicated above, the subscription price of RMB8.00 per Subscription Shares I represents premium as compared to the historical H Share closing price on and prior to the Last Trading Day, the Extensions Announcement Day and the Latest Practicable Date. Meanwhile, with reference to the Subscription allotted to the Investor who is not connected to the Group, the Subscription Price represents discount to recent H Share closing price on and prior to the date of the Subscription Agreement. We are in the view that the subscription price of RMB8.00 per Subscription Shares I was more favourable to the Company and the Shareholders as a whole.

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To assess the fairness and reasonableness of the subscription price per Subscription Shares I, we have also endeavoured to identify all listed companies in Hong Kong which are principally engaged in the airport management and operation services in the PRC; and recorded a net profit in the latest financial year of 2018 and examined the price to net asset value multiple (the “**P/B Ratio**”) as well as price to earnings multiple (the “**P/E Ratio**”) by comparing with the closing prices of such companies as quoted on the Extensions Announcement Day. We have identified only one company whose H shares are also listed on the Main Board of the Stock Exchange, namely Beijing Capital International Airport Co., Ltd. (Stock Code: 694) (“**Beijing Capital**”) and is principally engaged in the ownership and operation of the international airport in Beijing, the PRC and the provision of related services. However, we consider Beijing Capital’s size of operation in terms of revenue, net profit, net asset value and market capitalization are substantially larger than those of the Company, so which shall not be regarded as directly comparable with the Company. In any event, solely for Independent Shareholders’ additional reference, we have noted from our independent analysis that the P/B Ratio and P/E Ratio of Beijing Capital accounted for approximately 0.54 times and 4.52 times, which were higher than that of the Company implied by the subscription price of the Subscription Shares I of RMB8.00 (equivalent to HK\$8.93) at approximately 0.24 times and 1.87 times, respectively, as at the Extensions Announcement Day, which we consider mainly due to a higher premium attributable to the much profitable and sizeable scale of operation in terms of the net profit (approximately 4.57 times) and net asset value (approximately 4.96 times) of Beijing Capital when compared to that of the Company.

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Comparison with other subscription exercises

As an alternative way for making meaningful analyses, we have tried to identify those domestic share subscription exercises with fixed subscription/issue price starting from 1 October 2017 up to the Extensions Announcement Day, being a period of approximately two complete calendar years, comprising the date of the relevant agreement as announced by companies listed on the Stock Exchange (the “**Comparable Issues**”). We consider that the period over two calendar years being a reasonable period of time to provide a general overview of the recent domestic share subscription exercises which are reflective of the latest market conditions and sentiments. To the best of our knowledge and belief, such nine transactions are eligible and sufficient for us to make a meaningful comparison and analysis. Base on the aforesaid selection criteria, we consider that the list of the Comparable Issues is an exhaustive list and details of which are as follows:

Company name (stock code)	Date of announcement	Subscription/ issue price RMB'	Premium/ (Discount) of subscription/ issue price over/ (to) the closing price of H shares as at the Extensions Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %	Premium/ (Discount) of subscription/ issue price over/ (to) the average closing price of H shares for the last five trading days up to and including the Extensions Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %
Xi'an Haitian Antenna Technologies Company Limited (8227)	2/8/2019	0.21	(93.77)	(93.78)
China Evergrande Group (3333)	20/6/2019	6.00	37.18	31.12
Beijing Capital International Airport Company Limited (694)	30/4/2019	6.1784	3.15	3.36
Shaanxi Northwest New Technology Industry Company Limited (8258)	27/12/2018	0.122	(17.26)	(17.26)
Shanghai Fudan Microelectronics Group Company Limited (1385)	13/12/2018	5.73	(19.73)	(19.91)
Xinte Energy Company Limited (1799)	13/11/2018	7.78	11.96	16.71

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Company name (stock code)	Date of announcement	Subscription/ issue price RMB'	Premium/ (Discount) of subscription/ issue price over/ (to) the closing price of H shares as at the Extensions Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %	Premium/ (Discount) of subscription/ issue price over/ (to) the average closing price of H shares for the last five trading days up to and including the Extensions Announcement Day/ last trading days immediately before the date on which the subscription agreement was signed %
Sinopharm Group Company Limited (1099)	11/7/2018	24.97	(5.61)	(3.05)
Jiangsu Nandasoft Technology Company Limited (8045)	11/4/2018	0.147	0.00	8.11
Xi'an Haitian Antenna Technologies Company, Limited (8227)	10/10/2017	0.21	(96.65)	(96.44)
	Maximum		37.18	31.12
	Minimum		(96.65)	(96.44)
	Average		(20.08)	(19.02)
	Median		(5.61)	(3.05)
The Company (357)	As at Extension Announcement Day (24/9/2019)	8.00	72.7	69.6

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

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

- (i) the considerable premiums of approximately 43.8% and 72.7% represented by the subscription price of the Subscription Shares I to the closing price on the Last Trading Day and the Extensions Announcement Day respectively lie well above the range of premiums/discounts represented by the Comparable Issues on the relevant last trading day immediately before the date on which the subscription agreement was signed and well above the average discount of approximately 20.08% thereof, which ranges very widely from a discount of approximately 96.6% to a premium of approximately 37.2%;
- (ii) the considerable premiums of approximately 38.5% and 69.6% represented by the subscription price of the Subscription Shares I over 5-day average closing price for the last five trading days up to the Last Trading Day and the Extensions Announcement Day and including the Last Trading Day and the Extensions Announcement Day lie well above the range of premiums/discounts represented by 5-day average closing prices of the Comparable Issues on the relevant last five consecutive trading days immediately before the date on which the subscription agreement was signed and lie well above the average discount of approximately 19.0% of the Comparable Issues, which also ranges very widely from a discount of approximately 96.4% to a premium of approximately 31.1%; and
- (iii) among the nine Comparable Issues indicated in the above table, three out of nine companies in the Comparable Issues issued their domestic shares at a premium of the domestic subscription price over the prevailing market price, which is represented by (i) the closing price of the H Share as at the last trading date immediately before the date on which the subscription agreement was signed and (ii) the average closing price of H shares for the last five consecutive trading days immediately before the date on which the subscription agreement was signed, respectively. Base on this observation, it is common for a company to issue its domestic shares at a premium of the domestic subscription price over the prevailing market price.

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In any event, solely for Independent Shareholders' additional reference for the Subscription, we have tried to identify other subscription or placing exercises with fixed subscription price under specific mandate starting from 31 March 2019 to 30 September 2019 which is the announcement date of the Subscription, being a period of six complete calendar months, comprising the date of the relevant agreement as announced by companies listed on the Stock Exchange (the "Comparable Issues II"). We consider that the period over six calendar months being a reasonable period of time to provide a general overview of the recent share subscription or placing exercises which are reflective of the latest market conditions and sentiments. To the best of our knowledge and belief, such 16 transactions are eligible and sufficient for us to make a meaningful comparison and analysis. Base on the aforesaid selection criteria, we consider that the list of the Comparable Issues II is an exhaustive list and details of which are as follows:

Company name (stock code)	Date of announcement	Subscription price HK\$'	Premium/(Discount) of subscription price over/(to) the closing price of H shares as at the last trading days immediately before the date on which the subscription/ placing agreement was signed %	Premium/(Discount) over/(to) the average closing price of H shares for the last five trading days up to and including the last trading days immediately before the date on which the subscription/ placing agreement was signed %
Evergreen Products Group Limited (1962)	20/9/2019	1.55	(14.4)	(13.4)
Global Link Communications Holdings Limited (8060)	28/8/2019	0.0348	(30.4)	(13.0)
Colour Life Services Group Co., Limited (1778)	19/7/2019	5.22	(4.2)	(3.5)
DTSX Silk Road Investment Holdings Company Limited (620)	16/7/2019	5.3873	(17.9)	(15.0)
Glory Sun Financial Group Limited (1282)	10/7/2019	0.25	(19.4)	(21.9)
Value Convergence Holdings Limited (821)	1/7/2019	0.45	(18.2)	(16.7)
FDG Electric Vehicles Limited (729)	30/6/2019	0.27	(10.0)	(10.1)
Shengjing Bank Co., Ltd. (2066)	20/6/2019	6.82	37.2	31.1

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Company name (stock code)	Date of announcement	Subscription price <i>HK\$'</i>	Premium/(Discount) of subscription price over/(to) the closing price of H shares as at the last trading days immediately before the date on which the subscription/ placing agreement was signed %	Premium/(Discount) of subscription price over/(to) the average closing price of H shares for the last five trading days up to and including the last trading days immediately before the date on which the subscription/ placing agreement was signed %
Royale Furniture Holdings Limited (1198)	5/6/2019	1.02	6.3	5.2
China Singyes Solar Technologies Holdings Limited (750)	5/6/2019	0.92	(7.1)	(6.5)
Common Splendor International Health Industry Group Limited (286)	28/5/2019	0.4	(20.0)	(20.3)
Alibaba Health Information Technology Limited (241)	23/5/2019	7.5	(2.3)	(4.2)
Jiangsu Nandasoft Technology Company Limited (8045)	14/5/2019	0.12	(3.2)	7.1
Guangdong Adway Construction (Group) Holdings Company Limited (6189)	9/5/2019	7.19	(2.2)	(2.9)
Pearl Oriental Oil Limited (632)	16/4/2019	0.02	(83.6)	(83.1)
Chong Kin Group Holdings Limited (1609)	15/4/2019	3.5	(7.9)	(10.2)
			Maximum	37.2
			Minimum	(83.6)
			Average	(12.3)
			Median	(10.1)
The Company (357)	30/9/2019	4.69	(8.4)	(8.5)

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As indicated in the above table setting out the issue statistics of the Comparable Issues II, the Subscription Price of HK\$4.69 per Subscription Share represents:

- (i) discounts of approximately 8.4% to the closing of HK\$5.12 per H Share as quoted on the Stock Exchange on 27 September 2019, being the last trading day prior to the date of the Subscription Agreement which lie above the average and within the range and of the premiums/discounts represented by the Comparable Issues II on the relevant last trading day immediately before the date on which the subscription or placing agreement was signed which ranges very widely from a discount of approximately 83.6% to a premium of approximately 37.2%; and
- (ii) discounts of approximately 8.5% to the closing price of HK\$5.128 per H share as quoted on the stock Exchange for the last five (5) trading days prior to the date of the Subscription Agreement which lie above the average and within the range of premiums/discounts represented by 5-day average closing prices of the Comparable Issues II on the relevant last five consecutive trading days immediately before the date on which the subscription or placing agreement was signed which ranges widely from a discount of approximately 83.1% to a premium of approximately 31.1%.

Having considered that the discount represented by the Subscription Price is laid above the average and within the range of the premiums/discount of subscription or issue price of the Comparable Issues II with other subscription or placing exercises, we are of the view that the level of Subscription Price is close to the market practice and is considered as fair and reasonable.

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Review on H Share price performance

The highest and lowest closing prices and the average daily closing price of the H Shares as quoted on the Stock Exchange in each month during the period commencing from 1 October 2018 up to and including the Latest Practicable Date (the “**Review Period**”) are shown as follows:

	Highest closing price HK’	Lowest closing price HK’	Average daily closing price HK’	Number of trading days in each month
2018				
October	6.99	6.62	6.81	21
November	7.36	6.74	7.03	22
December	7.12	6.21	6.60	19
2019				
January	6.78	6.29	6.59	22
February	6.83	6.69	6.75	17
March	7.32	6.56	6.94	21
April	6.81	6.36	6.58	19
May	6.38	5.56	5.95	21
June	5.72	5.41	5.57	19
July	5.70	5.40	5.56	22
August	5.34	4.60	4.81	22
September	5.45	4.59	5.07	21
October	5.37	4.88	5.16	21
November	5.40	4.97	5.14	21
December (up to and including the Latest Practicable Date)	5.53	4.83	5.03	20

Source: www.hkex.com.hk

During most of the Review Period, the monthly average daily closing price of the H Shares had been fluctuating and ranged from HK\$4.81 to HK\$7.03 per H Share (the “**Price Range**”). The lowest closing price of the H Shares at approximately HK\$4.59 per H Share was recorded in September 2019. The subscription price of the Subscription Shares I at RMB8.00 (equivalents to HK\$8.93 as at the Latest Practicable Date) is higher than the monthly average daily closing price for each month within the Price Range. The historical market price of the H Shares decreased moderately. As discussed with the management of the Company, the decrease in historical market price mainly due to the uncertainty of global economic condition in recent years, and hence its future movement would be unpredictable.

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Also, we have reviewed the price of the Company's H Shares during the past three years starting from the announcement in relation to, among others the Parent Company Subscription and New H Shares Issue dated 30 December 2016, we note that the average daily closing price of the Company's H Shares has been moving within the range from HK\$4.59 to HK\$8.30 per Share during November 2017 to December 2019 in general except for April and May 2018. We also note that the subscription price of Subscription Shares I at RMB8.00 (equivalent to approximately HK\$8.93) represents a premium over the closing price of the Company's H Shares on the Latest Practicable Date of HK\$5.53 and also represent a premium over the closing price on 27 April 2017 when the Company announced the 2017 Supplement Parent Company Domestic Shares Subscription Agreement, thus we consider the level of the subscription price of the Subscription Shares I is fair and reasonable.

Given the facts that (i) the pricing mechanism adopted by the Company for setting the subscription price of the Subscription Shares I at RMB8.00 (equivalents to HK\$8.93) had been higher than the monthly average daily closing price for each month within the Price Range; and (ii) the subscription price of the Subscription Shares I is also higher than the prevailing closing price of H Shares, and thus fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the analysis and factors set out in our letter contained in Company's circular dated 18 April 2019 and our updated analysis above, including,

- (i.) The subscription price of the Subscription Shares I remains unchanged as agreed in the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement and 2018 Supplemental Parent Company Domestic Shares Subscription Agreement which was approved in 2017 EGM and AGM, respectively;
- (ii.) The subscription price of the Subscription Shares I is higher than the prevailing market price, including the closing price of the H Share on the Last Trading Day and the Extensions Announcement Day;
- (iii.) The premium of subscription price of the Subscription Shares I is higher than the average and median premiums of subscription or issue price of the Comparable Issues with other domestic share subscription exercises; and
- (iv.) The subscription price of the Subscription Shares I is higher than the average closing price of the H Shares during the Review Period and also higher than the prevailing closing price of H Shares.

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

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

Earnings

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

Upon completion of the Parent Company Subscription (which included the acquisition of Phase I Runway Assets), there is no immediate material impact on earnings of the Group, while the above Service Fees’ sharing arrangement in the current respective ratio of 75% versus 25% between the Company and the Parent Company would be adjusted, subject to the final decision of and approval by the CAAC. It is expected that as a result of completion of the acquisition of Phase I Runway Assets, the current 25% share of Service Fees by the Parent Company would be greatly reduced in the future, and in turn further contribute to the Group’s earnings base in the long run, but the quantification of such impact will depend on the future operating performance of the Group following completion of the acquisition of Phase I Runway Assets.

Working capital

Base on the 2019 interim report, the Group’s deficiency of working capital (i.e. total current assets of approximately RMB696.2 million, less total current liabilities of approximately RMB2,491.4 million) and cash at banks and on hand as at 30 June 2019 amounted to approximately RMB264.3 million, representing a current ratio of approximately 0.28. 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 I 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 Acquisition, whilst the Parent Company Subscription would generate meaningful cash resources and enhance the net asset value of the Group.

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According to the 2019 interim report, the Group had consolidated net asset value (excluding non-controlling interests) of approximately RMB4,809.8 million as at 30 June 2019, representing a net asset value per Share of approximately RMB10.16 (equivalent to approximately HK\$11.34). The subscription price of RMB8.00 per Subscription Shares I would represent a discount of approximately 21.3% on the unaudited consolidated net asset value per Share attributable to the Shareholders of as at 30 June 2019. On such basis, it is anticipated that the total net asset value of the Group would increase immediately after the completion of the Parent Company Subscription.

Gearing position

As at 30 June 2019, the Group's interest-bearing borrowings and net asset value amounted to approximately RMB1,061.7 million and RMB4,809.8 million respectively, and hence a relatively moderate gearing ratio (which is calculated as total interest-bearing borrowings, corporate bonds and long-term payables divided by the net asset value of the Group) of approximately 22.1%. As the consideration for the Runway Acquisition will be settled by allotment and issue of new Domestic Shares to the Parent Company, it is currently anticipated that the gearing position of the Group would decrease to a lower level, because its net asset value would be enhanced following completion of the Parent Company Subscription as a whole.

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

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, 175,992,350 H Shares were held by public Shareholders which represent approximately 37.19% of the issued share capital of the Company. Immediately after the Parent Company Subscription and the Subscription, the corresponding shareholding of public Shareholders will be diluted by approximately 11.27% to approximately 25.92%. In view of such scenario, the dilution of shareholding appears to be pretty material, while such dilution is inevitable on the grounds that the Company (i) would take up full control over the Phase I Runway Assets without expending any cash resources or incur any liability of the Group so as to alleviate its reliance on the operational support by the controlling Shareholder in the long-term future; and (ii) would have received considerable amount of net proceeds from allotment and issue of the Subscription Shares and Subscription Shares I to the Subscriber and the Parent Company, respectively. 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 in this circular.

LETTER FROM OCTAL CAPITAL

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 benefit of the Runway Acquisition, (ii) the possible enhancement and broadening of shareholders' capital base of the Company upon completion of the Subscription and the Parent Company Subscription and (iii) the expected increase in the total net asset value of the Group upon completion of the Subscription and the Parent Company Subscription, we consider that the dilution of the shareholding will outweigh the dilution impact to the Independent Shareholders and is fair and reasonable, so far as the Independent Shareholders are concerned.

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung **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 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 is disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.mlairport.com>) respectively:

- annual report of the Company for the year ended 31 December 2016 published on 18 April 2017 (pages 167 to 272) (<http://www.hkexnews.hk/listedco/listconews/sehk/2017/0418/ltn20170418381.pdf>);
- annual report of the Company for the year ended 31 December 2017 published on 18 April 2018 (pages 141 to 268) (<http://www.hkexnews.hk/listedco/listconews/sehk/2018/0418/ltn20180418381.pdf>); and
- annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 (pages 156 to 264) (<https://www.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418428.pdf>).

2. INDEBTEDNESS

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Group had total indebtedness as follows:

	<i>RMB'000</i>
Current	
Short-term borrowings	896,485
Total borrowings	896,485
Representing:	
– guaranteed and secured (a)	896,485
Total borrowings	896,485
Obligations under finance leases	
Obligations under finance leases without guarantee (b)	60,813
Obligations under entrusted loan	
Obligation under entrusted loan with guarantee (c)	27,776
Obligation under entrusted loan without guarantee (d)	846,167
Total indebtedness	1,831,241

- (a) On 19 October 2018, the Company entered into a working capital loan agreement with Haikou Branch of Nanyang Commercial Bank (China) Limited, whereby the Company obtained guaranteed borrowing of RMB379,450,000 with fixed interest rate of 6.8% per annum.

On 23 August 2019, the Company entered into a borrowing agreement with Aero Infrastructure Investment Company Limited, whereby the Company obtained borrowing of US\$75,000,000, which was equivalent to approximately RMB517,035,000, with a borrowing rate of 10% (within four months after the date of drawdown) and 15% (over four months but within six months after the date of drawdown) per annum.

- (b) Payables for finance lease represent the minimum lease payments for the Group's fixed assets held under finance leases less unrecognised finance charges. As at 31 October 2019, the unrecognised financing charge amounted to RMB3,790,303. As at 31 October 2019, the payables for finance lease amounted to RMB60,812,527, of which RMB58,739,397 is due within one year.
- (c) Payable for entrusted loans represents the minimum payment of entrusted loan provided by Dongyin Financial Leasing (Tianjin) Co., Ltd.* (東銀融資租賃(天津)有限公司) to the Group less unrecognised finance charges. As at 31 October 2019, the balance of entrusted loans payable was RMB27,776,094, of which RMB23,234,123 is due within one year. Such loan was guaranteed by the Parent Company.
- (d) Payable for entrusted loans represents the minimum payment of entrusted loan provided by HNA Group Co., Ltd.* (海航集團有限公司) and Haikou Meilan International Airport Co., Ltd.* (海口美蘭國際機場有限責任公司) to the Group. As at 31 October 2019, the balance of entrusted loans payable was RMB846,166,625, of which RMB846,166,625 is due over one year.

Co-borrowing

In relation to the construction of the phase II expansion project of Meilan Airport (the “**Phase II Expansion Project**”), in February 2018, the Parent Company (as the borrower) and the Company (as the co-borrower) has entered into the RMB Syndicated Loan Agreement for the Phase II Expansion Project of Haikou Meilan International Airport (the “**Syndicated Loan Agreement**”) with China Development Bank (as the leading bank), Industrial and Commercial Bank of China Limited and Agricultural Bank of China Limited (as participating banks) with a total loan facility of RMB7.8 billion (the “**Syndicated Loan**”), which shall be specially used for the Phase II Expansion Project. The term of the Syndicated Loan is 20 years. Pursuant to the Syndicated Loan Agreement, the Company as the co-borrower shares the rights, obligations and responsibilities with the Parent Company, and is jointly liable for the repayment under the Syndicated Loan Agreement. The restrictions, e.g. statement of guarantee, draw-down and repayments, default and liabilities of default, set out in the Syndicated Loan Agreement on the Parent Company are all applicable to the Company.

On 1 February 2018, the Parent Company and the Company have entered into an agreement in respect of the allocation of total loan facilities of RMB7.8 billion under the Syndicated Loan Agreement, pursuant to which the facilities were allocated to the Parent Company and the Company at RMB3.9 billion each. The airport land and the buildings of the Company were pledged as collateral for the Syndicated Loan. Meanwhile, the Company agreed to pledge the land and aboveground buildings of the Phase II Expansion Project and the assets of the Phase II Expansion Project (including but not limited to land and buildings above ground) formed after completion of its construction as the collateral for the Syndicated Loan.

As at 31 October 2019, the Parent Company has drawn down the loans totalling RMB3.232 billion while the Company has not yet drawn down any amount from the Syndicated Loan. Up to the Latest Practicable Date, the overdue debt of the Parent Company has constituted a default event as defined in the Syndicated Loan Agreement. The lender of the Syndicated Loan has the right to take one or more measures, including but not limited to (i) suspending loan issuance; (ii) cancelling all or part of the total promised loan amount; (iii) announcing the pre-maturity of the loan and requesting the borrower to repay the principal and interest of the loan issued within a time limit. Up to the Latest Practicable Date, the Company and the Parent Company have not obtained the written waiver from the loan syndicate and the Company and the Parent Company have not received any notice from the lender of the Syndicated Loan to take the above measures, and the loan syndicate further lent RMB1.944 billion for the Phase II Expansion Project on 5 December 2019.

At the close of business on 31 October 2019, the Group had no other 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 2019, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2019.

3. WORKING CAPITAL

As at 31 October 2019, the Group's net current liabilities amounted to RMB1,821,865,920 (31 December 2018: net current liabilities of RMB3,176,313,406). Meanwhile, the Company and the Parent Company are jointly constructing the Phase II Expansion Project, the total investments of the part the Company is responsible for is estimated to be approximately RMB7.2 billion. Unutilised credit limit of the Syndicated Loan amounted to RMB3.9 billion. The Company needs funds to support the construction of such project and settle relevant debts.

The management of the Company has prepared the Group's cash flow forecast covering the period of not less than 12 months from the date of this circular. In determining whether the working capital of the Group is sufficient, the management of the Company has made the following key assumptions:

- (i) Meilan Airport will maintain normal operations for the foreseeable future and will generate stable cash flow from operating activities for the Company.

- (ii) The Parent Company Subscription and the New H Shares Issue will be approved by CSRC and completed as scheduled.
- (iii) The syndicate lender will continue to disburse loan in accordance with the Syndicated Loan Agreement, and will not take one or more of the following measures in respect of the debt default by the Parent Company, including but not limited to (i) suspending loan issuance; (ii) cancelling all or part of the total promised loan amount; (iii) announcing the pre-maturity of the loan and requesting the borrower to repay the principal and interest of the loan disbursed within a time limit.

The Parent Company Subscription and New H Shares Issue are subject to the approval by CSRC, and the management are not aware of any failure to meet the requirements set by CSRC in the current review process.

As mentioned in Co-borrowing under section 2, the overdue debt of the Parent Company has constituted a default event as defined in the Syndicated Loan Agreement. As such, there are significant uncertainties about the sufficiency of working capital of the Group. However, the Phase II Expansion Project is an important signature project of Hainan for the construction of a free trade zone and a free trade port with Chinese characteristics. There has been ongoing coordination between the Parent Company and the Company in respect of the funding required for the project construction. Hainan Provincial Government has provided assistance in carrying on the construction of the Phase II Expansion Project and coordinating the disbursement of the loan. According to the latest information that the Company has obtained, the loan syndicate of the Phase II Expansion Project will continue to disburse loan according to the proportion of capital contribution of the Phase II Expansion Project. The loan syndicate continued to disburse loan in the amount of RMB1.944 billion for the Phase II Expansion Project on 5 December 2019.

In addition, the management of the Company is also seeking to avoid above-mentioned uncertainties by implementing other measures, including but not limited to:

- (1) the Parent Company is in the course of seeking to obtain written waivers from the relevant creditors for the debt overdue and cross defaults;
- (2) the Parent Company and the Company are in negotiation with relevant Shareholders and the loan syndicate regarding the availability of follow-up funds for the Phase II Expansion Project;
- (3) the Company will consider negotiating roll-over arrangements with relevant borrowing banks in due course, and the Company will continue to seek other external financing, including bond issuance, and continuously seek new financing channels.

If the above-mentioned conditions could not be satisfied and the Group fails to take other measures to defer the repayment of bank borrowings and construction costs due within the next 12 months, the Group will not have sufficient working capital for its present requirements that is for at least the next 12 months from the date of this circular.

The Directors have reviewed the Group's cash flow forecast prepared by the management of the Company. In the opinion of the Directors, after taking into account the Group's available internal resources (including internally generated funds and available bank and other financing resources) and the expected proceeds from the Parent Company Subscription and the New H Shares Issue, and in the consideration of the above key assumptions, the Group has sufficient working capital to meet its current requirements for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances of the Group.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2018, the Group recorded an audited revenue of RMB1,703,824,329, and a net profit attributable to Shareholders of RMB622,041,325. Earnings per share was RMB1.31.

The Company considers that in 2020, with the development strategy of the “One Belt, One Road” (一帶一路) and the comprehensive and in-depth promotion of the construction of pilot free trade zone, free-trade port and international tourism island in Hainan and the continuous opening of the tax-free policy of the outlying islands, the international and domestic routes of Meilan Airport is expected to run smoothly and the annual passenger throughput will gradually increase. The Company will focus on implementing the “13th Five-Year” Development Plan of the Civil Aviation Administration and the “Action Plan of Building Belt and Road Initiatives for Civil Aviation (2016–2030)” and “Action Plan for the Construction of a Strong Civil Aviation Power in the New Era”, insist on equal emphasis on safety and efficiency, continuously strengthen the construction of safety services, fully promote the development of the aviation market and enhance its core competitiveness, strengthen the international port construction, cross-border e-commerce, international distribution and international re-export functions, build an aviation logistics network linking Australia and New Zealand and Southeast Asia, and comprehensively enhance the profitability of non-aviation business at Meilan Airport. The Company will extensively participate in industry authoritative accreditation including ACI (Airports Council International) to strengthen positive interaction with the media and enhance brand value. Through capital operation and maintaining relationship with the investors, the Company will establish a sound corporate value management system. Through roadshows, performance conference and other events, the Company is expected to promote the enhancement of corporate value and strive to achieve the healthy and sustainable development of Meilan Airport so that all shareholders of the Company will receive feedback with more brilliant achievements.

Aviation Business

In 2020, the Company will focus on improving the aviation market development in the two flight seasons of civil aviation by focusing on two core indicators, namely, improving the use of available time slots and passenger load factor, thereby fostering a larger passenger throughput to lay a good and solid foundation for the completion of annual production tasks. We will continue to promote the expansion of time slots and their utilisation to solve the development bottlenecks; continue to improve the fine management of flights to achieve business transformation and expansion. We will widen the amount of services provided at check-in desks and accelerate the construction of the international transit hub.

Non-aviation Business

In 2020, the Company will be proactively “identifying potential passengers and expanding throughput”, with the goal of creating normalized brand promotions, data-oriented development, precision marketing; strengthening market research; comprehending passenger consumption needs; and establishing a routine marketing mechanism; comprehensively enhancing revenue from non-aviation business of Meilan Airport.

In the meantime, the Company will also substantiate efforts in brand promotion, and improve the service quality of Meilan Airport; optimise the financial structure to ensure funding balance; strengthen the safety management and control to smoothly realize the 22nd year of safety operation of Meilan Airport; push forward the infrastructure construction at all strength. While ensuring the steady progress of infrastructure projects under construction at Meilan Airport, vigorously push forward the construction of the Phase II Expansion Project, strive to turn Meilan Airport into a comprehensive multi-dimensional transportation hub in northern Hainan, covering the whole Hainan Province and connecting Southeast Asia, by 2020.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Director's Interest and Short Position

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

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

As at the Latest Practicable Date, none of the Directors has any material interest, directly or indirectly, in any asset which, since 31 December 2018, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

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

Each of Mr. Wang Zhen, the chairman of the Company, and Mr. Wang Hong, Mr. Wang Hexin, Mr. Yu Yan and Mr. Xing Zhoujin, who are executive Directors, also serves as a director of the Parent Company, respectively. Save as disclosed above, as at the Latest Practicable Date, no other Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' Interests in Shares

As at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

Domestic Shares

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

H Shares

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Aero Infrastructure Fund L.P. (Note 2)	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
HOPU USD Master Fund III Management Holding Co. Ltd. (Note 2)	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
Cheyne Walk Investment Pte. Ltd. (Note 2)	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
GIC Infra Holdings Pte. Ltd. (Note 2)	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
GIC (Ventures) Pte. Ltd. (Note 2)	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
GIC Special Investments Private Limited (Note 2)	Investment manager	200,000,000(L)	88.14%	42.26%
GIC Private Limited (Note 2)	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
Soaring Eagle Industrial Limited (Note 3)	Beneficial owner	50,920,650(L)	22.44%	10.76%
Liang Yiming (Note 3)	Interest of controlled corporations	50,920,650(L)	22.44%	10.76%
Zhang Gaobo (Note 4)	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Zhang Zhiping (<i>Note 4</i>)	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Oriental Patron Financial Services Group Limited (<i>Note 4</i>)	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Oriental Patron Financial Group Limited (<i>Note 4</i>)	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Oriental Patron Resources Investment Limited (<i>Note 4</i>)	Beneficial owner	42,647,350(L)	18.79%	9.01%
UBS Group AG (<i>Note 5</i>)	Security interests in shares and interest of controlled corporations	31,331,012(L)	13.81%	6.62%
UBS AG (<i>Note 6</i>)	Beneficial owner, security interests in shares and interest of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%
ARC Capital Holdings Limited (<i>Note 7</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited (<i>Note 7</i>)	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. (<i>Note 7</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited (<i>Note 7</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited (<i>Note 7</i>)	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited (<i>Note 7</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Pacific Alliance Group Limited (<i>Note 7</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited (<i>Note 7</i>)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited (<i>Note 7</i>)	Beneficial owner	32,788,500(L)	14.45%	6.93%
JP Morgan Chase & Co. (<i>Note 8</i>)	Beneficial owner and custodian corporation/ approved lending agent	13,607,488(L)	5.99%	2.88%
Greenwoods Asset Management Limited (<i>Note 9</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Unique Element Corp. (<i>Note 9</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi (<i>Note 9</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited (<i>Note 9</i>)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. According to the disclosure of interest on the website of the Stock Exchange, Aero Infrastructure Fund L.P. was deemed to hold 200,000,000 Shares through its interest in Aero Infrastructure Holding Company Limited. 200,000,000 H Shares to be subscribed by Aero Infrastructure Holding Company Limited shall be subject to, among others, the approval of the Shareholders of the Company of the extension of validity period of the Specific Mandate. Upon completion of the Subscription, Aero Infrastructure Holding Company Limited will be interested in approximately 46.85% of the total issued H Shares as enlarged by the Subscription. Aero Infrastructure Fund L.P. is a limited partnership acting through Aero Infrastructure Fund GP Limited as its general partner. Cheyne Walk Investment Pte. Ltd. is the only limited partner that holds more than 1/3 limited partnership interest in Aero Infrastructure Fund L.P. Aero Infrastructure Fund GP Limited was held as to 100% by HOPU USD Master Fund III Management Holding Co. Ltd. Cheyne Walk Investment Pte. Ltd. was held as to 100% by GIC Infra Holdings Pte. Ltd., which was in turn held as to 100% by GIC (Ventures) Pte. Ltd., which was in turn held as to 100% by GIC Special Investments Private Limited, which was in turn held as to 100% by GIC Private Limited.
3. According to the disclosure of interest on the website of the Stock Exchange, Liang Yiming held 100% interest in Soaring Eagle Industrial Limited.

4. According to the disclosure of interest on the website of the Stock Exchange, Zhang Gaobo and Zhang Zhiping held 49% and 51% interest in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
5. According to the disclosure of interest filed by UBS Group AG on the website of the Stock Exchange, UBS Group AG was deemed to hold 13,393,812 Shares through its security interest and hold 17,937,200 Shares through its interest in a controlled corporation. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A. and UBS AG were wholly-owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 440,000, 660,300, 16,749,100 and 87,800 long position Shares in the Company, respectively.
6. According to the disclosure of interest filed by UBS AG on the website of the Stock Exchange, among the 27,174,400 Shares in the Company, UBS AG was deemed to hold 8,896,000 Shares through security interest, and 18,263,400 Shares through interests of a controlled corporation and 15,000 long position Shares and 15,000 short position Shares as beneficial owner. UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd were wholly-owned by UBS AG. UBS AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 14,194,100 Shares, 1,905,000 Shares, and 2,164,300 Shares in the Company, respectively.
7. According to the disclosure of interest on the website of the Stock Exchange, PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 Shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 Shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company.
8. According to the disclosure of interest filed by JP Morgan Chase & Co. on the website of the Stock Exchange, among the 13,607,488 Shares in the Company, JP Morgan Chase & Co. was deemed to hold 12,963,588 Shares as custodian corporation/approved lending agent and hold 643,900 Shares as beneficial owner.
9. According to the disclosure of interest on the website of the Stock Exchange, Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited. 81% interest in Greenwoods Assets Management Holdings Limited was held by Unique Element Corp., which in turn was wholly owned by Jiang Jinzhi. Greenwoods Asset Management Limited held 13,549,000 Shares through its interests in controlled corporations.
10. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

3. SERVICE CONTRACTS

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

4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, the date to which the latest audited financial statements of the Group were made up.

5. LITIGATION

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

6. EXPERT AND CONSENT

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

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

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

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

7. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Xing Zhoujin. Mr. Xing Zhoujin, aged 54, an economist, has engaged in corporate governance of listed companies for years and participated in relevant trainings provided by securities regulatory authorities at home and abroad.
- (b) The registered address of the Company is at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC.
- (c) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text.

8. MATERIAL CONTRACTS

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

- (a) the Parent Company Domestic Shares Subscription Agreement;
- (b) the domestic shares subscription agreement dated 30 December 2016 (the “**Hainan HNA Domestic Shares Subscription Agreement**”) entered into between the Company and HNA Infrastructure Investment Group Company Limited* (海航基礎設施投資集團股份有限公司) (“**Hainan HNA**”) in relation to the subscription of new Domestic Shares by Hainan HNA;
- (c) the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (d) the supplemental domestic shares subscription agreement dated 27 April 2017 (the “**Supplemental Hainan HNA Domestic Shares Subscription Agreement**”) entered into between the Company and Hainan HNA in relation to the subscription of new Domestic Shares by Hainan HNA;
- (e) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (f) the termination agreement dated 21 December 2018 (the “**Termination Agreement**”) entered into between the Company and Hainan HNA to terminate the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement; and
- (g) the Subscription Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at 10th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the Parent Company Domestic Shares Subscription Agreement;
- (c) the Hainan HNA Domestic Shares Subscription Agreement;
- (d) the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (e) the Supplemental Hainan HNA Domestic Shares Subscription Agreement;
- (f) the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (g) the Termination Agreement;
- (h) the Subscription Agreement;
- (i) the letter from the Board, the text of which is set out on pages 8 to 32 of this circular;
- (j) the letter from the Independent Board Committee to the Independent Shareholders;
- (k) the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders;
- (l) the annual reports of the Company for each of the three financial years ended 31 December 2016, 2017 and 2018;
- (m) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (n) the circular of the Company dated 18 April 2019; and
- (o) this circular.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

A. THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

Background

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

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

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

Subscription Shares I

Pursuant to the Parent Company Domestic Shares Subscription Agreements, the Parent Company agreed to subscribe the Subscription Shares I, which include: (i) 189,987,125 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company; and (ii) 12,500,000 new Domestic Shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,060.73).

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

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

- Date:** 30 December 2016 and as amended by the 2017 Supplemental Parent Company Domestic Shares Subscription Agreement dated 27 April 2017 and the 2018 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 December 2018
- Parties:** (a) the Company; and
- (b) the Parent Company.

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

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

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

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

- (a) a premium of approximately 61.5% of the closing price of HK\$5.53 per H Share as quoted on the Stock Exchange on the Latest Practicable Day;
- (b) a premium of approximately 68.7% of the average closing price of approximately HK\$5.29 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Latest Practicable Day; and
- (c) a premium of approximately 73.9% of the average closing price of approximately HK\$5.14 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Latest Practicable Day.

The aggregate nominal value of Subscription Shares I is RMB202,487,125.

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

Conditions precedent

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

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

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

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

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

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

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

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

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

Unless the parties otherwise agree in writing, the Parent Company Domestic Shares Subscription Agreements will automatically terminate if the completion of the Parent Company Subscription does not happen on the same date as the completion of the proposed New H Shares Issue. The Board undertakes that the Parent Company Subscription will be completed on the same day as the proposed New H Shares Issue and within a term of nine months, from 26 September 2019 to 25 June 2020, otherwise the Company will re-comply with the requirements under the Listing Rules, including re-obtaining the approval of the Shareholders (if necessary).

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

B. INFORMATION OF THE PHASE I RUNWAY ASSETS

The Phase I Runway Assets which consist of Phase I runway of Meilan Airport and other auxiliary facilities, are located at the Meilan Airport in Haikou City, Hainan Province, the PRC. Phase I runway of Meilan Airport is approximately 3,600 meters long and 60 meters wide, equipped with the parallel taxiway which is approximately 3,600 meters long and 44 meters wide, 78 aircraft parking stands, globally advanced navigational lighting aid system, communication navigation equipment and other service facilities. It can satisfy the full-weight takeoff and landing requirements of large aircrafts, such as Boeing 747-400 and handled more than 24 million passengers in recent years. The original cost of the construction of the Phase I Runway Assets of the Parent Company was approximately RMB575,291,000.

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

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

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

C. LISTING RULES IMPLICATIONS OF THE PARENT COMPANY SUBSCRIPTION

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

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

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

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

D. REASONS FOR AND BENEFITS OF THE PARENT COMPANY SUBSCRIPTION AND THE NEW H SHARES ISSUE

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

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

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

2. Equity fundraising to improve working capital

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

APPENDIX III DETAILS OF THE PARENT COMPANY SUBSCRIPTION

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

(a) Earnings

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

(b) Total assets and liabilities

As disclosed in the annual report of the Group for the year ended 31 December 2018, the Group had total assets of RMB8,866,140,984 as at 31 December 2018. As disclosed in the interim report of the Group for the six months ended 30 June 2019, the Group had total assets of RMB8,935,458,217 as at 30 June 2019. Upon the completion of the acquisition of the Phase I Runway Assets, it is expected that the total assets of the Group will increase. The acquisition of the Phase I Runway Assets will not have any impact on the liabilities of the Group.

For other information in relation to the Parent Company Subscription, please refer to the circular of the Company dated 7 January 2020.

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Proposed Amendments are set out below:

Existing Articles of Association	Revised Articles of Association
<p>Article 29:</p> <p>When reducing its registered capital, the Company shall prepare the balance sheet and the inventory of assets.</p> <p>Within ten (10) days from passing the resolution on the reduction of registered capital, the Company shall notify its creditors, and shall publish announcements at least three times in the newspapers within thirty (30) days. Creditors have the right to request the Company to repay its debts or provide guarantee for repayment within thirty (30) days from receiving the notice of capital reduction, or within ninety (90) days from the first announcement published for those creditors not receiving such a notice.</p> <p>The amount of the Company’s registered capital after reduction shall not be lower than the minimum of the legal requirement.</p>	<p>Article 29:</p> <p>When reducing its registered capital, the Company shall prepare the balance sheet and the inventory of assets.</p> <p>Within ten (10) days from passing the resolution on the reduction of registered capital, the Company shall notify its creditors, and shall publish announcements in the newspapers within thirty (30) days. Creditors have the right to request the Company to repay its debts or provide guarantee within thirty (30) days from receiving the notice of capital reduction, or within forty-five (45) days from the date of announcement published for those creditors not receiving such a notice.</p> <p>The amount of the Company’s registered capital after reduction shall not be lower than the minimum of the legal requirement.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 30:</p> <p>The Company may repurchase its issued shares, after passing the procedures as stipulated in the Articles of Association and receiving the approval of the relevant supervisory authorities of the State Council, under the following conditions:</p> <ol style="list-style-type: none"> (1) Reducing the Company’s capital; (2) Merging with other companies which hold the Company’s shares; (3) Awarding its staff with the Company’s shares; (4) Acquiring shares held by shareholders with a different vies in respect of resolutions regarding merger or division adopted in a general meeting; and (5) Other conditions permitted by laws and administrative. 	<p>Article 30:</p> <p>The Company may repurchase its issued shares, after passing the procedures as stipulated in the Articles of Association and receiving the approval of the relevant supervisory authorities of the State Council, under the following conditions:</p> <ol style="list-style-type: none"> (1) Reducing the Company’s registered capital; (2) Merging with other companies which hold the Company’s shares; (3) Using the shares in employee shares ownership plans or equity incentives; (4) Acquiring shares held by shareholders with a different vies in respect of resolutions regarding merger or division adopted in a general meeting; (5) Using the shares for converting company-issued corporate bonds convertible into shares; (6) Being necessary to maintain the value of the Company and the rights and interests of its shareholders; and (7) Other conditions permitted by laws and administrative.

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 31:</p> <p>After receiving the approval of the relevant supervisory authorities in the State Council, the Company may repurchase its shares by one of the following methods:</p> <ol style="list-style-type: none"> (1) Offering repurchase tenders to all shareholders on a pro-rata basis; (2) Repurchasing shares in the open market; or (3) Repurchasing shares by agreement outside the stock exchange. 	<p>Article 31:</p> <p>After receiving the approval of the relevant supervisory authorities in the State Council, the Company may repurchase its shares by one of the following methods:</p> <ol style="list-style-type: none"> (1) Offering repurchase tenders to all shareholders on a pro-rata basis; (2) Repurchasing shares in the open market; (3) Repurchasing shares by agreement outside the stock exchange; or (4) Others means stipulated by laws or administrative regulations. <p>However, if the Company acquires its shares under the circumstances as stipulated in Items (3), (5) and (6) of Article 30 of the Articles of Association, it shall be conducted by way of open centralized transaction.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 32:</p> <p>The acquisition of the Company’s shares for reason as stipulated from Item (1) to Item (3) of Article 30 of the Articles of Association or the repurchase of shares by agreement outside the stock exchange shall be first approved by shareholders in the general meeting according to the rules of the Articles of Association. After getting approved by the same procedures in the shareholders’ general meeting, the Company may cancel or amend the agreement reached by the method afore-mentioned, or give up any right in the contract.</p> <p>The afore-mentioned agreement on the repurchase of shares includes, but not limited to, agreements on taking the responsibility to repurchase shares and receiving the right of share repurchase.</p> <p>The Company shall not transfer the contracts on the repurchase of its shares and any right set out thereunder. For the right of repurchasing redeemable shares under this article, the repurchase price shall not exceed the limitation of the highest price in the event that such repurchase is not through the market or through bidding. In the event of repurchase through bidding, bidding shall be proposed equally to all the shareholders.</p>	<p>Article 32:</p> <p>The acquisition of the Company’s shares under the circumstances as stipulated in Item (1) and Item (2) of Article 30 of the Articles of Association or the repurchase of shares by agreement outside the stock exchange shall be first approved by shareholders in the general meeting according to the rules of the Articles of Association. After getting approved by the same procedures in the shareholders’ general meeting, the Company may cancel or amend the agreement reached by the method afore-mentioned, or give up any right in the contract. Where the Company acquires its shares under the circumstances as stipulated in Items (3), (5) and (6) of Article 30 of the Articles of Association, it shall be made as prescribed by the Articles of Association or under the authorization by the general meeting and approved by way of a resolution at the board meeting attended by more than two thirds (2/3) of the directors of the Company.</p> <p>The afore-mentioned agreement on the repurchase of shares includes, but not limited to, agreements on taking the responsibility to repurchase shares and receiving the right of share repurchase.</p> <p>The Company shall not transfer the contracts on the repurchase of its shares and any right set out thereunder. For the right of repurchasing redeemable shares under this article, the repurchase price shall not exceed the limitation of the highest price in the event that such repurchase is not through the market or through bidding. In the event of repurchase through bidding, bidding shall be proposed equally to all the shareholders.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 33:</p> <p>After repurchasing shares in accordance with the relevant laws and regulations, the Company shall transfer or cancel such shares within ten (10) days from the date of acquisition for circumstances under Item (1) of Article 30 of the Articles of Association, or within six (6) months from the date of acquisition for circumstances under Item (2) and Item (4) of Article 30 of the Articles of Association. The book value of the cancelled shares shall be deducted from the Company’s registered capital and the Company shall apply to the department in charge of such company registration to register the change in its registered capital according to the law.</p> <p>The Company’s shares acquired by the Company in accordance with Item (3) of Article 30 of the Articles of Association shall not be more than five percent (5%) of the Company’s total number of issued shares. Funds used in acquiring the shares shall be disbursed from the Company’s after-tax profits. The acquired shares shall be transferred to its staff within one (1) year.</p>	<p>Article 33:</p> <p>After repurchasing shares in accordance with the relevant laws and regulations, the Company shall transfer or cancel such shares within ten (10) days from the date of acquisition for circumstances under Item (1) of Article 30 of the Articles of Association, or within six (6) months from the date of acquisition for circumstances under Item (2) and Item (4) of Article 30 of the Articles of Association. The book value of the cancelled shares shall be deducted from the Company’s registered capital and the Company shall apply to the department in charge of such company registration to register the change in its registered capital according to the law.</p> <p>After the Company repurchases shares in accordance with the relevant laws and regulations, for circumstances under Items (3), (5) and (6) of Article 30 of the Article of Association, the total number of shares of the Company held by the Company shall not be more than ten percent (10%) of the Company’s total number of issued shares and shall be transferred or cancelled within three (3) years.</p>
<p>Article 45:</p> <p>Within thirty (30) days of the convening of the shareholders’ general meeting, or five (5) days prior to the book close closing date for distribution of dividends, no registration is permitted in the register of shareholders for any change to the register as a result of share transfer.</p>	<p>Article 45:</p> <p>Within twenty (20) days of the convening of the shareholders’ general meeting, or five (5) days prior to the book close closing date for distribution of dividends, no registration is permitted in the register of shareholders for any change to the register as a result of share transfer. However, if there is any other provision in relation to the registration of changes of the Company’s register of shareholders stipulated by the law or the listing rules of the place where the Company’s shares are listed, such provision shall prevail.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 59:</p> <p>Shareholders’ general meetings can be classified into annual general meetings and extraordinary general meetings. Shareholders’ general meetings are convened by the board of directors. Annual general meetings are held once a year and shall be held within six (6) months after the end of the previous financial year.</p> <p>Extraordinary shareholders’ general meetings are required to be held within two months after the occurrence of any of the following events:</p> <ol style="list-style-type: none"> (1) The number of directors is less than the number provided for in the “Company Law” or less than two thirds (2/3) of the number specified in the Company’s Articles of Association; (2) The aggregate losses of the Company which are not made up reach one third (1/3) of the Company’s total share capital; (3) A request in writing by shareholders singly or jointly holding ten percent (10%) (containing ten percent (10%)) or more of the Company’s voting rights; (4) When deemed necessary by the board of directors or requested by the supervisory committee; or (5) When requested by two or more independent non-executive directors. 	<p>Article 59:</p> <p>Shareholders’ general meetings can be classified into annual general meetings (also referred to as “shareholders’ annual general meetings”) and extraordinary general meetings. Shareholders’ general meetings are convened by the board of directors. Annual general meetings are held once a year and shall be held within six (6) months after the end of the previous financial year.</p> <p>Extraordinary shareholders’ general meetings are required to be held within two months after the occurrence of any of the following events:</p> <ol style="list-style-type: none"> (1) The number of directors is less than the number provided for the “Company Law” or less than two thirds (2/3) of the number required by the Articles of Association; (2) The aggregate losses of the Company which are not made up reach one third (1/3) of the Company’s total paid-up share capital; (3) A request in writing by shareholders singly or jointly holding ten percent (10%) (containing ten percent (10%)) or more of the Company’s voting rights; (4) When deemed necessary by the board of directors or requested by the supervisory committee; or (5) When requested by two or more independent non-executive directors.

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 60:</p> <p>A written notice of the shareholders’ general meeting, stating the matters to be considered at the meeting and the venue and date of the meeting, shall be given to all shareholders in the register forty-five (45) days before the meeting convened by the Company. Shareholders wishing to attend are required to give to the Company their written replies of attendance twenty (20) days prior to the meeting.</p>	<p>Article 60:</p> <p>When the Company convenes an annual general meeting, it shall notify all the shareholders twenty (20) business days before the meeting (exclusive of the date of the meeting) by means of public announcement stating the time, venue of and matters to be considered at the meeting. When the Company convenes an extraordinary general meeting, it shall notify all the shareholders fifteen (15) days or ten (10) business days (whichever is longer) before the meeting (exclusive of the date of the meeting) by means of public announcement.</p> <p>The business day referred to in the Articles of Association shall mean a day on which the Hong Kong Stock Exchange is open for business for dealing in securities.</p>
<p>Article 61:</p> <p>When the Company convenes the annual general meeting, shareholders singly or jointly holding three percent (3%) or more of the Company’s total shares with voting rights are entitled to propose in writing to the Company any interim resolutions to be considered at that meeting and submit to the convener ten (10) days before the meeting. The convener of the shareholders’ general meeting shall make a supplementary notice to other shareholders within two (2) days upon the receipt of the resolutions and the resolutions, if within the powers of the shareholders’ general meeting, are required to be added to the agenda of that meeting for consideration by shareholders in the general meeting.</p>	<p>Article 61:</p> <p>When the Company convenes the general meeting, shareholders singly or jointly holding three percent (3%) or more of the Company’s total shares with voting rights are entitled to propose in writing to the Company any interim resolutions to be considered at that meeting and submit to the convener of the general meeting ten (10) days before the meeting. The contents of the proposal shall be within the scope of the functions and powers of the general meeting, and have definite topics and specific matters for resolution. The convener of the general meeting shall make a supplementary notice within two (2) days upon the receipt of such proposal and such proposal, if within the powers of the shareholders’ general meeting, are required to be added to the agenda of that meeting for consideration by shareholders in the general meeting, and ensure to announce the contents of the proposal ten (10) business days before the general meeting.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 62:</p> <p>Based on the written replies received twenty (20) days prior to the meeting, the Company can calculate the number of shares with voting rights represented by the shareholders attending the meeting. If the number of shares with voting rights represented by the attending shareholders reach half (1/2) or above of the total number of shares with voting rights of the Company, the shareholders’ general meeting can be convened. If not, the Company shall within five (5) days from the last day for receipt of the replies notify the shareholders again by public announcement the matters to be considered, and the date and place of the meeting. The Company may then convene the shareholders’ general meeting.</p> <p>An extraordinary general meeting may not announce any items not included in the agenda.</p>	<p>Article 62:</p> <p>A shareholders’ general meeting shall not decide on any matter not stated in the notice of the shareholders’ general meeting.</p>
<p>Article 63:</p> <p>A notice of the shareholders’ meeting shall meet the following requirements:</p> <p>.....</p> <p>(3) Specify the date of registration of shares held by shareholders entitled to attend the shareholders’ general meeting;</p> <p>.....</p>	<p>Article 63:</p> <p>A notice of the shareholders’ meeting shall meet the following requirements:</p> <p>.....</p> <p>(3) Specify the date of registration of shares held by shareholders entitled to attend the shareholders’ general meeting; the interval between the shares registration date and the date of the meeting shall be subject to the requirements by listing rules of the place where the Company’s shares are listed;</p> <p>.....</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 64:</p> <p>Notices of shareholders’ general meetings shall be delivered by special delivery or by postal mail (whether or not the shareholders have the voting rights in the meetings). Notices shall be mailed according to the addresses in the register of shareholders. For shareholders of domestic shares, notices of shareholders’ general meetings can also be made by public announcement. As for shareholders of overseas listed foreign shares, notices of shareholders’ general meetings can also be delivered or made through the Company’s website or methods as stipulated by the Listing Rules from time to time, provided that the laws, administrative regulations and the listing rules of the stock exchange where the Company’s shares are listed are observed.</p> <p>The announcement mentioned above shall be made within forty-five (45) to fifty (50) days prior to the date of the shareholders’ general meeting, published in one or several of the national newspapers designated by the institution in charge of securities supervision and administration in the State Council. After the announcement, shareholders of domestic shares are deemed to have received the notice of the shareholders’ general meeting.</p>	<p>Article 64:</p> <p>Notices of shareholders’ general meetings shall be delivered by special delivery or by postal mail (whether or not the shareholders have the voting rights in the meetings). Notices shall be mailed according to the addresses in the register of shareholders. For shareholders of domestic shares, notices of shareholders’ general meetings can also be made by public announcement. As for shareholders of overseas listed foreign shares, notices of shareholders’ general meetings can also be delivered or made through the Company’s website or methods as stipulated by the Listing Rules from time to time, provided that the laws, administrative regulations and the listing rules of the stock exchange where the Company’s shares are listed are observed.</p> <p>The announcement mentioned above shall be published in one or more newspaper(s) designated by the securities regulatory authorities under the State Council. After the announcement, shareholders of domestic shares are deemed to have received the notice of the shareholders’ general meeting.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 90:</p> <p>When convening a class shareholders’ meeting, a written notice, containing agenda, date and venue of the meeting, shall be given to all class shareholders in the register of shareholders forty-five (45) days prior to the meeting. Shareholders wishing to attend the meeting shall return to the Company a written reply to confirm their attendance twenty (20) days prior to the meeting.</p> <p>When the voting rights represented by shareholders attending the meeting reach half (1/2) or more of the total, the Company may convene the class shareholders’ meeting. If not, the Company shall within five (5) days notify its shareholders the agenda, date and place by means of announcement. After such announcement, the Company may convene the class shareholders’ meeting.</p>	<p>Article 90:</p> <p>When convening a class shareholders’ meeting, the Company shall issue an announcement or written notice to notify all the registered shareholders of the said class of the matters to be considered at the meeting, and the date and venue of the meeting twenty (20) business days (applicable to a class shareholders’ meeting being convened at the same time as the annual general meeting)(exclusive of the date of meeting), fifteen (15) days or ten (10) business days (whichever is longer)(applicable to a class shareholders’ meeting not being convened at the same time as the annual general meeting) (exclusive of the date of meeting).</p> <p>If there is any special provision in the listing rules of the place where the Company’s shares are listed, such provision shall prevail.</p>
<p>Article 98:</p> <p>The board of directors shall meet at least twice (2) a year. The chairman convenes the meeting and shall notify all directors and supervisors ten (10) days before the meeting.</p> <p>Shareholders representing ten percent (10%) or more of the voting rights, more than one-third (1/3) of the directors, the supervisory committee, two (2) or more independent non-executive directors, or the general manager may propose for convening an extraordinary meeting of the board of directors. The chairman of the board of directors shall convene and preside over the meeting within ten (10) days upon the receipt of such proposal.</p>	<p>Article 98:</p> <p>The board of directors shall meet at least twice (2) a year. The chairman convenes the meeting and shall notify all directors and supervisors ten (10) days before the meeting.</p> <p>Shareholders representing ten percent (10%) or more of the voting rights, more than one-third (1/3) of the directors, the supervisory committee, two (2) or more independent non-executive directors, or the general manager may propose for convening an extraordinary meeting of the board of directors. The chairman of the board of directors shall convene and preside over the meeting within ten (10) days upon the receipt of such proposal.</p> <p>If there is any special provision in the listing rules of the place where the Company’s shares are listed, such provision shall prevail.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Existing Articles of Association	Revised Articles of Association
<p>Article 99:</p> <p>Notices for the convening of regular or extraordinary meeting of the board of directors can be delivered by the following methods:</p> <p>.....</p> <p>(2) If the board has not fixed the time and venue for the regular meeting, the chairman shall instruct the secretary for the board to serve notice of the time and venue of the board meeting by cable, telegraph, fax, special delivery, registered mail, electronic mail or by person to all directors and supervisors ten (10) days prior to the meeting;</p> <p>.....</p>	<p>Article 99:</p> <p>Notices for the convening of regular or extraordinary meeting of the board of directors can be delivered by the following methods:</p> <p>.....</p> <p>(2) If the board has not fixed the time and venue for the regular meeting, the chairman shall instruct the secretary for the board to serve notice of the time and venue of the board meeting by cable, telegraph, fax, special delivery, registered mail, electronic mail or by person to all directors and supervisors ten (10) days prior to the meeting; If there is any special provision in the listing rules of the place where the Company’s shares are listed, such provision shall prevail;</p> <p>.....</p>
<p>Article 182:</p> <p>Add Article 182 and the existing Article 182 and 183 are proposed to be renumbered</p>	<p>Article 182:</p> <p>If the provisions of the Article of Association are inconsistent with the applicable laws, administrative regulations, or the listing rules of the place where the Company’s shares are listed, the laws, administrative regulations or the listing rules of the place where the Company’s shares are listed shall prevail.</p>

The Articles of Association and the Proposed Amendments are written in Chinese without any official English version. The English version is for reference only. If there is any inconsistency between the English and Chinese versions of the Articles of Association, the Chinese version shall prevail.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

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

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

(Stock Code: 357)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 10:00 am on Friday, 21 February 2020 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 7 January 2020 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020;
2. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Circular):
 - 2.1. Class of Shares to be issued;
 - 2.2. Time of issuance;
 - 2.3. Size of issuance;
 - 2.4. Ranking of New H Shares;
 - 2.5. Listing;
 - 2.6. Method of issuance;
 - 2.7. Target places;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- 2.8. Pricing mechanism;
- 2.9. Method of subscription;
- 2.10. Accumulated profits;
- 2.11. Use of proceeds;
- 2.12. Validity period of the resolutions;
3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020. Such matters include but are not limited to:
 - (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;
 - (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
 - (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
 - (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
 - (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
 - (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
 - (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;
5. To consider and approve the Proposed Amendments; and
6. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding five (5) per cent or more of the shares carrying the right to vote at such meeting.

By order of the Board
Hainan Meilan International Airport Company Limited*
Wang Zhen
Chairman

Hainan Province, the PRC
7 January 2020

As at the date of this notice, the Board comprises (i) five executive directors, namely Mr. Wang Zhen, Mr. Wang Hong, Mr. Wang Hexin, Mr. Yu Yan and Mr. Xing Zhoujin; (ii) two non-executive directors, namely Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* *For identification purposes only*

Notes:

- (A) The Company's register of members will be closed from Wednesday, 22 January 2020 to Friday, 21 February 2020 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 January 2020.
- (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 Tuesday, 21 January 2020 are entitled to attend and vote at the EGM after complying with the necessary registration procedures.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (C) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete and return the reply slips for attending the EGM to the office of the secretary to the Board not later than 20 days before the date of the EGM, i.e. no later than Saturday, 1 February 2020. Holders of H shares and domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the office of the secretary to the Board are as follows:

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

- (D) Each holder of H shares who has the right to attend and vote at the 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.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its Board or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (F) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. Notes (D) and (E) also apply to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to the office of the secretary to the Board, the address of which is set out in Note (C) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (G) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his authorized representative, which specifies the date of its issuance. If the legal representative of the holder of legal person share(s) attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person share(s) appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.
- (H) 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.
- (I) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the 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 a domestic shareholders class meeting (the “**Domestic Shareholders Class Meeting**”) of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 10:00 am on Friday, 21 February 2020 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 7 January 2020 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020;
2. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Circular):
 - 2.1. Class of Shares to be issued;
 - 2.2. Time of issuance;
 - 2.3. Size of issuance;
 - 2.4. Ranking of New H Shares;
 - 2.5. Listing;
 - 2.6. Method of issuance;
 - 2.7. Target places;

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- 2.8. Pricing mechanism;
- 2.9. Method of subscription;
- 2.10. Accumulated profits;
- 2.11. Use of proceeds;
- 2.12. Validity period of the resolutions;
3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020. Such matters include but are not limited to:
 - (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;
 - (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
 - (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
 - (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
 - (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
 - (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
 - (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;
5. To consider and approve the Proposed Amendments; and
6. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding five (5) per cent or more of the shares carrying the right to vote at such meeting.

By order of the Board
Hainan Meilan International Airport Company Limited*
Wang Zhen
Chairman

Hainan Province, the PRC
7 January 2020

As at the date of this notice, the Board comprises (i) five executive directors, namely Mr. Wang Zhen, Mr. Wang Hong, Mr. Wang Hexin, Mr. Yu Yan and Mr. Xing Zhoujin; (ii) two non-executive directors, namely Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* *For identification purposes only*

Notes:

- (A) The Company's register of members will be closed from Wednesday, 22 January 2020 to Friday, 21 February 2020 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the Domestic Shareholders Class Meeting, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 21 January 2020.
- (B) Holders of the domestic shares of the Company whose names appear on the Company's register of members of domestic shares Limited at the close of business on Tuesday, 21 January 2020 are entitled to attend and vote at the Domestic Shareholders Class Meeting after complying with the necessary registration procedures.

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (C) Holders of domestic shares of the Company, who intend to attend the Domestic Shareholders Class Meeting, must complete and return the reply slips for attending the Domestic Shareholders Class Meeting to the Secretary Office to the Board not later than 20 days before the date of the Domestic Shareholders Class Meeting, i.e. no later than Saturday, 1 February 2020. Holders of domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the secretary office to the Board are as follows:

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

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

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

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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 an H shareholders class meeting (the “**H Shareholders Class Meeting**”) of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 10:00 am on Friday, 21 February 2020 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 7 January 2020 (the “**Circular**”).

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020;
2. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Circular):
 - 2.1. Class of Shares to be issued;
 - 2.2. Time of issuance;
 - 2.3. Size of issuance;
 - 2.4. Ranking of New H Shares;
 - 2.5. Listing;
 - 2.6. Method of issuance;
 - 2.7. Target places;

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- 2.8. Pricing mechanism;
- 2.9. Method of subscription;
- 2.10. Accumulated profits;
- 2.11. Use of proceeds;
- 2.12. Validity period of the resolutions;
3. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020;
4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of nine (9) months, from 26 September 2019 to 25 June 2020. Such matters include but are not limited to:
 - (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;
 - (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
 - (c) negotiate and enter into subscription agreements with the placees and/or the placing agreement with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);
 - (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
 - (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
 - (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
 - (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
 - (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;
5. To consider and approve the Proposed Amendments; and
6. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding five (5) per cent or more of the shares carrying the right to vote at such meeting.

By order of the Board
Hainan Meilan International Airport Company Limited*
Wang Zhen
Chairman

Hainan Province, the PRC
7 January 2020

As at the date of this notice, the Board comprises (i) five executive directors, namely Mr. Wang Zhen, Mr. Wang Hong, Mr. Wang Hexin, Mr. Yu Yan and Mr. Xing Zhoujin; (ii) two non-executive directors, namely Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* *For identification purposes only*

Notes:

- (A) The Company's register of members will be closed from Wednesday, 22 January 2020 to Friday, 21 February 2020 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the H Shareholders Class Meeting, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, 21 January 2020.
- (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 Tuesday, 21 January 2020 are entitled to attend and vote at the H Shareholders Class Meeting after complying with the necessary registration procedures.

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- (C) Holders of H shares of the Company, who intend to attend the H Shareholders Class Meeting, must complete and return the reply slips for attending the H Shareholders Class Meeting to the Secretary Office to the Board not later than 20 days before the date of the H Shareholders Class Meeting, i.e. no later than Saturday, 1 February 2020. Holders of H shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the secretary office to the Board are as follows:

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

- (D) Each holder of H shares who has the right to attend and vote at the H Shareholders Class Meeting (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the H Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its Board or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the H Shareholders Class Meeting or any adjournment thereof in order for such documents to be valid.
- (F) If a proxy attends the H Shareholders Class Meeting on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his authorized representative, which specifies the date of its issuance. If the legal representative of the holder of legal person share(s) attends the H Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person share(s) appoints a representative of a company other than its legal representative to attend the H Shareholders Class Meeting, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.
- (G) The H Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the H Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.
- (H) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the H Shareholders Class Meeting will demand a poll in relation to all the proposed resolutions at the H Shareholders Class Meeting.