

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

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

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

(Stock Code: 357)

**MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE LEASE AGREEMENT**

MAJOR AND CONNECTED TRANSACTIONS

The Board announces that on 9 November 2022, the Company (as lessee), and the Parent Company (as lessor) entered into the Lease Agreement in respect of the leasing of the Leased Assets for a term of three years commencing from 1 January 2023 to 31 December 2025.

References are made to the announcements of the Company dated 30 November 2020 and 11 March 2021 in relation to the Apron Lease Agreement entered into between the Company and the Parent Company and the New Cargo Terminal Lease Agreement entered into between Meilan Freight, a subsidiary of the Company, and the Parent Company, respectively. Pursuant to the Lease Agreement, the Parties agreed that the Apron Lease Agreement and the New Cargo Terminal Lease Agreement, among others, shall be terminated from the Commencement Date.

LISTING RULES IMPLICATIONS

Pursuant to CAS21-Lease, the entering into of the Lease Agreement by the Company will require the Group to recognise the Leased Assets as right-of-use assets on its consolidated statement of financial position. Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The unaudited value of right-of-use asset recognised by the Company under the Lease Agreement amounted to approximately RMB1,575 million (equivalent to approximately HK\$1,843 million).

As the highest applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to CAS21-Lease based on the upper limit of the rental fees under the Lease Agreement is more than 25%, the entering into of the Lease Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Parent Company holds 50.19% of the total issued Shares of the Company and is a controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to CAS21 – Lease based on the upper limit of the rental fees under the Lease Agreement is more than 25%, the entering into of the Lease Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the early termination of the Apron Lease Agreement and the New Cargo Terminal Lease Agreement will result in a decrease in the amount of right-of-use asset recognised by the Company, it will be regarded as a disposal of asset by the Group under the definition of transaction in Rule 14.04(1)(a) of the Listing Rules. The unaudited value of the remaining right-of-use asset recorded by the Company under the Apron Lease Agreement and the New Cargo Terminal Lease Agreement amounted to approximately RMB22.7 million (equivalent to approximately HK\$26.6 million) on an aggregated basis.

As the highest applicable percentage ratio(s) as defined under the Listing Rules in respect of the disposal of right-of-use assets by the Company based on the remaining right-of-use assets under the Apron Lease Agreement and the New Cargo Terminal Lease Agreement on an aggregated basis is more than 0.1% but less than 5%, and the Parent Company is a controlling Shareholder of the Company and therefore a connected person of the Company under the Listing Rules, the termination of the Apron Lease Agreement and the New Cargo Terminal Lease Agreement constitutes a connected transaction for the Company and is subject to the reporting and announcement requirements, but exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Extraordinary General Meeting will be convened and held by the Company to consider and, if thought fit, approve the Lease Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Lease Agreement and the transactions contemplated thereunder and the view of the Independent Board Committee and the Independent Financial Adviser will be despatched to the Shareholders on or before 30 November 2022.

INTRODUCTION

The Board announces that on 9 November 2022, the Company (as lessee), and the Parent Company (as lessor) entered into the Lease Agreement in respect of the leasing of the Leased Assets for a term of three years commencing from 1 January 2023 to 31 December 2025.

THE LEASE AGREEMENT

Material terms of the Lease Agreement

The material terms of the Lease Agreement are as follows:

Date: 9 November 2022

Parties: (1) the Company (as lessee); and
(2) the Parent Company (as lessor).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Parent Company holds 50.19% of the total issued Shares of the Company and is a controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules.

Leased Assets: The Leased Assets comprise of:

- (1) Meilan Airport Phase I: lands, buildings, structures and equipment, which includes the Domestic Shares Subscription Assets; and
- (2) Meilan Airport Phase II: lands, buildings, structures and equipment,

such as the airport runways, security inspection assets, water and power supply assets, logistics and support assets (including lands, buildings, structures, and equipment).

In light of the large scale of the Leased Assets under the Lease Agreement, and in order to ensure the continuous operation of Meilan Airport and enhance the commercial operability of the Parties, the Parties agreed that the scope and subject matter of the Leased Assets under the Lease Agreement may be reasonably adjusted pursuant to the then conditions and use of the Leased Assets (including but not limited to the use of necessary substitute assets and/or the renovated Leased Assets), provided that the variation of the aggregate rental fee under the Lease Agreement payable by the Company to the Parent Company during the term of the lease in accordance with the terms of the Lease Agreement is within the range of 5%.

During the term of the Lease Agreement, the Parent Company may enter into financing arrangement(s) (including but not limited to finance lease(s) and financing guarantee(s)) using all or part of the Leased Assets to meet its normal and commercial needs, provided that:

- (1) the Parent Company shall ensure that the Company is entitled to continuously use such assets without interruption during the term of the Lease Agreement;
- (2) the rental fee of such assets and all other relevant matters shall remain the same as agreed by the Parties under the Lease Agreement and shall not be adjusted or amended by reason of the financing arrangement(s) entered into by the Parent Company; and
- (3) the Parent Company shall consult the Company on the financing plans prior to entering into any financing arrangement(s) with such assets mentioned above, and submit copies of relevant financing agreement(s) or contract(s) (including any supplemental agreement(s) or contract(s) thereunder) with third party(ies) to the Company within ten (10) days upon execution.

Provided that the above conditions are fulfilled, the Company may voluntarily, after taking into account the transactions between the Parent Company and the third party(ies), cooperate and sign relevant agreement(s) as appropriate to facilitate the financing arrangement(s).

Under any circumstances, in the event that the relevant assets are seized, detained, put to an auction or sale by any judicial or administrative authority due to the financing arrangement(s), resulting or likely to result in the Company being unable to continuously use such assets without interruption in accordance with the terms of the Lease Agreement, the Parent Company shall promptly apply for and complete the unblocking and release of such assets per the Company's request, and/or actively assist and cooperate with the Company to exercise the right of first refusal to acquire such assets in the auction or sale, or the Company may elect to terminate the Lease Agreement or the lease of such assets, and the Parent Company shall compensate the Company for all resulting losses and expenses.

Usage:

The Leased Assets shall be used in accordance with the planning, design, function, use and/or the approval of the relevant civil aviation governing authorities (if any) of such assets and for the management, operation and support of Meilan Airport. The Company shall not change the above-mentioned use of the Leased Assets in breach of the Lease Agreement without consent of the Parent Company.

Term: three years commencing from 1 January 2023 to 31 December 2025.

In respect of the Domestic Shares Subscription Assets: the validity period of the Shareholders' resolution and authorisation granted to the Board in relation to the Parent Company Subscription expired on 17 September 2022 and was extended for a further twelve (12) months (i.e. from 18 September 2022 to 17 September 2023) in the extraordinary general meeting and class meetings of the Domestic Shareholders and the H Shareholders of the Company held on 8 November 2022. For details, please refer to the announcement of the Company dated 8 August 2022, the circular of the Company dated 30 September 2022 and the poll results announcement of the extraordinary general meeting and class meetings of the Company dated 8 November 2022. In the event that the Parent Company subscribes for the Subscription Shares with the Domestic Shares Subscription Assets as consideration during the term of the Lease Agreement, the lease of the relevant Domestic Shares Subscription Assets shall end on the date of completion of allotment of the Subscription Shares to the Parent Company (i.e. the date of registration of such Subscription Shares under the name of the Parent Company with China Securities Depository and Clearing Corporation Limited). Accordingly, the rental fee in respect of the relevant Domestic Shares Subscription Assets shall continue to accrue under the Lease Agreement only until the day immediately preceding the date on which the Company completes the issuance of such Domestic Shares to the Parent Company.

Rental fee: The aggregate annual rental fee for the Leased Assets payable by the Company to the Parent Company under the Lease Agreement shall be approximately RMB557 million (equivalent to approximately HK\$652 million) (calculated on the basis of 365 days per year and excluding VAT), subject to potential adjustment within a range of 5% due to change in the scope and subject matter of the Leased Assets as set out in the sub-section headed "Leased Assets" above.

If there is any change to the scope of the Leased Assets within the term of the Lease Agreement (including but not limited to the acquisition of the ownership or state-owned land use rights of any part of the Leased Assets by the Company due to any other transaction arrangements, loss of any part of the Leased Assets for reasons other than the Company or the reasonable adjustment of the scope and subject matter of the Leased Assets by the Parties in accordance with the Lease Agreement), the Parties shall adjust the rental fee for the Leased Assets accordingly.

In the event of early termination of the Lease Agreement or expiry of the term of the lease of any part of the Leased Assets prior to the expiry of the Lease Agreement, the rental fee for the Leased Assets shall be calculated as follows:

The actual number of days during which the relevant part of the Leased Assets is leased by the Company * Daily rental fee (*Note*)

Note: Daily rental fee = Annual rental fee/365

The rental fee under the Lease Agreement has been determined based on the fair and just principles, after arm's length negotiations between the Parties with reference to the aggregated market rental fee of approximately RMB557 million (equivalent to approximately HK\$652 million) as appraised by the Valuer, (a) in relation to the valuation of the leased value of the lands, adopting the market approach and (b) in relation to the valuation of the leased value of the buildings, structures and equipment, based on their market value, which is arrived at by adopting the depreciated replacement cost approach, and the discounted capitalisation rates.

If the passenger throughput of Meilan Airport decreases during the term of the Lease Agreement due to force majeure such as pandemic, the Parties shall reduce or exempt the rental fee after negotiation based on the objective circumstances and the principles of fairness and reasonableness.

Payment terms:

Unless otherwise agreed between the Parties, the rental fee together with VAT shall be settled and paid on a monthly basis. The Company shall pay, upon the end of each month, the rental fee for the Leased Assets together with any VAT on the rental fee based on the then applicable rate for the previous month to the bank account designated by the Parent Company within fifteen (15) Business Days after receipt of the invoices issued by the Parent Company (or any later date as then agreed by the Parties).

- Conditions precedent:** The Lease Agreement shall become effective subject to the fulfilment of the following Conditions:
- (1) the Lease Agreement being signed by each Party's legal representative or authorized representative under the seals of each Party;
 - (2) the Lease Agreement and the lease of the Leased Assets contemplated thereunder being approved at the shareholders' meeting of the Parent Company; and
 - (3) the Lease Agreement and relevant transactions contemplated thereunder being approved by the Independent Shareholders at the Extraordinary General Meeting.
- Renewal:** In the event the Company intends to renew the Lease Agreement upon its expiry, it shall express such intention to the Parent Company no later than ninety (90) days before the term expires. Subject to consent of the Parent Company and completion of the relevant processes and approvals by the Company in compliance with the relevant Listing Rules, the Lease Agreement may be renewed by the Parties upon negotiation and by entering into a renewal lease agreement.
- The Parent Company shall ensure that the Company shall have the priority to renew the lease of the Leased Assets under any circumstances and conditions.
- Operation of the Leased Assets:** The Company shall, from the Commencement Date, be entitled to all income and benefits arising from the operation and management of the Leased Assets and shall bear all costs and expenses (including, among others, insurance costs as well as repairs and maintenance expenses for daily operation) incurred in the course of operating and managing the Leased Assets, unless otherwise provided in the Lease Agreement or agreed by the Parties.
- Sub-lease:** During the term of the Lease Agreement, the Company shall be entitled to sub-lease or otherwise entrust the whole or any part of the Leased Assets to any subsidiary(ies) or associate(s) of the Company for management and operation in the manner as it determines. The Company and/or its subsidiary(ies) and/or its associate(s) shall be entitled to enter into any business contract or agreement in relation to the Leased Assets (including but not limited to franchise, lease and/or cooperation contract or agreement) with any third party according to its business needs in the course of managing and operating Meilan Airport.

From the Commencement Date, the Parent Company and/or its associate(s) shall cancel and/or terminate all existing contracts and/or agreements entered into with any third party(ies) relevant to the operation and management of the Leased Assets, and the Company and/or its subsidiary(ies) will enter into relevant contracts and/or agreements with eligible third parties according to the actual situation of the operation of the Leased Assets; or with the consent of the Company, the Company and/or its subsidiary(ies) may succeed the rights and obligations of the Parent Company and/or its associate(s) under the above-mentioned relevant contracts and/or agreements from the Commencement Date, provided that the Parent Company and/or its associate(s) shall bear all their debts, obligations and liabilities under such relevant contracts and/or agreements as at the day immediately preceding the Commencement Date.

Right of first refusal: In the event that the Parent Company proposes to dispose of the Leased Assets, the Company shall have the right of first refusal under the same conditions.

Termination: The Lease Agreement may be terminated:

- (1) by written consent between the Parties;
- (2) upon occurrence of a force majeure event, by agreement between the Parties;
- (3) in the event that any defaulting Party commits a material breach of the terms of the Lease Agreement, and fails to remedy or ratify such breach within thirty (30) days after receiving a written notice issued by the other non-defaulting Party requesting the defaulting Party to immediately take remedial or ratifying action in respect of such breach, the non-defaulting Party shall be entitled to terminate the Lease Agreement unilaterally by written notice;
- (4) in the event that either Party fails to perform or fails to perform promptly or properly any of its obligations under the Lease Agreement, resulting in failure to achieve any purpose of the Lease Agreement, the other Party shall be entitled to terminate the Lease Agreement unilaterally by written notice; or
- (5) any other circumstances and manners in which agreements may be terminated as provided by applicable laws.

Other material terms

The Parent Company agreed to apply the rental fees received under the Lease Agreement in priority for repayment of the liabilities incurred to fund the Phase II Expansion Project under the Supplemental Investment and Construction Agreement and related loans and bonds and/or the due liabilities under any financing arrangement(s) using the Leased Assets (including but not limited to finance lease(s) and financing guarantee(s)) (if any), or other due liabilities under the Leased Assets (if any), where the failure to discharge such due liabilities may lead to the seizure, detention, prohibition or restriction on use or auction or sale of relevant Leased Assets, which might affect the use of such Leased Assets by the Company. In the event that the Parent Company fails to repay the amount under above-mentioned due liability, the Company is entitled to repay/pay such amount directly on behalf of the Parent Company to the relevant creditors after issuing written notice to the Parent Company and directly deduct the same amount from the rental fees payable to the Parent Company.

The Parties agreed that the revenue arisen from Meilan Airport (including Meilan Airport Phase I and Meilan Airport Phase II) prior to the Commencement Date shall be distributed between the Parties pursuant to the Current Operation Model and the Agreement on Runway and the Airport Composite Services Agreement applicable thereto. All relevant distribution and payment shall be made by the Parties in full within 180 days after the Commencement Date (or any later date as then agreed by the Parties).

References are made to the announcements of the Company dated 18 August 2019, 30 November 2020 and 11 March 2021 in relation to the Airport Composite Services Agreement and Apron Lease Agreement entered into between the Company and the Parent Company, and the New Cargo Terminal Lease Agreement entered into between Meilan Freight, a subsidiary of the Company, and the Parent Company, respectively. Pursuant to the Lease Agreement, the Parties agreed that any existing agreement(s) or contract(s) between the Company and/or its subsidiary(ies) and the Parent Company and/or its associate(s) (excluding the Company and its subsidiary(ies)) in relation to the operation of Meilan Airport shall be terminated from the Commencement Date, including but not limited to the Airport Composite Services Agreement, the Apron Lease Agreement and the New Cargo Terminal Lease Agreement, and all outstanding amounts and charges (if any) due under such contracts/ agreements shall be settled by the Parties within ninety (90) Business Days from the Commencement Date (or such other later date as may then be mutually agreed upon by the Parties). The Company and/or its subsidiary(ies) and the Parent Company and/or its associates will not be required to pay any default fee, penalty or any other fees or payments in relation to such early terminations of the above-mentioned agreements, except for amounts payable but not yet been paid (if any) under the relevant agreements.

FINANCIAL IMPACTS OF ENTERING INTO OF THE LEASE AGREEMENT

Pursuant to CAS21-Lease, the Group will recognise the right-of-use asset and lease liability amounting to approximately RMB1,575 million (equivalent to approximately HK\$1,843 million) in its consolidated statement of financial position at the Commencement Date. The lease liability is recognised at the present value of the aggregated lease payments made during the lease term, discounted using an incremental borrowing rate of approximately 3.9%, which is estimated based on the interest rate that the Group has to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Lease liabilities will be subsequently measured using the effective interest rate method, and will decrease upon the settlement of lease payments to the lessor accordingly. The right-of-use asset is initially measured at cost, which consists of the initial lease liability, taking into account lease payments made at or before the Commencement Date, initial direct costs, and lease incentives received (if any). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. There would be no change in net assets on the consolidated statement of financial position of the Group immediately after the entering into of the Lease Agreement.

Regarding the impact on the consolidated income statement, the Group will incur a monthly depreciation expense of the right-of-use asset over the term of the Lease Agreement on a straight line basis amounting to approximately RMB44 million (equivalent to approximately HK\$51 million).

The unaudited value of the remaining right-of-use asset recorded by the Company under the Apron Lease Agreement and the New Cargo Terminal Lease Agreement amounted to approximately RMB22.7 million (equivalent to approximately HK\$26.6 million) on an aggregated basis. It is expected that the Company will recognize a gain from early termination of the Apron Lease Agreement and the New Cargo Terminal Lease Agreement of approximately RMB1.1 million (equivalent to approximately HK\$1.3 million).

INFORMATION ON THE PARTIES

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

The Parent Company is principally engaged in ancillary airport service business in the PRC. As at the date of this announcement, the Parent Company is owned by Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司, a company controlled by the State-owned Assets Supervision and Administration Commission of Hainan Province) as to approximately 46.81%, CDB Development Fund Co., Ltd.* (國開發基金有限公司, a subsidiary of China Development Bank which is the financial policy institution directly under the State Council of China) as to approximately 14.18%, China Southern Group Capital Holding Co., Ltd.* (中國南航集團資本控股有限公司) and China National Aviation Fuel Supply Co., Ltd.* (中國航空油料有限責任公司) (each a company controlled by the State-owned Assets Supervision and Administration Commission) as to approximately 2.42% and 1.56%,

respectively. CITIC Limited indirectly holds approximately 35.03% of equity interest of the Parent Company. The State-owned Assets Supervision and Administration Commission of Hainan Province is a special institution directly under the government of Hainan Province and responsible for the supervision and administration of state-owned assets of Hainan Province. CDB Development Fund Co., Ltd.* (國開發基金有限公司) is a policy-oriented investment company focusing on investment in national key projects. China Southern Group Capital Holding Co., Ltd.* (中國南航集團資本控股有限公司) is principally engaged in equity investment, investment management services and investment consulting services. China National Aviation Fuel Supply Co., Ltd.* (中國航空油料有限責任公司) is principally engaged in the wholesale of gasoline, kerosene and diesel oil in the civil aviation system of the PRC. CITIC Limited is a company listed on the Stock Exchange (stock code:00267), mainly engaging in businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

Meilan Airport Phase II, which was jointly invested and constructed by the Parties pursuant to the Investment and Construction Agreement, was completed and put into operation on 2 December, 2021, and the Agreement on Runway in relation to Meilan Airport Phase I has already expired. Against this background, the Company and the Parent Company commenced arm's length negotiations, and the Parties mutually agreed to operate those assets of Meilan Airport of the Parent Company by way of leasing. The Company believes that the leasing model is the customary model for domestic airport operation in the PRC (under the circumstances where the assets of an airport are owned by different entities), and can ensure the stability of the Company's business operation and promote the long-term development of the Company. Specifically, the leasing model: (i) ensures the integrity of the Company's daily operations and the relevant assets required for the management of Meilan Airport; (ii) improves the efficiency and safety of the overall operation of Meilan Airport; and (iii) has a fairer pricing basis, with the rental fees determined with reference to the valuation report of a professional third-party. Based on the above-mentioned reasons, the Parent Company agrees to lease and the Company agrees to rent the Leased Assets pursuant to the terms and conditions of the Lease Agreement.

The Directors (including the independent non-executive Directors) consider that the Lease Agreement is entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

BOARD APPROVAL

The Lease Agreement and the transactions contemplated thereunder (including the termination of the Apron Lease Agreement and the New Cargo Terminal Lease Agreement) were approved by the Board.

Each of Mr. Wang Hong, Mr. Ren Kai, Mr. Xing Zhoujin, Mr. Qiu Guoliang, Mr. Li Zhiguo and Mr. Wu Jian is interested in the Lease Agreement and the transactions contemplated thereunder as they hold directorship or senior management position or other positions in the Parent Company, and therefore had abstained from voting on the relevant resolutions at the Board meeting approving the same. Mr. Wang Hong, an executive Director, the chairman of the Board and president of the Company, has served as chairman of the board of directors and the legal representative of the Parent Company, Mr. Ren Kai, an executive Director and chief financial officer of the Company, has served as the chief financial officer of the Parent Company, and Mr. Qiu Guoliang, a non-executive Director, has served as the general manager of the Parent Company since June 2022, respectively. Mr. Li Zhiguo, a non-executive Director, has served as the deputy general manager of the Parent Company, Mr. Xing Zhoujin, an executive Director, has served as the secretary to the board of directors of the Parent Company, and Mr. Wu Jian, a non-executive Director, has served as the assistant to the president of the Parent Company, respectively.

GENERAL

An Extraordinary General Meeting will be convened to consider and, if thought fit, approve the Lease Agreement and the transactions contemplated thereunder. The voting at the Extraordinary General Meeting will be taken by poll.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Fung Ching, Simon, Mr. Deng Tianlin, Mr. George F Meng and Mr. Ye Zheng, none of whom has any direct or indirect interest in the Lease Agreement and the transactions contemplated thereunder, has been established to advise the Independent Shareholders and Sorrento Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Lease Agreement and the transactions contemplated thereunder are fair and reasonable, (ii) whether the transactions contemplated under the Lease Agreement are entered into in the ordinary and usual course of business, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the Lease Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Lease Agreement and the transactions contemplated thereunder and the view of the Independent Board Committee and the Independent Financial Adviser will be despatched to the Shareholders on or before 30 November 2022.

LISTING RULES IMPLICATIONS

Pursuant to CAS21-Lease, the entering into of the Lease Agreement by the Company will require the Group to recognise the Leased Assets as right-of-use assets on its consolidated statement of financial position. Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. The unaudited value of right-of-use asset recognised by the Company under the Lease Agreement amounted to approximately RMB1,575 million (equivalent to approximately HK\$1,843 million).

As the highest applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to CAS21 – Lease based on the upper limit of the rental fees under the Lease Agreement is more than 25%, the entering into of the Lease Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Parent Company holds 50.19% of the total issued Shares of the Company and is a controlling Shareholder of the Company, and therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio(s) as defined under the Listing Rules in respect of the acquisition of right-of-use assets recognised by the Group pursuant to CAS21 – Lease based on the upper limit of the rental fees under the Lease Agreement is more than 25%, the entering into of the Lease Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the early termination of the Apron Lease Agreement and the New Cargo Terminal Lease Agreement will result in a decrease in the amount of right-of-use asset recognised by the Company, it will be regarded as a disposal of asset by the Group under the definition of transaction in Rule 14.04(1)(a) of the Listing Rules. The unaudited value of the remaining right-of-use asset recorded by the Company under the Apron Lease Agreement and the New Cargo Terminal Lease Agreement amounted to approximately RMB22.7 million (equivalent to approximately HK\$26.6 million) on an aggregated basis.

As the highest applicable percentage ratio(s) as defined under the Listing Rules in respect of the disposal of right-of-use assets by the Company based on the remaining right-of-use assets under the Apron Lease Agreement and the New Cargo Terminal Lease Agreement on an aggregated basis is more than 0.1% but less than 5%, and the Parent Company is a controlling Shareholder of the Company and therefore a connected person of the Company under the Listing Rules, the termination of the Apron Lease Agreement and the New Cargo Terminal Lease Agreement constitutes a connected transaction for the Company and is subject to the reporting and announcement requirements, but exempt from circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2020 Parent Company Domestic Shares Subscription Agreement”	the subscription agreement dated 24 July 2020 entered into between the Company and the Parent Company in relation to the Parent Company Subscription, details of which were set out in the announcement of the Company dated 24 July 2020 and the circular of the Company dated 20 August 2020
“2021 Supplemental Parent Company Domestic Shares Subscription Agreement”	the supplemental agreement dated 21 August 2021 entered into between the Company and Parent Company for the amendments of certain terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement, details of which were set out in the announcement of the Company dated 21 August 2021 and the circular of the Company dated 21 September 2021
“Agreement on Runway”	the agreement on runway entered into between the Company and Parent Company on 25 October, 2002 in relation to, among others, the operation and maintenance of the Runway, details of which were set out in the prospectus of the Company dated 6 November 2002
“Airport Composite Services Agreement”	the airport composite services agreement dated 18 August 2019 entered into between the Company and the Parent Company, pursuant to which the Parent Company agreed to provide to the Company with certain services for a term of three years commencing on 1 January 2020 and ending on 31 December 2022, details of which were set out in the announcement of the Company dated 18 August 2019, or any renewals thereof upon execution of the Lease Agreement (if applicable)
“Apron Lease Agreement”	the apron lease agreement dated 30 November 2020 entered into between the Company and the Parent Company, pursuant to which the Parent Company agreed to lease, among others, the land use right and the structures of the west boarding apron of Meilan Airport and the equipment to the Company for use of providing ground services to flights and passengers or other services within the business scope of the Company for a term of three years commencing on 1 December 2020 and ending on 30 November 2023 (both days inclusive), details of which were set out in the announcement of the Company dated 30 November 2020
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Business Day(s)”	refers to any day except Saturdays, Sundays and PRC statutory holidays, excluding Mondays to Fridays announced by the PRC government as temporary rest days, but including Saturdays and Sundays announced by the PRC government as temporary working days
“CAS”	China Accounting Standards for Business Enterprises
“Commencement Date”	the commencement date of the Lease Agreement, i.e. 1 January 2023
“Company”	海南美蘭國際空港股份有限公司 (Hainan Meilan International Airport Company Limited*), a joint stock company incorporated in the PRC with limited liability
“Condition(s)”	the condition(s) precedent to the Lease Agreements, details of which are set out in the section headed “The Lease Agreement – Material terms of the Lease Agreement – Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Current Operation Model”	the current operation model of Meilan Airport, whereby the revenue arisen from operation of certain assets of Meilan Airport operated by the Parent Company (such as the runways) is shared by the Company and the Parent Company with reference to a 75% (Company) and 25% (Parent Company) basis and the revenue arisen from operation of the other assets of Meilan Airport is attributable to the Company, details of which were set out in the announcement of the Company dated 21 August 2015 and the circular of the Company dated 7 October 2015
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which is/are subscribed for in RMB
“Domestic Shares Subscription Assets”	the target assets (including land use rights, buildings, structures and relevant equipment) of Meilan Airport Phase I, which are the consideration from the Parent Company for the Subscription Shares under the Parent Company Domestic Shares Subscription Agreements
“Domestic Shareholder(s)”	holders of Domestic Shares

“equipment”	facilities and equipment for the daily operation of Meilan Airport
“Extraordinary General Meeting”	the extraordinary general meeting to be convened by the Company for the purposes of considering and, if thought fit, approving the Lease Agreement and the transactions contemplated thereunder, including any adjournment in respect thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Lease Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Sorrento Capital”	Sorrento Capital Limited, a corporation licensed to carry out 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 Lease Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who do not have any material interests in the Lease Agreement and the transactions contemplated thereunder and are not required to abstain from voting at the Extraordinary General Meeting pursuant to the Listing Rules
“Investment and Construction Agreement”	the investment and construction agreement dated 21 August 2015 (as supplemented by the Supplemental Investment and Construction Agreement) entered into between the Company and the Parent Company in relation to the construction of the Phase II Expansion Project, details of which were set out in the announcement of the Company dated 21 August 2015 and the circular of the Company dated 7 October 2015

“Lease Agreement”	the lease agreement dated 9 November 2022 and entered into between the Company (as lessee) and the Parent Company (as lessor) in relation to the leasing of the Leased Assets
“Leased Asset(s)”	the assets to be leased by the Parent Company to the Company under the Lease Agreement, details of which are set out in the section headed “The Lease Agreement – Material terms of the Lease Agreement – Leased Assets” in this announcement
“Listing Rules”	the Listing of Securities on the Stock Exchange
“Meilan Airport”	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport*) located in Haikou City, Hainan Province, the PRC, comprising of Meilan Airport Phase I and Meilan Airport Phase II
“Meilan Airport Phase I”	Meilan Airport (excluding Meilan Airport Phase II)
“Meilan Airport Phase II”	the Phase II Expansion Project as approved pursuant to the approval of the feasibility study report in relation to the construction of the Phase II Expansion Project (《關於海口美蘭國際機場二期擴建工程可行性研究報告的批復》) (NDRC Infrastructure [2015] No. 1215) dated 2 June 2015 issued by the NDRC. For the purpose of this announcement, the airport project under the Phase II Expansion Project that was jointly invested and constructed by the Parties pursuant to the Investment and Construction Agreement
“Meilan Freight”	海南美蘭國際機場貨運有限責任公司 (Hainan Meilan International Airport Freight Co., Ltd.), a limited liability company established in the PRC on 24 February 2010, a non-wholly owned subsidiary of the Company, of which 51% equity interests were held by the Company and 49% equity interests were held by 神行速運有限公司 (VeloX Express Co., Ltd.) as at the date of this announcement
“New Cargo Terminal Lease Agreement”	the renewed lease agreement dated 11 March 2021 entered into between Meilan Freight and the Parent Company, pursuant to which the Parent Company agreed to lease, among others, the property of the new cargo terminal of Meilan Airport, to Meilan Freight for use of providing ground services to flights and passengers or other services within the business scope of Meilan Freight for a term commencing on 12 March 2021 and ending on 11 March 2023 (both days inclusive), details of which were set out in the announcement of the Company dated 11 March 2021

“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)
“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.*), a limited liability company established in the PRC and the controlling Shareholder of the Company
“Parent Company Subscription”	the subscription of the Subscription Shares by the Parent Company under the Parent Company Domestic Shares Subscription Agreements
“Parent Company Domestic Shares Subscription Agreements”	2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement
“Parties”	the parties to the Lease Agreement, namely the Company and the Parent Company
“Phase II Expansion Project”	the Phase II expansion project of Meilan Airport which comprised three parts, i.e. the airport project, an air traffic control project and a fuel supply project
“PRC”	the People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, China
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the Domestic Shareholders and the H Shareholders
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	the maximum number of 140,741,000 new Domestic Shares proposed to be subscribed by the Parent Company pursuant to the Parent Company Domestic Shares Subscription Agreements
“subsidiary”	has the meaning ascribed to it under the Listing Rules

“Supplemental Investment and Construction Agreement”	the supplemental investment and construction agreement dated 11 May 2020 entered into between the Company and the Parent Company to make certain amendments to the Investment and Construction Agreement in order to, among others, specify the allocation of investment amount between the Company and the Parent Company and arrange further financing the airport project under the Investment and Construction Agreement and the Supplemental Investment and Construction Agreement, details of which were set out in the announcement of the Company 11 May 2020 and the circular of the Company dated 20 August 2020
“Valuer”	Vigers Appraisal & Consulting Limited, an independent valuer
“VAT”	value added tax as at the Commencement Date, i.e. at the rate of 9% for lands, buildings and structures and at the rate of 13% for equipment, which are subject to adjustment from time to time according to the tax laws and regulations in the PRC
“%”	per cent

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

Hainan, the PRC
9 November 2022

Unless otherwise specified in this announcement, 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 announcement, the exchange rate of HK\$1.00 = RMB0.8548 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.

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

* *For identification purposes only*