
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

- (1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW DOMESTIC SHARES UNDER SPECIFIC MANDATE;
- (2) MAJOR TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
- (3) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION; AND
- (4) POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO RECEIPT OF FINANCIAL ASSISTANCE

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



A letter from the Board of the Company is set out on pages 8 to 35 of this circular. A letter from the Independent Board Committee is set out on pages 36 to 37 of this circular. A letter from First Shanghai Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 51 of this circular.

Notices convening the EGM and Class Meetings of the Company to be held on Tuesday, 30 September 2014 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC are set out in Appendix VII, Appendix VIII and Appendix IX to this circular. Whether or not you are able to attend the EGM or the relevant Class Meeting, you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return the forms of proxy to (a) in the case of the H Shares Shareholders, the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and (b) in the case of the Domestic Shares Shareholders, the Secretary Office to the Board at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or the relevant Class Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or the relevant Class Meeting or any adjournment thereof should you so desire.

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 Secretary Office to the Board at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC no later than Tuesday, 9 September 2014 in accordance with the instructions printed thereon.

15 August 2014

* For identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	36
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	38
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX IIA – FINANCIAL INFORMATION OF WUHAN LINKONG	IIA-1
APPENDIX IIB – FINANCIAL INFORMATION OF HAIDAO COMMERCIAL	IIB-1
APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	III-1
APPENDIX IV – VALUATION REPORTS	IV-1
APPENDIX V – REPORT FROM THE REPORTING ACCOUNTANT AND LETTER FROM THE BOARD IN RELATION TO THE VALUATION OF WUHAN LINKONG	V-1
APPENDIX VI – GENERAL INFORMATION	VI-1
APPENDIX VII – NOTICE OF THE EGM	VII-1
APPENDIX VIII – NOTICE OF THE H SHAREHOLDERS CLASS MEETING	VIII-1
APPENDIX IX – NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING	IX-1

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Accounting Standards for Business Enterprises”	the Basic Standard and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC on or after 15 February 2006
“Announcement”	the announcement of the Company dated 2 July 2014 in relation to, among others, the Subscription Agreement, the SPA and the transactions contemplated thereunder
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of directors of the Company
“Business Day”	a day excluding Saturdays, Sundays, PRC statutory holidays or on which banks in PRC are authorised or obliged to be closed for business in accordance with applicable laws and excluding any Mondays to Fridays which are announced by the PRC government as temporary rest days, but shall include any Saturday or Sunday which is announced by the PRC government as temporary business day
“Class Meetings”	the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting
“Company”	海南美蘭國際機場股份有限公司 (Hainan Meilan International Airport Company Limited*), a joint stock limited company incorporated in the PRC on 28 December 2000, the issued H Shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the date on which the completion of the SPA takes place in accordance with the terms and conditions set out therein
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Consideration”	in respect of the Wuhan Linkong Sale Shares, the consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5); in respect of the Haidao Commercial Sale Shares, the consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5)
“Consideration Shares”	the 187,039,141 new Domestic Shares to be allotted and issued by the Company to Haidao Development pursuant to the SPA
“Directors”	directors of the Company
“Domestic Share(s)”	the domestic share(s) with a nominal value of RMB1.00 each in the registered capital of the Company
“Domestic Shareholders Class Meeting”	the class meeting of Domestic Shares Shareholders to be convened and held to approve, among other things, the Subscription Agreement, the SPA and the transactions contemplated thereunder including but not limited to the grant of the specific mandate for the allotment and issue of the Subscription Shares, the specific mandate for the allotment and issue of the Consideration Shares, the corresponding amendments to the Articles as a result of the issue of the Subscription Shares and the Consideration Shares and the Registered Capital Increase
“Domestic Shares Shareholder(s)”	holder(s) of the Domestic Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Subscription Agreement, the SPA and the transactions contemplated thereunder including but not limited to the grant of the specific mandate for the allotment and issue of the Subscription Shares, the specific mandate for the allotment and issue of the Consideration Shares, the corresponding amendments to the Articles as a result of the issue of the Subscription Shares and the Consideration Shares and the Registered Capital Increase
“Enlarged Group”	the Group immediately after the Completion Date
“Group”	the Company and its subsidiaries
“H Share(s)”	H share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are listed on the Stock Exchange

DEFINITIONS

“H Shareholders Class Meeting”	the class meeting of H Shares Shareholders to be convened and held to approve, among other things, the Subscription Agreement, the SPA and the transactions contemplated thereunder including but not limited to the grant of the specific mandate for the allotment and issue of the Subscription Shares, the specific mandate for the allotment and issue of the Consideration Shares, the corresponding amendments to the Articles as a result of the issue of the Subscription Shares and the Consideration Shares and the Registered Capital Increase
“H Shares Shareholder(s)”	holder(s) of the H Shares
“Haidao Commercial”	海南海島商業管理有限公司 (Hainan Haidao Commercial Management Co., Ltd.*), a company established in the PRC with limited liability
“Haidao Commercial Sale Shares”	the 100% equity interest in Haidao Commercial held as to 90% by Haidao Development and 10% by HNA Engineering to be sold pursuant to the SPA
“Haidao Development”	海航國際旅遊島開發建設(集團)有限公司 (HNA International Tourism Island Development (Group) Co., Ltd.*), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HNA Airport”	海航機場集團有限公司 (HNA Airport Group Company Ltd.*), a company established in the PRC with limited liability
“HNA Airport Guaranteed Loan Agreements”	has the meaning ascribed to it in the paragraph headed “POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO RECEIPT OF FINANCIAL ASSISTANCE” in the “Letter from the Board” in this circular
“HNA Basic”	海航基礎產業集團有限公司 (HNA Basic Industry Group Company Ltd.*), a company established in the PRC with limited liability
“HNA Basic Guaranteed Loan Agreement”	has the meaning ascribed to it in the paragraph headed “POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO RECEIPT OF FINANCIAL ASSISTANCE” in the “Letter from the Board” in this circular
“HNA Engineering”	海南海航工程建設有限公司 (Hainan HNA Engineering Construction Co., Ltd.*), a company established in the PRC with limited liability

DEFINITIONS

“HNA Group”	海航集團有限公司 (HNA Group Company Limited*), a company established in the PRC with limited liability, which holds 0.74% registered and issued share capital of the Company as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da’an, established to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the Subscription Agreement and the specific mandate for the allotment and issue of the Subscription Shares and as to whether the Subscription Agreement and the specific mandate for the allotment and issue of the Subscription Shares are in the interests of the Company and the Independent Shareholders as a whole, after taking into account the recommendation of the Independent Financial Adviser
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription Agreement, the specific mandate for the allotment and issue of the Subscription Shares and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Parent Company and its associates and those who are involved in or interested in the transactions contemplated under the Subscription Agreement and the issuance of the Subscription Shares who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the transactions contemplated under the Subscription Agreement at the EGM and the Class Meetings
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, any third party(ies) that is (are) independent of the Company and its connected persons
“Independent Valuer”	China Enterprise Appraisal Limited, an independent valuer engaged by the Company in determining the fair value of the Wuhan Linkong Sale Shares and the Haidao Commercial Sale Shares

DEFINITIONS

“Last Trading Day”	2 July 2014, being the last trading day in the H Shares immediately before the date on which the Subscription Agreement and the SPA were signed
“Latest Practicable Date”	11 August 2014, 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
“Loan Advances”	the aggregate advances amounted to approximately RMB208,715,485 (equivalent to approximately HK\$262,832,747.8) provided by Haidao Commercial to the Related Parties and the aggregate advance amounted to approximately RMB550,000 (equivalent to approximately HK\$692,608.0) provided by Haidao Commercial to HNA Engineering as at 31 March 2014
“Loan Assignment Agreement”	the loan assignment agreement governed by PRC law and dated 2 July 2014 entered into among the Related Parties, Haidao Commercial, HNA Engineering, Haidao Development and the Company in respect of the transfer of the Loan Advances
“Meilan Airport”	海南美蘭國際機場 (Hainan Meilan International Airport*), an airport located in Haikou City, Hainan Province, the PRC
“Meilan Mianshui”	海免海口美蘭機場免稅店有限公司 (Haimian Haikou Meilan Airport Duty Free Co., Ltd.*), a company established in the PRC with limited liability
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.*), a company established in the PRC with limited liability and the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Project”	the project which involves the investment, construction and management of the Wuhan Industrial Park

DEFINITIONS

“Project Land”	the parcels of land located at Yingqun Cun at Hengdian Street, Liuxin Cun and Dalan Cun at Tianhe Street, Huangpi District, Wuhan City, Hubei Province, the PRC (中國湖北省武漢市黃陂區天河街劉辛村、大蘭村、橫店街迎群村) and legally and beneficially owned by Wuhan Linkong
“Proposed Acquisitions”	the proposed acquisition of the Wuhan Linkong Sale Shares and the Haidao Commercial Sale Shares as contemplated under the SPA
“Proposed Subscription”	the proposed subscription for the Subscription Shares by the Parent Company pursuant to the Subscription Agreement
“Registered Capital Increase”	the proposed increase in the existing registered share capital of the Company from RMB473,213,000 comprising 246,300,000 Domestic Shares and 226,913,000 H Shares to RMB726,867,157 comprising 499,954,157 Domestic Shares and 226,913,000 H Shares upon issuance of the Subscription Shares and the Consideration Shares on completion of the Subscription Agreement and the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares and the Consideration Shares
“Related Parties”	海航地產控股(集團)有限公司 (HNA Real Estate Holdings (Group) Co., Ltd.*), 海航物業管理有限公司 (HNA Properties Management Co., Ltd.*), 海口新城區建設開發有限公司 (Haikou Xincheng District Development Co., Ltd.*), 海南海島酒店管理有限公司 (Hainan Haidao Hotel Management Co., Ltd.*), 海南海航機場資產管理有限公司 (Hainan HNA Airport Assets Management Co., Ltd.*) and 海航實業有限公司 (HNA Industry Co., Ltd.*), which are related parties of Haidao Commercial, HNA Engineering and Haidao Development under the Accounting Standards for Business Enterprises as at the date of the Loan Assignment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	the H Share(s) and the Domestic Share(s)
“SPA”	the sale and purchase agreement dated 2 July 2014 entered into between the Company and the Vendors in respect of the Proposed Acquisitions

DEFINITIONS

“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperative Agreement”	the strategic cooperative agreement dated 23 July 2010 entered into between HNA Group and the People’s Government of Huangpi District of Wuhan City in relation to the Project
“Subscription Agreement”	the subscription agreement dated 2 July 2014 entered into between the Company and the Parent Company in respect of the Proposed Subscription
“Subscription Shares”	66,615,016 new Domestic Shares in the Company subscribed for by the Parent Company pursuant to the Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Valuation Reports”	the valuation reports to be issued by the Independent Valuer for determining the fair value of Wuhan Linkong and Haidao Commercial as at 31 March 2014
“Vendors”	Xinhua Lianhang, Haidao Development and HNA Engineering
“Wuhan Industrial Park”	武漢海航藍海臨空產業園 (Wuhan HNA Lanhai Airport Industrial Park*), which is located in 武漢臨空經濟區 (Wuhan Airport Economic Zone*) with an area of approximately 3,000 acres in Huangpi District of Wuhan City
“Wuhan Linkong”	武漢海航藍海臨空產業發展有限公司 (Wuhan HNA Lanhai Airport Industry Development Co., Ltd.*), a company established in the PRC with limited liability
“Wuhan Linkong Sale Shares”	the 80% equity interest in Wuhan Linkong held by Xinhua Lianhang and to be sold pursuant to the SPA
“Xinhua Lianhang”	新華聯航臨空產業投資開發有限公司 (Xinhua Lianhang Airport Industry Investment Development Co., Ltd.*), a company established in the PRC with limited liability
“%”	per cent

Unless otherwise specified in this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

DEFINITIONS

For the purpose of this circular, the exchange rate of HK\$1.00 = RMB0.7941 have 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



海南美蘭國際機場股份有限公司
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*)
Liang Jun
Yang Xiaobin (*President*)
Zhang Peihua

Non-executive Directors:

Hu Wentai (*Vice Chairman*)
Chan Nap Kee, Joseph
Yan Xiang

Independent non-executive Directors:

Xu Bailing
Fung Ching, Simon
George F. Meng
Feng Da'an

Registered Office:

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

Principal Place of Business in Hong Kong:

26/F Three Pacific Place
1 Queen's Road East
Hong Kong

15 August 2014

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW DOMESTIC SHARES UNDER SPECIFIC MANDATE;**
- (2) MAJOR TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;**
- (3) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION; AND**
- (4) POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO RECEIPT OF FINANCIAL ASSISTANCE**

INTRODUCTION

Reference is made to the Announcement. As disclosed in the Announcement:

- (a) on 2 July 2014 (after trading hours of the Stock Exchange), the Company and the Parent Company entered into the Subscription Agreement pursuant to which the Parent Company has

* For identification purposes only

LETTER FROM THE BOARD

agreed to subscribe for 66,615,016 new Domestic Shares in the Company in cash at the aggregate subscription price of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5); and

- (b) on 2 July 2014 (after trading hours of the Stock Exchange), the Company entered into the SPA with Xinhua Lianhang, Haidao Development and HNA Engineering as the Vendors pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Wuhan Linkong Sale Shares, representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell the Haidao Commercial Sale Shares, representing 100% equity interest in Haidao Commercial at an aggregate consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances and partly by the allotment and issue of the Consideration Shares.

The main purpose of this circular is to provide you with, among other things:

- (c) further details of the Subscription Agreement, the specific mandate for the allotment and issue of Subscription Shares, the SPA and the specific mandate for the allotment of the Consideration Shares and the corresponding amendments to the Articles as a result of the issue of the Subscription Shares and the Consideration Shares;
- (d) a letter of recommendation from the Independent Board Committee in respect of the Subscription Agreement and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles;
- (e) a letter of advice from the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Subscription Shares;
- (f) financial information on the Group;
- (g) an accountants' report of Wuhan Linkong and management discussion and analysis of Wuhan Linkong;
- (h) an accountants' report of Haidao Commercial and management discussion and analysis of Haidao Commercial;
- (i) the unaudited pro forma financial information of the Enlarged Group;
- (j) the Valuation Reports;
- (k) a report from the reporting accountant of the Company and a letter from the Board to the Company in relation to the valuation of Wuhan Linkong; and

LETTER FROM THE BOARD

- (l) the notices of the EGM and the Class Meetings.

THE SUBSCRIPTION AGREEMENT

Date: 2 July 2014 (after trading hours)

Parties to the Subscription Agreement

Issuer the Company

Subscriber the Parent Company

As at the Latest Practicable Date, the Parent Company is a controlling shareholder holding 237,500,000 Domestic Shares, representing approximately 50.19% of the registered and issued share capital of the Company as at the Latest Practicable Date, and hence a connected person of the Company under the Listing Rules. None of the associates of the Parent Company is interested in any Shares as at the Latest Practicable Date.

The Parent Company is principally engaged in transportation and ground handling services business. The Parent Company is a company established in the PRC, its single largest shareholder is Hainan Development Holdings Co., Ltd.* (海南省發展控股有限公司), which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Hainan Province (海南省政府國有資產監督管理委員會).

Subscription Shares

The Parent Company will subscribe for 66,615,016 new Domestic Shares in the Company in cash at the subscription price of RMB5.69 per Subscription Share. The aggregate subscription price for the Proposed Subscription is RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be payable in cash upon completion of the Proposed Subscription. The estimated amount of net proceeds from the issue of the Subscription Shares (after deducting the costs and expenses in connection with the Proposed Subscription) will be approximately RMB373,039,440 (equivalent to approximately HK\$469,763,808.1).

The subscription price of the Subscription Shares was arrived based on the average price per H Share of the Company for the last 20 consecutive trading days up to and including the Last Trading Day. The applicable exchange rate of Renminbi to Hong Kong dollar was the middle price for quoting Hong Kong dollar against Renminbi on the interbank foreign exchange market as announced by the China Foreign Exchange Trade System under the authorisation of the People's Bank of China on the Last Trading Day.

The Subscription Shares will be allotted and issued at the subscription price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share represents:

- (i) a premium of approximately 0.14% of the closing price of HK\$7.16 per H Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (ii) a premium of approximately 0.70% of the average closing price of approximately HK\$7.12 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 0.56% of the average closing price of approximately HK\$7.13 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription Shares to be allotted and issued by the Company to the Parent Company under the Subscription Agreement represents:

- (i) approximately 27.05% and 14.08% of the existing Domestic Shares in issue and the existing registered share capital of the Company, respectively;
- (ii) approximately 21.29% and 12.34% of the Domestic Shares in issue as enlarged by the allotment and issue of the Subscription Shares, the registered share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and
- (iii) approximately 13.32% and 9.16% of the Domestic Shares in issue as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares, the registered share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares.

The aggregate nominal value of the Subscription Shares is RMB66,615,016.

The Directors (excluding Mr. Liang Jun, Mr. Zhang Peihua and Mr. Hu Wentai who have abstained from voting on the board resolutions for approving the Proposed Subscription and the members of the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) consider that the subscription price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Shares is fair and reasonable.

Specific mandate

The Subscription Shares shall be allotted and issued under the specific mandate to be obtained from the Independent Shareholders at the EGM and the Class Meetings, respectively.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares then in issue at the time of the allotment and issue of the Subscription Shares.

The Subscription Shares will not be subject to any lock-up or other disposal restriction under the terms of the Subscription Agreement.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Subscription Agreement is conditional upon fulfillment of the following conditions:

- (a) the passing of resolutions by the Board and the meetings of the Shareholders (including Class Meetings) in accordance with the Articles and the Listing Rules approving the Subscription Agreement and the transactions contemplated thereunder;
- (b) the Parent Company having obtained the internal approvals from its competent decision making bodies; and
- (c) all necessary approvals, authorisations, consents having been obtained from and all necessary registrations and filings (if required) having been completed with all competent governmental authorities or regulatory bodies or other third parties in respect of the Subscription Agreement and the transactions contemplated thereunder by the Company and the Parent Company.

None of the conditions precedent above is waivable. In the event any of the conditions precedent are not fulfilled on or before 31 December 2014 or such later date as may be agreed between the Company and the Parent Company, the Subscription Agreement shall automatically be terminated (save and except for the clauses relating to confidentiality, notices and governing law which shall continue to have full force and effect). Neither party shall have any obligations nor liabilities towards each other thereafter save for any antecedent breaches of the terms thereof.

Completion of the Subscription Agreement

Completion of the Subscription Agreement shall take place on the twentieth Business Day (or such other date as the Company and the Parent Company may agree in writing) after all the conditions precedent under the Subscription Agreement having been fulfilled by the relevant party thereto.

THE SPA

Date: 2 July 2014 (after trading hours)

Parties to the SPA

Purchaser the Company

- Vendors
- (1) 新華聯航臨空產業投資開發有限公司 (Xinhua Lianhang Airport Industry Investment Development Co., Ltd.*), a company established in the PRC with limited liability.
 - (2) 海航國際旅游島開發建設(集團)有限公司 (HNA International Tourism Island Development (Group) Co., Ltd.*), a company established in the PRC with limited liability.

LETTER FROM THE BOARD

- (3) 海南海航工程建設有限公司 (Hainan HNA Engineering Construction Co., Ltd.*), a company established in the PRC with limited liability.

All of the Vendors are subsidiaries of HNA Group and/or ultimately controlled by HNA Group. To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are Independent Third Parties as at the date of the SPA.

As at the Latest Practicable Date, HNA Group, which controls all of the Vendors, is interested in 3,512,500 Domestic Shares, representing approximately 0.74% of the registered and issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, none of the Vendors is interested in any Shares.

For further details of the Vendors, please refer to the paragraph headed “Information of the Vendors” below.

Subject matter

The Board is pleased to announce that on 2 July 2014 (after trading hours of the Stock Exchange), the Company entered into the SPA with Xinhua Lianhang, Haidao Development and HNA Engineering as the Vendors, pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Wuhan Linkong Sale Shares, representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5) and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell the Haidao Commercial Sale Shares, representing 100% equity interest in Haidao Commercial at a consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5).

The completion of the sale and purchase of the Wuhan Linkong Sale Shares and the Haidao Commercial Sale Shares are inter-conditional and shall take place simultaneously.

For further details of Wuhan Linkong and Haidao Commercial, please refer to the paragraph headed “Information on Wuhan Linkong and Haidao Commercial” below.

Consideration

The Consideration for the acquisition of the Wuhan Linkong Sale Shares is RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash to Xinhua Lianhang on the date of completion of the SPA.

LETTER FROM THE BOARD

The aggregate Consideration for the acquisition of the Haidao Commercial Sale Shares is RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances pursuant to the Loan Assignment Agreement and partly by the allotment and issue of the Consideration Shares in the following manner on the date of completion of the SPA:

- (1) in respect of Haidao Development, as to (i) RMB81,913,665 (equivalent to approximately HK\$103,152,833.4) by way of setting off by the Company in respect of the Loan Advances in the aggregate amount of RMB81,913,665 (equivalent to approximately HK\$103,152,833.4) due from Haidao Development to the Company pursuant to the Loan Assignment Agreement; and (ii) RMB1,064,252,715 (equivalent to approximately HK\$1,340,199,867.8) by way of allotment and issue of 187,039,141 new Consideration Shares; and
- (2) in respect of HNA Engineering, as to RMB127,351,820 (equivalent to approximately HK\$160,372,522.4) by way of setting off by the Company in respect of the Loan Advances in the aggregate amount of RMB127,351,820 (equivalent to approximately HK\$160,372,522.4) due from HNA Engineering to the Company pursuant to the Loan Assignment Agreement.

For further details of the Loan Assignment Agreement, please refer to the paragraph headed “Loan Assignment Agreement” below.

The respective Consideration for each of the Wuhan Linkong Sale Shares and the Haidao Commercial Sale Shares has been arrived at after arm’s length negotiations between the Company and the respective Vendor(s) and was determined with reference to the preliminary valuation of assessment by the Independent Valuer on the fair value of Wuhan Linkong and Haidao Commercial of approximately RMB473,799,300 (based on income approach) and RMB1,273,518,200 (based on asset based approach) respectively and the prevailing market price of the H Shares. As at the Last Trading Day, the market price of the H Shares was HK\$7.17 per H Share.

The Valuation Reports (including the information regarding the profit forecast as required under the Listing Rules) is set out in Appendix IV to this circular. The income approach has been adopted for preparation of the Valuation Report on Wuhan Linkong which will constitute a profit forecast under the Listing Rules.

The principal assumptions (including commercial assumptions) of the profit forecast contained in the Valuation Report on Wuhan Linkong are as follows:

(I) General Assumptions

1. The subject entity will continue as a going concern after the valuation base date;
2. There will be no material change in the political, economic and social environment of the country or region where the subject entity is located after the valuation base date;
3. There will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the valuation base date;

LETTER FROM THE BOARD

4. There will be no material change in interest rates, exchange rates, tax bases and tax rates and administrative charges that are relevant to the subject entity after the valuation base date;
5. After the valuation base date, the subject entity will operate under a responsible and stable management team which is capable of performing its duties;
6. The subject entity will fully comply with all applicable laws and regulations;
7. There will be no material adverse impact on the subject entity from force majeure after the valuation base date.

(II) *Specific Assumptions*

1. The subject entity will adopt accounting policies that are consistent in all important aspects with those adopted in preparing this valuation report after the valuation base date;
2. After the valuation base date, the subject entity will keep its business scope and model in line with the those currently under the existing management model and level;
3. Cash inflows and outflows of the subject entity after the valuation base date are estimated at the average levels;
4. Buildings and ancillary facilities in the industrial park of the subject entity will be completed as scheduled and smoothly offered for sale after the valuation base date, and the relevant property management will commence operation as scheduled;
5. There will be no material impact from any change in national environmental policy on business scope and model of the subject entity which will continue its normal production;
6. There will be no material change in financial structure and capital scale of the subject entity in its future operation period.

In view of the Consideration reflects the preliminary valuation of 80% equity interest of Wuhan Linkong (i.e. RMB379,039,440) and 100% equity interest of Haidao Commercial (i.e. RMB1,273,518,200), the Directors consider that the Proposed Acquisitions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Loan Assignment Agreement

As at 31 March 2014, Haidao Commercial as lender has advanced to the Related Parties an aggregate amount of approximately RMB208,715,485 (equivalent to approximately HK\$262,832,747.8) which is non-interest bearing. In addition, as at 31 March 2014, Haidao Commercial as lender has advanced to HNA Engineering an aggregate amount of approximately RMB550,000 (equivalent to approximately HK\$692,608.0).

Pursuant to the Loan Assignment Agreement, subject to the completion of the transfer of the Haidao Commercial Sale Shares pursuant to the SPA, (a) the Related Parties have agreed to assign the indebtedness of the Loan Advances in the aggregate amount of RMB126,801,820 (equivalent to approximately HK\$159,679,914.4) and RMB81,913,665 (equivalent to approximately HK\$103,152,833.4) to HNA Engineering and Haidao Development respectively; and (b) Haidao Commercial has agreed to transfer its creditor rights in respect of the Loan Advances in the aggregate amount of RMB127,351,820 (equivalent to approximately HK\$160,372,522.4) and RMB81,913,665 (equivalent to approximately HK\$103,152,833.4) against HNA Engineering and Haidao Development respectively to the Company.

Pursuant to the Loan Assignment Agreement, (a) the Loan Advances in the aggregate amount of RMB127,351,820 (equivalent to approximately HK\$160,372,522.4) against HNA Engineering shall be set off by the Company to satisfy in full the Company's obligation to pay the Consideration to Haidao Development upon completion of the SPA; and (b) the Loan Advances in the aggregate amount of RMB81,913,665 (equivalent to approximately HK\$103,152,833.4) shall be set off by the Company to satisfy in part the Company's obligation to pay the Consideration to Haidao Development upon completion of the SPA.

For further details of the settlement arrangements of the Consideration under the SPA, please refer to the paragraph headed "Consideration" above.

If for any reason the Company does not complete the acquisition of the Haidao Commercial Sale Shares, the Loan Assignment Agreement shall automatically become void and the rights and obligations of the Loan Advances shall be restituted to the positions as if the Loan Assignment Agreement has not been signed.

Source of funding

In relation to the Wuhan Linkong Sale Shares:

The Company intends to satisfy the cash portion consideration with the proceeds from the Proposed Subscription and/or its internal resources.

The balance of proceeds from the Proposed Subscription (if any) will be used as the general working capital of the Company.

LETTER FROM THE BOARD

Consideration Shares

The issue price of the Consideration Shares was arrived based on the average price per H Share of the Company for the last 20 consecutive trading days up to and including the Last Trading Day. The applicable exchange rate of Renminbi to Hong Kong dollar was the middle price for quoting Hong Kong dollar against Renminbi on the interbank foreign exchange market as announced by the China Foreign Exchange Trade System under the authorisation of the People's Bank of China on the Last Trading Day.

The Consideration Shares will be issued at the issue price of RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share represents:

- (i) a premium of approximately 0.14% of the closing price of HK\$7.16 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.70% of the average closing price of approximately HK\$7.12 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 0.56% of the average closing price of approximately HK\$7.13 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Consideration Shares to be allotted and issued by the Company to Haidao Development under the SPA, represents:

- (i) approximately 75.94% and 39.53% of the existing Domestic Shares in issue and the existing registered share capital of the Company, respectively;
- (ii) approximately 43.16% and 28.33% of the Domestic Shares in issue as enlarged by the allotment and issue of the Consideration Shares, the registered share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and
- (iii) approximately 37.41% and 25.73% of the Domestic Shares in issue as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares, the registered share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares.

The aggregate nominal value of the Consideration Shares is RMB187,039,141.

The Directors consider that the issue price of RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Shares is fair and reasonable. The issue of the Consideration Shares will not result in any change of control of the Company.

LETTER FROM THE BOARD

Specific mandate

The Consideration Shares shall be allotted and issued under the specific mandate to be obtained at the EGM and the Class Meetings, respectively.

Ranking

The Consideration Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares then in issue at the time of the allotment and issue of the Consideration Shares.

The Consideration Shares will not be subject to any lock-up or other disposal restriction under the terms of the Subscription Agreement.

Conditions precedent

Completion of the SPA is conditional upon fulfillment or waiver (where applicable) of the following conditions:

- (a) the passing of resolutions by the Board and the meetings of the Shareholders (including Class Meetings) in accordance with the Articles and the Listing Rules approving the SPA and the transactions contemplated thereunder, including the purchase of the Wuhan Linkong Sale Shares and Haidao Commercial Sale Shares, the allotment and issue of the Consideration Shares and the corresponding increase in registered capital of the Company, and to amend the corresponding terms of the Articles regarding the change of the registered capital of the Company;
- (b) Xinhua Lianhang (in respect of the sale of Wuhan Linkong Sale Shares) and Haidao Development and HNA Engineering (in respect of the sale of Haidao Commercial Sale Shares) having obtained the internal approvals from their respective competent decision making bodies;
- (c) Xinhua Lianhang (in respect of the sale of Wuhan Linkong Sale Shares) having obtained the approval from the shareholders of Wuhan Linkong, and the other shareholder of Wuhan Linkong having waived its pre-emption rights in relation to the sale of Wuhan Linkong Sale Shares by Xinhua Lianhang; Haidao Development and HNA Engineering (in respect of the sale of Haidao Commercial Sale Shares) having obtained the approval from the shareholders of Haidao Commercial, and each of Haidao Development and HNA Engineering having waived its pre-emption rights in relation to the sale of Haidao Commercial Sale Shares by each of them;
- (d) each of Xinhua Lianhang, Haidao Development, HNA Engineering, the Company, Wuhan Linkong, Haidao Commercial and Meilan Mianshui having obtained consents or waivers (if required) from the relevant parties of their respective material contracts (in particular, financing or guarantee contracts) in respect of the sale and purchase of Wuhan Linkong Sale Shares and Haidao Commercial Sale Shares and the issue of Consideration Shares by the Company contemplated under the SPA;

LETTER FROM THE BOARD

- (e) all necessary approvals, authorisations, consents having been obtained from and all necessary registrations and filings (if required) having been completed with the relevant governmental authorities or regulatory bodies (including but not limited to all levels of competent commercial affairs departments) in respect of the purchase from Xinhua Lianhang the Wuhan Linkong Sale Shares and the purchase from Haidao Development and HNA Engineering the Haidao Commercial Sale Shares by the Company, the issue of the Consideration Shares by the Company and the corresponding increase in the registered capital of the Company, and to amend the corresponding terms of the Articles regarding the change of the registered capital of the Company;
- (f) the Company having conducted a due diligence review of and being satisfied with the assets, liabilities, operation, taxation, books and accounts, corporate records and legal matters of Wuhan Linkong, Haidao Commercial and Meilan Mianshui;
- (g) the Company having obtained a PRC legal opinion issued by qualified PRC legal advisers engaged by it, with respect to the matters in relation to the SPA and the transactions contemplated thereunder, in such substance to the reasonable satisfaction of the Company;
- (h) with respect to each of Wuhan Linkong, Haidao Commercial and Meilan Mianshui, since the date of the SPA and up to the Completion Date:
 - (i) there being no adverse change in its business, assets, financial position and operation which the Company reasonably considers to be material to the SPA and the transactions contemplated thereunder;
 - (ii) there being no on-going or pending investigation, action, arbitration, claim or any other legal proceeding, whether initiated or threatened to be initiated by any court, arbitration authority or any governmental authority of competent jurisdiction, which the Company reasonably considers to be material to the SPA and the transactions contemplated thereunder;
 - (iii) there being no event or circumstance which causes any representation, undertaking, covenant or warranty given by each of the Vendors in the SPA to be materially untrue or inaccurate, which the Company reasonably considers to be material to the SPA and the transactions contemplated thereunder;
 - (iv) there being no proposed enactment, promulgation or enforcement by any authority of any ordinances, rules, orders, judgments, notices or awards, which prohibits, restricts or materially delays the execution or performance of the SPA and the transactions contemplated thereunder by any of the Vendors; and
- (i) on completion of the SPA, each of the Vendors provide a written confirmation to the Company confirming that conditions precedent (b), (c), (d) and (h) above have been fulfilled.

LETTER FROM THE BOARD

The Company may at any time waive condition precedent (h) by notice in writing to the Vendors. If any of the conditions precedent has not been fulfilled or waived (as the case may be) on or before 31 December 2014 or such later date as may be agreed between the Company and the Vendors, (except condition precedent (i) which can take place simultaneously with completion of the SPA), the SPA shall automatically be terminated (save and except for clauses relating to confidentiality, notice and governing law which shall continue to have full force and effect). Neither party shall have any obligations nor liabilities towards each other thereafter save for any antecedent breaches of the terms thereof.

Completion of the SPA

Completion of the SPA shall take place on the Completion Date falling on the twentieth Business Day (or such other date as the Company and the Vendors may agree in writing) after all the conditions precedent under the SPA having been fulfilled or waived (as the case may be) by the relevant parties thereto.

Upon completion of the SPA, the Company will directly own 80% equity interest in Wuhan Linkong and 100% equity interest in Haidao Commercial. Wuhan Linkong and Haidao Commercial will therefore become direct subsidiaries of the Company and their financial results will be consolidated into the books of the Company.

None of the equity interest in relation to the Proposed Acquisitions under the SPA is charged, distressed, frozen, or otherwise restricted from transfer. The SPA does not impose any restrictions on subsequent sale of any equity interest in relation to the Proposed Acquisitions under the SPA after completion of the SPA.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Proposed Acquisitions.

Indemnity

Pursuant to the SPA, Xinhua Lianhang (in respect of Wuhan Linkong) and Haidao Development and HNA Engineering (in respect of Haidao Commercial and Meilan Mianshui) undertake to indemnify and keep indemnified (on pro-rata basis of their respective equity interest in Wuhan Linkong and Haidao Commercial (and indirect equity interest in Meilan Mianshui) to be sold to the Company pursuant to the SPA) each of Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be), the Company (for itself and as trustee, agent or representative for Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be)) against losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines which any of them may suffer, sustain or incur (as the case may be) in connection with (including but not limited to) (a) any taxes payable by Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be) or derived from any incomes, profits, revenues, transactions, employments, events, matters or issues in relation with Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be) incurred prior to the Completion Date; (b) the failure of Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be) to pay for its employees any social insurance, pension fund, housing provident fund or any other social insurance or similar schemes in accordance with the requirements of PRC laws and regulations prior to the Completion Date; (c) any breach or non-compliance of the requirements of the PRC laws and rules on foreign exchange regulation by Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be) prior to the Completion

LETTER FROM THE BOARD

Date; (d) any breach or non-compliance of the laws or regulations of PRC by Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be) prior to the Completion Date; (e) any deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased by Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be); (f) exercising or enforcing their rights or intentions under the SPA; and (g) enforcing the legal rights in connection with the debts or contracts of Wuhan Linkong or any of Haidao Commercial and Meilan Mianshui (as the case may be) prior to the Completion Date.

The above indemnities do not cover any claims or obligations in respect of the following matters:

- (a) any obligations arising from changes in any relevant laws, regulations or policies after Completion Date;
- (b) any obligations prepared, reserved or maintained in the audited accounts of Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be) pursuant to relevant recognised accounting standards, other than any fraud;
- (c) such claims or obligations paid by any other person apart from Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be), for which Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be) has no responsibilities to repay to such person; and
- (d) the taxes incurred in the ordinary course of the business of Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be) after 31 December 2013, subject to the payment of taxes incurred in the ordinary course of the business of Wuhan Linkong or Haidao Commercial and Meilan Mianshui (as the case may be) during the period from 31 December 2013 to the Completion Date when fall due and payable.

REGISTERED CAPITAL INCREASE

As at the Latest Practicable Date, the registered capital of the Company is RMB473,213,000 comprising 246,300,000 Domestic Shares and 226,913,000 H Shares.

The following table illustrates the registered capital of the Company as at the Latest Practicable Date and the changes thereto as a result of (a) the allotment and issue of the Subscription Shares immediately after completion of the Subscription Agreement assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares; and (b) the allotment and issue of the Consideration Shares immediately after completion of the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Consideration Shares; and (c) the allotment and issue of the Subscription Shares and

LETTER FROM THE BOARD

the Consideration Shares immediately after completion of the Subscription Agreement and the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares and the Consideration Shares:

	As at the Latest Practicable Date		Immediately after completion of the Subscription Agreement		Immediately after completion of the SPA		Immediately after completion of the Subscription Agreement and the SPA	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>% (approx.)</i>		<i>% (approx.)</i>		<i>% (approx.)</i>		<i>% (approx.)</i>	
Domestic Shares	246,300,000	52.05	312,915,016	57.97	433,339,141	65.63	499,954,157	68.78
H Shares	<u>226,913,000</u>	<u>47.95</u>	<u>226,913,000</u>	<u>42.03</u>	<u>226,913,000</u>	<u>34.37</u>	<u>226,913,000</u>	<u>31.22</u>
Total:	473,213,000	100.00	539,828,016	100.00	660,252,141	100.00	726,867,157	100.00
Registered share capital (RMB)	473,213,000		539,828,016		660,252,141		726,867,157	

As shown in the table above, the existing registered share capital of the Company will be increased from RMB473,213,000 comprising 246,300,000 Domestic Shares and 226,913,000 H Shares to RMB726,867,157 comprising 499,954,157 Domestic Shares and 226,913,000 H Shares upon issuance of the Subscription Shares and the Consideration Shares on completion of the Subscription Agreement and the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares and the Consideration Shares.

INFORMATION ON WUHAN LINKONG AND HAIDAO COMMERCIAL

Wuhan Linkong

Wuhan Linkong is a company established in the PRC with limited liability. It has a registered and paid-up capital of RMB300,000,000 and is owned as to 80% by Xinhua Lianhang and 20% by 武漢盤龍城市建設投資發展有限公司 (Wuhan Panlong City Construction Investment Development Co., Ltd.*), an Independent Third Party.

Wuhan Linkong is principally engaged in logistics park consolidated services consultation, logistics information, merchandise demonstration services, storage, installation and delivery of goods; import and export trading (excluding goods or technologies prohibited or restricted by the government to be imported or exported); domestic advertisement design, creation, agency and publishing; conference and exhibition services; sales of construction materials, mechanical equipment, hardware and electric products; leasing of construction engineering mechanical equipment; development and sales of real estate and property management.

LETTER FROM THE BOARD

The Project

In July 2010, HNA Group entered into the Strategic Cooperative Agreement with the People's Government of Huangpi District of Wuhan City pursuant to which HNA Group and the People's Government of Huangpi District of Wuhan City agreed, through their respective controlled entities, to establish Wuhan Linkong with respective equity holding of 80% and 20% respectively to construct the Project within Huangpi District in Wuhan City. According to the Strategic Cooperative Agreement, the Project will be constructed in three phases. The People's Government of Huangpi District of Wuhan City will, by entering into relevant land-use rights transfer agreements, provide to Wuhan Linkong the land to be used for the Project which has a total site area of approximately 3,000 acres by stages in accordance with the construction progress of the Project.

As at the Latest Practicable Date, Wuhan Linkong owns the Project Land which has a total site area of approximately 656,067.24 sq.m. (equivalent to approximately 984.1 acres) which will be developed into first phase of the Project. The first phase of the Project involves the businesses of consolidated services consultation, logistics information, merchandise demonstration services and development and sales of real estate. As at the Latest Practicable Date, part of logistics warehouses have been completed and Wuhan Linkong has obtained all approvals (other than the Construction Works Planning Permit and the Construction Works Commencement Permit for the exhibition centre) from the relevant PRC authorities necessary for the development and construction of the current stage of the Project. The Group's share of investment pursuant to its 80% interest in Wuhan Linkong will be financed with the current bank facilities of Wuhan Linkong and its internal funding.

Haidao Commercial

Haidao Commercial is a company established in the PRC with limited liability. It has a registered and paid-up capital of RMB250,000,000 and is owned as to 90% by Haidao Development and 10% by HNA Engineering, both are subsidiaries of HNA Group.

Haidao Commercial is principally engaged in investment holding business. As at the Latest Practicable Date, Haidao Commercial holds 49% equity interest in Meilan Mianshui.

Meilan Mianshui is a company established in the PRC with limited liability. It has a registered and paid-up capital of RMB50,000,000 and is owned as to 49% by Haidao Commercial and 51% by 海南省免税品有限公司 (Hainan Province Duty Free Merchandise Co., Ltd.*), an Independent Third Party. Upon completion of the SPA, the Company will indirectly own 49% equity interest in Meilan Mianshui through Haidao Commercial.

Meilan Mianshui is principally engaged in providing duty free merchandise sales and shopping services at Meilan Airport. As at the Latest Practicable Date, Meilan Mianshui provides duty free merchandise sales and shopping services at Meilan Airport with aggregate gross floor area of approximately 4,922 sq.m.

LETTER FROM THE BOARD

Financial information of Wuhan Linkong and Haidao Commercial

Set out below are certain audited financial information of Wuhan Linkong for each of the three financial years ended 31 December 2013 and the three months ended 31 March 2014 prepared in accordance with the Accounting Standards for Business Enterprises:

	For the year ended 31 December 2011 <i>RMB'000</i> (audited)	For the year ended 31 December 2012 <i>RMB'000</i> (audited)	For the year ended 31 December 2013 <i>RMB'000</i> (audited)	For the three months ended 31 March 2014 <i>RMB'000</i> (audited)
Revenue	–	–	1,111	971
Net (loss) before tax	(5,018)	(9,325)	(9,013)	(2,349)
Net (loss) after tax	(5,018)	(9,325)	(9,013)	(2,349)
Current assets	259,229	355,599	441,596	470,749
Current liabilities	40,743	162,502	228,724	260,923
Net current assets	218,486	193,097	212,872	209,826
Total assets	335,236	447,670	554,879	584,728
Total liabilities	40,743	162,502	278,724	310,923
Net assets	294,493	285,168	276,155	273,805

Shareholders are advised to read the above information in conjunction with the accountants' report and other financial information of Wuhan Linkong as set out in Appendix IIA to this circular.

Set out below are certain audited consolidated financial information of Haidao Commercial for each of the three financial years ended 31 December 2013 and the three months ended 31 March 2014 prepared in accordance with the Accounting Standards for Business Enterprises:

LETTER FROM THE BOARD

	For the year ended 31 December 2011 <i>RMB'000</i> (audited)	For the year ended 31 December 2012 <i>RMB'000</i> (audited)	For the year ended 31 December 2013 <i>RMB'000</i> (audited)	For the three months ended 31 March 2014 <i>RMB'000</i> (audited)
Revenue	3,548	–	–	–
Net (loss)/profit before tax	(13,399)	7,433	17,153	7,628
Net (loss)/profit after tax	(13,399)	7,433	17,153	7,628
Current assets	662,216	574,763	573,741	209,651
Current liabilities	453,148	378,900	378,672	–
Net current assets	209,068	195,863	195,069	209,651
Total assets	691,748	624,933	641,859	270,237
Total liabilities	453,148	378,900	378,672	–
Net assets	238,600	246,033	263,187	270,237

Shareholders are advised to read the above information in conjunction with the accountants' report and other financial information of Haidao Commercial as set out in Appendix IIB to this circular.

INFORMATION OF THE VENDORS

Xinhua Lianhang is a company established in the PRC with limited liability. It is principally engaged in investment of airports, airport operation and management, domestic and overseas air transportation related ground services, investment and construction of airports and other airport related projects, domestic and overseas air transportation business agency, logistics, storage (non-dangerous goods), advertising business, investment and management of sales, investment, management of airport industry, technical cooperation, consultation and services of domestic and overseas air transportation business. Xinhua Lianhang is controlled by HNA Group.

Haidao Development is a company established in the PRC with limited liability. It is principally engaged in investment and management in business, hotels and golf courses; investment and development in energies, transportations, new technologies and new materials and equity interests operation; tourism projects development; agricultural projects development; investment consultation services.

HNA Engineering is a company established in the PRC with limited liability. It is principally engaged in engineering project management, investment consultation, assets and equity interests management.

Both Haidao Development and HNA Engineering are subsidiaries of HNA Group.

LETTER FROM THE BOARD

HNA Group is principally engaged in air transportation, investment and management of airports, investment and management of hotels and golf courses, information technology services, export and import of aircrafts and aviation supplies, investment and development of energy, transportation, new technologies and new materials, and equity operation and domestic labour and commercial services agency.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION AND THE PROPOSED ACQUISITIONS

The Group is engaged in both aeronautical and non-aeronautical businesses at the Meilan Airport. Its aeronautical business consists of the provision of terminal facilities, ground handling services and passenger services. Its non-aeronautical businesses include commercial and retail spaces leasing at the Meilan Airport, airport-related business franchising, advertising space leasing, car parking business, cargo handling services and sales of consumable goods.

The Directors consider that the Proposed Subscription could increase the Company's available capital for its core business, including the investment capital for the acquisition of the Wuhan Linkong Sale Shares. In addition, the Proposed Subscription will provide the Company with an alternative channel to raise further capital and will enlarge the capital base of the Company. The Directors (excluding the members of the Independent Board Committee whose views are set out in the Letter from the Independent Board Committee in this circular) consider that the terms of the Proposed Subscription are on normal commercial terms and the Proposed Subscription is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Directors are of the view that the Proposed Acquisitions will facilitate the Company's medium-long term strategy of developing into an investment management group, underpin the profitability of the Group's principal operations, expand the Group's operation scale and enhance the Group's competitive power and expand the Group's business into other parts of the PRC from Hainan. The Project provides the Group with an opportunity to expand its business into Wuhan and fits with its business and investment strategies.

Wuhan is the capital of Hubei Province of China, and is a populous city in Central China with a population of 10.2 million as of 2013. It is a major transportation hub, with dozens of railways, roads and expressways passing through the city. The Project is located at Huangpi District which is north of Wuhan's urban core and includes important infrastructure facilities, such as Wuhan Tianhe International Airport and Wuhan North Railway Station which is one of the main freight stations on the Beijing-Guangzhou Railway.

The Directors are of the view that driven by the accelerated transformation and upgrading of the tourism industry, it is expected that the local governments of Hainan and Wuhan will continue to promote its key tourism projects, capitalise on the development potential of the tourism industry, and further improve transportation and other infrastructure construction. In the face of the business needs brought by the promotion of the tourism industry and the favourable location of the Project, the Proposed Acquisitions will enhance the Group's future growth and profitability from capturing the opportunities to expand its non-aviation businesses including operation of duty-free shops and developing the Wuhan Industrial Park.

LETTER FROM THE BOARD

The Directors are of the view that the Proposed Acquisitions could further improve the profitability and facilitate the sustainable development of the Company in the long run, and that the terms of the SPA are on normal commercial terms and the Proposed Acquisitions (and the transactions thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS OF THE PROPOSED ACQUISITIONS ON THE ASSETS AND LIABILITIES OF THE GROUP

Following completion of the SPA, Wuhan Linkong and Haidao Commercial will become direct wholly-owned subsidiaries of the Company and their results will be consolidated into the financial results of the Company. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix V to this circular (the “**Pro-forma Statement**”).

The audited consolidated total assets and total liabilities of the Group as at 31 December 2013, as extracted from the 2013 annual report of the Company, were approximately RMB5,667,228,000 and RMB2,997,885,000 respectively. As stated in the Pro-forma Statement, upon completion of the SPA, the pro-forma total assets and total liabilities of the Enlarged Group would increase to approximately RMB7,519,960,000 and RMB3,342,155,000 respectively.

As set out in the section headed “REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION AND THE PROPOSED ACQUISITIONS” above, the Directors are of the view that the Proposed Acquisitions are likely to contribute positively in terms of operating revenue to the Enlarged Group. Nevertheless, the actual effect on earnings or losses of the Company will depend on future financial performance of Wuhan Linkong and Haidao Commercial.

RECENT FUND RAISING ACTIVITIES AND USE OF PROCEEDS

The Company has not conducted any fund raising activities within the 12 months immediately prior to the Latest Practicable Date.

The total gross proceeds to be raised from the Proposed Subscription are RMB379,039,440 (equivalent to approximately HK\$477,319,531.5). The proceeds are currently intended by the Company to use to broaden the capital scale of the Company, increase the solvency ratio and strengthen the capital base of the Company for its core business, including the investment capital for the acquisition of the Wuhan Linkong Sale Shares. The estimated amount of net proceeds from the issue of the Subscription Shares (after deducting the costs and expenses in connection with the Proposed Subscription) will be approximately RMB373,039,440 (equivalent to approximately HK\$469,763,808.1).

CHANGES IN THE COMPANY'S SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and the changes thereto as a result of (a) the allotment and issue of the Subscription Shares immediately after completion of the Subscription Agreement assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares; and (b) the allotment and issue of the Consideration Shares immediately after completion of the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Consideration Shares; and (c) the allotment and issue of the

LETTER FROM THE BOARD

Subscription Shares and the Consideration Shares immediately after completion of the Subscription Agreement and the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares and the Consideration Shares. As at the Latest Practicable Date, the Company does not have any warrants or convertible securities in issue.

	As at the Latest Practicable Date		Immediately after completion of the Subscription Agreement		Immediately after completion of the SPA		Immediately after completion of the Subscription Agreement and the SPA	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>% (approx.)</i>	<i>Shares</i>	<i>% (approx.)</i>	<i>Shares</i>	<i>% (approx.)</i>	<i>Shares</i>	<i>% (approx.)</i>
Shareholders								
<i>Domestic Shares</i>								
<i>Shareholders</i>								
Parent Company	237,500,000	50.19	304,115,016	56.34	237,500,000	35.97	304,115,016	41.84
HNA Group and its associates								
HNA Group	3,512,500	0.74	3,512,500	0.65	3,512,500	0.53	3,512,500	0.48
Haidao Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,039,141</u>	<u>28.33</u>	<u>187,039,141</u>	<u>25.73</u>
Sub-total:	3,512,500	0.74	3,512,500	0.65	190,551,641	28.86	190,551,641	26.21
<i>Other Domestic Shares</i>								
<i>holders</i>	<u>5,287,500</u>	<u>1.12</u>	<u>5,287,500</u>	<u>0.98</u>	<u>5,287,500</u>	<u>0.80</u>	<u>5,287,500</u>	<u>0.73</u>
	246,300,000	52.05	312,915,016	57.97	433,339,141	65.63	499,954,157	68.78
<i>H Shares Shareholders</i>	<u>226,913,000</u>	<u>47.95</u>	<u>226,913,000</u>	<u>42.03</u>	<u>226,913,000</u>	<u>34.37</u>	<u>226,913,000</u>	<u>31.22</u>
Total:	<u>473,213,000</u>	<u>100.00</u>	<u>539,828,016</u>	<u>100.00</u>	<u>660,252,141</u>	<u>100.00</u>	<u>726,867,157</u>	<u>100.00</u>

As shown in the table above, upon the allotment and issue of 187,039,141 Consideration Shares on completion of the SPA which represents approximately 39.53% the registered and issued share capital of the Company as at the Latest Practicable Date. Approximately (a) 28.86%; and (b) 26.21% of the registered and issued share capital of the Company as enlarged by (a) the issue of the Consideration Shares; and (b) the issue of the Consideration Shares and the Subscription Shares respectively will be held by HNA Group and its associates.

The shareholding of the Parent Company in the Company will change from approximately 50.19% to approximately (a) 56.34%; (b) 35.97% and (c) 41.84% as a result of (a) the allotment and issue of the Subscription Shares immediately after completion of the Subscription Agreement assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares; and (b) the allotment and issue of the Consideration Shares immediately after completion of the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Consideration Shares; and (c) the allotment and issue of the Subscription Shares and the Consideration Shares immediately after completion of the

LETTER FROM THE BOARD

Subscription Agreement and the SPA assuming there is no other allotment and issue or repurchase of Shares other than the Subscription Shares and the Consideration Shares. As such, the Parent Company will remain the controlling shareholder of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The Subscription Agreement

As at the Latest Practicable Date, the Parent Company is a controlling shareholder holding 237,500,000 Domestic Shares, representing approximately 50.19% of the registered and issued share capital of the Company, and hence a connected person of the Company under the Listing Rules. As such, the Proposed Subscription constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement and the granting of the specific mandate for the allotment and issue of the Subscription Shares at the EGM and the Class Meetings.

The SPA

As the applicable percentage ratios as set out in the Listing Rules in respect of the transactions under the SPA exceed 25% but less than 100%, the transactions under the SPA constitute a major transaction for the Company under the Listing Rules and shall be subject to shareholders' approval requirement under Chapter 14 of the Listing Rules.

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

The Board proposed to make amendments to the Articles, subject to and upon completion of the Subscription Agreement, in order to reflect the latest registered capital structure of the Company as a result of the issue of the Subscription Shares pursuant to the Subscription Agreement.

Similarly, the Board proposed to make amendments to the Articles, subject to and upon completion of the SPA, in order to reflect the latest registered capital structure of the Company as a result of the issue of the Consideration Shares pursuant to the SPA.

The following proposed amendments to the Articles are to be considered and approved by the Shareholders by way of special resolutions at the EGM and the Class Meetings and subject to the approval of and registration or filing with the relevant PRC government authorities:

(1) Current provisions in the Articles

(a) Article 17 of the Articles currently reads:

“After incorporation, the Company increased its capital for the first time by issuing ordinary shares. The newly issued shares are 223,213,000 overseas listed foreign shares including 198,000,000 shares of initial offer and 25,213,000 shares of over-allotment. At the same time, 3,700,000 domestic shares were transferred into foreign shares.

LETTER FROM THE BOARD

The Company's share structure is as follows: there are 473,213,000 common shares including 246,300,000 domestic shares that account for 52.05% of the total common shares. These shares are held as follows: 237,500,000 shares by Haikou Meilan International Airport Company Limited, 5,287,500 by Hainan Airlines Company Limited, 3,512,500 by HNA Group Company Limited. There are 226,913,000 foreign shares held by foreign shareholders, which account for 47.95% of the total common shares."

(b) Article 20 of the Articles currently reads:

"The Company's registered capital after the completion of the issue of overseas listed foreign shares is RMB473,213,000 Yuan."

(2) Proposed amendments

Upon the allotment and issue of the Subscription Shares and the Consideration Shares immediately after completion of the Subscription Agreement and the SPA, Article 17 of the Articles is proposed to be amended as:

*"After incorporation, the Company increased its capital for the first time **in 2002** by issuing ordinary shares. The newly issued shares are 223,213,000 overseas listed foreign shares including 198,000,000 shares of initial offer and 25,213,000 shares of over-allotment. At the same time, 3,700,000 domestic shares were transferred into foreign shares. **In 2014, the Company issued 66,615,016 domestic shares and 187,039,141 domestic shares to Haikou Meilan International Airport Company Limited and HNA International Tourism Island Development (Group) Co., Ltd. respectively.***

*The Company's share structure is as follows: there are **726,867,157 ordinary** shares including **499,954,157** domestic shares that account for **68.78%** of the total **issued ordinary** shares. These shares are held as follows: **304,115,016** shares by Haikou Meilan International Airport Company Limited, **187,039,141 shares by HNA International Tourism Island Development (Group) Co., Ltd.**, 5,287,500 by Hainan Airlines Company Limited, 3,512,500 by HNA Group Company Limited. There are 226,913,000 foreign shares held by foreign shareholders, which account for **31.22%** of the total **issued ordinary** shares."*

Article 20 of the Articles is proposed to be amended as:

*"The Company's registered capital after the completion of the issue of overseas listed foreign shares **in 2002 and the issue of domestic shares in 2014** is RMB**726,867,157** Yuan."*

The Board would like to state clearly that the proposed amendments above are subject to the approvals of the shareholders of the Company in EGM and the Class Meetings, as well as the completion of the Subscription Agreement and the SPA, as such, the proposed amendments above to the Articles may be subject to further modification to the extent as necessary to reflect the actual registered capital structure of the Company if any of the Subscription Agreement and the SPA is not approved by the Shareholders or cannot be completed in the end.

LETTER FROM THE BOARD

POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO RECEIPT OF FINANCIAL ASSISTANCE

Corporate guarantees by HNA Airport on bank borrowings of Wuhan Linkong

Pursuant to loan and guarantee agreements of Wuhan Linkong dated 26 March 2014 (the “**First HNA Airport Guaranteed Loan Agreement**”), HNA Airport has provided a corporate guarantee for Wuhan Linkong in respect of bank borrowings of Wuhan Linkong of up to RMB100 million (equivalent to approximately HK\$125.9 million) for the period from 27 March 2014 to 30 April 2022. As at 30 June 2014, the outstanding bank borrowings of Wuhan Linkong pursuant to the First HNA Airport Guaranteed Loan Agreement amounted to RMB100 million (equivalent to approximately HK\$125.9 million).

Pursuant to loan and guarantee agreements of Wuhan Linkong dated 26 April 2014 (the “**Second HNA Airport Guaranteed Loan Agreement**”), together with the First HNA Airport Guaranteed Loan Agreement collectively, the “**HNA Airport Guaranteed Loan Agreements**”), HNA Airport has provided a corporate guarantee for Wuhan Linkong in respect of bank borrowings of Wuhan Linkong of up to RMB100 million (equivalent to approximately HK\$125.9 million) for the period from 29 April 2014 to 29 April 2020. As at 30 June 2014, the outstanding bank borrowings of Wuhan Linkong pursuant to the Second HNA Airport Guaranteed Loan Agreement amounted to RMB82 million (equivalent to approximately HK\$103.3 million).

Corporate guarantee by HNA Basic on bank borrowings of Wuhan Linkong

Pursuant to loan and guarantee agreements of Wuhan Linkong dated 19 March 2014 (the “**HNA Basic Guaranteed Loan Agreement**”), HNA Basic has provided a corporate guarantee for Wuhan Linkong in respect of bank borrowings of Wuhan Linkong of up to RMB65 million (equivalent to approximately HK\$81.9 million) for the period from 19 March 2014 to 18 March 2015. As at 30 June 2014, the outstanding bank borrowings of Wuhan Linkong pursuant to the HNA Basic Guaranteed Loan Agreement amounted to RMB65 million (equivalent to approximately HK\$81.9 million).

Haidao Development, HNA Airport and HNA Basic are all subsidiaries of HNA Group. As Haidao Development, will, as a result of the completion of the sale and purchase of the Haidao Commercial Sale Shares pursuant to the SPA, become a substantial shareholder of the Company, HNA Airport and HNA Basic, being associates of Haidao Development, will also become connected persons of the Company. Accordingly, the provision of the corporate guarantees by HNA Airport and HNA Basic in respect of the bank borrowings of Wuhan Linkong under the HNA Airport Guaranteed Loan Agreements and the HNA Basic Guaranteed Loan Agreement respectively will become connected transactions under Chapter 14A of the Listing Rules upon completion of the sale and purchase of the Haidao Commercial Sale Shares pursuant to the SPA. However, pursuant to Rule 14A.90 of the Listing Rules, these connected transactions should be exempted from the reporting, announcement and Independent Shareholders’ approval requirements as no security over the assets of the Group is granted in respect of the corporate guarantees.

LETTER FROM THE BOARD

GENERAL INFORMATION

Pursuant to Rule 19A.38 of the Listing Rules and the Articles, the allotment and issue of the Subscription Shares and the Consideration Shares are required to be approved by the Shareholders by way of special resolutions at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting, respectively.

The Subscription Agreement

The EGM and the Class Meetings will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the specific mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles. The Parent Company and its associates will abstain from voting on the above resolutions relating thereto at the EGM and the Class Meetings. Save as disclosed above, no other Shareholder will be required to abstain from voting in respect of the Subscription Agreement and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles. As at the Latest Practicable Date, the Parent Company is interested in 237,500,000 Domestic Shares, representing approximately 50.19% of the registered and issued share capital of the Company as at the Latest Practicable Date. None of the associates of the Parent Company is interested in any Shares as at the Latest Practicable Date.

Mr. Liang Jun, an executive Director of the Company, is also a director of the Parent Company. Mr. Zhang Peihua, an executive Director of the Company, is also a senior management of the Parent Company. Mr. Hu Wentai, a non-executive Director of the Company, is also a director of the Parent Company. Mr. Liang Jun, Mr. Zhang Peihua and Mr. Hu Wentai are considered to have a material interest in the Proposed Subscription as a result of their directorship or senior management positions held with the Parent Company. Therefore, Mr. Liang Jun, Mr. Zhang Peihua and Mr. Hu Wentai have abstained from voting on the board resolutions for approving the Proposed Subscription.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da'an has been appointed by the Board to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Subscription Agreement, the specific mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles, whether the terms are in the interests of the Company and the Shareholders as a whole, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard, and such appointment has been approved by the Independent Board Committee.

The SPA

As all of the Vendors are subsidiaries of HNA Group and/or ultimately controlled by HNA Group, HNA Group is considered to be interested in the SPA, the specific mandate for the allotment and issue of the Consideration Shares and the corresponding amendments to the Articles, HNA Group and its associates will abstain from voting on the above resolutions relating thereto at the EGM and the Class Meetings. As at

LETTER FROM THE BOARD

the Latest Practicable Date, HNA Group is interested in 3,512,500 Domestic Shares, representing approximately 0.74% of the registered and issued share capital of the Company as at the Latest Practicable Date. None of the associates of HNA Group is interested in any Shares as at the Latest Practicable Date. Save as disclosed above, no other Shareholder will be required to abstain from voting in respect of the SPA and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Consideration Shares and the corresponding amendments to the Articles.

RECOMMENDATION

The Directors are of the view that the terms of the SPA are on normal commercial terms and the Proposed Acquisitions (and the transactions thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to approve the SPA, the specific mandate for the allotment and issue of the Consideration Shares, the corresponding amendments to the Articles and the corresponding increase in registered capital of the Company and the transactions contemplated thereunder, as set out in the notice of the EGM and in the notices of the Class Meetings.

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 36 to 37 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Subscription Agreement.

Your attention is also drawn to the letter of advice from the Independent Financial Adviser, which is set out on pages 38 to 51 of this circular, to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement.

The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considered that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Subscription Shares, the corresponding amendments to the Articles and the corresponding increase in registered capital of the Company at the EGM and the Class Meetings.

The Directors consider the terms of the Subscription Agreement are fair and reasonable and the Proposed Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Subscription Shares, the corresponding amendments to the Articles and the corresponding increase in registered capital of the Company at the EGM and the Class Meetings.

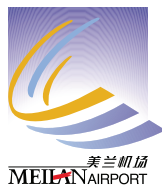
LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Hainan Meilan International Airport Company Limited*
Wang Zhen
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

15 August 2014

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW DOMESTIC SHARES UNDER SPECIFIC MANDATE**

We refer to the circular issued by Hainan Meilan International Airport Company Limited (the “**Company**”) to the shareholders of the Company dated 15 August 2014 (the “Circular”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings when used in this letter.

Under the Listing Rules, the entering into the Subscription Agreement constitutes a connected transaction for the Company and is thus subject to the approval of the Independent Shareholders at the EGM and the Class Meetings.

We have been appointed by the Board as members of the Independent Board Committee, which has been established to consider the terms of the Subscription Agreement and advise the Independent Shareholders whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Subscription Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

We also consider that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the Class Meetings to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to granting to the Board a specific mandate to allot and issue the Subscription Shares and the corresponding amendments to the Articles and the corresponding increase in registered capital of the Company.

Yours faithfully,

Messrs. Xu Bailing, Fung Ching, Simon

Messrs. George F. Meng, Feng Da'an

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription by the Parent Company pursuant to the Subscription Agreement, for the purpose of inclusion in the Circular.



19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

15 August 2014

*To the Independent Board Committee
and the Independent Shareholders*

Hainan Meilan International Airport Company Limited
Meilan Airport Complex
Haikou City
Hainan Province
The PRC
Postal Code: 571126

Dear Sirs,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW DOMESTIC SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription by the Parent Company pursuant to the Subscription Agreement. Details of the Proposed Subscription are set out in the “Letter from the Board” contained in the circular dated 15 August 2014 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 2 July 2014, the Company and the Parent Company entered into the Subscription Agreement pursuant to which the Parent Company has agreed to subscribe for 66,615,016 new Domestic Shares in the Company in cash at the subscription price of RMB5.69 per Subscription Share, representing the aggregate subscription price of RMB379,039,440 (equivalent to approximately HK\$477,319,531.50) .

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company holding 237,500,000 Domestic Shares, representing approximately 50.19% of the registered and issued share capital of the Company, and hence a connected person of the Company under the Listing Rules. As such, the Proposed Subscription constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rules and the Articles, the allotment and issue of the Subscription Shares are required to be approved by the Shareholders by way of special resolutions at EGM and separate Class Meetings of the Domestic Shares Shareholders and H Shares Shareholders, respectively.

The EGM and the Class Meetings will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. The Parent Company and its associates will abstain from voting on the above resolutions relating thereto at the EGM and the Class Meetings. Save as disclosed above, no other Shareholder will be required to abstain from voting in respect of the Subscription Agreement, the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the corresponding amendments to the Articles and the transactions contemplated thereunder. As at the Latest Practicable Date, the Parent Company is interested in 237,500,000 Domestic Shares, representing approximately 50.19% of the registered and issued share capital of the Company. None of the associates of the Parent Company is interested in any Shares as at the Latest Practicable Date.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da'an, has been established by the Board to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Subscription Agreement, the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles and the transactions contemplated thereunder, and whether the terms of which are in the interests of the Company and the Shareholders as a whole.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the Subscription Agreement, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions under the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles) are on normal commercial terms; (ii) whether the Subscription Agreement are in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Subscription Agreement are fair and reasonable; and (iv) how the Independent Shareholders should vote in relation to the ordinary resolutions to be proposed for approving the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles), and the transactions contemplated thereunder at the EGM and the relevant Class Meetings, where necessary.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as independent financial adviser by the Company for one occasion (i.e. mainly in relation to the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for the major and connected transactions of the Company) as detailed in the circular of the Company dated 16 January 2013. Given (i) our independent role in that previous engagement; (ii) none of the members of our parent group is a direct party to the Subscription Agreement; and (iii) our fees for this present engagement in addition to that previous engagement represented an insignificant percentage of revenue of our parent group, we consider that previous engagement would not affect our independence to form our opinion in respect of the terms of the Subscription Agreement.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the “**Management**”) and have assumed that they are true, accurate and complete and will remain so up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, nor doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not conducted any independent investigation into the business and affairs of the Group, the Parent Company, nor have we carried out any independent verification of the information supplied. We consider that we have obtained all information and documents of the Group and the Parent Group relevant to an assessment of the fairness and reasonableness of the terms of the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles); and have reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Proposed Subscription. Based on the foregoing, we confirm that we have taken the reasonable steps, which are applicable to the Proposed Subscription, as referred to and required under Rule 13.80 of the Listing Rules (including the notes thereto) in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation with regard to the Proposed Subscription (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles), we have considered the following principal factors and reasons:

1. Background of the Group

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

non-aeronautical businesses include commercial and retail spaces leasing at the Meilan Airport, airport-related business franchising, advertising space leasing, car parking business, cargo handling services and sales of consumable goods.

The Group has been operating the Meilan Airport, the main gateway to, and located at Hainan Province, the PRC since May 1999, and has basically been experiencing a smooth operation and satisfactory growth in terms of monetary revenue and profit, aircraft movement, passenger throughput and cargo throughput since then.

Based on the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”), the Group had been operating well with consolidated revenue and profit attributable to the Shareholders of approximately RMB760.3 million and RMB342.0 million, respectively, for the year ended 31 December 2013. In terms of financial position, the Group had consolidated net asset value (excluding minority interests) of approximately RMB2,653.3 million, net current assets of approximately RMB2,681.0 million, and bank and cash balances of approximately RMB2,998.4 million as at 31 December 2013; whilst the interest-bearing borrowings, corporate bonds and other short and long-term payables in aggregate amounted to approximately RMB2,707.0 million and hence a relatively higher gearing ratio of approximately 102.0%, which therefore showed that the Group’s financial position as at 31 December 2013 was still healthy.

2. Background of the Parent Company

The Parent Company is a domestic limited liability company established in the PRC, its single largest shareholder is Hainan Development Holdings Co., Ltd. (海南省發展控股有限公司), which in turn is wholly-owned by the State-owned Assets Supervision and Administration Commission of Hainan Province, the PRC (中國海南省政府國有資產監督管理委員會). It is principally engaged in the transportation and ground handling service business.

3. Reasons for and benefits of the Proposed Subscription

The Directors consider that the Proposed Subscription could increase the Company’s available capital for its core business, including the investment capital for the Proposed Acquisitions. In addition, the Proposed Subscription will provide the Company with an alternative channel to raise further capital and will enlarge the capital base of the Company. The Directors consider that the terms of the Subscription Agreement are on normal commercial terms, and the Proposed Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We are of the view that the Proposed Subscription by the Parent Company pursuant to the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares and the corresponding amendments to the Articles) is not conducted in the ordinary and usual course of business of the Group on the basis that it shall be regarded as a corporate financing activity instead of a usual operating activity of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The principal terms and conditions of the Subscription Agreement

On 2 July 2014, the Company and the Parent Company entered into the Subscription Agreement pursuant to which the Parent Company has agreed to subscribe for 66,615,016 new Domestic Shares in the Company in cash at the subscription price of RMB5.69 per Subscription Share (the “**Subscription Price**”), representing the aggregate subscription price of RMB379,039,440 (equivalent to approximately HK\$477,319,531.50), which will be payable in cash by the Parent Company upon completion of the Proposed Subscription. The estimated amount of net proceeds from the issue of the Subscription Shares (after deducting the costs and expenses in connection with the Proposed Subscription) will be approximately RMB373,039,440 (equivalent to approximately HK\$469,763,808.10).

The Subscription Price

The Subscription Price was arrived at based on the average price per H Share of the Company for the last 20 consecutive trading days up to and including the Last Trading Day. The applicable exchange rate of Renminbi to Hong Kong dollar shall be the middle price for quoting Hong Kong dollar against Renminbi on the inter-bank foreign exchange market as announced by the China Foreign Exchange Trade System under the authorisation of the People’s Bank of China on the Last Trading Day.

As the Subscription Shares to be issued and allotted are Domestic Shares which will not be tradable on any stock exchange, we have alternatively used the share price of H Shares for the purpose of comparison and analysis. The Subscription Shares will be allotted and issued at the Subscription Price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share represents:

- (i) a premium of approximately 0.14% over the closing price of HK\$7.16 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.70% over the average closing price of approximately HK\$7.12 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 0.56% over the average closing price of approximately HK\$7.13 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 0.14% over the average closing price of approximately HK\$7.16 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 6.07% over the closing price of HK\$6.76 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) a premium of approximately 1.43% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB5.61 as at 31 December 2013 based on the 2013 Annual Report.

The aggregate nominal value of the Subscription Shares is RMB66,615,016.

The Directors (excluding Mr. Liang Jun, Mr. Zhang Peihua and Mr. Hu Wentai who had abstained from voting on the board resolutions for approving the Proposed Acquisitions) consider that the Subscription Price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share is fair and reasonable.

Based on our visit to the website of Shenzhen Stock Exchange at <http://www.szse.cn>, we have noted that the pricing mechanism adopted by the Company for fixing the Subscription Price for Domestic Shares under the Proposed Subscription is basically comparable to the provisions stipulated in the “上市公司證券發行管理辦法 (Measures on the Administration of Issuance of Securities by Listed Companies)”, notwithstanding that (i) the Subscription Shares to be allotted and issued to the Parent Company pursuant to the Proposed Subscription in form of Domestic Shares are not tradable in the A share market in the PRC; and (ii) the said provisions may not compulsorily be applicable to the Proposed Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To further assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

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 past 12-month period commencing from 1 July 2013 up to and including the Last Trading Day (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
2013				
July	7.87	7.16	7.42	22
August	7.69	6.75	7.26	21
September	7.90	7.27	7.56	20
October	8.85	7.50	8.10	21
November	8.73	8.01	8.32	21
December	8.40	7.33	7.85	20
2014				
January	7.69	6.53	6.96	21
February	7.43	6.70	7.12	19
March	7.45	6.84	7.17	21
April	7.62	7.15	7.36	20
May	7.61	7.02	7.21	20
June	7.31	7.05	7.17	20
July (up to the Last Trading Day)	7.19	7.10	7.16	1

Source: the Stock Exchange website (www.hkex.com.hk)

During the Review Period, the average daily closing price of the H Shares ranged from HK\$6.96 to HK\$8.32 per H Share in each month (the “**Price Range**”). The Subscription Price is hence within the Price Range. We also noted that although the market price of the H Shares had been dropping since November 2013, the historical market price of the H Shares fluctuated and did not show a persistent upward or downward moving trend throughout the Review Period, and hence its future movement would be unpredictable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison with other domestic share subscription exercises

As part of our analyses, we have tried to identify those domestic share subscription exercises with fixed issue price starting from 1 January 2014 up to the date of the relevant agreement as announced by companies listed on the Stock Exchange (the “**Comparables**”), but failed to find any suitable Comparables for our further analyses.

Given the facts that the pricing mechanism adopted by the Company for fixing the Subscription Price for Domestic Shares under the Proposed Subscription is basically comparable to that of the prescribed regulatory requirements as mentioned above, we consider that (i) the price determination mechanism for the Subscription Price (i.e. being equivalent to the average closing price per H Share for the last 20 consecutive trading days up to and including the last trading day before the relevant announcement is made) is a common practice in the PRC’s financial market; (ii) the Subscription Price is exactly the same as the issue price per Consideration Share for allotment and issue of the Consideration Shares to the Vendors under the SPA, who are Independent Third Parties; and (iii) the Subscription Price is closely comparable to the prevailing closing price of H Shares and the net asset value per Share, and thus fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Subscription Shares

The Subscription Shares to be allotted and issued by the Company to the Parent Company under the Subscription Agreement represents:

- (i) approximately 27.05% and 14.08% of the existing Domestic Shares in issue and the existing registered share capital of the Company, respectively;
- (ii) approximately 21.29% and 12.34% of the Domestic Shares in issue as enlarged by the allotment and issue of the Subscription Shares, and the registered share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, respectively; and
- (iii) approximately 13.32% and 9.16% of the Domestic Shares in issue as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares, and the registered share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares, respectively.

Specific Mandate

The Subscription Shares shall be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the EGM and the Class Meetings, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Ranking

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares then in issue at the time of the allotment and issue of the Subscription Shares.

The Subscription Shares will not be subject to any lock-up or other disposal restriction under the terms of the Subscription Agreement.

Conditions precedent

Completion of the Subscription Agreement is conditional upon fulfillment of the following conditions:

- (a) the passing of resolutions by the Board and the meetings of the Shareholders (including Class Meetings) in accordance with the Articles and the Listing Rules approving the Subscription Agreement and the transactions contemplated thereunder;
- (b) the Parent Company having obtained the internal approvals from its competent decision making bodies; and
- (c) all necessary approvals, authorisations, consents having been obtained from and all necessary registrations and filing (if required) having been completed with all competent governmental authorities or regulatory bodies or other third parties in respect of the Subscription Agreement and the transactions contemplated thereunder by the Company and the Parent Company.

None of the conditions precedent above is waivable. In the event any of the conditions precedent are not fulfilled on or before 31 December 2014 or such later date as may be agreed between the Company and the Parent Company, the Subscription Agreement shall automatically be terminated (save and except for the clauses relating to confidentiality, notices and governing law which shall continue to have full force and effect). Neither party shall have any obligations nor liabilities towards each other thereafter save for any antecedent breaches of the terms thereof.

Completion of the Subscription Agreement

Completion of the Subscription Agreement shall take place on the twentieth Business Day (or such other date as the Company and the Parent Company may agree in writing) after all the conditions precedent under the Subscription Agreement having been fulfilled by the relevant party thereto.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Other terms of the Subscription Agreement

We have also reviewed other major terms of the Subscription Agreement and are not aware of any terms which are unusual. We, therefore, are of the opinion that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Based on the above scenario, we have noted that the principal terms and conditions, in particular for fixing the Subscription Price at RMB5.69 per Subscription Share are exactly the same as that for the issue price per Consideration Share for allotment and issue of the Consideration Shares to the Vendors for the Proposed Acquisitions under the SPA, irrespective of whether they are connected persons or independent third parties from the Company. Accordingly, we are of the view that the terms of the Subscription Agreement (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the corresponding amendments to the Articles and the transactions contemplated thereunder) are on normal commercial terms and fair and reasonable in so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

5. Alternative means of financing available to the Group

As referred to in the “Letter from the Board” of the Circular and further confirmed by the Directors, the Company had not carried out any equity fund raising activities during the past 12 months immediately prior to the Latest Practicable Date.

We have enquired with the Directors and the Directors have advised that apart from equity financing, the Group has also considered debt financing, such as bank borrowings and issue of corporate bonds, and other possible fund raising alternatives available to the Group. Nevertheless, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group’s profitability, financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with the banks. Based on the 2013 Annual Report, the Group had aggregate interest-bearing borrowings, corporate bonds and other short and long-term payables of approximately RMB2,707.0 million as at 31 December 2013, representing a relatively higher gearing ratio (being calculated as the aggregate interest-bearing liabilities to be divided by the net asset value of the Group) of approximately 102.0% thereof. Since debt financing will further uplift the gearing position of, and will usually incur interest burden on, the Group, the Directors consider debt financing to be relatively unfavourable, uncertain and time-consuming when compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

With regard to equity financing, the Directors advised us that although both open offer and rights issue would allow Shareholders to maintain their respective pro-rata shareholdings in the Company and at the same time strengthening the capital base of the Company, such fund raising exercises require (i) the Company to procure commercial underwriting; and (ii) the approval from the relevant PRC regulatory authorities, and hence would be relatively more time consuming as compared with any placing and/or subscription of new Shares. Given that any investment opportunities which

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

may require significant amount of capital may arise at any time, the Directors are of the opinion that the Proposed Subscription as a relatively more timely source of funding to the Group is a more preferable method of fund raising for the Group.

Having considered (i) the reasons for and possible benefits of the Proposed Subscription to the Company; (ii) the prevailing sluggish market condition in the H Share market; and (iii) that the Proposed Subscription is a rather appropriate financing alternative currently available to the Group, we concur with the Directors that the Proposed Subscription is in the interests of the Company and the Shareholders as a whole.

Having considered that:

- the Proposed Subscription is a commercial decision of the Company and the Subscription Price was agreed after arm's length negotiations between the parties involved;
- the pricing mechanism for fixing the Subscription Price is basically comparable to a pricing determination mechanism generally adopted by listed companies in the PRC and is in line with the general market practice;
- the Subscription Price represents a slight premium of approximately 1.43% over the audited consolidated net asset value per Share as at 31 December 2013; and
- it is anticipated that there will be an improvement in total net asset value of the Group therefrom without requiring the Independent Shareholders to pay any consideration to the Company while the net asset value per Share would basically remain unchanged at approximately RMB5.61,

we are of the view that the Proposed Subscription is in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Proposed Subscription on the Group

Earnings

There will be no immediate direct and material impact on earnings of the Group upon completion of the Proposed Subscription.

Working capital

As mentioned in the "Letter form the Board" of the Circular, the Directors currently anticipate that the Company would receive net proceeds from the Proposed Subscription of approximately RMB373.0 million, which will be used for financing the cash portion consideration to be settled for the Proposed Acquisitions and general working capital of the Company. As such, the working capital position of the Group is expected to be enhanced immediately after completion of the Proposed Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gearing position

Based on the 2013 Annual Report, the Group had aggregate interest-bearing borrowings, corporate bonds and other short and long-term payables of approximately RMB2,707.0 million as at 31 December 2013, representing a relatively higher gearing ratio (i.e. being calculated as the aggregate interest-bearing liabilities to be divided by the net asset value of the Group) of approximately 102.0% thereof. The Directors have expected that the Group's capital base would be enhanced while its gearing level would be improved, following completion of the Proposed Subscription.

Net asset value

According to the 2013 Annual Report, the Group had audited consolidated net asset value (excluding non-controlling interests) of approximately RMB2,653.3 million as at 31 December 2013, representing a net asset value per Share of approximately RMB5.61 (equivalent to approximately HK\$7.06). The Subscription Price of RMB5.69 per Subscription Share represents a slight premium of approximately 1.43% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB5.61 as at 31 December 2013. Assuming the Proposed Subscription could be completed only, it is estimated that the total net asset value of the Group would increase to approximately RMB3,026.3 million while the net asset value per Share would basically remain unchanged at approximately RMB5.61 (after deducting the costs and expenses in connection with the Proposed Subscription), upon completion of the Proposed Subscription only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Dilution effect on the shareholding interests of the existing Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Subscription Agreement only (assuming no completion of the SPA); and (iii) immediately after completion of the Subscription Agreement and the SPA:

	As at the Latest Practicable Date		Immediately after completion of the Subscription Agreement only (assuming no completion of the SPA)		Immediately after completion of the Subscription Agreement and the SPA	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Domestic Shares Shareholders						
Parent Company	237,500,000	50.19	304,115,016	56.34	304,115,016	41.84
HNA Group	3,512,500	0.74	3,512,500	0.65	3,512,500	0.48
Haidao Development	-	-	-	-	187,039,141	25.73
Hainan Airlines Company Limited	5,287,500	1.12	5,287,500	0.98	5,287,500	0.73
Sub-total	246,300,000	52.05	312,915,016	57.97	499,954,157	68.78
H Shares Shareholders	226,913,000	47.95	226,913,000	42.03	226,913,000	31.22
Total	473,213,000	100.00	539,828,016	100.00	726,867,157	100.00

As illustrated in the table above, assuming no completion of the SPA, the shareholding interests in the Company held by the Parent Company after the completion of the Proposed Subscription would increase from approximately 50.19% to 56.34%, representing an increase of approximately 6.15% of the enlarged issued share capital of the Company immediately after completion of the Proposed Subscription only; while the shareholding interests in the Company held by the public H Shares Shareholders would be diluted from approximately 47.95% to 42.03%.

In the event of completion of both the Subscription Agreement and the SPA, the shareholding interests in the Company held by the Parent Company thereafter would decrease from approximately 50.19% to 41.84%, representing a decrease of approximately 8.35% of the enlarged issued share capital of the Company immediately after completion of both the Subscription Agreement and the SPA. The shareholding interests in the Company held by Haidao Development on behalf of the Vendors under the SPA would account for approximately 25.73%.

The shareholding interests in the Company held by the existing Domestic Shares Shareholders would be diluted from approximately 1.86% to 1.21%; while the shareholding interests in the Company held by the public H Shares Shareholders would be diluted from approximately 47.95% to 31.22%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account the factors considered above, we are of the view that the dilution to the shareholding interests of the existing Shareholders is acceptable and justifiable.

RECOMMENDATION

Having considered the reasons for and benefits of the Proposed Subscription, we are of the view that the Proposed Subscription is not conducted in the ordinary and usual course of business of the Group on the basis that it shall be regarded as a corporate financing activity instead of a usual operating activity of the Group, but the terms thereof are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Proposed Subscription (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the corresponding amendments to the Articles and the transactions contemplated thereunder) and the entering into of the Subscription Agreement with the Parent Company at the EGM and the relevant Class Meetings.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Eric Lee **Fanny Lee**
Managing Director *Managing Director*

Note:

Mr. Eric Lee and Ms. Fanny Lee have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Please refer to the annual reports of the Company for the years ended 31 December 2011 (pages 58 to 118), 2012 (pages 65 to 132) and 2013 (pages 94 to 104) published by the Company on 18 April 2012, 10 April 2013 and 4 April 2014 respectively, which contained information for the three years ended 31 December 2011, 2012 and 2013 respectively with respect to the consolidated profits and losses and consolidated financial position of the Group together with the notes on the consolidated financial statements. The annual reports are available on the Company's website (<http://www.mlairport.com/>) and the Stock Exchange's website (<http://www.hkexnews.hk>).

2. INDEBTEDNESS

As at the close of business on 30 June 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Enlarged Group had total indebtedness as follows:

	<i>RMB'000</i>
Non-current	
Long-term borrowings	<u>1,687,725</u>
Current	
Short-term borrowings	53,700
Long-term borrowings - current portion	<u>264,570</u>
	<u>318,270</u>
Total borrowings	<u><u>2,005,995</u></u>
Representing:	
–secured	1,738,995
–guaranteed and secured	<u>267,000</u>
Total borrowings	<u><u>2,005,995</u></u>
Borrowings from Related parties – current, unsecured	<u><u>172,944</u></u>
Long-term corporate bonds – unguaranteed and unsecured	<u><u>792,987</u></u>
Obligations under finance leases	
Obligations under finance leases without guarantee	<u><u>105,655</u></u>
Total indebtedness	<u><u>3,077,581</u></u>

- (a) As at 30 June 2014, bank borrowings of approximately RMB1,498,834,000 were secured by the 51% interests in Hainan Meilan International Airport Cargo Transportation Co., Ltd. held by the Company and land use rights with a carrying amount of approximately RMB8,841,000.
- (b) As at 30 June 2014, bank borrowings of approximately RMB 221,461,000 were secured by the 24.5% interests in HNA Airport Holdings (Group) Co.,Ltd. held by the Company.
- (c) As at 30 June 2014, bank borrowings of approximately RMB18,700,000 were secured by a term deposit of the Enlarged Group of approximately RMB20,000,000.
- (d) As at 30 June 2014, bank borrowings of approximately RMB182,000,000 and RMB35,000,000 were guaranteed by HNA Airport and HNA Basic respectively, and secured by certain properties and land use rights of the Enlarged Group.
- (e) As at 30 June 2014, long term borrowings of approximately RMB50,000,000 were guaranteed by HNA Airport Holdings (Group) Co., Ltd. and secured by certain land use rights and properties of Chengmai HNA Neusoft Investment and Development Co., Ltd and Baoting HNA Tourism Development Co., Ltd.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities, under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding as at the close of business on 30 June 2014.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Enlarged Group's business prospects, internal resources and available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Proposed Acquisitions are conducive for the Company to meet its strategic goal of developing itself into a domestically leading infrastructure investor and operator engaged in airport, airport-related business, duty-free operation, highway, port, tourism real estate development and other businesses. The Proposed Acquisitions will allow the Company to expand its business scale and increase the proportion of non-aeronautical revenue, thus enhancing its core competitiveness and profitability in the future. Through the Proposed Acquisitions, the Company will set foot in duty-free operation and airport-related business, further extending its business presence from a pure-play airport operator to a diversified infrastructure investor and operator and achieving the first step of strategic transformation.

The qualification for sale of duty-free goods to travellers departing from the Hainan island is of scarce resources in China. Currently, only China Duty Free Group Co., Ltd. and Hainan Duty Free Co., Ltd. possess the licences for sale of duty-free goods to travellers departing from the Hainan Island. Given the vast market in China and the initial development in Hainan which implies immense growth potential, the Board is of the view that the equity investment in Meilan Mianshui through Haidao Commercial will allow the Company to benefit from the growing business of duty-free shopping for travellers leaving the island.

China's economic growth and logistics business enjoy major opportunities and huge development upsides. In close proximity to Air Cargo Terminal 3 of the Wuhan Tianhe Airport, the Wuhan Industrial Park is located in core area of the Wuhan Airport Economic Zone in northern Wuhan, with close access to convenient air, railway, road and water transportation. The neighbouring industrial park cluster under construction also provides attractive appreciation expectation for the premises in the Wuhan Industrial Park in the future. The proposed acquisition of the Wuhan Industrial Park is expected to contribute desirable income in the future. The Company may also draw upon the experience of Wuhan Linkong when identifying opportunities for development and investment in other airport industrial parks.

In view of the promising prospects of the duty-free shopping business for travellers leaving the island and the Wuhan Industrial Park, the Board is of the view that the Proposed Acquisitions are expected to have a positive impact on the future financial performance of the Enlarged Group.

1. ACCOUNTANTS' REPORT OF WUHAN LINKONG

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.



普华永道

2014/SH-196/CYT/ADWW

15 August 2014

The Directors

Hainan Meilan International Airport Company Limited

Dear Sirs,

We report on the financial information of Wuhan HNA Lanhai Airport Industry Development Company Limited (武漢海航藍海臨空產業發展有限公司) (“**Wuhan Linkong**”), which comprises the balance sheets as at 31 December 2011, 2012, 2013 and 31 March 2014, and the income statements, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2011, 2012, 2013, and the three months ended 31 March 2014 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hainan Meilan International Airport Company Limited (the “**Company**”) and is set out in Sections I to III below for inclusion in Appendix IIA to the circular of the Company dated 15 August 2014 (the “**Circular**”) in connection with the proposed acquisition of Wuhan Linkong by the Company.

Wuhan Linkong was incorporated in the People's Republic of China (the “**PRC**”) on 27 September 2010 as a limited liability company under the Company Law of the PRC.

The financial statements of Wuhan Linkong for the year ended 31 December 2011 were audited by Hubei Dexin Certified Public Accountants Co., Ltd. (湖北德信會計師事務所有限公司).

The financial statements of Wuhan Linkong for the year ended 31 December 2012 were audited by Wuhan Wanli Certified Public Accountants Co., Ltd. (武漢市萬里會計師事務所有限公司).

The financial statements of Wuhan Linkong for the year ended 31 December 2013 were audited by Hubei Zhongzheng Certified Public Accountants Co., Ltd. (湖北眾證會計師事務所有限責任公司).

普華永道中天會計師事務所(特殊普通合伙)

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The directors of Wuhan Linkong are responsible for the preparation and fair presentation of the financial statements of Wuhan Linkong for the Relevant Periods in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance (the "**Underlying Financial Statements**"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. Hubei Zhongzheng Certified Public Accountants Co., Ltd. (湖北眾證會計師事務所有限責任公司) have audited the Underlying Financial Statements in accordance with China Standards on Auditing ("CSAs") issued by Chinese Institute of Certified Public Accountants ("CICPA").

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with CAS and accounting policies adopted by the Company and its subsidiaries (together, the "**Group**") as set out in the annual report of the Company for the year ended 31 December 2013.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Wuhan Linkong as at 31 December 2011, 2012 and 2013 and 31 March 2014 and of the results and cash flows of Wuhan Linkong for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IIA to the Circular which comprises the income statement, the statement of changes in equity and the cash flow statement for the three months ended 31 March 2013 and a summary of significant accounting policies and other explanatory information (the "**Stub Period Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2013.

Our responsibility is to issue a report on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagement 2101, “Review of Financial Statements” issued by CICPA. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF WUHAN LINKONG

The following is the financial information of Wuhan Linkong prepared by the directors of the Company as at 31 December 2011, 2012, 2013 and 31 March 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014 (the “**Financial Information**”).

(a) BALANCE SHEET

	<i>Note</i>	31 December 2011	31 December 2012	31 December 2013	31 March 2014
ASSETS					
Current assets					
Cash at bank and on hand	4(1)	58,362,488	45,612,657	2,110,434	1,252,957
Advances to suppliers	4(2)	–	–	140,843	371,907
Other receivables	4(3)	37,708,926	79,849,009	1,267,022	1,616,728
Inventories	4(4)	<u>163,157,512</u>	<u>230,136,997</u>	<u>438,077,252</u>	<u>467,507,183</u>
Total current assets		<u>259,228,926</u>	<u>355,598,663</u>	<u>441,595,551</u>	<u>470,748,775</u>
Non-current assets					
Fixed assets	4(5)	147,262	128,538	15,891,666	15,806,053
Construction in progress	4(6)	–	12,241,139	–	–
Intangible assets	4(7)	285,552	279,753	273,954	272,504
Investment properties	4(8)	22,824,998	26,673,124	42,832,912	45,151,994
Other non-current assets	4(9)	<u>52,748,976</u>	<u>52,748,976</u>	<u>54,284,976</u>	<u>52,748,976</u>
Total non-current assets		<u>76,006,788</u>	<u>92,071,530</u>	<u>113,283,508</u>	<u>113,979,527</u>
TOTAL ASSETS		<u><u>335,235,714</u></u>	<u><u>447,670,193</u></u>	<u><u>554,879,059</u></u>	<u><u>584,728,302</u></u>

	Note	31 December 2011	31 December 2012	31 December 2013	31 March 2014
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Accounts payable	4(10)	472,000	51,392,041	198,194,896	173,536,678
Advances from customers		–	–	794,491	770,614
Employee benefits payable	4(11)	–	196,925	405,995	286,505
Notes payable	4(12)	40,000,000	100,000,000	–	–
Interest payable		–	–	1,083,333	1,108,333
Taxes payable	4(13)	149	783,214	3,652,673	4,461,263
Other payables	4(14)	270,448	10,130,268	24,592,806	80,759,388
Total current liabilities		<u>40,742,597</u>	<u>162,502,448</u>	<u>228,724,194</u>	<u>260,922,781</u>
Non-current liabilities					
Long-term borrowings	4(15)	–	–	50,000,000	50,000,000
Total non-current liabilities		<u>–</u>	<u>–</u>	<u>50,000,000</u>	<u>50,000,000</u>
Total liabilities		<u>40,742,597</u>	<u>162,502,448</u>	<u>278,724,194</u>	<u>310,922,781</u>
Owners' equity					
Paid-in capital	4(16)	300,000,000	300,000,000	300,000,000	300,000,000
Accumulated losses		<u>(5,506,883)</u>	<u>(14,832,255)</u>	<u>(23,845,135)</u>	<u>(26,194,479)</u>
Total owners' equity		<u>294,493,117</u>	<u>285,167,745</u>	<u>276,154,865</u>	<u>273,805,521</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u><u>335,235,714</u></u>	<u><u>447,670,193</u></u>	<u><u>554,879,059</u></u>	<u><u>584,728,302</u></u>

(b) INCOME STATEMENT

Item	Note	2011	2012	2013	Three	Three
					months	months
					ended	ended
					31 March	31 March
					2013	2014
					(Unaudited)	
1. Revenue	4(17)	-	-	1,110,766	-	970,573
Less: Taxes and surcharges	4(18)	-	-	(192,022)	-	(174,694)
General and administrative expenses	4(19)	(4,956,022)	(8,211,605)	(11,219,210)	(2,558,048)	(3,147,943)
Financial (expenses)/income – net	4(20)	<u>(61,773)</u>	<u>(1,113,767)</u>	<u>66,805</u>	<u>(4,874)</u>	<u>2,720</u>
2. Operating loss		(5,017,795)	(9,325,372)	(10,233,661)	(2,562,922)	(2,349,344)
Add: Non-operating income	4(21)	-	-	1,223,750	-	-
Less: Non-operating expenses		<u>-</u>	<u>-</u>	<u>(2,969)</u>	<u>-</u>	<u>-</u>
3. Total loss		(5,017,795)	(9,325,372)	(9,012,880)	(2,562,922)	(2,349,344)
Less: income tax expenses	4(22)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4. Net loss		<u>(5,017,795)</u>	<u>(9,325,372)</u>	<u>(9,012,880)</u>	<u>(2,562,922)</u>	<u>(2,349,344)</u>
5. Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6. Total comprehensive income		<u><u>(5,017,795)</u></u>	<u><u>(9,325,372)</u></u>	<u><u>(9,012,880)</u></u>	<u><u>(2,562,922)</u></u>	<u><u>(2,349,344)</u></u>

(c) CASH FLOW STATEMENT

Item	Note	2011	2012	2013	Three	Three
					months	months
					ended 31	ended 31
					March 2013	March 2014
					(Unaudited)	
1. Cash flows from operating activities						
Cash received from sales of goods or rendering of services		-	-	1,905,257	-	946,696
Cash received relating to other operating activities	4(23)(d)	<u>187,599</u>	<u>1,532,097</u>	<u>6,722,200</u>	<u>198,405</u>	<u>517,710</u>
Sub-total of cash inflows		<u>187,599</u>	<u>1,532,097</u>	<u>8,627,457</u>	<u>198,405</u>	<u>1,464,406</u>
Cash paid for goods and services		(120,750,338)	(25,813,698)	(61,676,839)	(34,153,473)	(48,836,243)
Cash paid to and on behalf of employees		(449,987)	(2,536,701)	(3,656,127)	(987,127)	(850,276)
Payments of taxes and surcharges		-	(9,342)	(8,733)	-	(25,470)
Cash paid relating to other operating activities		<u>(4,388,120)</u>	<u>(5,698,413)</u>	<u>(6,975,917)</u>	<u>(1,603,366)</u>	<u>(2,401,203)</u>
Sub-total of cash outflows		<u>(125,588,445)</u>	<u>(34,058,154)</u>	<u>(72,317,616)</u>	<u>(36,743,966)</u>	<u>(52,113,192)</u>
Net cash flows from operating activities	4(23)(a)	<u>(125,400,846)</u>	<u>(32,526,057)</u>	<u>(63,690,159)</u>	<u>(36,545,561)</u>	<u>(50,648,786)</u>

Item	Note	2011	2012	2013	Three	Three
					months	months
					ended 31	ended 31
					March 2013	March 2014
					(Unaudited)	
2. Cash flows from investing activities						
Cash received relating to other investing activities		<u>856,830,197</u>	<u>387,275,937</u>	<u>201,042,164</u>	<u>144,019,576</u>	<u>375,047</u>
Sub-total of cash inflows		<u>856,830,197</u>	<u>387,275,937</u>	<u>201,042,164</u>	<u>144,019,576</u>	<u>375,047</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(17,267,702)	(2,572,069)	(15,073,407)	(9,257,955)	(3,912,263)
Cash paid relating to other investing activities	4(23)(e)	<u>(894,539,124)</u>	<u>(429,216,020)</u>	<u>(122,255,546)</u>	<u>(92,634,042)</u>	<u>(724,752)</u>
Sub-total of cash outflows		<u>(911,806,826)</u>	<u>(431,788,089)</u>	<u>(137,328,953)</u>	<u>(101,891,997)</u>	<u>(4,637,015)</u>
Net cash flows from investing activities		<u>(54,976,629)</u>	<u>(44,512,152)</u>	<u>63,713,211</u>	<u>42,127,579</u>	<u>(4,261,968)</u>
3. Cash flows from financing activities						
Cash received from borrowings		-	-	50,000,000	-	-
Cash received relating to other financing activities	4(23)(f)	<u>40,000,000</u>	<u>351,654,338</u>	<u>279,210,120</u>	<u>103,951,847</u>	<u>56,502,952</u>
Sub-total of cash inflows		<u>40,000,000</u>	<u>351,654,338</u>	<u>329,210,120</u>	<u>103,951,847</u>	<u>56,502,952</u>
Cash payments for interest expenses		(1,227,017)	(4,536,493)	(2,617,120)	(2,617,120)	(1,600,000)
Cash payments relating to other financing activities		<u>(16,000,000)</u>	<u>(306,829,467)</u>	<u>(330,118,275)</u>	<u>(103,189,453)</u>	<u>(849,675)</u>
Sub-total of cash outflows		<u>(17,227,017)</u>	<u>(311,365,960)</u>	<u>(332,735,395)</u>	<u>(105,806,573)</u>	<u>(2,449,675)</u>
Net cash flows from financing activities		<u>22,772,983</u>	<u>40,288,378</u>	<u>(3,525,275)</u>	<u>(1,854,726)</u>	<u>54,053,277</u>

Item	Note	2011	2012	2013	Three	Three
					months	months
					ended 31	ended 31
					March 2013	March 2014
					(Unaudited)	
4. Effect of foreign exchange rate changes on cash and cash equivalents		-	-	-	-	-
5. Net (decrease)/increase in cash and cash equivalents	4(23)(b)	(157,604,492)	(36,749,831)	(3,502,223)	3,727,292	(857,477)
Add: Cash and cash equivalents at beginning of year		<u>199,966,980</u>	<u>42,362,488</u>	<u>5,612,657</u>	<u>5,612,657</u>	<u>2,110,434</u>
6. Cash and cash equivalent at end of year	4(23)(c)	<u><u>42,362,488</u></u>	<u><u>5,612,657</u></u>	<u><u>2,110,434</u></u>	<u><u>9,339,949</u></u>	<u><u>1,252,957</u></u>

(d) STATEMENT OF CHANGES IN OWNERS' EQUITY

Item	Note	Paid-in capital 4(16)	Accumulated losses	Total owners' equity
Balances at 1 January 2011		300,000,000	(489,088)	299,510,912
Movements for the year ended 31 December 2011				
Net loss		—	(5,017,795)	(5,017,795)
Balance at 31 December 2011		300,000,000	(5,506,883)	294,493,117
Balances at 1 January 2012		300,000,000	(5,506,883)	294,493,117
Movements for the year ended 31 December 2012				
Net loss		—	(9,325,372)	(9,325,372)
Balance at 31 December 2012		300,000,000	(14,832,255)	285,167,745
Balances at 1 January 2013		300,000,000	(14,832,255)	285,167,745
Movements for the year ended 31 December 2013				
Net loss		—	(9,012,880)	(9,012,880)
Balance at 31 December 2013		300,000,000	(23,845,135)	276,154,865
Balances at 1 January 2014		300,000,000	(23,845,135)	276,154,865
Movements for the three months ended 31 March 2014				
Net loss		—	(2,349,344)	(2,349,344)
Balance at 31 March 2014		300,000,000	(26,194,479)	273,805,521
(Unaudited)				
Balances at 1 January 2013		300,000,000	(14,832,255)	285,167,745
Movements for the three months ended 31 March 2013				
Net loss		—	(2,562,922)	(2,562,922)
Balance at 31 March 2013		300,000,000	(17,395,177)	282,604,823

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Wuhan HNA Lanhai Airport Industry Development Co., Ltd. (武漢海航藍海臨空產業發展有限公司, referred to as the “**Wuhan Linkong**”) is a limited liability company incorporated in Wuhan City, Hubei Province, the People’s Republic of China on 27 September 2010 by Xinhua Lianhang Airport Industry Investment Development Co., Ltd (新華聯航臨空產業投資開發有限公司, referred to as “**Xinhua Lianhang**”) and Wuhan Panlong City Construction Investment Development Co., Ltd. (武漢盤龍城市建設投資發展有限公司, referred to as “**Wuhan Panlong**”). The approved operating period of Wuhan Linkong is 30 years and the registered capital is RMB300,000,000.

The parent company of Wuhan Linkong is Xinhua Lianhang. HNA Group Company Limited (海航集團有限公司, referred to as “**HNA Group**”) is the ultimate parent company of Wuhan Linkong.

The approved business scope of Wuhan Linkong includes comprehensive service and advisory of logistics park, exhibition service of logistics information and commodities, goods storage, loading and transportation of goods, import and export (excluding goods or technologies prohibited or restricted by the government), design, production, agency and issuance of domestic advertisements; conference and exhibition service, sales of construction materials, machinery equipment, hardware and vertical electricity, rent of machinery equipment of construction and project, development and sale of real estate, and property management (whenever approvals are required by laws, projects should not be implemented until relevant approvals have been obtained from authorities).

The Financial Information was approved for issue by the Board of Directors of Hainan Meilan International Airport Company Limited (海南美蘭國際機場股份有限公司, the “**Acquirer**”) on 15 August 2014.

The financial information for the three months ended 31 March 2013 is unaudited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation

The Financial Information of Wuhan Linkong is prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively referred to as “**the Accounting Standards for Business Enterprises**” or “**CAS**”) issued by the Ministry of Finance of the People’s Republic of China (the “**PRC**”) on or after 15 February 2006.

The Ministry of Finance of the PRC issued CAS 39 “Fair Value Measurement”, CAS 40 “Joint Arrangement”, CAS 9 “Employee Benefits” (revised), CAS 30 “Presentation of Financial Information” (revised) and CAS 33 “Consolidated Financial Information” (revised) in January and February of 2014, respectively. These new or revised standards are effective on 1 July 2014 and the Ministry of Finance encourages companies listed outside the Mainland China to early adopt these new or revised standards. As the Acquirer’s H-shares are listed on The Stock Exchange of Hong Kong Limited, the Acquirer has early adopted the above new and revised standards in preparing its consolidated financial statements for the year ended 31 December 2013. As the Financial Information of Wuhan Linkong is prepared in accordance with CAS and accounting policies adopted by the Acquirer as set out in the annual report of the Acquirer for the year ended 31 December 2013, the aforementioned new and revised accounting policies have also been early adopted in preparing the Financial Information of Wuhan Linkong for the year ended 31 December 2011, 2012, 2013 and for the three months ended 31 March 2013 and 2014 (“**the relevant period of the financial information**”).

(2) **Statement of compliance with the Accounting Standards for Business Enterprises**

The Financial Information for the year ended 31 December 2011, 2012, 2013 and for the three months ended 31 March 2013 and 2014 are in compliance with the CAS, and truly and completely present the financial position of Wuhan Linkong as at 31 December 2011, 2012, 2013 and 31 March 2014, and the financial performance, cash flows and other information of Wuhan Linkong for the year ended 31 December 2011, 2012, 2013 and for the three months ended 31 March 2013 and 2014.

(3) **Accounting year**

Wuhan Linkong's accounting year starts on 1 January and ends on 31 December.

(4) **Recording currency**

The recording currency is Renminbi (RMB).

(5) **Cash and cash equivalents**

Cash and cash equivalents comprise all cash in hand and deposits that can be readily drawn on demand.

(6) **Financial instruments**

(a) *Financial assets*

(i) *Classification of financial assets*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on Wuhan Linkong's intention and ability to hold the financial assets. The financial assets of Wuhan Linkong are mainly receivables.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) *Recognition and measurement*

Financial assets are recognised at fair value on the balance sheet when Wuhan Linkong becomes a party to the contractual provisions of the financial instrument.

Receivables are measured at amortised cost using the effective interest method.

(iii) *Impairment of financial assets*

Wuhan Linkong assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a receivable carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and

the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(iv) *Derecognition of financial assets*

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although Wuhan Linkong neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) *Financial liabilities*

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of Wuhan Linkong mainly comprise other financial liabilities, including payables and borrowings.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(7) **Receivables**

Receivables mainly comprise other receivables.

Receivables with amounts that are individually significant are subject to separate assessment for impairment on the individual basis. If there exists objective evidence that Wuhan Linkong will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made. The method of providing for bad debts for those individually significant amounts is as follows: the provision is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances. Other receivables of Wuhan Linkong mainly comprise receivables from related parties and deposits. Since bad debt risks are low based on credit risk assessment results and historical data, Wuhan Linkong will not recognise bad debt provision for such groupings.

(8) Inventories

(a) Classification and cost of inventories

Inventories include properties in progress and held for sale.

Inventories are measured at cost, including costs of land use right, construction costs and other costs. Borrowing costs which meet capitalisation requirements are recorded in properties held for sale (Note 2(11)).

(b) Recognition criteria of realisable of inventories and recognition method of provision for decline in value of inventories

At balance sheet date, inventories are measured at the lower of cost and realisable value. Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

(9) Investment properties

Investment properties, including land use rights that have already been leased out and buildings that are held for the purpose of leasing or capital increment or for both purposes, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to Wuhan Linkong and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

Wuhan Linkong adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation (amortisation) rate
Buildings	40 years	3%	2.4%
Land use rights	50 years	–	2%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed, and adjusted as appropriate at each year-end.

(10) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, electronic equipment and office equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to Wuhan Linkong and the costs can be reliably measured. Fixed assets purchased or constructed by Wuhan Linkong are initially measured at cost at the acquisition date.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to Wuhan Linkong and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	40 years	3%	2.4%
Electronic and office equipment	6 to 15 years	3%	16.2%-6.5%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(14)).

(d) Fixed assets disposal

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(11) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are

ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (14)).

(12) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(13) Intangible assets

(a) Intangible assets include land use rights, which are measured at cost and amortised on the straight-line basis over their approved useful period of 50 years.

(b) *Periodical review of useful life and amortisation method*

For an intangible asset with a finite useful life, review and adjustment on useful life and amortisation method is performed at each year-end with adjustment made as appropriate.

(c) The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (14)).

(14) Impairment of long-term assets

Fixed assets, construction in progress, investment properties measured using cost method and intangible assets with finite useful lives, are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(15) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

(a) Short-term employee benefits

The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at their fair value.

(b) Basic pension insurance

Employees of Wuhan Linkong participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions and not exceeding the stipulated upper limit, which is paid to local labour and social security institutions. When employees retired, local labour and social security institutions have a duty to pay the basic pension insurance to them. The employee benefits obligation are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

(16) Revenue recognition

The amount of revenue is determined in accordance with the fair value of consideration in received or receivable contracts or agreements when providing warehouse rent to external parties in daily operations.

Revenue is recognised when the economic benefits associated with the transaction will flow to Wuhan Linkong, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of Wuhan Linkong's activities as described below:

Revenue from operating lease is recognised on a straight-line basis over the lease term.

Interest income is determined by using the effective interest method, based on the length of time for which Wuhan Linkong's cash is used by others.

(17) Government Grants

Government grants are transfers of monetary or non-monetary assets from the government to Wuhan Linkong at nil consideration.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable; the grant is measured at nominal amount.

A government grant related to an asset is a grant received by Wuhan Linkong using for acquiring or forming long-term assets in other ways. All other government grants are government grants related to income.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by Wuhan Linkong in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by Wuhan Linkong, the grant is recognised immediately in profit or loss for the current period.

(18) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Directors of Acquirer predict taxable profit can not be obtained to offset deductible losses, so deferred tax assets are not recognised for deductible losses for related periods of financial information herein.

(19) Segment information

Wuhan Linkong identify operating segments based on the internal organisation structure, management requirement and internal reporting, then disclose segment information of reportable segment which is based on operating segment.

An operating segment is the component of Wuhan Linkong that all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and (3) for which the information of financial position, operating results and cash flows is available to Wuhan Linkong. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

The management considers Wuhan Linkong conduct its business within one business segment. Wuhan Linkong also operates within one geographical segment as its revenues are primarily generated from and its assets are located in the PRC.

(20) Critical accounting estimates and judgments

Wuhan Linkong continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below:

(a) Impairment of receivables

Directors of Acquirer assesses if receivables is impaired in accordance with accounting policy stated in Note 2(7) on balance sheet date. Impairment assessment of receivables are comprehensively judged and estimated based on customers' credit and financial condition of Wuhan Linkong. Even if management of Wuhan Linkong makes best estimates and provides bad debt provision for predicted possible bad debt losses, related impairment results may significantly change because of variable customers' financial condition and market circumstance.

(b) Income tax and deferred income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from directors of Acquirer in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 TAXATION

The main categories and rates of taxes applicable to Wuhan Linkong are set out below:

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	25%
Property tax	Rental income	12%
Value added tax ("VAT")(i)	Taxable service income (applicable to "small-scale taxpayer")	3%
City maintenance and construction tax	VAT and business tax paid/payable	7%
Education surcharge	VAT and business tax paid/payable	3%
Local education surcharge	VAT and business tax paid/payable	2%

- (i) Pursuant to the Circular on the Pilot Plan for Levying VAT in Place of Business Tax (Cai Shui No.110, 2011) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for Transportation Industry and Certain Modern Service Industries in the PRC (Cai Shui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, Wuhan Linkong's revenue from storage business is subject to VAT since 1 August 2013 and the applicable tax rate is 3%.

4 NOTES TO THE FINANCIAL INFORMATION

(1) Cash at bank and on hand

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Cash on hand	1,090	423	23,608	27,350
Cash at bank	42,361,398	5,612,234	2,086,826	1,225,607
Other deposits	16,000,000	40,000,000	–	–
	<u>58,362,488</u>	<u>45,612,657</u>	<u>2,110,434</u>	<u>1,252,957</u>

As at 31 December 2011 and 31 December 2012, other deposits represented guarantee deposits placed to the banks as securities for issuance of bank acceptance notes (Note 4(23)(c)).

(2) Advances to suppliers

The ageing of advances to suppliers is within one year.

(3) Other receivables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Receivables from related parties (<i>Note 5(4)(b)</i>)	37,708,926	79,649,009	862,391	1,210,096
Deposits	–	200,000	400,000	400,000
Others	–	–	4,631	6,632
	<u>37,708,926</u>	<u>79,849,009</u>	<u>1,267,022</u>	<u>1,616,728</u>

The ageing of other receivables is analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Within 1 year	20,000,000	61,129,010	1,067,022	6,632
1 to 2 years	17,708,926	18,719,999	200,000	1,410,096
2 to 3 years	–	–	–	200,000
	<u>37,708,926</u>	<u>79,849,009</u>	<u>1,267,022</u>	<u>1,616,728</u>

As at 31 December 2011, 2012, 2013 and 31 March 2014, other receivables aged over one year were past due and were mainly due from related parties. Since there was no recent history of default by the related parties of Wuhan Linkong, no provision was made against these receivables.

(4) Inventories

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Properties under development	163,157,512	230,136,997	146,130,854	175,560,785
Properties held for sale	<u>–</u>	<u>–</u>	<u>291,946,398</u>	<u>291,946,398</u>
	<u>163,157,512</u>	<u>230,136,997</u>	<u>438,077,252</u>	<u>467,507,183</u>

- (a) All properties under development and properties held for sale are located in mainland China and the terms of the relevant land use rights are from 47 years to 50 years.
- (b) As at 31 December 2011, 2012, 2013 and 31 March 2014, no provision for impairment of properties under development and properties held for sale has been made.
- (c) For the years ended 31 December 2011, 2012, 2013 and three months ended 31 March 2014, capitalisation rate of borrowings were 12.27%, 6.48%, 6.34% and 13%, respectively.
- (d) As at 31 March 2014, inventories with a carrying amount of approximately RMB44,133,312 (cost: RMB44,133,312) and RMB234,930,738 (cost: RMB234,930,738) have been pledged as collateral for bank loan facilities of RMB65,000,000 and RMB100,000,000 respectively. Up to 31 March 2014, relevant borrowings under the bank loan facilities agreement have not been drawn from the bank.

(5) Fixed assets

	Buildings	Electronic and office equipment	Total
Cost			
31 December 2010	–	–	–
Addition in current year	–	160,725	160,725
31 December 2011	–	160,725	160,725
Addition in current year	–	13,138	13,138
31 December 2012	–	173,863	173,863
Transfer from construction in progress	15,729,214	–	15,729,214
Addition in current year	–	202,323	202,323
31 December 2013	15,729,214	376,186	16,105,400
Addition in current period	–	20,497	20,497
31 March 2014	15,729,214	396,683	16,125,897
Accumulated depreciation			
31 December 2010	–	–	–
Depreciation charged in current year	–	(13,463)	(13,463)
31 December 2011	–	(13,463)	(13,463)
Depreciation charged in current year	–	(31,862)	(31,862)
31 December 2012	–	(45,325)	(45,325)
Depreciation charged in current year	(123,721)	(44,688)	(168,409)
31 December 2013	(123,721)	(90,013)	(213,734)
Depreciation charged in current period	(92,790)	(13,320)	(106,110)
31 March 2014	(216,511)	(103,333)	(319,844)
Carrying amount			
31 December 2011	–	147,262	147,262
31 December 2012	–	128,538	128,538
31 December 2013	15,605,493	286,173	15,891,666
31 March 2014	15,512,703	293,350	15,806,053

- (a) For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, depreciation charged to general and administrative expenses amounted to RMB13,463, RMB31,862, RMB168,409 and RMB106,110, respectively.
- (b) As at 31 December 2013 and 31 March 2014, Wuhan Linkong was in the process of applying for the property title certificates in respect of the buildings amounted to RMB15,605,493 and RMB15,512,703, respectively.

(6) Construction in progress

	31 December 2011	Addition in current year	Transfer to fixed assets in the current year	31 December 2012
Exhibition centre project	—	12,241,139	—	12,241,139
	<u>—</u>	<u>12,241,139</u>	<u>—</u>	<u>12,241,139</u>
	31 December 2012	Addition in current year	Transfer to fixed assets in the current year	31 December 2013 and 31 March 2014
Exhibition centre project	12,241,139	3,488,075	(15,729,214)	—
	<u>12,241,139</u>	<u>3,488,075</u>	<u>(15,729,214)</u>	<u>—</u>

For the years ended 31 December 2012 and 2013, capitalisation rates of borrowings were 6.48% and 6.34%, respectively.

(7) Intangible assets

	Land use rights
Cost	
31 December 2010	–
Addition in current year	<u>289,901</u>
31 December 2011, 31 December 2012, 31 December 2013 and 31 March 2014	<u>289,901</u>
Accumulated amortisation	
31 December 2010	–
Amortisation charged in current year	<u>(4,349)</u>
31 December 2011	(4,349)
Amortisation charged in current year	<u>(5,799)</u>
31 December 2012	(10,148)
Amortisation charged in current year	<u>(5,799)</u>
31 December 2013	(15,947)
Amortisation charged in current period	<u>(1,450)</u>
31 March 2014	<u>(17,397)</u>
Carrying amount	
31 December 2011	<u><u>285,552</u></u>
31 December 2012	<u><u>279,753</u></u>
31 December 2013	<u><u>273,954</u></u>
31 March 2014	<u><u>272,504</u></u>

- (a) As at 31 December 2011, 2012, 2013 and 31 March 2014, lands are all located in mainland China and the terms of the relevant land use rights are from 47 to 50 years.
- (b) As at 31 March 2014, intangible assets with a carrying amount of approximately RMB272,504 (cost: RMB289,901) have been pledged as collateral for bank loan facilities of RMB65,000,000. Up to 31 March 2014, relevant borrowings under the bank loan facilities agreement have not been drawn from the bank.

(8) Investment properties

	Properties under development	Land use rights	Total
Cost			
31 December 2010	–	–	–
Addition in current year	<u>40,361</u>	<u>23,131,611</u>	<u>23,171,972</u>
31 December 2011	40,361	23,131,611	23,171,972
Addition in current year	<u>1,013,162</u>	<u>3,343,715</u>	<u>4,356,877</u>
31 December 2012	1,053,523	26,475,326	27,528,849
Addition in current year	<u>16,760,777</u>	<u>–</u>	<u>16,760,777</u>
31 December 2013	17,814,300	26,475,326	44,289,626
Addition in current period	<u>2,469,329</u>	<u>–</u>	<u>2,469,329</u>
31 March 2014	<u>20,283,629</u>	<u>26,475,326</u>	<u>46,758,955</u>
Accumulated amortisation			
31 December 2010	–	–	–
Amortisation charged in current year	<u>–</u>	<u>(346,974)</u>	<u>(346,974)</u>
31 December 2011	–	(346,974)	(346,974)
Amortisation charged in current year	<u>–</u>	<u>(508,751)</u>	<u>(508,751)</u>
31 December 2012	–	(855,725)	(855,725)
Amortisation charged in current year	<u>–</u>	<u>(600,989)</u>	<u>(600,989)</u>
31 December 2013	–	(1,456,714)	(1,456,714)
Amortisation charged in current period	<u>–</u>	<u>(150,247)</u>	<u>(150,247)</u>
31 March 2014	<u>–</u>	<u>(1,606,961)</u>	<u>(1,606,961)</u>
Net book value			
31 December 2011	<u>40,361</u>	<u>22,784,637</u>	<u>22,824,998</u>
31 December 2012	<u>1,053,523</u>	<u>25,619,601</u>	<u>26,673,124</u>
31 December 2013	<u>17,814,300</u>	<u>25,018,612</u>	<u>42,832,912</u>
31 March 2014	<u>20,283,629</u>	<u>24,868,365</u>	<u>45,151,994</u>

- (a) As at 31 December 2011, 2012, 2013 and 31 March 2014, the investment properties are all located in mainland China with relevant land use rights for 47 to 50 years.
- (b) For the years ended 31 December 2011, 2012, 2013 and the three months ended 31 March 2014, capitalisation rates of borrowings were 12.27%, 6.48%, 6.34% and 13%, respectively.
- (c) As at 31 March 2014, investment properties with a carrying amount of approximately RMB23,354,086 (cost: RMB24,863,196) have been pledged as collateral for bank loan facilities of RMB65,000,000. Up to 31 March 2014, relevant borrowings under the bank loan facilities agreement have not been drawn from the bank.

(9) Other non-current assets

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Prepayments for acquisition of land use rights (Note (a))	52,748,976	52,748,976	52,748,976	52,748,976
Prepayments for purchase of equipment	—	—	1,536,000	—
	<u>52,748,976</u>	<u>52,748,976</u>	<u>54,284,976</u>	<u>52,748,976</u>

- (a) Amounts represented prepayments made to Finance Bureau of Huangpo District Wuhan City in October 2010 for the acquisition of land use rights.

(10) Accounts payable

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Construction fee payable	<u>472,000</u>	<u>51,392,041</u>	<u>198,194,896</u>	<u>173,536,678</u>

- (a) The ageing of accounts payable based on their recording dates is analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Within 1 year	472,000	50,920,041	190,945,679	171,706,366
1 to 2 years	—	472,000	7,249,217	1,830,312
	<u>472,000</u>	<u>51,392,041</u>	<u>198,194,896</u>	<u>173,536,678</u>

(11) Employee benefits payable

	31 December 2010	Increase in current year	Decrease in current year	31 December 2011
Wages and salaries, bonuses, allowances and subsidies	–	269,972	(269,972)	–
Staff welfare	–	81,014	(81,014)	–
Social security contributions	–	68,987	(68,987)	–
Including: Medical insurance	–	17,689	(17,689)	–
Basic pensions	–	44,222	(44,222)	–
Unemployment insurance	–	4,422	(4,422)	–
Work injury insurance	–	1,106	(1,106)	–
Maternity insurance	–	1,548	(1,548)	–
Housing funds	–	29,003	(29,003)	–
Others	–	1,011	(1,011)	–
	<u>–</u>	<u>449,987</u>	<u>(449,987)</u>	<u>–</u>
	31 December 2011	Increase in current year	Decrease in current year	31 December 2012
Wages and salaries, bonuses, allowances and subsidies	–	1,817,166	(1,620,241)	196,925
Staff welfare	–	610,841	(610,841)	–
Social security contributions	–	128,421	(128,421)	–
Including: Medical insurance	–	82,322	(82,322)	–
Basic pensions	–	32,928	(32,928)	–
Unemployment insurance	–	8,232	(8,232)	–
Work injury insurance	–	2,058	(2,058)	–
Maternity insurance	–	2,881	(2,881)	–
Housing funds	–	166,861	(166,861)	–
Others	–	10,337	(10,337)	–
	<u>–</u>	<u>2,733,626</u>	<u>(2,536,701)</u>	<u>196,925</u>

	31 December 2012	Increase in current year	Decrease in current year	31 December 2013
Wages and salaries, bonuses, allowances and subsidies	196,925	2,303,481	(2,289,828)	210,578
Staff welfare	–	989,604	(819,163)	170,441
Social security contributions	–	216,296	(216,296)	–
Including: Basic pensions	–	138,651	(138,651)	–
Medical insurance	–	55,461	(55,461)	–
Unemployment insurance	–	13,865	(13,865)	–
Work injury insurance	–	3,466	(3,466)	–
Maternity insurance	–	4,853	(4,853)	–
Housing funds	–	317,090	(317,090)	–
Others	–	38,726	(13,750)	24,976
	<u>196,925</u>	<u>3,865,197</u>	<u>(3,656,127)</u>	<u>405,995</u>
	31 December 2013	Increase in current period	Decrease in current period	31 March 2014
Wages and salaries, bonuses, allowances and subsidies	210,578	436,553	(535,846)	111,285
Staff welfare	170,441	3,076	(3,076)	170,441
Social security contributions	–	181,994	(181,994)	–
Including: Medical insurance	–	116,663	(116,663)	–
Basic pensions	–	46,665	(46,665)	–
Unemployment insurance	–	11,666	(11,666)	–
Work injury insurance	–	2,917	(2,917)	–
Maternity insurance	–	4,083	(4,083)	–
Housing funds	–	106,071	(106,071)	–
Others	<u>24,976</u>	<u>3,092</u>	<u>(23,289)</u>	<u>4,779</u>
	<u>405,995</u>	<u>730,786</u>	<u>(850,276)</u>	<u>286,505</u>

(12) Notes payable

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Bank acceptance notes	<u>40,000,000</u>	<u>100,000,000</u>	<u>–</u>	<u>–</u>

As at 31 December 2011 and 31 December 2012, all notes are due within one year.

(13) Taxes payable

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Land use tax payable	–	783,214	3,411,550	4,067,617
Property tax payable	–	–	188,945	347,611
Others	149	–	52,178	46,035
	<u>149</u>	<u>783,214</u>	<u>3,652,673</u>	<u>4,461,263</u>

(14) Other payables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Amounts due to related parties (<i>Note 5(4)(c)</i>)	25,632	8,850,503	17,942,348	73,595,625
Deposit and others	244,816	1,279,765	6,650,458	7,163,763
	<u>270,448</u>	<u>10,130,268</u>	<u>24,592,806</u>	<u>80,759,388</u>

As at 31 December 2013 and 31 March 2014, other payables aged over one year amounted to RMB8,735,641 and RMB9,272,911, respectively, which were mainly amounts due to related parties, unsecured, interest-free and repayable on demand.

(15) Long-term borrowings

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Secured and Guaranteed (a)	<u>–</u>	<u>–</u>	<u>50,000,000</u>	<u>50,000,000</u>

(a) The long-term borrowings bear interest at a fixed rate of 13% per annum and with a maturity of 2 years. Interests should be paid quarterly and the principal should be paid on the maturity date.

The borrowings of RMB50,000,000 are guaranteed by HNA Airport Holdings (Group) Co., Ltd. (海航機場控股(集團)有限公司, referred to as “HNA Airport Holdings”) and secured by certain land use rights and properties held by Chengmai HNA Neusoft Investment and Development Co., Ltd. (澄邁海航東軟投資開發有限公司, referred to as “HNA Neusoft”) and Baoting HNA Tourism Development Co., Ltd. (保亭海航旅遊開發有限公司, referred to as “HNA Tourism”).

(16) Paid-in capital

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Xinhua Lianhang	240,000,000	240,000,000	240,000,000	240,000,000
Wuhan Panlong	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>
	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>

(17) Revenue from main operations

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Warehouse rental income	-	-	1,110,766	-	970,573

(18) Taxes and surcharges

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Property tax	-	-	133,292	-	116,469
Land use tax	-	-	54,731	-	54,731
Other taxes and surcharges	-	-	3,999	-	3,494
	<u>-</u>	<u>-</u>	<u>192,022</u>	<u>-</u>	<u>174,694</u>

(19) General and administrative expenses

General and administrative expenses are mainly comprised of the following items:

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Depreciation and amortisation	324,425	492,596	721,381	149,415	244,354
General office expenses	1,329,113	1,874,286	2,644,303	987,127	1,599,157
Entertainment expenses	1,205,352	841,834	622,548	149,245	156,609
Travelling expenses	710,789	582,433	544,456	132,222	89,002
Employee benefit expenses	449,986	2,278,137	3,786,385	724,099	726,195
Advertising and promotion expenses	86,078	269,721	825,837	10,916	12,000
Audit and advisory fee	55,158	160,833	223,090	108,340	105,750
Property management expenses	6,600	284,065	529,695	139,424	142,775
Tax charges	-	1,263	74,536	1,052	43,247
Others	788,521	1,426,437	1,246,979	156,208	28,854
	<u>4,956,022</u>	<u>8,211,605</u>	<u>11,219,210</u>	<u>2,558,048</u>	<u>3,147,943</u>

(20) Financial (expenses)/income – net

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Interest income	187,599	497,148	127,757	48,329	4,405
Less: Interest expenses	(1,227,017)	(4,536,493)	(3,700,453)	(2,617,120)	(1,625,000)
Add: Interest capitalised	998,684	2,989,511	3,700,453	2,617,120	1,625,000
Less: Bank charges	(21,039)	(63,933)	(60,952)	(53,203)	(1,685)
	<u>(61,773)</u>	<u>(1,113,767)</u>	<u>66,805</u>	<u>(4,874)</u>	<u>2,720</u>

(21) Non-operating income

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Government grants (Note (a))	<u>-</u>	<u>-</u>	<u>1,223,750</u>	<u>-</u>	<u>-</u>

- (a) Amount represented the financial subsidy granted by the government of Wuhan City to Wuhan Linkong as an advanced logistic enterprise.

(22) Income tax expenses

For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, no income tax expense has been provided for by Wuhan Linkong.

- (a) The reconciliation from income tax calculated based on the applicable tax rates and total loss presented in the income statement to the income tax expenses is as follows:

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Total losses	<u>(5,017,795)</u>	<u>(9,325,372)</u>	<u>(9,012,880)</u>	<u>(2,562,922)</u>	<u>(2,349,344)</u>
Income tax calculated at applicable tax rates	(1,254,449)	(2,331,343)	(2,253,220)	(640,731)	(587,336)
Tax losses for which no deferred tax asset was recognised	<u>1,254,449</u>	<u>2,331,343</u>	<u>2,253,220</u>	<u>640,731</u>	<u>587,336</u>
Income tax expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (b) Wuhan Linkong's tax losses for which no deferred tax asset was recognised are analysed below:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Tax losses	<u>3,812,444</u>	<u>11,459,096</u>	<u>19,854,980</u>	<u>22,052,568</u>

- (c) Tax losses for which no deferred tax asset was recognised will be due in the following years:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
2016	3,812,444	3,812,444	3,812,444	3,812,444
2017	–	7,646,652	7,646,652	7,646,652
2018	–	–	8,395,884	8,395,884
2019	–	–	–	2,197,588
	<u>3,812,444</u>	<u>11,459,096</u>	<u>19,854,980</u>	<u>22,052,568</u>

(23) Notes to cash flow statement

- (a) *Reconciliation from net losses to cash flows from operating activities*

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Net losses	(5,017,795)	(9,325,372)	(9,012,880)	(2,562,922)	(2,349,344)
Add: Depreciation of fixed assets	13,463	31,862	168,409	8,655	106,110
Amortisation of investment properties	306,613	454,935	547,173	139,310	136,794
Amortisation of intangible assets	4,349	5,799	5,799	1,450	1,450
Increase in inventories	(163,157,512)	(66,979,485)	(207,940,255)	(51,985,064)	(29,429,931)
Decrease/(increase) in operating receivables	228,333	811,007	(3,330,540)	(634,648)	(886,079)
Increase/(decrease) in operating payables	<u>42,221,703</u>	<u>42,475,197</u>	<u>155,872,135</u>	<u>18,487,658</u>	<u>(18,227,786)</u>
Net cash flows from operating activities	<u>(125,400,846)</u>	<u>(32,526,057)</u>	<u>(63,690,159)</u>	<u>(36,545,561)</u>	<u>(50,648,786)</u>

(b) Net movement in cash

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Cash at the end of year	42,362,488	5,612,657	2,110,434	9,339,949	1,252,957
Less: cash at beginning of year	<u>(199,966,980)</u>	<u>(42,362,488)</u>	<u>(5,612,657)</u>	<u>(5,612,657)</u>	<u>(2,110,434)</u>
Net (decrease)/increase in cash	<u>(157,604,492)</u>	<u>(36,749,831)</u>	<u>(3,502,223)</u>	<u>3,727,292</u>	<u>(857,477)</u>

(c) Cash

	31 December 2011	31 December 2012	31 December 2013	31 March 2013 (Unaudited)	31 March 2014 (Unaudited)
Cash at bank and on hand (Note 4(1))	58,362,488	45,612,657	2,110,434	49,339,949	1,252,957
Less: restricted cash at bank	<u>(16,000,000)</u>	<u>(40,000,000)</u>	<u>–</u>	<u>(40,000,000)</u>	<u>–</u>
Cash at end of year	<u>42,362,488</u>	<u>5,612,657</u>	<u>2,110,434</u>	<u>9,339,949</u>	<u>1,252,957</u>

(d) Cash received relating to other operating activities

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Deposit	–	1,034,949	5,370,693	–	513,305
Others	<u>187,599</u>	<u>497,148</u>	<u>1,351,507</u>	<u>198,405</u>	<u>4,405</u>
	<u>187,599</u>	<u>1,532,097</u>	<u>6,722,200</u>	<u>198,405</u>	<u>517,710</u>

(e) Cash paid relating to other investing activities

Cash paid relating to other investing activities mainly represents loans granted to related parties.

(f) Cash received relating to other financing activities

Cash received relating to other investing activities mainly represents borrowings obtained from related parties.

5 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent of Wuhan Linkong

(a) General information of the parent company:

	Place of registration	Nature of business
Xinhua Lianhang	Wuhan City, Hubei Province	Investment and development of airport industry

Wuhan Linkong's ultimate controlling party is HNA Group.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2010	Increase in current year	Decrease in current year	31 December 2011
Xinhua Lianhang	<u>810,000,000</u>	<u>—</u>	<u>—</u>	<u>810,000,000</u>
	31 December 2011	Increase in current year	Decrease in current year	31 December 2012
Xinhua Lianhang	<u>810,000,000</u>	<u>700,000,000</u>	<u>—</u>	<u>1,510,000,000</u>
	31 December 2012	Increase in current year	Decrease in current year	31 December 2013
Xinhua Lianhang	<u>1,510,000,000</u>	<u>500,000,000</u>	<u>—</u>	<u>2,010,000,000</u>
	31 December 2013	Increase in current period	Decrease in current period	31 March 2014
Xinhua Lianhang	<u>2,010,000,000</u>	<u>—</u>	<u>—</u>	<u>2,010,000,000</u>

(c) The proportions of equity interests and voting rights in Wuhan Linkong held by the parent company:

	31 December 2011, 31 December 2012, 31 December 2013 and 31 March 2014	
	Equity interest held (%)	Voting rights held (%)
Xinhua Lianhang	<u>80</u>	<u>80</u>

(2) Information of other related parties

	Relationship with Wuhan Linkong
HNA Airport Group Company Ltd. (海航機場集團有限公司, referred to as “ HNA Airport ”)	Controlled by HNA Group
HNA Airport Holdings	Controlled by HNA Group
HNA Group Finance Co., Ltd. (海航集團財務有限公司, referred to as “ HNA Group Finance ”)	Controlled by HNA Group
HNA Basic Industry Group Company Ltd. (海航基礎產業集團有限公司, referred to as “ HNA Basic ”)	Controlled by HNA Group
Yichang Sanxia Airport Co., Ltd. (宜昌三峽機場有限責任公司, referred to as “ Sanxia Airport ”)	Controlled by HNA Group
HNA Property Holdings (Group) Co., Ltd. (海航地產控股(集團)有限公司, referred to as “ HNA Property ”)	Controlled by HNA Group
HNA Yisheng Holdings Co., Ltd. (海航易生控股有限公司, referred to as “ HNA Yisheng ”)	Controlled by HNA Group
Hubei HNA Development Co., Ltd. (湖北海航實業發展有限公司, referred to as “ HNA Development ”)	Controlled by HNA Group
Yichang Sanxia Airport Airlines Food Co., Ltd. (宜昌三峽機場航空食品有限公司, referred to as “ Sanxia Airlines Food ”)	Controlled by HNA Group
Manzhouli Airport Assets Management Co., Ltd. (滿洲里機場資產管理有限公司, referred to as “ Manzhouli Airport Assets Management ”)	Controlled by HNA Group
Xianyang Lanhai Airport Industry Development Co., Ltd. (咸陽藍海臨空產業發展有限公司, referred to as “ Xianyang Airport Industry Development ”)	Controlled by HNA Group
Sanya HNA Fenghuang Investment Development Co., Ltd. (三亞海航鳳凰投資開發有限公司, referred to as “ Sanya HNA Investment ”)	Controlled by HNA Group
Sanya HNA City Investment Development Co., Ltd. (三亞海航城投資開發有限公司, referred to as “ Sanya HNA City ”)	Controlled by HNA Group
HNA International Tourism Island Development (Group) Co., Ltd. (海航國際旅遊島開發建設(集團)有限公司, referred to as “ Haidao Development ”)	Controlled by HNA Group
HNA Commercial Holdings Co., Ltd. (海航商業控股有限公司, referred to as “ HNA Commercial ”)	Controlled by HNA Group
Gansu Airport Group Co., Ltd. (甘肅機場集團有限公司, referred to as “ Gansu Airport ”)	Controlled by HNA Group
HNA Zhiye Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司, referred to as “ HNA Zhiye ”)	Controlled by HNA Group
HNA Neusoft	Controlled by HNA Group
HNA Tourism	Controlled by HNA Group

(3) Significant related party transactions

(a) Interest income

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
HNA Group Finance	<u>146,285</u>	<u>41,997</u>	<u>686</u>	<u>271</u>	<u>2,974</u>

Interest income of cash deposited in HNA Group Finance is calculated based on the principal and the interest rate of commercial banks in the same period.

(b) Borrowings obtained from and loans granted to related parties

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Borrowings from -					
Manzhouli Airport					
Assets Management	-	3,000,000	-	-	-
HNA Basic	-	85,002,296	-	-	-
Sanxia Airport	-	144,652,042	104,093,508	103,951,847	-
HNA Property	-	59,000,000	-	-	-
HNA Airport	-	-	133,770,662	-	55,000,000
HNA Yisheng	-	-	1,345,950	-	1,502,952
	<u>-</u>	<u>291,654,338</u>	<u>239,210,120</u>	<u>103,951,847</u>	<u>56,502,952</u>

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Loans to -					
HNA Airport	760,539,124	126,050,000	-	79,000,000	-
HNA Airport Holdings	34,000,000	-	-	-	-
HNA Zhiye	100,000,000	-	-	-	-
HNA Basic	-	80,016,655	-	-	-
HNA Development	-	1,149,365	121,840,879	13,634,042	228,552
Sanxia Airport	-	-	414,667	-	-
Xinhua Lianhang	-	-	-	-	169,093
Xianyang Airport					
Industry Development	-	-	-	-	327,107
Sanya HNA Investment	-	14,000,000	-	-	-
Sanya HNA City	-	3,000,000	-	-	-
Haidao Development	-	66,000,000	-	-	-
HNA Commercial	-	134,000,000	-	-	-
Gansu Airport	-	5,000,000	-	-	-
	<u>894,539,124</u>	<u>429,216,020</u>	<u>122,255,546</u>	<u>92,634,042</u>	<u>724,752</u>

Borrowings obtained from and loans granted to related parties are unsecured and non-interest bearing.

(c) **Guarantee received**

- (i) Pursuant to the guarantee agreement and mortgage agreement entered into on 30 August 2013, HNA Airport Holdings provided a guarantee to Wuhan Linkong for borrowings of RMB50,000,000 (Note 4(15)) for the period from 28 October 2013 to 28 October 2015. In addition, the above borrowings were secured by certain land use rights and properties held by HNA Neusoft and HNA Tourism respectively.
- (ii) Pursuant to the guarantee agreement entered into on 19 March 2014, HNA Basic provided a guarantee to Wuhan Linkong for bank borrowings with maximum principal of RMB65,000,000 for the period from 19 March 2014 to 18 March 2015.
- (iii) Pursuant to the guarantee agreement entered into on 26 March 2014, HNA Airport provided a guarantee to Wuhan Linkong for bank borrowings with maximum principal of RMB100,000,000 for the period from 27 March 2014 to 30 April 2022.

(d) **Remuneration of key management personnel**

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Remuneration of key management personnel	<u>94,200</u>	<u>552,012</u>	<u>930,032</u>	<u>232,508</u>	<u>-</u>

Key management personnel include executive directors, non-executive directors, president, vice president, company secretary, chief financial officer and supervisors of Wuhan Linkong.

(e) *Emoluments of directors and supervisors*

Emoluments of directors and supervisors for the year ended 31 December 2011 are as follows:

Name	Remuneration	Salary and allowance	Contribution to pension scheme	Total
Liu Lu – director	-	-	-	-
Dong Guiguo – director	-	-	-	-
Zhou Xiongfei – director	-	-	-	-
Zhang Jianming – supervisor	-	-	-	-
Zhao Hui – supervisor	-	-	-	-
Ye Xing – supervisor	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Emoluments of directors and supervisors for the year ended 31 December 2012 are as follows:

Name	Remuneration	Salary and allowance	Contribution to pension scheme	Total
Hu Po – director	229,200	-	-	229,200
Liu Lu – director	-	-	-	-
Dong Guiguo – director	-	-	-	-
Zhou Xiongfei – director	-	-	-	-
Zhang Jianming – supervisor	-	-	-	-
Zhao Hui – supervisor	-	-	-	-
Ye Xing – supervisor	-	-	-	-
Ma Guanghui – supervisor	-	-	-	-
Feng Yong – supervisor	-	-	-	-
	<u>229,200</u>	<u>-</u>	<u>-</u>	<u>229,200</u>

Emoluments of directors and supervisors for the year ended 31 December 2013 are as follows:

Name	Remuneration	Salary and allowance	Contribution to pension scheme	Total
Hu Po – director	–	–	–	–
Dong Guiguo – director	–	–	–	–
Zhou Xiongfei – director	–	–	–	–
Zhang Jianming – supervisor	–	–	–	–
Ma Guanghui – supervisor	–	–	–	–
Feng Yong – supervisor	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Emoluments of directors and supervisors for the three months ended 31 March 2013 (unaudited) are as follows:

Name	Remuneration	Salary and allowance	Contribution to pension scheme	Total
Hu Po – director	–	–	–	–
Dong Guiguo – director	–	–	–	–
Zhou Xiongfei – director	–	–	–	–
Zhang Jianming – supervisor	–	–	–	–
Ma Guanghui – supervisor	–	–	–	–
Feng Yong – supervisor	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Emoluments of directors and supervisors for the three months ended 31 March 2014 are as follows:

Name	Remuneration	Salary and allowance	Contribution to pension scheme	Total
Hu Po – director	–	–	–	–
Dong Guiguo – director	–	–	–	–
Zhou Xiongfei – director	–	–	–	–
Zhang Jianming – supervisor	–	–	–	–
Ma Guanghui – supervisor	–	–	–	–
Feng Yong – supervisor	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, no emoluments of the directors and supervisors were charged to Wuhan Linkong.

(4) Significant deposits in related parties and balances due from and due to related parties

(a) Cash at bank and on hand

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
HNA Group Finance	8,317,405	23,607	944,661	21,888

(b) Other receivables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Xinhua Lianhang	–	–	316,926	486,019
Xianyang Airport Industry Development	–	–	72,549	399,656
HNA Development	–	561,223	472,916	324,421
HNA Airport	17,708,926	79,087,786	–	–
HNA Airport Holdings	20,000,000	–	–	–
	<u>37,708,926</u>	<u>79,649,009</u>	<u>862,391</u>	<u>1,210,096</u>

(c) Other payables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
HNA Airport	–	–	7,770,662	62,770,662
HNA Basic	–	4,985,641	4,985,641	4,985,641
Manzhouli Airport Assets Management	–	3,000,000	3,000,000	3,000,000
HNA Yisheng	–	–	1,345,950	1,994,000
HNA Property	–	750,000	750,000	750,000
Sanxia Airport	–	91,309	43,891	46,983
Xinhua Lianhang	–	23,553	–	–
Sanxia Airlines Food	25,632	–	–	–
Others	–	–	46,204	48,339
	<u>25,632</u>	<u>8,850,503</u>	<u>17,942,348</u>	<u>73,595,625</u>

6 FINANCIAL INSTRUMENT AND RISK

Wuhan Linkong's operating activities expose itself to a variety of financial risks: market risk (primarily interest rate risk), credit risk and liquidity risk. Wuhan Linkong's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Wuhan Linkong's financial performance.

(1) Market risk**(a) Interest rate risk**

Wuhan Linkong's interest rate risk mainly arises from long-term borrowings. Financial liabilities issued at floating rates expose Wuhan Linkong to cash flow interest rate risk. Financial liabilities issued at fixed rates expose Wuhan Linkong to fair value interest rate risk. Wuhan Linkong determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2013 and 31 March 2014, Wuhan Linkong's long-term interest bearing borrowings were RMB-denominated borrowings with fixed rates, amounting to RMB50,000,000.

For the years ended 31 December 2011, 2012, and 2013 and the three months ended 31 March 2013 and 31 March 2014, changes on interest rate had little impact on the net profit or loss of Wuhan Linkong.

(2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank and other receivables.

Wuhan Linkong expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks or HNA Group Finance. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, Wuhan Linkong has policies to limit the credit exposure on other receivable. Wuhan Linkong assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by Wuhan Linkong. In respect of customers with a poor credit history, Wuhan Linkong will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of Wuhan Linkong is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by Wuhan Linkong. Wuhan Linkong's finance department monitors rolling forecasts of Wuhan Linkong's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs so that Wuhan Linkong does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements. Wuhan Linkong also received the confirmation from its parent company that continuous cash support will be granted to Wuhan Linkong if the acquisition by the Acquirer does not complete in time as planned so as to ensure Wuhan Linkong to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations.

The financial assets and liabilities of Wuhan Linkong at the balance sheet dates are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2011				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash on hand and at bank	58,362,488	-	-	-	58,362,488
Other receivables	37,708,926	-	-	-	37,708,926
	<u>96,071,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,071,414</u>
Financial liabilities					
Accounts payable	472,000	-	-	-	472,000
Other payables	270,448	-	-	-	270,448
Notes payable	40,000,000	-	-	-	40,000,000
	<u>40,742,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,742,448</u>
31 December 2012					
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash on hand and at bank	45,612,657	-	-	-	45,612,657
Other receivables	79,849,009	-	-	-	79,849,009
	<u>125,461,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,461,666</u>
Financial liabilities					
Accounts payable	51,392,041	-	-	-	51,392,041
Other payables	10,130,268	-	-	-	10,130,268
Notes payable	100,000,000	-	-	-	100,000,000
	<u>161,522,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,522,309</u>

	31 December 2013				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets					
Cash at bank and on hand	2,110,434	-	-	-	2,110,434
Other receivables	1,267,022	-	-	-	1,267,022
	<u>3,377,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,377,456</u>
Financial liabilities					
Accounts payable	198,194,896	-	-	-	198,194,896
Other payables	24,592,806	-	-	-	24,592,806
Interest payable	1,083,333	-	-	-	1,083,333
Long-term borrowings	6,500,000	55,416,667	-	-	61,916,667
	<u>230,371,035</u>	<u>55,416,667</u>	<u>-</u>	<u>-</u>	<u>285,787,702</u>
31 March 2014					
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	1,252,957	-	-	-	1,252,957
Other receivables	1,616,728	-	-	-	1,616,728
	<u>2,869,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,869,685</u>
Financial liabilities					
Accounts payable	173,536,678	-	-	-	173,536,678
Other payables	80,759,388	-	-	-	80,759,388
Interest payable	1,108,333	-	-	-	1,108,333
Long-term borrowings	6,500,000	53,791,667	-	-	60,291,667
	<u>261,904,399</u>	<u>53,791,667</u>	<u>-</u>	<u>-</u>	<u>315,696,066</u>

(4) Fair value**(a) Assets and liabilities not measured at fair value**

Financial assets and liabilities of Wuhan Linkong not measured at fair value mainly include receivables, payables and long-term borrowings. The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

7 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for but not yet necessary to be recognised on the balance sheet

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Investment properties	–	21,254,483	9,235,519	9,235,519

8 CAPITAL MANAGEMENT

Wuhan Linkong's objectives when managing capital are to safeguard Wuhan Linkong's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Wuhan Linkong may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Wuhan Linkong monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and borrowings from related parties) less cash and cash equivalents. Total capital is calculated as "Total owners' equity" as shown in the balance sheet plus net debt. The gearing ratios of Wuhan Linkong as at 31 December 2011, 2012, 2013 and 31 March 2014 are as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Total borrowings				
Long-term borrowings	–	–	50,000,000	50,000,000
Borrowings from related parties	25,632	8,850,503	17,942,348	73,595,625
	25,632	8,850,503	67,942,348	123,595,625
Less: Cash	(42,362,488)	(5,612,657)	(2,110,434)	(1,252,957)
Net (cash)/liabilities	(42,336,856)	3,237,846	65,831,914	122,342,668
Owners' equity	294,493,117	285,167,745	276,154,865	273,805,521
Total capital	252,156,261	288,405,591	341,986,779	396,148,189
Gearing ratio	N/A	1%	19%	31%

As at 31 December 2011, Wuhan Linkong had a net cash position of RMB42,336,856, being the excess of cash and cash equivalents over total borrowings.

9 NET CURRENT ASSETS

	Wuhan Linkong			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Current assets	259,228,926	355,598,663	441,595,551	470,748,775
Less: Current liabilities	<u>(40,742,597)</u>	<u>(162,502,448)</u>	<u>(228,724,194)</u>	<u>(260,922,781)</u>
Net current assets	<u>218,486,329</u>	<u>193,096,215</u>	<u>212,871,357</u>	<u>209,825,994</u>

10 TOTAL ASSETS LESS CURRENT LIABILITIES

	Wuhan Linkong			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Total assets	335,235,714	447,670,193	554,879,059	584,728,302
Less: Current liabilities	<u>(40,742,597)</u>	<u>(162,502,448)</u>	<u>(228,724,194)</u>	<u>(260,922,781)</u>
Total assets less current liabilities	<u>294,493,117</u>	<u>285,167,745</u>	<u>326,154,865</u>	<u>323,805,521</u>

11 EVENTS AFTER THE BALANCE SHEET DATE

- (1) In April 2014, Wuhan Linkong pledged its land use right with an area of approximately 104,707 square meters and certain buildings to Hubei Bank Company Limited Wuhan Linkonggang Development District Branch as a security for a long-term loan from the bank of RMB100,000,000. The loan bears interest at floating interest and with a maturity of eight years. This long-term loan is also guaranteed by HNA Airport.
- (2) In April 2014, Wuhan Linkong pledged its land use right with an area of approximately 220,125 square meters to Wuhan Rural Commercial Bank Qingshan Branch as a security of a short-term loan from the bank of RMB35,000,000. This short-term loan is also guaranteed by HNA Basic.
- (3) In April 2014, Wuhan Linkong placed a term deposit of RMB10,000,000 in Wuhan Rural Commercial Bank Qingshan Branch as a security of a short-term bank loan of RMB9,000,000. The loan bears interest at a fixed rate and with maturity of one year.
- (4) In April 2014, Wuhan Linkong pledged its land use right with an area of approximately 271,750 square meters to Agriculture Bank of China Wuhan Hankou Branch as a security of a long-term loan from the bank of RMB82,000,000. The loan bears interest at floating rate and mature in six years. This long-term loan is also guaranteed by HNA Airport.
- (5) In May 2014, Wuhan Linkong placed a term deposit of RMB10,000,000 in Agriculture Bank of China Wuhan Hankou Branch as a security of a short-term bank loan of RMB9,700,000. The loan bears interest at a fixed rate and with maturity of one year.

III FINANCIAL INFORMATION FOR SUBSEQUENT PERIOD

No audited financial statements have been prepared by Wuhan Linkong in respect of any period subsequent to 31 March 2014 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by Wuhan Linkong in respect of any period subsequent to 31 March 2014.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

2. MANAGEMENT DISCUSSION AND ANALYSIS ON WUHAN LINKONG

Set out below is the management discussion and analysis on Wuhan Linkong for the period from the three years ended 31 December 2013 and the three months ended 31 March 2014 (the “**Relevant Periods**”) based on the accountants’ report of Wuhan Linkong as set out in Section 1 of this Appendix IIA.

Summary

Wuhan Linkong is a company with limited liability incorporated in the PRC on 27 September 2010 with registered capital of RMB300,000,000. It is engaged in development and operation of logistics parks surrounding the Wuhan Tianhe Airport. The Wuhan Industrial Park being developed by Wuhan Linkong in the Wuhan Airport Economic Zone has a total planned site area of 984 Mu and a total planned gross floor area of approximately 715,100 sq.m..

The Wuhan Industrial Park will be developed into an industrial park with general logistics and warehousing, customised industrial plants and integrated service facilities. Warehouses 2-4# with a total gross floor area of 87,000.0 sq.m. were completed in October 2013, and were leased to Wuhan Jingdong Century Trading Co., Ltd. in March 2014. Currently, a number of construction works are in progress in the park.

The further improvements in logistics industry environment have expedited the integration with other sectors, especially the manufacturing industry. The modern logistics operation is rapidly extending from the Pearl River Delta and the Yangtze River Delta to the Bohai Rim as well as central and western China. As the logistics service system gradually takes shape, the logistics industry is playing an increasingly notable role in enhancing the quality and efficiency of China’s economic growth, as witnessed by its stronger industry cohesion and social influence. The domestic logistics business has seen robust growth since the Restructuring and Revitalization Plan on Logistics Industry was promulgated by the government two years before. It is anticipated that during the Twelfth Five-year Plan period, the domestic logistics business will be presented with more major opportunities and attractive upsides for development.

Taking into account China’s economic growth and the development opportunities for the domestic logistics industry, the Directors are optimistic for economic value of the future development of Wuhan Linkong.

Business Review**Business Highlights of Wuhan Linkong**

Unit: RMB'000

Item	2011	2012	2013	January- March 2014
1. Revenue	0	0	1,111	971
2. Operating loss	(5,018)	(9,325)	(10,234)	(2,349)
Add: Non-operating income	0	0	1,224	0
Less: Non-operating expenses	0	0	(3)	0
3. Total loss	(5,018)	(9,325)	(9,013)	(2,349)
Less: Income tax	0	0	0	0
4. Net loss	(5,018)	(9,325)	(9,013)	(2,349)

For the year ended 31 December 2013 and for the three months ended 31 March 2014, Wuhan Linkong recorded warehouse rental incomes of approximately RMB1,111,000 and RMB971,000 respectively, which were derived from the warehouse property completed in October 2013 and have been leased to Wuhan Jingdong Century Trading Co., Ltd..

During the Relevant Periods, the operating loss of Wuhan Linkong was mainly due to the fact that development projects of Linkong Industrial zone were still in the construction phase and were not able to generate sufficient revenue to cover daily operating expense and interest expense.

Financial Position

Set out below are details of assets and liabilities of Wuhan Linkong for the latest three years:

Unit: RMB'000

Item	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Assets	335,236	447,670	554,879	584,728
Liabilities	40,743	162,502	278,724	310,923
Owner's equity	294,493	285,168	276,155	273,805

As of 31 March 2014, Wuhan Linkong had total assets and liabilities of approximately RMB584.728 million and RMB310.923 million respectively. The main assets included: 1) inventories of RMB467.507 million, representing approximately 80% of total assets, mainly stated as properties under development and to be sold; 2) fixed assets of approximately RMB15.806 million, stated as properties for own used and exhibition purpose; 3) investment properties of approximately RMB45.152 million, mainly including properties in the warehousing and integrated service area under development and to be used for leasing; 4) other non-current assets of approximately RMB52.749 million, mainly including the prepaid land premium etc. The total liabilities represented

an increase of approximately 11.6% as compared to 31 December 2013, which was primarily attributable to the construction cost payable recognized based on the progress of the project. The main liabilities included: 1) accounts payable of approximately RMB173.537 million, mainly including construction cost payable to construction contractors; 2) other payables of approximately RMB80.759 million, mainly including borrowings between related parties; and 3) borrowings of approximately RMB50 million, which were borrowings from financial institutions guaranteed by related parties of the Company.

As of 31 December 2011, 31 December 2012, 31 December 2013, Wuhan Linkong had total assets of approximately RMB335.236 million, RMB447.670 million, RMB554.879 million respectively. The main assets included: 1) cash at bank and on hand of RMB58.362million, RMB45.613 million, RMB2.110 million respectively, mainly including cash at bank and margin deposits; 2) other receivables of approximately RMB37.709 million, RMB79.849 million, RMB1.267 million respectively, mainly including current accounts of related parties; 3) inventories of RMB163.158 million, RMB230.137 million, RMB438.077 million respectively, mainly including properties under development and to be sold; 4) investment properties of RMB22.825 million, RMB26.673 million, RMB42.833 million respectively, mainly including prosperities in the warehousing and integrated service area to be used for leasing; 5) other non-current assets of RMB52.749 million, RMB52.749 million, RMB54.285 million, mainly including the prepaid land premium etc. As of 31 December 2011, 31 December 2012, 31 December 2013, Wuhan Linkong had total liabilities of RMB40.743 million, RMB162.502 million, RMB278.724 million respectively. The main liabilities included: 1) accounts payable of RMB0.472 million, RMB51.392 million, RMB198.195 million respectively, mainly including construction cost payable to construction contractors; 2) bill payables as at 31 December 2011, 31 December 2012 of RMB40.000 million, RMB100.000 million respectively, mainly including bank acceptance; 3) other payables of RMB0.270 million, RMB10.130 million, RMB24.593 million respectively, mainly including amounts payable to related parties; 4) long term loans as at 31 December 2013 of approximately RMB50.000 million, which were borrowings from financial institutions guaranteed by related parties of Wuhan Linkong.

Current Ratio, Financial Resources and Gearing Ratio

Wuhan Linkong financed the development and daily operation of its properties under development with funds primarily obtained from borrowings, borrowings between related parties and revenue. In terms of the capital structure of Wuhan Linkong, its asset-liability ratio, which calculated as net debt divided by total capital, was approximately 1%, 19% and 31% as at 31 December 2012, 2013 and 31 March 2014, respectively. As at 31 December 2011, Wuhan Linkong had a net cash position with net cash of approximately RMB42.337 million, being the difference of total borrowings less cash and cash equivalents.

In addition, as at 31 December 2011, 2012, 2013 and 31 March 2014, Wuhan Linkong's current ratios (being the ratios of current assets to current liabilities) were approximately 6.36 times, 2.19 times, 1.93 times and 1.80 times respectively.

Commitments

As of 31 December 2012, 2013 and 31 March 2014, capital expenditure commitments contracted but not yet necessary to be stated in the balance sheet were RMB21,254,483, RMB9,235,519 and RMB9,235,519 respectively.

The Directors anticipate that the above mentioned capital commitments will be financed by funds generated from operation and the financings available from related parties and banks.

Foreign Exchange Risk

Wuhan Linkong operates in mainland China and its transactions are mainly denominated in and settled through RMB. As all its monetary assets and liabilities are denominated in RMB, the foreign exchange risk is deemed as insignificant.

Employee and Remuneration Policy

As at 31 December 2011, 2012, 2013 and 31 March 2014, Wuhan Linkong had 10, 32, 39 and 21 employees respectively, and related staff benefit expenses were set out as follows:

	<i>Unit: RMB'000</i>			
	For the			
	three months			
	ended 31			
	2011	2012	2013	March 2014
Staff costs	450	2,278	3,786	726

Total staff costs included (1) salaries, wages and bonuses; (2) welfare, medical and other expenses; and (3) contributions to the pension scheme. Under the relevant labour laws and regulations in the PRC, Wuhan Linkong participates in the defined contribution pension scheme operated by local authorities, pursuant to which, the Target Group contributed to the scheme based on 20% of salaries during the Relevant Periods. Save for the annual contributions above, Wuhan Linkong has no material obligation for the payment of pension benefits.

Pledge of Assets

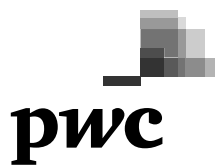
As at 31 March 2014, Wuhan Linkong pledged inventories, investment property and certain land use rights of intangible assets and properties under construction on the ground to secure the maximum finance facilities of RMB65,000,000. As of 31 March 2014, the above finance facilities have not been utilized.

Contingent Liability

As at 31 December 2011, 2012, 2013 and 31 March 2014, Wuhan Linkong had no significant contingent liability.

1. ACCOUNTANTS' REPORT OF HAIDAO COMMERCIAL

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.



普华永道
2014/SH-195/CYT/ADWW

15 August 2014

The Directors

Hainan Meilan International Airport Company Limited

Dear Sirs,

We report on the financial information of Hainan Haidao Commercial Management Co., Ltd. (海南海島商業管理有限公司) (“**Haidao Commercial**”) and its subsidiaries (together, “**Haidao Commercial Group**”), which comprises the consolidated and company balance sheets as at 31 December 2011, 2012, 2013 and 31 March 2014, and the consolidated and company income statements, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2011, 2012, 2013, and the three months ended 31 March 2014 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Hainan Meilan International Airport Company Limited (the “**Company**”) and is set out in Sections I to III below for inclusion in Appendix IIB to the circular of the Company dated 15 August 2014 (the “**Circular**”) in connection with the proposed acquisition of Haidao Commercial by the Company.

Haidao Commercial was incorporated in the People's Republic of China (the “**PRC**”) on 2 December 2010 as a limited liability company under the Company Law of the PRC.

As at the date of this report, Haidao Commercial has direct and indirect interests in the subsidiaries and associates as set out in Note 11(3) of Section II below.

The financial statements of Haidao Commercial Group for each of the years ended 31 December 2011 and 2012 were audited by Peking Certified Public Accountants Co., Ltd (中勤萬信會計師事務所有限公司).

The financial statements of Haidao Commercial Group for the year ended 31 December 2013 were audited by Zhongxingcai Guanghua Certified Public Accountants LLP Hainan Branch (中興財光華會計師事務所(特殊普通合夥)海南分所).

普華永道中天會計師事務所(特殊普通合夥)

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APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

The directors of Haidao Commercial are responsible for the preparation and fair presentation of the financial statements of Haidao Commercial Group for the Relevant Periods in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance (the "**Underlying Financial Statements**"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with China Standards on Auditing ("CSAs") issued by Chinese Institute of Certified Public Accountants ("**CICPA**") pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with CAS and accounting policies adopted by the Company and its subsidiaries (together, the "**Group**") as set out in the annual report of the Company for the year ended 31 December 2013.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of Haidao Commercial Group and of Haidao Commercial as at 31 December 2011, 2012 and 2013 and 31 March 2014 and of the results and cash flows of Haidao Commercial Group and Haidao Commercial for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix IIB to the Circular which comprises the consolidated and company income statement, the consolidated and company statement of changes in equity and the consolidated and company cash flow statement for the three months ended 31 March 2013 and a summary of significant accounting policies and other explanatory information (the "**Stub Period Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2013.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Our responsibility is to issue a report on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with China Standards on Review Engagement 2101, “Review of Financial Statements” issued by CICPA. This Standard requires that we plan and perform the review to obtain limited assurance as to whether the financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

I FINANCIAL INFORMATION OF HAIDAO COMMERCIAL GROUP

The following is the financial information of Haidao Commercial Group prepared by the directors of the Company as at 31 December 2011, 2012, 2013 and 31 March 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014 (the “**Financial Information**”).

(a) CONSOLIDATED BALANCE SHEET

		31 December	31 December	31 December	31 March
		2011	2012	2013	2014
	<i>Note</i>	Consolidated	Consolidated	Consolidated	Company
ASSETS					
Current assets					
Cash at bank and on hand	5(1)	51,234,655	399,074	471,513	385,465
Accounts receivable	5(2)	260,038	–	–	–
Advances to suppliers	5(3)	391,212	–	–	–
Other receivables	5(4)	610,141,566	573,412,761	572,502,518	209,265,485
Inventories		44,988	46,479	46,479	–
Other current assets	5(5)	143,523	905,118	719,995	–
		<u>662,215,982</u>	<u>574,763,432</u>	<u>573,740,505</u>	<u>209,650,950</u>
Total current assets					
Non-current assets					
Long-term equity investments	5(6)	20,592,403	50,169,615	68,118,387	60,586,253
Fixed assets	5(7)	902,669	–	–	–
Long-term prepaid expenses	5(8)	8,037,081	–	–	–
		<u>29,532,153</u>	<u>50,169,615</u>	<u>68,118,387</u>	<u>60,586,253</u>
Total non-current assets					
		<u>691,748,135</u>	<u>624,933,047</u>	<u>641,858,892</u>	<u>270,237,203</u>
TOTAL ASSETS					

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

		31 December 2011	31 December 2012	31 December 2013	31 March 2014
	<i>Note</i>	Consolidated	Consolidated	Consolidated	Company
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings	5(9)	400,000,000	-	-	-
Accounts payable		241,935	166,792	166,792	-
Employee benefits payable		101,836	-	-	-
Interest payable		4,027,778	-	-	-
Other payables	5(10)	<u>48,775,970</u>	<u>378,732,933</u>	<u>378,505,392</u>	<u>-</u>
Total current liabilities		<u>453,147,519</u>	<u>378,899,725</u>	<u>378,672,184</u>	<u>-</u>
Owners' equity					
Paid-in capital	5(11)	250,000,000	250,000,000	250,000,000	250,000,000
Surplus reserve	5(12)	-	-	1,260,871	1,260,871
(Accumulated losses)/ undistributed profits		<u>(13,008,017)</u>	<u>(4,562,798)</u>	<u>11,347,843</u>	<u>18,976,332</u>
Total equity attributable to equity owners of Haidao Commercial		236,991,983	245,437,202	262,608,714	270,237,203
Minority interest	5(13)	<u>1,608,633</u>	<u>596,120</u>	<u>577,994</u>	<u>-</u>
Total owners' equity		<u>238,600,616</u>	<u>246,033,322</u>	<u>263,186,708</u>	<u>270,237,203</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u><u>691,748,135</u></u>	<u><u>624,933,047</u></u>	<u><u>641,858,892</u></u>	<u><u>270,237,203</u></u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(b) **BALANCE SHEET**

		31 December 2011	31 December 2012	31 December 2013	31 March 2014
	<i>Note</i>	Company	Company	Company	Company
ASSETS					
Current assets					
Cash at bank and on hand	<i>11(1)</i>	49,707,706	317,258	385,270	385,465
Other receivables	<i>11(2)</i>	<u>592,098,270</u>	<u>565,889,164</u>	<u>564,979,482</u>	<u>209,265,485</u>
Total current assets		<u>641,805,976</u>	<u>566,206,422</u>	<u>565,364,752</u>	<u>209,650,950</u>
Non-current assets					
Long-term equity investments	<i>11(3)</i>	<u>45,070,105</u>	<u>55,534,688</u>	<u>73,320,330</u>	<u>60,586,253</u>
Total non-current assets		<u>45,070,105</u>	<u>55,534,688</u>	<u>73,320,330</u>	<u>60,586,253</u>
TOTAL ASSETS		<u>686,876,081</u>	<u>621,741,110</u>	<u>638,685,082</u>	<u>270,237,203</u>
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings		400,000,000	-	-	-
Interest payable		4,027,778	-	-	-
Other payables	<i>11(4)</i>	<u>45,858,000</u>	<u>376,303,908</u>	<u>376,076,368</u>	<u>-</u>
Total current liabilities		<u>449,885,778</u>	<u>376,303,908</u>	<u>376,076,368</u>	<u>-</u>
Owners' equity					
Paid-in capital		250,000,000	250,000,000	250,000,000	250,000,000
Surplus reserve		-	-	1,260,871	1,260,871
(Accumulated losses)/ undistributed profits		<u>(13,009,697)</u>	<u>(4,562,798)</u>	<u>11,347,843</u>	<u>18,976,332</u>
Total owners' equity		<u>236,990,303</u>	<u>245,437,202</u>	<u>262,608,714</u>	<u>270,237,203</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>686,876,081</u>	<u>621,741,110</u>	<u>638,685,082</u>	<u>270,237,203</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(c) CONSOLIDATED INCOME STATEMENT

Item	Note	2011	2012	2013	Three months ended 31 March 2013	Three months ended 31 March 2014
		Consolidated	Consolidated	Consolidated	Consolidated (Unaudited)	Consolidated
1. Revenue	5(14)	3,548,103	-	-	-	-
Less: Cost of sales	5(15)	(3,064,745)	-	-	-	-
Taxes and surcharges		(2,497)	-	-	-	-
Selling and distribution expenses	5(15)	(2,820,955)	-	-	-	-
General and administrative expenses	5(15)	(1,571,384)	(11,016,558)	(615,999)	(420)	-
Financial (expenses)/income – net	5(16)	(537,367)	(593,701)	5,736	4,508	195
Asset impairment losses	5(17)	-	(524,992)	(185,123)	(30,854)	-
Add: Investment (losses)/income	5(18)	(8,907,597)	19,575,532	17,948,772	7,788,882	7,628,294
Including: Share of (losses)/profit of associates		(8,907,597)	19,577,212	17,948,772	7,788,882	7,467,866
2. Operating (loss)/profit		(13,356,442)	7,440,281	17,153,386	7,762,116	7,628,489
Add: Non-operating income		1,432	11	-	-	-
Less: Non-operating expenses		(44,374)	(7,586)	-	-	-
3. Total (loss)/profit		(13,399,384)	7,432,706	17,153,386	7,762,116	7,628,489
Less: income tax expenses	5(19)	-	-	-	-	-
4. Net (loss)/profit		(13,399,384)	7,432,706	17,153,386	7,762,116	7,628,489
Attributable to equity holders of						
Haidao Commercial		(13,008,017)	8,445,219	17,171,512	7,764,788	7,628,489
Minority interest		(391,367)	(1,012,513)	(18,126)	(2,672)	-
5. Other comprehensive income		-	-	-	-	-
6. Total comprehensive income		(13,399,384)	7,432,706	17,153,386	7,762,116	7,628,489
Attributable to equity holders of						
Haidao Commercial		(13,008,017)	8,445,219	17,171,512	7,764,788	7,628,489
Minority interest		(391,367)	(1,012,513)	(18,126)	(2,672)	-

APPENDIX IIB FINANCIAL INFORMATION OF HAI DAO COMMERCIAL

(d) INCOME STATEMENT

Item	Note	2011	2012	2013	Three months ended 31 March 2013	Three months ended 31 March 2014
		Company	Company	Company	Company (Unaudited)	Company
1. Revenue		-	-	-	-	-
Less: Cost of sales		-	-	-	-	-
General and administrative expenses	11(5)	(52,726)	(2,065,514)	(615,459)	-	-
Financial (expenses)/income – net	11(6)	(527,076)	48,590	1,329	(56)	195
Asset impairment losses	11(7)	(3,522,298)	(9,112,629)	(163,130)	-	-
Add: Investment (losses)/income	11(8)	(8,907,597)	19,577,212	17,948,772	7,788,882	7,628,294
Including: Share of (losses)/profit of associates		<u>(8,907,597)</u>	<u>19,577,212</u>	<u>17,948,772</u>	<u>7,788,882</u>	<u>7,467,866</u>
2. Operating (loss)/profit		(13,009,697)	8,447,659	17,171,512	7,788,826	7,628,489
Less: Non-operating expenses		<u>-</u>	<u>(760)</u>	<u>-</u>	<u>-</u>	<u>-</u>
3. Total (loss)/profit		(13,009,697)	8,446,899	17,171,512	7,788,826	7,628,489
Less: income tax expenses	11(9)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4. Net (loss)/profit		<u>(13,009,697)</u>	<u>8,446,899</u>	<u>17,171,512</u>	<u>7,788,826</u>	<u>7,628,489</u>
5. Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6. Total comprehensive income		<u>(13,009,697)</u>	<u>8,446,899</u>	<u>17,171,512</u>	<u>7,788,826</u>	<u>7,628,489</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(e) **CONSOLIDATED CASH FLOW STATEMENT**

Item	<i>Note</i>	2011 Consolidated	2012 Consolidated	2013 Consolidated	Three months ended 31 March 2013 Consolidated (Unaudited)	Three months ended 31 March 2014 Consolidated
Cash flows from operating activities						
Cash received from sales of goods or rendering of services		3,288,065	-	-	-	-
Cash received relating to other operating activities		<u>78,945</u>	<u>53,250</u>	<u>918,031</u>	<u>4,988</u>	<u>875</u>
Sub-total of cash inflows		<u>3,367,010</u>	<u>53,250</u>	<u>918,031</u>	<u>4,988</u>	<u>875</u>
Cash paid for goods and services		(3,243,052)	(76,634)	-	-	-
Cash paid to and on behalf of employees		(1,507,411)	(385,823)	-	-	-
Payment of taxes and surcharges		(12,497)	(125,000)	-	-	-
Cash paid relating to other operating activities		<u>(1,149)</u>	<u>(2,568,202)</u>	<u>(1,460,592)</u>	<u>(340)</u>	<u>(680)</u>
Sub-total of cash outflows		<u>(4,764,109)</u>	<u>(3,155,659)</u>	<u>(1,460,592)</u>	<u>(340)</u>	<u>(680)</u>
Net cash flows from operating activities	5(20)(a)	<u>(1,397,099)</u>	<u>(3,102,409)</u>	<u>(542,561)</u>	<u>4,648</u>	<u>195</u>
Cash flows from investing activities						
Cash received relating to other investing activities		<u>-</u>	<u>181,448,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total of cash inflows		<u>-</u>	<u>181,448,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash paid to acquire fixed assets and other long-term assets		(9,663,066)	-	-	-	-
Decrease in cash due to disposal of subsidiary	4(3)	-	(1,680)	-	-	(86,243)
Net cash paid to acquire other business units		(29,500,000)	-	-	-	-
Cash paid relating to other investing activities	5(20)(c)	<u>(604,617,875)</u>	<u>(119,405,556)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total of cash outflows		<u>(643,780,941)</u>	<u>(119,407,236)</u>	<u>-</u>	<u>-</u>	<u>(86,243)</u>
Net cash flows from investing activities		<u>(643,780,941)</u>	<u>62,041,370</u>	<u>-</u>	<u>-</u>	<u>(86,243)</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Item	Note	2011	2012	2013	Three months ended 31 March 2013	Three months ended 31 March 2014
		Consolidated	Consolidated	Consolidated	Consolidated (Unaudited)	Consolidated
Cash flows from financing activities						
Cash received from capital contributions		252,000,000	-	-	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		2,000,000	-	-	-	-
Cash received from borrowings		400,000,000	-	-	-	-
Cash received relating to other financing activities	5(20)(d)	145,000,387	630,460,370	615,000	-	-
Sub-total of cash inflows		<u>797,000,387</u>	<u>630,460,370</u>	<u>615,000</u>	<u>-</u>	<u>-</u>
Cash repayments of borrowings		-	(400,000,000)	-	-	-
Cash payments for interest expenses		(587,692)	(40,234,912)	-	-	-
Cash paid relating to other financing activities		<u>(100,000,000)</u>	<u>(300,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total of cash outflows		<u>(100,587,692)</u>	<u>(740,234,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from financing activities		<u>696,412,695</u>	<u>(109,774,542)</u>	<u>615,000</u>	<u>-</u>	<u>-</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	5(20)(b)	51,234,655	(50,835,581)	72,439	4,648	(86,048)
Add: Cash and cash equivalents at beginning of year		<u>-</u>	<u>51,234,655</u>	<u>399,074</u>	<u>399,074</u>	<u>471,513</u>
Cash and cash equivalents at end of year		<u><u>51,234,655</u></u>	<u><u>399,074</u></u>	<u><u>471,513</u></u>	<u><u>403,722</u></u>	<u><u>385,465</u></u>

APPENDIX IIB FINANCIAL INFORMATION OF HAI DAO COMMERCIAL

(f) CASH FLOW STATEMENT

Item	<i>Note</i>	2011 Company	2012 Company	2013 Company	Three months ended 31 March 2013 Company (Unaudited)	Three months ended 31 March 2014 Company
Cash flows from operating activities						
Cash received relating to other operating activities		<u>66,997</u>	<u>51,187</u>	<u>912,463</u>	<u>424</u>	<u>875</u>
Sub-total of cash inflows		<u>66,997</u>	<u>51,187</u>	<u>912,463</u>	<u>424</u>	<u>875</u>
Cash paid for taxes and levies		-	(125,000)	-	-	-
Cash paid relating to other operating activities		<u>(47,107)</u>	<u>(2,022,015)</u>	<u>(1,459,451)</u>	<u>(480)</u>	<u>(680)</u>
Sub-total of cash outflows		<u>(47,107)</u>	<u>(2,147,015)</u>	<u>(1,459,451)</u>	<u>(480)</u>	<u>(680)</u>
Net cash flows from operating activities	<i>11(10)(a)</i>	<u>19,890</u>	<u>(2,095,828)</u>	<u>(546,988)</u>	<u>(56)</u>	<u>195</u>
Cash flows from investing activities						
Cash received relating to other investing activities		<u>-</u>	<u>179,983,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total of cash inflows		<u>-</u>	<u>179,983,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash paid to acquire subsidiaries and other business units		(57,500,000)	-	-	-	-
Cash paid relating to other investing activities	<i>11(10)(c)</i>	<u>(587,224,492)</u>	<u>(119,405,556)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total of cash outflows		<u>(644,724,492)</u>	<u>(119,405,556)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from investing activities		<u>(644,724,492)</u>	<u>60,578,343</u>	<u>-</u>	<u>-</u>	<u>-</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAI DAO COMMERCIAL

Item	Note	2011 Company	2012 Company	2013 Company	Three months ended 31 March 2013 Company (Unaudited)	Three months ended 31 March 2014 Company
Cash flows from financing activities						
Cash received from capital contributions		250,000,000	-	-	-	-
Cash received from borrowings		400,000,000	-	-	-	-
Cash received relating to other financing activities	11(10)(d)	145,000,000	630,460,370	615,000	-	-
Sub-total of cash inflows		<u>795,000,000</u>	<u>630,460,370</u>	<u>615,000</u>	<u>-</u>	<u>-</u>
Cash repayments of borrowings		-	(400,000,000)	-	-	-
Cash payments for interest expenses		(587,692)	(38,333,333)	-	-	-
Cash payments relating to other financing activities		(100,000,000)	(300,000,000)	-	-	-
Sub-total of cash outflows		<u>(100,587,692)</u>	<u>(738,333,333)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from financing activities		<u>694,412,308</u>	<u>(107,872,963)</u>	<u>615,000</u>	<u>-</u>	<u>-</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	11(10)(b)	49,707,706	(49,390,448)	68,012	(56)	195
Add: Cash and cash equivalents at beginning of year		<u>-</u>	<u>49,707,706</u>	<u>317,258</u>	<u>317,258</u>	<u>385,270</u>
Cash and cash equivalents at end of year		<u><u>49,707,706</u></u>	<u><u>317,258</u></u>	<u><u>385,270</u></u>	<u><u>317,202</u></u>	<u><u>385,465</u></u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(g) CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Item	Note	Attributable to equity holders of Haidao Commercial			Minority interest	Total owners' equity
		Paid-in capital	Surplus reserve	(Accumulated losses)/ undistributed profits		
Balance at 1 January 2011		-	-	-	-	-
Movements for the year ended 31 December 2011						
Net loss		-	-	(13,008,017)	(391,367)	(13,399,384)
Capital contribution by owners		250,000,000	-	-	2,000,000	252,000,000
Balance at 31 December 2011		<u>250,000,000</u>	<u>-</u>	<u>(13,008,017)</u>	<u>1,608,633</u>	<u>238,600,616</u>
Balance at 1 January 2012		250,000,000	-	(13,008,017)	1,608,633	238,600,616
Movements for the year ended 31 December 2012						
Net profit/(loss)		-	-	8,445,219	(1,012,513)	7,432,706
Balance at 31 December 2012		<u>250,000,000</u>	<u>-</u>	<u>(4,562,798)</u>	<u>596,120</u>	<u>246,033,322</u>
Balance at 1 January 2013		250,000,000	-	(4,562,798)	596,120	246,033,322
Movements for the year ended 31 December 2013						
Net profit/(loss)		-	-	17,171,512	(18,126)	17,153,386
Appropriation to surplus reserve		-	1,260,871	(1,260,871)	-	-
Balance at 31 December 2013		<u>250,000,000</u>	<u>1,260,871</u>	<u>11,347,843</u>	<u>577,994</u>	<u>263,186,708</u>
Balance at 1 January 2014		250,000,000	1,260,871	11,347,843	577,994	263,186,708
Movements for the three months ended 31 March 2014						
Net profit		-	-	7,628,489	-	7,628,489
Disposal of subsidiaries		-	-	-	(577,994)	(577,994)
Balance at 31 March 2014		<u>250,000,000</u>	<u>1,260,871</u>	<u>18,976,332</u>	<u>-</u>	<u>270,237,203</u>
(Unaudited)						
Balance at 1 January 2013		250,000,000	-	(4,562,798)	596,120	246,033,322
Movements for the three months ended 31 March 2013						
Net profit/(loss)		-	-	7,764,788	(2,672)	7,762,116
Balance at 31 March 2013		<u>250,000,000</u>	<u>-</u>	<u>3,201,990</u>	<u>593,448</u>	<u>253,795,438</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(h) STATEMENT OF CHANGES IN OWNERS' EQUITY

Item	<i>Note</i>	Paid-in capital	Surplus reserve	(Accumulated losses)/ undistributed profits	Owners' equity
Balance at 1 January 2011		-	-	-	-
Movements for the year ended 31 December 2011					
Net loss		-	-	(13,009,697)	(13,009,697)
Capital contribution by owners		<u>250,000,000</u>	<u>-</u>	<u>-</u>	<u>250,000,000</u>
Balance at 31 December 2011		<u>250,000,000</u>	<u>-</u>	<u>(13,009,697)</u>	<u>236,990,303</u>
Balance at 1 January 2012		250,000,000	-	(13,009,697)	236,990,303
Movements for the year ended 31 December 2012					
Net profit		<u>-</u>	<u>-</u>	<u>8,446,899</u>	<u>8,446,899</u>
Balance at 31 December 2012		<u>250,000,000</u>	<u>-</u>	<u>(4,562,798)</u>	<u>245,437,202</u>
Balance at 1 January 2013		250,000,000	-	(4,562,798)	245,437,202
Movements for the year ended 31 December 2013					
Net profit		<u>-</u>	<u>-</u>	<u>17,171,512</u>	<u>17,171,512</u>
Appropriation to surplus reserve		<u>-</u>	<u>1,260,871</u>	<u>(1,260,871)</u>	<u>-</u>
Balance at 31 December 2013		<u>250,000,000</u>	<u>1,260,871</u>	<u>11,347,843</u>	<u>262,608,714</u>
Balance at 1 January 2014		250,000,000	1,260,871	11,347,843	262,608,714
Movements for the three months ended 31 March 2014					
Net loss		<u>-</u>	<u>-</u>	<u>7,628,489</u>	<u>7,628,489</u>
Balance at 31 March 2014		<u>250,000,000</u>	<u>1,260,871</u>	<u>18,976,332</u>	<u>270,237,203</u>
(Unaudited)					
Balance at 1 January 2013		250,000,000	-	(4,562,798)	245,437,202
Movements for the three months ended 31 March 2013					
Net profit		<u>-</u>	<u>-</u>	<u>7,788,826</u>	<u>7,788,826</u>
Balance at 31 March 2013		<u>250,000,000</u>	<u>-</u>	<u>3,226,028</u>	<u>253,226,028</u>

II NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION**

Hainan Haidao Commercial Management Co., Ltd. (海南海島商業管理有限公司, referred to as “**Haidao Commercial**”) is a limited liability company established by HNA International Tourism Island Development (Group) Co., Ltd. (海航國際旅游島開發建設(集團)有限公司, referred to as “**Haidao Development**”) and Hainan HNA Engineering Construction Co., Ltd. (海南海航工程建設有限公司, referred to as “**HNA Engineering**”) on 2 December 2010. The registered address of Haidao Commercial is Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”). The parent company and the ultimate parent company of Haidao Commercial are Haidao Development and HNA Group Co., Ltd. (海航集團有限公司, referred to as “**HNA Group**”) respectively. The registered capital of Haidao Commercial is RMB250,000,000.

Haidao Commercial and its subsidiaries (“**Haidao Commercial Group**”) is principally engaged in investment holding business and sale of general merchandise.

The Financial Information was approved for issue by the Board of Directors of Hainan Meilan International Airport Company Limited (海南美蘭國際機場股份有限公司, the “**Acquirer**”) on 15 August 2014.

The financial information for the three months ended 31 March 2013 is unaudited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**(1) Basis of preparation**

The Financial Information of Haidao Commercial Group is prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively referred to as “**the Accounting Standards for Business Enterprises**” or “**CAS**”) issued by the Ministry of Finance of the People’s Republic of China (the “**PRC**”) on or after 15 February 2006.

The Ministry of Finance of the PRC issued CAS 39 “Fair Value Measurement”, CAS 40 “Joint Arrangement”, CAS 9 “Employee Benefits” (revised), CAS 30 “Presentation of Financial Information” (revised) and CAS 33 “Consolidated Financial Information” (revised) in January and February of 2014, respectively. These new or revised standards are effective on 1 July 2014 and the Ministry of Finance encourages companies listed outside the Mainland China to early adopt these new or revised standards. As the Acquirer’s H-shares are listed on The Stock Exchange of Hong Kong Limited, the Acquirer has early adopted the above new and revised standards in preparing its consolidated financial statements for the year ended 31 December 2013. As the Financial Information of Haidao Commercial Group is prepared in accordance with CAS and accounting policies adopted by the Acquirer as set out in the annual report of the Acquirer for the year ended 31 December 2013, the aforementioned new and revised accounting policies have also been early adopted in preparing the Financial Information of Haidao Commercial Group for the year ended 31 December 2011, 2012, 2013 and for the three months ended 31 March 2013 and 2014 (“**the relevant period of the financial information**”).

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The Financial Information for the year ended 31 December 2011, 2012, 2013 and for the three months ended 31 March 2013 and 2014 are in compliance with the CAS, and truly and completely present the financial position of Haidao Commercial Group and of Haidao Commercial as at 31 December 2011, 2012, 2013 and 31

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

March 2014, and the financial performance, cash flows and other information of Haidao Commercial Group and of Haidao Commercial for the year ended 31 December 2011, 2012, 2013 and for the three months ended 31 March 2013 and 2014.

(3) Accounting year

Accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combinations

(a) *Business combinations involving enterprises under common control*

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(b) *Business combinations involving enterprises not under common control*

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(6) Preparation of consolidated financial information

The consolidated financial information comprises the financial information of Haidao Commercial and all of its subsidiaries.

Subsidiaries are consolidated from the date on which Haidao Commercial Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial information from the date when it, together with Haidao Commercial, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial information, where the accounting policies and the accounting periods of Haidao Commercial and subsidiaries are inconsistent, the financial information of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of Haidao Commercial. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial information of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial information. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Haidao Commercial are recognised as minority interests and presented separately in the consolidated financial information under equity, net profits and total comprehensive income respectively.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instrument

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on Haidao Commercial Group's intention and ability to hold the financial assets.

The financial assets of Haidao Commercial Group are mainly receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when Haidao Commercial Group becomes a party to the contractual provisions of the financial instrument. Transaction costs incurred in obtaining receivables are included in their initially recognised amounts.

Receivables are measured amortised cost using the effective interest method.

(iii) Impairment of financial assets

Haidao Commercial Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future asset or group of financial assets that can be reliably estimated.

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and Haidao Commercial Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and Haidao Commercial Group has not retained control of the financial asset, although Haidao Commercial Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into two categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of Haidao Commercial Group mainly comprise other financial liabilities, including payables, borrowings.

Payables comprise accounts payables and other payables and are recognised at fair value at initial recognition and are subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year (including one year) are classified as current liabilities; Other financial liabilities with maturities over one year but due within one year (including one year) since the balance sheet date are classified as the current portion of non-current liabilities; and others are classified as non-current liabilities.

A financial liability or a part of a financial liability is derecognised when all or part of the obligation is discharged. The difference between the carrying amount of a financial liability or part of a financial liability discharged and the consideration paid, shall be recognised in profit or loss.

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sales of goods are initially recognised at fair value of the contractual payments from the buyers.

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that Haidao Commercial Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When Haidao Commercial Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(11) Inventories**(a) Classification**

Inventories are finished goods, and are stated at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the first-in first-out method when issued.

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

(d) Haidao Commercial Group adopts the perpetual inventory system.**(12) Long-term equity investments**

Long-term equity investments comprise Haidao Commercial's long-term equity investments in its subsidiaries, Haidao Commercial Group's long-term equity investments in its associates, as well as the long-term equity investments where Haidao Commercial Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are the investees over which Haidao Commercial is able to exercise control. Associates are the investees that Haidao Commercial Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial information using the cost method, and are adjusted to the equity method when preparing the consolidated financial information. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments,

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, Haidao Commercial Group recognises the investment income according to its share of net profit or loss of the investee. Haidao Commercial Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if Haidao Commercial Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, Haidao Commercial Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, Haidao Commercial Group records its proportionate share directly into capital surplus, provided that Haidao Commercial Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by Haidao Commercial Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst Haidao Commercial Group and its investees are eliminated in proportion to Haidao Commercial Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst Haidao Commercial Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power over investee to be exposed to, or has rights to, variable returns from the Group's involvement with the investee, and the ability to use the power over the investee to affect those returns.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (16)). For other long-term equity investments which are not quoted in an active market and whose fair values cannot be reliably measured, the excess of their carrying amounts over the present values of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise machinery and equipment and office equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to Haidao Commercial Group and the costs can be reliably measured. Fixed assets purchased or constructed by Haidao Commercial Group are initially measured at cost at the acquisition date.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to Haidao Commercial Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rates
Computer and electronic equipment	6-15 years	3%	16.2%-6.5%
Office equipment	6-15 years	3%	16.2%-6.5%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2 (16)).

(d) *Disposal of fixed assets*

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use or sale commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use or sale have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use or sale and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(16) Impairment of long-term assets

Fixed assets, construction in progress and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(17) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labour relation.

(a) Short-term employee benefits

The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at their fair value.

(b) Basic pension insurance

Employees of Haidao Commercial Group participate in the defined basic pension insurance plan set up and administered by local labour and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labour and social security institutions. When employees retired, local labour and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognised as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

(18) Revenue recognition

Revenue is recognised when the economic benefits associated with the transaction will flow to Haidao Commercial Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of Haidao Commercial Group's activities as described below:

(a) Sale of goods

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods in the ordinary course of Haidao Commercial Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Revenue from direct sale of goods is recognised when Haidao Commercial Group sells products to customers. Retail sales are usually settled in cash, credit card or consumption card.

(b) Transfer of asset use rights

Interest income is determined by using the effective interest method, based on the time that Haidao Commercial Group's cash is used by others.

(19) Leases

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

(20) Held for sale and discontinued operations

A non-current asset or a disposal component is classified as held for sale when all of the following conditions are satisfied: (1) such non-current asset or disposal component can be sold under current condition simply according to usual terms for sales of such asset or disposal component; (2) the Group has made a resolution for selling the non-current asset or the disposal component and obtained appropriate approval; (3) the Group has entered into an irrevocable agreement with the transferee; (4) the transfer will be completed within one year.

Non-current assets, except for financial assets and deferred tax assets, that meet the recognition criteria for held for sale, are measured at the amount equal to the lower of the carrying amount and the fair value less disposal costs, and the difference of fair value less disposal costs and the original carrying amount is recognised as asset impairment loss.

Non-current assets classified as held for sale and assets and liabilities in disposal component are classified as current assets and current liabilities.

Discontinued operation is a component that has been disposed of or classified as held for sale and can be separately distinguished within the Group in operation or upon preparation of financial statements, by satisfying one of the following conditions: (1) such component represents an independent principal business or a major operation area; (2) such component is one part of the plan that proposes to dispose an independent principal business or a major operation area; (3) such component is merely a subsidiary obtained for resale.

(21) Segment information

Haidao Commercial Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of Haidao Commercial Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by Haidao Commercial Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to Haidao Commercial Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(22) Critical accounting estimates and judgements

Haidao Commercial Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below:

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(a) *Impairment on receivables*

The directors of acquirer evaluate whether the receivables impair or not at balance sheet date according to the accounting policies as stated in Note 2(10). The evaluation on impairment of receivables requires judgement and estimation comprehensively made based on the credit and financial position of the client of Haidao Commercial Group and market condition. Even if the directors of Acquirer currently have made best estimate and provided for possible bad debt loss, significant change may occur to relevant impairment result due to changes in financial position of the client and market condition.

(b) *Income taxes and deferred tax*

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from Haidao Commercial Group in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 TAXATION

(1) The main categories and rates of taxes applicable to Haidao Commercial Group are set out below:

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	25%
Value added tax (“VAT”)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the period)	17%
City maintenance and construction tax	VAT paid/payable	7%

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL INFORMATION

(1) Information of subsidiaries

(a) Subsidiaries set up by Haidao Commercial

	Type of subsidiaries	Place of registration and operation	Nature of business	Registered capital	Operation scope	Type of enterprise	Code of organisation	Interest held before disposal (%)	Voting rights before disposal (%)	Whether consolidate the financial statements or not
Hainan HNA Huishenghuo Supermarket Co., Ltd. (海南海航惠生活超市有限公司, referred to as "Huishenghuo Supermarket")	subsidiary	Haikou	Sale of general merchandise	RMB80 million	Sale of general merchandise	Limited liability company	56798328 - X	90%	90%	Yes
Hainan Haidao Construction Logistics Co., Ltd. (海南海島建設物流有限公司, referred to as "Haidao Logistics")	subsidiary	Haikou	Rendering of freight services	RMB10 million	Logistics services	Limited liability company	56797153 - 7	100%	100%	Yes

(2) Subsidiaries that are no longer included in the consolidation scope during the relevant period of the financial information

	Net assets on disposal date	Net profit earned from the beginning of the year to the disposal date	Date of disposal
Haidao Logistics (Note 4(3)(a))	10,001,680	-	1 January 2012
Huishenghuo Supermarket (Note 4(3)(b))	5,779,937	-	1 January 2014

(3) Disposal of subsidiaries due to sale or dilution of equity interests

	Date of sale or loss of control	Recognition of profit or loss
Haidao Logistics (a)	1 January 2012	as disclosed in Note 4(3)(a)(iii)
Huishenghuo Supermarket (b)	1 January 2014	as disclosed in Note 4(3)(b)(iii)

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(a) **Haidao Logistics**

Haidao Logistics was previously wholly owned by Haidao Commercial. It was registered in Haikou City, Hainan Province, the PRC. Its principal activities are rendering freight services. On 1 January 2012, Haikou New Town Construction Development Co., Ltd. (海口新城區建設開發有限公司, referred to as “**New Town Construction**”), a related party of Haidao Commercial, injected capital of RMB150,000,000 to Haidao Logistics, resulting in Haidao Commercial’s equity interests in Haidao Logistics reduced from 100% to 6.25%. Upon completion of the aforesaid capital injection, the subsidiary was no longer controlled by Haidao Commercial and therefore not included in the consolidation scope since then. The disposal date of Haidao Logistics is 1 January 2012.

(i) *The cash flows are as follows:*

	Amount
Cash received from disposal	–
Less: cash held by Haidao Logistics	(1,680)
	<hr/>
Net decrease in cash due to disposal	(1,680)
	<hr/> <hr/>

(ii) *Net asset of Haidao Logistics upon disposal:*

	1 January 2012
Current asset	10,001,680
	<hr/> <hr/>

(iii) *The calculation of profit or loss on disposal is as follows:*

	Amount
Fair value of residual equity	10,000,000
Less: Net assets of Haidao Logistics upon disposal	(10,001,680)
	<hr/>
Investment loss from disposal (<i>Note 5(18)</i>)	(1,680)
	<hr/> <hr/>

(b) **Huishenghuo Supermarket**

90% equity interests of Huishenghuo Supermarket was previously held by Haidao Commercial. Huishenghuo Supermarket was registered in Haikou City, Hainan Province, the PRC. Its principal activities are sale of general merchandise. On 1 January 2014, Haidao Commercial and Hainan HNA Airport Asset Management Co., Ltd. (海南海航機場資產管理有限公司, referred to as “**HNA Asset Management**”) entered into an equity transfer agreement, pursuant to which Haidao Commercial disposed of its entire equity interests in Huishenghuo Supermarket to HNA Asset Management. Upon completion of the transaction, Huishenghuo Supermarket was no longer controlled by Haidao Commercial and therefore not included in the consolidation scope since then. The disposal date of Huishenghuo Supermarket is 1 January 2014.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(i) *The proceeds and cash flows from the disposal are as follows:*

	Amount
Proceeds from disposal	5,201,943
Cash received from disposal	–
Less: Cash held by Huishenghuo Supermarket	<u>(86,243)</u>
Net cash decrease due to disposal	<u><u>(86,243)</u></u>

(ii) *Net assets of Huishenghuo Supermarket upon disposal:*

	1 January 2014
Current assets	20,462,853
Non-current assets	532,424
Current liabilities	<u>(15,215,340)</u>
Total	<u><u>5,779,937</u></u>

(iii) *The calculation of profit or loss on disposal is as follows:*

	Amount
Proceeds from disposal	5,201,943
Less: Net assets of Huishenghuo Supermarket attributable to Haidao Commercial	(5,201,943)
Total net assets of Huishenghuo Supermarket	(5,779,937)
Net assets attributable to the minority interests	<u>577,994</u>
Investment income from disposal	<u><u>–</u></u>

5 NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(1) Cash at bank and on hand

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Cash on hand	44,597	11,070	–	–
Cash at bank	<u>51,190,058</u>	<u>388,004</u>	<u>471,513</u>	<u>385,465</u>
	<u><u>51,234,655</u></u>	<u><u>399,074</u></u>	<u><u>471,513</u></u>	<u><u>385,465</u></u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(2) **Accounts receivable**

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Accounts receivable	260,038	259,992	259,992	–
Less: provision for bad debts	<u>–</u>	<u>(259,992)</u>	<u>(259,992)</u>	<u>–</u>
	<u>260,038</u>	<u>–</u>	<u>–</u>	<u>–</u>

The credit term of accounts receivable of Haidao Commercial Group is three to six months.

As at 31 December 2011, 2012 and 2013, the receivables have been individually assessed for impairment by Haidao Commercial Group. As at 31 December 2012 and 2013, accounts receivable of RMB259,992 related to third parties was past due and considered to be non-recoverable due to the cessation of operation of Huishenghuo Supermarket in 2012, full provision has been made accordingly.

(a) The ageing of accounts receivable based on their recording dates is analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Within 1 year	260,038	–	–	–
1 to 2 years	–	259,992	–	–
2 to 3 years	<u>–</u>	<u>–</u>	<u>259,992</u>	<u>–</u>
	<u>260,038</u>	<u>259,992</u>	<u>259,992</u>	<u>–</u>

(b) Movements of provision for bad debts of accounts receivable are as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Balance at the beginning of the year	–	–	259,992	259,992
Increase in current period	–	259,992	–	–
Decrease in current period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(259,992)</u>
Balance at end of the year	<u>–</u>	<u>259,992</u>	<u>259,992</u>	<u>–</u>

(3) **Advances to suppliers**

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Advances to suppliers	391,212	265,000	265,000	–
Less: provision for impairment (a)	<u>–</u>	<u>(265,000)</u>	<u>(265,000)</u>	<u>–</u>
	<u>391,212</u>	<u>–</u>	<u>–</u>	<u>–</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(a) As at 31 December 2012, advance to suppliers are considered to be non-recoverable due to the cessation of operation of Huishenghuo Supermarket in 2012, full provision has been made accordingly.

(4) Other receivables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Receivables from related parties (Note 7(6))	608,645,653	572,359,958	572,359,958	209,265,485
Receivables from third parties	1,495,913	1,052,803	142,560	–
	<u>610,141,566</u>	<u>573,412,761</u>	<u>572,502,518</u>	<u>209,265,485</u>

On 31 March 2014, Haidao Commercial entered into an agreement with New Town Construction, HNA Property Holdings (Group) Co., Ltd. (海航地產控股(集團)有限公司, referred to as “HNA Property”), Haidao Development, Hainan Gaohe Property Development Co., Ltd. (海南高和房地產開發有限公司, referred to as “Gaohe Property”), HNA Industry Co., Ltd. (海航實業有限公司, referred to as “HNA Industry”), and HNA Airport Group Co., Ltd. (海航機場集團有限公司, referred to as “HNA Airport”), pursuant to which Haidao Commercial’s payables to Haidao Development, Gaohe Property, HNA Industry and HNA Airport as at 31 March 2013 totalling RMB376,076,368 were assigned to New Town Construction and HNA Property and offset against Haidao Commercial’s receivables from New Town Construction and HNA Property of RMB8,106,568 and RMB367,969,800 respectively.

The ageing of other receivables is analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Within 1 year	610,141,566	2,694,461	–	10,368,772
1 to 2 years	–	570,718,300	2,627,778	–
2 to 3 years	–	–	569,874,740	–
Over 3 years	–	–	–	198,896,713
	<u>610,141,566</u>	<u>573,412,761</u>	<u>572,502,518</u>	<u>209,265,485</u>

As at 31 December 2012 and 2013 and 31 March 2014, other receivables aged over one year were past due and were mainly due from related parties of Haidao Commercial Group. Since there was no recent history of default by the related parties of Haidao Commercial Group, no provision was made against these receivables.

(5) Other current assets

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Deductible VAT	143,523	187,572	187,572	–
Fixed assets (Note 5(7)(a))	–	717,546	532,423	–
	<u>143,523</u>	<u>905,118</u>	<u>719,995</u>	<u>–</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

As at 31 December 2013, an impairment provision of RMB185,123 has been made against the fixed assets in Huishenghuo Supermarket which was in liquidation process. The amount is determined at the excess amount of the carrying value of the fixed assets and their estimated recoverable amount.

(6) Long-term equity investments

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Associates – unlisted (a)	15,592,403	35,169,615	53,118,387	60,586,253
Other long-term equity investments – unlisted (b)	<u>5,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>–</u>
	<u><u>20,592,403</u></u>	<u><u>50,169,615</u></u>	<u><u>68,118,387</u></u>	<u><u>60,586,253</u></u>

There is no significant restriction on realization of the long-term equity investments held by Haidao Commercial Group.

(a) Associates

	Accounting Method	Investment cost	Place of registration	Nature of business	Registered capital	Interest Held (%)	Voting rights (%)
Haimian Haikou Meilan Airport Duty Free Co., Ltd. (海免海口美蘭機場免稅店 有限公司, referred to as “Meilan Mianshui”)	Equity method	RMB 24,500,000	Haikou	Sale of duty- free goods	RMB 50,000,000	49%	49%

There is no significant limitation on fund transfer between Haidao Commercial Group and associates.

	Accounting Method	Investment cost	31 December 2010	Movement		31 December 2011	Interest held (%)	Voting rights (%)
				Net loss				
				Additional investment	under equity method			
Meilan Mianshui	Equity method	24,500,000	–	<u>24,500,000</u>	<u>(8,907,597)</u>	<u>15,592,403</u>	49%	49%

	Accounting Method	Investment cost	31 December 2011	Movement		31 December 2012	Interest held (%)	Voting rights (%)
				Net profit				
				Additional investment	under equity method			
Meilan Mianshui	Equity method	24,500,000	<u>15,592,403</u>	–	<u>19,577,212</u>	<u>35,169,615</u>	49%	49%

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

	Accounting Method	Investment cost	31 December 2012	Movement		31 December 2013	Interest held (%)	Voting rights (%)
				Additional investment	Net profit under equity method			
Meilan Mianshui	Equity method	24,500,000	<u>35,169,615</u>	<u>-</u>	<u>17,948,772</u>	<u>53,118,387</u>	49%	49%

	Accounting Method	Investment cost	31 December 2013	Movement		31 March 2014	Interest held (%)	Voting rights (%)
				Additional investment	Net profit under equity method			
Meilan Mianshui	Equity method	24,500,000	<u>53,118,387</u>	<u>-</u>	<u>7,467,866</u>	<u>60,586,253</u>	49%	49%

Summarised financial information of the significant associate is set out below:

	Meilan Mianshui			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Cash at bank and on hand	64,100,289	99,812,771	51,646,117	113,949,264
Other current assets	<u>30,117,591</u>	<u>95,695,884</u>	<u>165,913,674</u>	<u>138,434,914</u>
Total current assets	<u>94,217,880</u>	<u>195,508,655</u>	<u>217,559,791</u>	<u>252,384,178</u>
Total non-current assets	<u>24,836,298</u>	<u>48,002,171</u>	<u>64,002,281</u>	<u>61,210,150</u>
Accounts payable	43,476,679	116,135,632	106,772,622	124,524,782
Other financial liabilities	42,427,146	47,646,848	59,521,094	56,631,941
Other liabilities	<u>1,329,122</u>	<u>7,953,622</u>	<u>6,863,484</u>	<u>8,792,191</u>
Total current liabilities	<u>87,232,947</u>	<u>171,736,102</u>	<u>173,157,200</u>	<u>189,948,914</u>
Net assets	<u><u>31,821,231</u></u>	<u><u>71,774,724</u></u>	<u><u>108,404,872</u></u>	<u><u>123,645,414</u></u>
Owners' equity attributable to equity holders of Meilan Mianshui	31,821,231	71,774,724	108,404,872	123,645,414
Interest in Meilan Mianshui held by Haidao Commercial Group (%)	49%	49%	49%	49%
Share of equity attributable to Haidao Commercial Group	<u>49%</u>	<u>49%</u>	<u>49%</u>	<u>49%</u>
Long-term equity investments	<u>15,592,403</u>	<u>35,169,615</u>	<u>53,118,387</u>	<u>60,586,253</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAI DAO COMMERCIAL

	Meilan Mianshui				
	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Revenue	14,886,197	378,460,768	616,177,831	168,999,919	293,614,100
Depreciation and amortisation	–	(1,639,356)	(1,886,645)	(459,476)	(484,923)
Interest income	31,594	501,765	938,228	138,979	338,971
Interest expenses	–	(4,793)	–	–	–
Total (loss)/profit	(24,238,358)	53,712,285	50,430,154	21,300,866	21,326,897
Income tax expenses	6,059,589	(13,758,792)	(13,800,007)	(5,405,188)	(6,086,354)
Net (loss)/profit	<u>(18,178,769)</u>	<u>39,953,493</u>	<u>36,630,147</u>	<u>15,895,678</u>	<u>15,240,543</u>
Other comprehensive income	–	–	–	–	–
Total comprehensive income	<u>(18,178,769)</u>	<u>39,953,493</u>	<u>36,630,147</u>	<u>15,895,678</u>	<u>15,240,543</u>

(b) Other long-term equity investments

	Accounting Method	Investment cost	31 December 2010	Movement	31 December 2011	Interest held (%)	Voting rights (%)
Hainan HNA Property Marketing Management Co., Ltd (海南海航地產 營銷管理有限公司, referred to as "HNA Marketing")	Cost method	5,000,000	–	5,000,000	5,000,000	10%	10%
	Accounting method	Investment cost	31 December 2011	Movement	31 December 2012 and 2013	Interest held (%)	Voting rights (%)
HNA Marketing	Cost method	5,000,000	5,000,000	–	5,000,000	10%	10%
Haidao Logistics	Cost method	10,000,000	–	10,000,000	10,000,000	6.25%	6.25%
			<u>5,000,000</u>	<u>10,000,000</u>	<u>15,000,000</u>		

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

	Accounting method	Investment cost	31 December 2013	Movement	31 March 2014	Interest held (%)	Voting rights (%)
HNA Marketing	Cost method	5,000,000	5,000,000	(5,000,000)	-	10%	10%
Haidao Logistics	Cost method	10,000,000	10,000,000	(10,000,000)	-	6.25%	6.25%
			15,000,000	(15,000,000)	-		

On 1 January 2014, Haidao Commercial Group disposed of its entire equity interests in Haidao Logistics and HNA Marketing to New Town Construction and Hainan Haidao Hotel Management Co., Ltd. (海南海島酒店管理有限公司, referred to as “**Haidao Hotel**”) at a consideration of RMB9,993,599 and RMB5,166,829 respectively (Note 7(5)(e)).

(7) **Fixed assets**

	Computer and electronic equipment	Office equipment	Total
Cost			
31 December 2010	-	-	-
Increase in current year	780,526	193,805	974,331
31 December 2011	780,526	193,805	974,331
Decrease in current year (a)	(780,526)	(193,805)	(974,331)
31 December 2012, 2013 and 31 March 2014	-	-	-
Accumulated depreciation			
31 December 2010	-	-	-
Depreciation charged in current year	(55,704)	(15,958)	(71,662)
31 December 2011	(55,704)	(15,958)	(71,662)
Depreciation charged in current year	(148,300)	(36,823)	(185,123)
Decrease in the current year (a)	204,004	52,781	256,785
31 December 2012, 2013 and 31 March 2014	-	-	-
Carrying amount			
31 December 2011	724,822	177,847	902,669
31 December 2012, 2013 and 31 March 2014	-	-	-

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

In 2011 and 2012, depreciation of RMB71,662 and RMB185,123 have been charged in general and administrative expenses.

- (a) On 20 December 2012, the board of directors of Huishenghuo Supermarket passed a resolution to liquidate Huishenghuo Supermarket. A team of liquidators has been set up for this purpose. As at 31 December 2012 and 2013, the fixed assets of Huishenghuo Supermarket were the amount equal to the lower of the carrying amount and the estimated recoverable amount and classified as other current assets.

(8) Long-term prepaid expenses

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Improvements to fixed assets held under operating leases	8,037,081	-	-	-
	<u>8,037,081</u>	<u>-</u>	<u>-</u>	<u>-</u>

As Huishenghuo Supermarket ceased its operation in 2012, renovation expenditures of its premises were fully charged to the profit or loss of 2012.

(9) Short-term borrowings

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Unsecured	400,000,000	-	-	-
	<u>400,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 December 2011, the weighted average interest rate of short-term borrowings was 12.5% per annum and the maturity date was 2 September 2012.

(10) Other payables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Payables to related parties (Note7(6))	45,314,297	375,675,205	376,290,665	-
Payables to third parties	3,461,673	3,057,728	2,214,727	-
	<u>48,775,970</u>	<u>378,732,933</u>	<u>378,505,392</u>	<u>-</u>

As at 31 December 2011, 2012 and 2013, other payables aged over one year were mainly due to related parties, which were unsecured, interest-free and repayable on demand.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(11) Paid-in capital

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Haidao Development	225,000,000	225,000,000	225,000,000	225,000,000
HNA Engineering	25,000,000	25,000,000	25,000,000	25,000,000
	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>

(12) Surplus reserve

	31 December 2011 and 2012	Increase in current year	31 December 2013
Statutory surplus reserve	–	1,260,871	1,260,871
	<u>–</u>	<u>1,260,871</u>	<u>1,260,871</u>
	31 December 2013	Increase in current period	31 March 2014
Statutory surplus reserve	1,260,871	–	1,260,871
	<u>1,260,871</u>	<u>–</u>	<u>1,260,871</u>

In accordance with the Company Law and Haidao Commercial's Articles of Association, Haidao Commercial should appropriate 10% of net profit for the year to the statutory surplus reserve, and Haidao Commercial can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, Haidao Commercial appropriated 10% of net profit after making up for the accumulated losses, amounting to RMB1,260,871 for the year ended 31 December 2013, to the statutory surplus research.

(13) Minority interest

Name of subsidiary	Name of minority shareholder	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Huishenghuo Supermarket	HNA Property	1,608,633	596,120	577,994	–
		<u>1,608,633</u>	<u>596,120</u>	<u>577,994</u>	<u>–</u>

(14) Revenue

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Revenue from sale of goods	3,548,103	–	–	–	–
	<u>3,548,103</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAI DAO COMMERCIAL

(15) Cost of sales, selling expenses and general and administrative expenses

Cost of sales, selling expenses and general and administrative expenses mainly comprise:

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Cost of sale of goods	3,064,745	-	-	-	-
Employee benefit expenses	1,609,247	283,987	-	-	-
General office expenses	342,574	2,350	-	-	-
Travelling expenses	95,866	10,041	-	-	-
Depreciation of fixed assets	71,662	185,123	-	-	-
Rental expenses	261,865	258,318	-	-	-
Tax charges	10,000	125,000	-	-	-
Advertising expenses	256,502	-	-	-	-
Amortisation of long-term prepaid expenses	651,654	8,037,081	-	-	-
Audit, consulting and legal expenses	111,094	36,020	-	-	-
Others	981,875	2,078,638	615,999	420	-
	<u>7,457,084</u>	<u>11,016,558</u>	<u>615,999</u>	<u>420</u>	<u>-</u>

(16) Financial (expenses)/income – net

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Interest income	4,105,291	35,810,594	7,788	4,988	875
Less: interest expense	(4,615,470)	(36,207,134)	-	-	-
Commissions	(27,188)	(197,161)	(2,052)	(480)	(680)
	<u>(537,367)</u>	<u>(593,701)</u>	<u>5,736</u>	<u>4,508</u>	<u>195</u>

Interest expenses are analysed by the repayment terms of bank borrowings as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Wholly repayable within five years	<u>(4,615,470)</u>	<u>(36,207,134)</u>	<u>-</u>	<u>-</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(17) Asset impairment losses

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Impairment loss on bad debts (<i>Note 5(2)</i>)	-	259,992	-	-	-
Impairment loss on advances to suppliers (<i>Note 5(3)</i>)	-	265,000	-	-	-
Impairment loss on fixed assets (<i>Note 5(5)</i>)	-	-	185,123	30,854	-
	<u>-</u>	<u>524,992</u>	<u>185,123</u>	<u>30,854</u>	<u>-</u>

(18) Investment (losses)/income

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Investment (losses)/income from long-term equity investments under equity method – Meilan Mianshui	(8,907,597)	19,577,212	17,948,772	7,788,882	7,467,866
Investment (losses)/income from disposal of equity investments	-	(1,680)	-	-	160,428
	<u>(8,907,597)</u>	<u>19,575,532</u>	<u>17,948,772</u>	<u>7,788,882</u>	<u>7,628,294</u>

There is no significant restriction on the repatriation of investment income.

The above investment income derived from unlisted companies.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(19) Income tax expenses

For the year ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, no income tax expenses has been provided for by Haidao Commercial Group.

(a) The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated income statements to the income tax expenses is as follows:

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Total (loss)/profit	(13,399,384)	7,432,706	17,153,386	7,762,116	7,628,489
Income tax expenses calculated at applicable tax rates	(3,349,846)	1,858,177	4,288,347	1,940,529	1,907,122
Share of loss/(profit) of an associate	2,226,899	(4,894,303)	(4,487,193)	(1,947,221)	(1,866,967)
Tax losses for which no deferred tax asset was recognised	1,122,947	3,036,126	198,846	6,692	-
Utilisation of previously unrecognised tax losses	-	-	-	-	(40,155)
Income tax expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Deductible temporary differences and tax losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Deductible temporary differences	-	524,992	710,115	-
Tax losses	4,491,787	16,111,300	16,721,563	16,560,940
	<u>4,491,787</u>	<u>16,636,292</u>	<u>17,431,678</u>	<u>16,560,940</u>

(c) Tax losses that are not recognised as deferred tax assets will be expired as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
2016	4,491,787	4,491,787	4,491,787	4,331,164
2017	-	11,619,513	11,434,390	11,434,390
2018	-	-	795,386	795,386
	<u>4,491,787</u>	<u>16,111,300</u>	<u>16,721,563</u>	<u>16,560,940</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(20) Supplementary information to the cash flow statement

(a) Reconciliation from net (loss)/profit to cash flows from operating activities

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Net (loss)/profit	(13,399,384)	7,432,706	17,153,386	7,762,116	7,628,489
Add: Depreciation of fixed assets (Note 5(15))	71,662	185,123	-	-	-
Asset impairment losses (Note 5(17))	-	524,992	185,123	30,854	-
Amortisation of long-term prepaid expenses (Note 5(15))	651,654	8,037,081	-	-	-
Financial expenses	587,692	449,779	-	-	-
Investment (losses)/income (Note 5(18))	8,907,597	(19,575,532)	(17,948,772)	(7,788,882)	(7,628,294)
Increase in inventories	(44,988)	(1,491)	-	-	-
(Increase)/decrease in operating receivables	(2,290,686)	525,320	910,243	560	-
Increase/(decrease) in operating payables	4,119,354	(680,387)	(842,541)	-	-
Net cash flows from operating activities	<u>(1,397,099)</u>	<u>(3,102,409)</u>	<u>(542,561)</u>	<u>4,648</u>	<u>195</u>

(b) Net increase/(decrease) in cash and cash equivalents

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Cash at end of year	51,234,655	399,074	471,513	403,722	385,465
Less: cash at beginning of year	<u>-</u>	<u>(51,234,655)</u>	<u>(399,074)</u>	<u>(399,074)</u>	<u>(471,513)</u>
Net increase/(decrease) in cash	<u>51,234,655</u>	<u>(50,835,581)</u>	<u>72,439</u>	<u>4,648</u>	<u>(86,048)</u>

(c) Cash paid relating to other investing activities

Cash paid relating to other investing activities mainly represents loans granted to related parties.

(d) Cash received relating to other financing activities

Cash received relating to other investing activities mainly represents borrowings obtained from related parties.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

6 SEGMENT INFORMATION

The chief operating decision-maker of Haidao Commercial Group has been identified as the executive directors and senior management led by the chairman. The management reviews Haidao Commercial Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports.

The management considers Haidao Commercial Group conduct its business within one business segment. Haidao Commercial Group also operates within one geographical segment as its revenues are primarily generated from and its assets are located in the PRC.

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent of the Company

(a) General information of the parent company

	Type of enterprise	Place of registration	Nature of business	Code of organisation
Haidao Development	Investment holdings	Hainan City, The PRC	Investment holdings	56240797 – X

Haidao Commercial's ultimate controlling party is HNA Group.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2010	Increase in current year	Decrease in current year	31 December 2011
Haidao Development	4,500,000,000	–	–	4,500,000,000
	31 December 2011	Increase in current year	Decrease in current year	31 December 2012
Haidao Development	4,500,000,000	642,400,000	–	5,142,400,000
	31 December 2012	Increase in current year	Decrease in current year	31 December 2013 and 31 March 2014
Haidao Development	5,142,400,000	–	(372,800,000)	4,769,600,000

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(c) *The percentages of equity interests and voting rights in Haidao Commercial held by the parent company*

	31 December 2011, 31 December 2012 31 December 2013 and 31 March 2014	
	Interest held (%)	Voting rights (%)
Haidao Development	90%	90%

(2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 4.

(3) Information of a associate

	Place of registration	Nature of business	Registered capital	Interest held (%)	Voting rights (%)	Code of organisation
Meilan Mianshui	Haikou	Sale of duty- free goods	50,000,000	49%	49%	58391153 – 4

(4) Information of other related parties

Relationship with the Group

Bohai International Trust Co., Ltd. (渤海國際 信托有限公司, referred to as “ Bohai Trust ”)	Controlled by the same ultimate holding company
HNA Property	Controlled by the same ultimate holding company
HNA Airport	Controlled by the same ultimate holding company
HNA Asset Management	Controlled by the same ultimate holding company
HNA Properties Management Co., Ltd (海航物業管理有限公司, referred to as “ Properties Management ”)	Controlled by the same ultimate holding company
New Town Construction	Controlled by the same ultimate holding company
Hainan Wanghai International Commercial Plaza Co., Ltd. (海南望海國際商業廣場有 限公司, referred to as “ Wanghai Commercial Plaza ”)	Controlled by the same ultimate holding company
Gaohe Property	Controlled by the same ultimate holding company
HNA Industry	Controlled by the same ultimate holding company

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Haidao Hotel	Controlled by the same ultimate holding company
HNA Engineering	Controlled by the same ultimate holding company
Hainan No.1 Logistics Distribution Co., Ltd. (海南第一物流配送有限公司, referred to as “No.1 Logistics”)	Controlled by the same ultimate holding company
Hainan Haidao One-card Payment Network Co., Ltd. (海南海島一卡通支付網絡有限公 司, referred to as “Haidao One-card Payment”)	Controlled by the same ultimate holding company
Hainan HNA Airlines Import & Export Co.,Ltd.(海南海航航空進出口有限公司, referred to as “HNA Import & Export”)	Controlled by the same ultimate holding company
Hainan Meilan International Airport Co., Ltd.	HNA Group has significant influence on the parent company of Hainan Meilan International Airport Co., Ltd.

(5) **Related party transactions**

(a) *Pricing policies*

The interest arising from financing amongst related parties is determined by making reference to the loan interest rates of commercial banks for the corresponding period and by mutual negotiation.

Haidao Commercial Group’s pricing on services provided to or received from related parties is determined by making reference to market price.

The proceeds from disposal of long-term equity investments to related parties are determined by making reference to the carrying amount of the investments and by mutual negotiation.

(b) *Interest expenses and commission*

The Group and the Company

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Bohai Trust	4,027,778	34,497,705	-	-	-

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(c) *Interest income*

Haidao Commercial Group

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
HNA Property	4,027,778	34,305,555	-	-	-
New Town Construction	-	1,451,800	-	-	-
	<u>4,027,778</u>	<u>35,757,355</u>	<u>-</u>	<u>-</u>	<u>-</u>

Haidao Commercial

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
HNA Property	<u>4,027,778</u>	<u>34,305,555</u>	<u>-</u>	<u>-</u>	<u>-</u>

(d) *Receiving services*

Haidao Commercial Group

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Properties Management	313,910	-	-	-	-
Wanghai Commercial Plaza	-	1,692,000	615,000	-	-
	<u>313,910</u>	<u>1,692,000</u>	<u>615,000</u>	<u>-</u>	<u>-</u>

Haidao Commercial

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Wanghai Commercial Plaza	<u>-</u>	<u>1,692,000</u>	<u>615,000</u>	<u>-</u>	<u>-</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(e) *Disposal of long-term equity investments to related parties*

Haidao Commercial Group and Haidao Commercial

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
New Town Construction <i>(Note 5(6)(b))</i>	-	-	-	-	9,993,599
HNA Asset Management <i>(Note 4(3)(b)(i))</i>	-	-	-	-	5,201,943
Haidao Hotel <i>(Note 5(6)(b))</i>	-	-	-	-	5,166,829
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,362,371</u>

(f) *Borrowings obtained from and loans granted to related parties*

Haidao Commercial Group

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Borrowings from -					
Bohai Trust	400,000,000	-	-	-	-
Haidao Development	45,000,387	322,969,800	-	-	-
Haidao One-card Payment	60,000,000	-	-	-	-
No.1 Logistics	40,000,000	-	-	-	-
Gaohe Property	-	7,490,570	-	-	-
HNA Industry	-	-	615,000	-	-
HNA Import & Export	-	300,000,000	-	-	-
	<u>545,000,387</u>	<u>630,460,370</u>	<u>615,000</u>	<u>-</u>	<u>-</u>
Loans to -					
HNA Property	334,954,402	72,855,556	-	-	-
New Town Construction	202,000,000	-	-	-	-
Meilan Mianshui	32,663,473	-	-	-	-
Haidao Development	20,000,000	-	-	-	-
Properties Management	15,000,000	-	-	-	-
HNA Airport	-	46,000,000	-	-	-
HNA Engineering	-	550,000	-	-	-
	<u>604,617,875</u>	<u>119,405,556</u>	<u>-</u>	<u>-</u>	<u>-</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Haidao Commercial

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Borrowings from -					
Bohai Trust	400,000,000	-	-	-	-
Haidao Development	45,000,000	322,969,800	-	-	-
Haidao One-card Payment	60,000,000	-	-	-	-
No.1 Logistics	40,000,000	-	-	-	-
Gaohe Property	-	7,490,570	-	-	-
HNA Import & Export	-	300,000,000	-	-	-
HNA Industry	-	-	615,000	-	-
	<u>545,000,000</u>	<u>630,460,370</u>	<u>615,000</u>	<u>-</u>	<u>-</u>
Loans to -					
HNA Property	324,954,402	72,855,556	-	-	-
New Town Construction	202,000,000	-	-	-	-
Meilan Mianshui	30,517,144	-	-	-	-
Properties Management	15,000,000	-	-	-	-
HNA Airport	-	46,000,000	-	-	-
HNA Engineering	-	550,000	-	-	-
Huishenghuo Supermarket	14,752,946	-	-	-	-
	<u>587,224,492</u>	<u>119,405,556</u>	<u>-</u>	<u>-</u>	<u>-</u>

Borrowings obtained from and loans granted to related parties are unsecured and non-interest bearing.

(g) Remuneration of key management personnel

Haidao Commercial Group and Haidao Commercial

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Remuneration of key management personnel	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Key management personnel include executive directors, non-executive directors, president, vice president, company secretary, chief financial officer and supervisors of Haidao Commercial.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(h) *Emoluments of directors and supervisors*

For the year ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, the directors Fan Rui, Xu Xianhong, Geng Bao and Tian Qingquan have not received any emoluments from Haidao Commercial Group.

(6) **Receivables from and payables to related parties**

(a) *Other receivables*

Haidao Commercial Group

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Meilan Mianshui	32,663,473	–	–	–
HNA Engineering	–	550,000	550,000	550,000
HNA Property (Note 5(4))	338,982,180	397,809,958	397,809,958	29,840,158
Properties Management	15,000,000	15,000,000	15,000,000	15,000,000
New Town Construction (Note 5(4))	202,000,000	139,000,000	139,000,000	140,887,031
Haidao Development	20,000,000	20,000,000	20,000,000	–
Haidao Hotel	–	–	–	5,166,829
HNA Asset Management	–	–	–	5,201,943
HNA Industry	–	–	–	12,619,524
	<u>608,645,653</u>	<u>572,359,958</u>	<u>572,359,958</u>	<u>209,265,485</u>

Haidao Commercial

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Meilan Mianshui	30,517,144	–	–	–
HNA Engineering	–	550,000	550,000	550,000
HNA Property (Note 5(4))	328,982,180	397,809,958	397,809,958	29,840,158
Properties Management	15,000,000	15,000,000	15,000,000	15,000,000
New Town Construction (Note 5(4))	202,000,000	139,000,000	139,000,000	140,887,031
Haidao Hotel	–	–	–	5,166,829
HNA Asset Management	–	–	–	5,201,943
Huishenghuo Supermarket	14,752,946	12,619,524	12,619,524	–
HNA Industry (i)	–	–	–	12,619,524
	<u>591,252,270</u>	<u>564,979,482</u>	<u>564,979,482</u>	<u>209,265,485</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

- (i) As at 31 March 2014, Haidao Commercial entered into a debtor-creditor transfer agreement with Huishenghuo Supermarket and HNA Industry. Pursuant to the agreement, the payables by Huishenghuo Supermarket to Haidao Commercial of RMB12,619,524 was undertaken by HNA Industry.

(b) *Other payables*

Haidao Commercial Group

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Haidao Development	45,000,387	367,970,187	367,970,187	–
HNA Industry	–	–	615,000	–
Gaohe Property	–	7,490,570	7,491,030	–
Properties Management	313,910	213,910	213,910	–
HNA Airport	–	538	538	–
	<u>45,314,297</u>	<u>375,675,205</u>	<u>376,290,665</u>	<u>–</u>

Haidao Commercial

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Haidao Development	45,000,000	367,969,800	367,969,800	–
HNA Industry	–	–	615,000	–
Gaohe Property	–	7,490,570	7,491,030	–
HNA Airport	–	538	538	–
	<u>45,000,000</u>	<u>375,460,908</u>	<u>376,076,368</u>	<u>–</u>

(c) *Short-term borrowing*

Haidao Commercial Group and Haidao Commercial

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Bohai Trust (Note 5(9))	<u>400,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

(d) *Interest payable*

Haidao Commercial Group and Haidao Commercial

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Bohai Trust	<u>4,027,778</u>	<u>–</u>	<u>–</u>	<u>–</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

8 DISCONTINUED OPERATION

On 1 January 2014, Haidao Commercial entered into an equity transfer agreement with HNA Asset Management, pursuant to which Haidao Commercial disposed of its entire interests in Huishenghuo Supermarket to HNA Asset Management.

The operating results of the above discontinued operation are set out as follows:

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Revenue from discontinued operation	3,548,103	-	-	-	-
Less: Costs and expenses of discontinued operation	<u>(7,461,768)</u>	<u>(10,125,142)</u>	<u>(181,256)</u>	<u>(26,709)</u>	-
Total loss of discontinued operation	(3,913,665)	(10,125,142)	(181,256)	(26,709)	-
Less: Income tax expenses of discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss from discontinued operation	<u><u>(3,913,665)</u></u>	<u><u>(10,125,142)</u></u>	<u><u>(181,256)</u></u>	<u><u>(26,709)</u></u>	<u>-</u>
Including: Net loss of discontinued operation attributable to equity holders of Haidao Commercial	(3,913,665)	(10,125,142)	(181,256)	(26,709)	-

9 FINANCIAL INSTRUMENT AND RISK

Haidao Commercial Group's operation activities expose itself to a variety of financial risks: market risk (primarily interest rate risk), credit risk and liquidity risk. Haidao Commercial Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Haidao Commercial Group's financial performance.

(1) Market risk

Interest rate risk

Haidao Commercial Group's interest rate risk mainly arises from short-term borrowings during relevant period of this financial information. Financial liabilities issued at floating rates expose Haidao Commercial Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose Haidao Commercial Group to fair value interest rate risk. Haidao Commercial Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2011, Haidao Commercial Group's short-term interest bearing borrowing was RMB-denominated with fixed rates, amounting to RMB400,000,000.

For the year ended 31 December 2011, 2012 and 2013 and for the three months ended 31 March 2013 and 31 March 2014, changes on interest rate had little impact on the net profit or loss of Haidao Commercial Group

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable and other receivables, etc.

Haidao Commercial Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks, other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, Haidao Commercial Group has policies to limit the credit exposure on accounts receivable and other receivables. Haidao Commercial Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by Haidao Commercial Group. In respect of customers with a poor credit history, Haidao Commercial Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of Haidao Commercial Group is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of Haidao Commercial Group and aggregated by Haidao Commercial Group's finance department in its headquarters. Haidao Commercial Group's finance department at its headquarters monitors rolling forecasts of Haidao Commercial Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that Haidao Commercial Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2011				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	51,234,655	-	-	-	51,234,655
Accounts receivable	260,038	-	-	-	260,038
Other receivables	644,447,121	-	-	-	644,447,121
	695,941,814	-	-	-	695,941,814
Financial liabilities -					
Short-term borrowings	434,305,555	-	-	-	434,305,555
Accounts payable	241,935	-	-	-	241,935
Interest payable	4,027,778	-	-	-	4,027,778
Other payables	48,775,970	-	-	-	48,775,970
	487,351,238	-	-	-	487,351,238

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

	31 December 2012				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	399,074	-	-	-	399,074
Other receivables	573,412,761	-	-	-	573,412,761
	<u>573,811,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,811,835</u>

Financial liabilities -					
Accounts payable	166,792	-	-	-	166,792
Other payables	378,732,933	-	-	-	378,732,933
	<u>378,899,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,899,725</u>

	31 December 2013				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	471,513	-	-	-	471,513
Other receivables	572,502,518	-	-	-	572,502,518
	<u>572,974,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,974,031</u>

Financial liabilities -					
Accounts payable	166,792	-	-	-	166,792
Other payables	378,505,392	-	-	-	378,505,392
	<u>378,672,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,672,184</u>

	31 March 2014				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	385,465	-	-	-	385,465
Other receivables	209,265,485	-	-	-	209,265,485
	<u>209,650,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,650,950</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(4) Fair value

(a) Assets and liabilities not measured at fair value

Financial assets and liabilities of Haidao Commercial Group not measured at fair value mainly include receivables, payables and borrowings, with carrying amount being a reasonable approximation of their fair value.

10 CAPITAL MANAGEMENT

Haidao Commercial Group's objectives when managing capital are to safeguard Haidao Commercial Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Haidao Commercial Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Haidao Commercial Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings and borrowings from related parties) less cash and cash equivalents. Total capital is calculated as "Total owners' equity" as shown in the consolidated balance sheet plus net debt. The gearing ratios of Haidao Commercial Group at 31 December 2011, 2012 and 2013 and 31 March 2014 are as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Total borrowings				
Short-term borrowings (<i>Note 5(9)</i>)	400,000,000	–	–	–
Borrowings from related parties (<i>Note 5(10)</i>)	<u>45,314,297</u>	<u>375,675,205</u>	<u>376,290,665</u>	<u>–</u>
	445,314,297	375,675,205	376,290,665	–
Less: Cash	<u>(51,234,655)</u>	<u>(399,074)</u>	<u>(471,513)</u>	<u>(385,465)</u>
Net debt/(cash)	394,079,642	375,276,131	375,819,152	(385,465)
Total owners' equity	<u>238,600,616</u>	<u>246,033,322</u>	<u>263,186,708</u>	<u>270,237,203</u>
Total capital	<u>632,680,258</u>	<u>621,309,453</u>	<u>639,005,860</u>	<u>269,851,738</u>
Gearing ratio	<u>62%</u>	<u>60%</u>	<u>59%</u>	<u>N/A</u>

As at 31 March 2014, Haidao Commercial Group had a net cash position of RMB385,465, being the excess of cash over total borrowings.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

11 NOTES TO THE COMPANY'S FINANCIAL INFORMATION

(1) Cash at bank and on hand

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Cash on hand	11,714	11,070	–	–
Cash at bank	<u>49,695,992</u>	<u>306,188</u>	<u>385,270</u>	<u>385,465</u>
	<u><u>49,707,706</u></u>	<u><u>317,258</u></u>	<u><u>385,270</u></u>	<u><u>385,465</u></u>

(2) Other receivables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Receivables from related parties	591,252,270	564,979,482	564,979,482	209,265,485
Receivables from third parties	<u>846,000</u>	<u>909,682</u>	<u>–</u>	<u>–</u>
	<u><u>592,098,270</u></u>	<u><u>565,889,164</u></u>	<u><u>564,979,482</u></u>	<u><u>209,265,485</u></u>

The ageing of other receivables is analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Within 1 year	592,098,270	2,694,460	–	20,362,371
1 to 2 years	–	563,194,704	2,627,778	–
2 to 3 years	–	–	562,351,704	–
Over 3 years	<u>–</u>	<u>–</u>	<u>–</u>	<u>188,903,114</u>
	<u><u>592,098,270</u></u>	<u><u>565,889,164</u></u>	<u><u>564,979,482</u></u>	<u><u>209,265,485</u></u>

As at 31 December 2012 and 2013, and 31 March 2014, other receivables aged over one year were past due and mainly due from related parties of Haidao Commercial. Since there was no recent history of default by the related parties of Haidao Commercial, no provision has been made against these receivables.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(3) Long-term equity investments

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Subsidiaries (a)	28,000,000	18,000,000	18,000,000	–
Associates (Note 5(6)(a))	15,592,403	35,169,615	53,118,387	60,586,253
Other long-term equity investments (Note 5(6)(b))	5,000,000	15,000,000	15,000,000	–
Less: Provision for impairment of long-term equity investments (b)	<u>(3,522,298)</u>	<u>(12,634,927)</u>	<u>(12,798,057)</u>	<u>–</u>
	<u>45,070,105</u>	<u>55,534,688</u>	<u>73,320,330</u>	<u>60,586,253</u>

There is no significant restriction on realization of the long-term equity investments held by Haidao Commercial.

(a) Subsidiaries

	Accounting Method	Investment cost	31 December 2010	Movement	31 December 2011	Interest held (%)	Voting rights (%)
Haidao Logistics	Cost method	10,000,000	–	10,000,000	10,000,000	100%	100%
Huishenghuo Supermarket	Cost method	18,000,000	<u>–</u>	<u>18,000,000</u>	<u>18,000,000</u>	90%	90%
			<u>–</u>	<u>28,000,000</u>	<u>28,000,000</u>		

	Accounting Method	Investment cost	31 December 2011	Movement	31 December 2012	Interest held (%)	Voting rights (%)
Haidao Logistics (Note 4(3)(a))	Cost method	10,000,000	10,000,000	(10,000,000)	–	6.25%	6.25%
Huishenghuo Supermarket	Cost method	18,000,000	<u>18,000,000</u>	<u>–</u>	<u>18,000,000</u>	90%	90%
			<u>28,000,000</u>	<u>(10,000,000)</u>	<u>18,000,000</u>		

	Accounting Method	Investment cost	31 December 2012	Movement	31 December 2013	Interest held (%)	Voting rights (%)
Huishenghuo Supermarket	Cost method	18,000,000	<u>18,000,000</u>	<u>–</u>	<u>18,000,000</u>	90%	90%

	Accounting Method	Investment cost	31 December 2013	Movement	31 March 2014	Interest held (%)	Voting rights (%)
Huishenghuo Supermarket (Note 4(3)(b))	Cost method	18,000,000	<u>18,000,000</u>	<u>(18,000,000)</u>	<u>–</u>	–	–

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

- (b) Huishenghuo Supermarket suffered losses in 2011 and ceased its operation in 2012. As the result of the impairment test indicated that the recoverable amount of the investment was less than its carrying amount, an impairment loss of RMB3,522,298, RMB9,112,629 and RMB163,130 were recognised in each of the three years ended 31 December 2013.

(4) Other payables

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Payables to related parties (Note 7(6))	45,000,000	375,460,908	376,076,368	–
Payables to third parties	858,000	843,000	–	–
	45,858,000	376,303,908	376,076,368	–

As at 31 December 2011, 2012 and 2013, other payables aged over one year were mainly related to related parties, which are unsecured, interest free and repayable on demand.

(5) General and administrative expenses

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Entertainment expenses	5,396	–	–	–	–
Travelling expenses	15,830	–	–	–	–
Taxation charges	–	125,000	–	–	–
Others	31,500	1,940,514	615,459	–	–
	52,726	2,065,514	615,459	–	–

(6) Financial (expenses)/income – net

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Interest income	4,094,775	34,356,742	2,781	424	875
Less: interest expenses commissions	(4,615,470)	(34,305,555)	–	–	–
	(6,381)	(2,597)	(1,452)	(480)	(680)
	(527,076)	48,590	1,329	(56)	195

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Interest expenses are analysed by the repayment terms of bank borrowings as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Wholly repayable within five years	<u>(4,615,470)</u>	<u>(34,305,555)</u>	<u>–</u>	<u>–</u>
(7) Asset impairment losses				
	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)
				Three months ended 31 March 2014
Impairment loss on long-term equity investments	<u>3,522,298</u>	<u>9,112,629</u>	<u>163,130</u>	<u>–</u>
				<u>–</u>
(8) Investment (losses)/income				
	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)
				Three months ended 31 March 2014
Investment (losses)/income from long-term equity investment under equity method – Meilan Mianshui	(8,907,597)	19,577,212	17,948,772	7,788,882
Investment income from disposal of equity investments	–	–	–	–
	<u>(8,907,597)</u>	<u>19,577,212</u>	<u>17,948,772</u>	<u>7,788,882</u>
				<u>160,428</u>
				<u>7,628,294</u>

There is no significant restriction on repatriation of investment income.

The above investment income derived from unlisted companies.

(9) Income tax expenses

For the year ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, no income tax expenses have been provided by Haidao Commercial.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

- (a) The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated income statements to the income tax expenses is listed below:

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Total (loss)/profit	(13,009,697)	8,446,899	17,171,512	7,788,826	7,628,489
Income tax expenses calculated at applicable tax rates	(3,252,424)	2,111,725	4,292,878	1,947,207	1,907,122
share of loss/(profit) of associate	2,226,899	(4,894,303)	(4,487,193)	(1,947,221)	(1,866,967)
Tax losses for which no deferred tax asset was recognised	1,025,525	2,782,578	194,315	14	-
Utilisation of previously unrecognised tax losses	-	-	-	-	(40,155)
Income tax expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (b) Deductible temporary differences and tax losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Deductible temporary differences	3,522,298	12,634,927	12,798,057	-
Tax losses	<u>579,802</u>	<u>2,597,486</u>	<u>3,211,616</u>	<u>3,050,993</u>
	<u>4,102,100</u>	<u>15,232,413</u>	<u>16,009,673</u>	<u>3,050,993</u>

- (c) Tax losses that are not recognised as deferred tax assets will be expired as follows:

	31 December 2011	31 December 2012	31 December 2013	31 March 2014
2016	579,802	579,802	579,802	419,179
2017	-	2,017,684	2,017,684	2,017,684
2018	-	-	614,130	614,130
	<u>579,802</u>	<u>2,597,486</u>	<u>3,211,616</u>	<u>3,050,993</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

(10) Supplementary information to the cash flow statement

(a) Reconciliation from net (loss)/profit to cash flows from operating activities

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Net (loss)/profit	(13,009,697)	8,446,899	17,171,512	7,788,826	7,628,489
Add: Asset impairment losses (Note11(7))	3,522,298	9,112,629	163,130	-	-
Financial expenses	587,692	-	-	-	-
Investment losses/(income) (Note11(8))	8,907,597	(19,577,212)	(17,948,772)	(7,788,882)	(7,628,294)
(Increase)/decrease in operating receivables	(846,000)	(63,682)	909,682	-	-
Increase/(decrease) in operating payables	858,000	(14,462)	(842,540)	-	-
	<u>19,890</u>	<u>(2,095,828)</u>	<u>(546,988)</u>	<u>(56)</u>	<u>195</u>
Net cash flows from operating activities	<u>19,890</u>	<u>(2,095,828)</u>	<u>(546,988)</u>	<u>(56)</u>	<u>195</u>

(b) Net increase/(decrease) in cash and cash equivalents

	2011	2012	2013	Three months ended 31 March 2013 (Unaudited)	Three months ended 31 March 2014
Cash at end of year	49,707,706	317,258	385,270	317,202	385,465
Less: cash at beginning of year	<u>-</u>	<u>(49,707,706)</u>	<u>(317,258)</u>	<u>(317,258)</u>	<u>(385,270)</u>
Net increase/(decrease) in cash	<u>49,707,706</u>	<u>(49,390,448)</u>	<u>68,012</u>	<u>(56)</u>	<u>195</u>

(c) Cash paid relating to other investing activities

Cash paid relating to other investing activities mainly represents loans granted to related parties.

(d) Cash received relating to other financing activities

Cash received relating to other investing activities mainly represents borrowings obtained from related parties.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

12 NET CURRENT ASSETS

	Haidao Commercial Group			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Current assets	662,215,982	574,763,432	573,740,505	209,650,950
Less: current liabilities	(453,147,519)	(378,899,725)	(378,672,184)	—
Net current assets	<u>209,068,463</u>	<u>195,863,707</u>	<u>195,068,321</u>	<u>209,650,950</u>

	Haidao Commercial			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Current assets	641,805,976	566,206,422	565,364,752	209,650,950
Less: current liabilities	(449,885,778)	(376,303,908)	(376,076,368)	—
Net current assets	<u>191,920,198</u>	<u>189,902,514</u>	<u>189,288,384</u>	<u>209,650,950</u>

13 TOTAL ASSETS LESS CURRENT LIABILITIES

	Haidao Commercial Group			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Total assets	691,748,135	624,933,047	641,858,892	270,237,203
Less: current liabilities	(453,147,519)	(378,899,725)	(378,672,184)	—
Total assets less current liabilities	<u>238,600,616</u>	<u>246,033,322</u>	<u>263,186,708</u>	<u>270,237,203</u>

	Haidao Commercial			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Total assets	686,876,081	621,741,110	638,685,082	270,237,203
Less: current liabilities	(449,885,778)	(376,303,908)	(376,076,368)	—
Total assets less current liabilities	<u>236,990,303</u>	<u>245,437,202</u>	<u>262,608,714</u>	<u>270,237,203</u>

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

III FINANCIAL INFORMATION FOR SUBSEQUENT PERIOD

No audited financial statements have been prepared by Haidao Commercial in respect of any period subsequent to 31 March 2014 up to the date of this report. No dividend or distribution has been declared or made by Haidao Commercial in respect of any period subsequent to 31 March 2014.

Yours faithfully,

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

2. MANAGEMENT DISCUSSION AND ANALYSIS ON HAIDAO COMMERCIAL

Set out below is the management discussion and analysis on Haidao Commercial for the period from the three years ended 31 December 2013 and the three months ended 31 March 2014 (the “**Relevant Periods**”) based on the accountants’ report of Haidao Commercial as set out in Section 1 of this Appendix IIB.

Summary

Haidao Commercial was incorporated with Hainan Provincial Industrial and Commercial Bureau on 2 December 2010, with registered and paid-up capital of RMB250,000,000. It is principally engaged in investment holding business. Haidao Commercial holds 49% equity interest in Meilan Mianshui.

Meilan Mianshui is a company with limited liability established in the PRC. It has registered and paid-up capital of RMB50,000,000 and is owned as to 49% by Haidao Commercial and 51% by Hainan Province Duty Free Merchandise Co., Ltd., an Independent Third Party. Meilan Mianshui is principally engaged in providing duty free merchandise sales and shopping services at Meilan Airport.

Given the State’s centralised administration on the duty-free business, duty-free operating qualification is of scarce resources in China. Currently, only China Duty Free Group Co., Ltd. (controlled by China International Travel (601888.SH)) and Hainan Duty Free Co., Ltd. possess the licenses for sale of duty-free goods to travellers departing from the Hainan Island, which operate the duty-free shops respectively in Sanya city and Meilan Airport.

Taking into account China’s economic growth and the growing tourism business, the Directors are optimistic for future appreciation of equity value of Haidao Commercial.

Business Review

Operating results highlights of Haidao Commercial

Item	2011	2012	2013	<i>Unit: RMB’000</i>
				January-March 2014
1. Revenue	3,548	–	–	–
2. Operating (loss)/profit	(13,356)	7,440	17,153	7,628
Add: Non-operating income	1	–	–	–
Less: Non-operating expenses	(44)	(7)	–	–
3. Total (loss)/profit	(13,399)	7,433	17,153	7,628
Less: Income tax	–	–	–	–
4. Net (loss)/profit	(13,399)	7,433	17,153	7,628

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

The income of Haidao Commercial was mainly derived from the income from investment in Meilan Mianshui under equity method. The increase in the income depended on the growth in the results of Meilan Mianshui.

For the year ended 31 December 2011, the consolidated net loss of Haidao Commercial was RMB13.399 million, which was mainly due to the operating loss of Hainan Huishenghuo Supermarket Co., Ltd. (“**Huishenghuo Supermarket**”), which was a subsidiary controlled by Haidao Commercial and loss from investment in Meilan Mianshui under equity method.

For the year ended 31 December 2012, the consolidated net profit of Haidao Commercial was RMB7.433 million, and the main reason was that its holding subsidiary Huishenghuo Supermarket ceased operation in that year and the corresponding store renovation expenses of approximately RMB8.037 million were made one off amortization to profits and losses of that year; in addition, income from investment in Meilan Mianshui under equity method was approximately RMB19.577 million.

For the year ended 31 December 2013 and three months ended 31 March 2014, the consolidated net profits of Haidao Commercial were approximately RMB17.153 million and RMB7.628 million respectively, which were derived from the income from investment in Meilan Mianshui under equity method of approximately RMB17.949 million and RMB7.468 million respectively.

Financial Position

As at 31 December 2011, 2012, 2013 and 31 March 2014, details of consolidated assets and liabilities of Haidao Commercial were set out below:

Item	<i>Unit: RMB'000</i>			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Assets	691,748	624,933	641,859	270,236
Liabilities	453,148	378,900	378,672	–
Total owner's equity	238,600	246,033	263,187	270,236

As at 31 December 2011, the consolidated assets of Haidao Commercial were mainly current receivables from related parties of RMB608.646 million and long-term equity investments in Meilan Mianshui under equity method of approximately RMB15.592 million. The consolidated liabilities were mainly current payables to related parties of RMB45.314 million and short-term borrowings of RMB400.000 million.

As at 31 December 2012, the consolidated assets of Haidao Commercial were mainly current receivables from related parties of RMB572.360 million and long-term equity investments in Meilan Mianshui under equity method of approximately RMB35.170 million. The consolidated liabilities were mainly current payables to related parties of RMB375.675 million.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

As at 31 December 2013, the consolidated assets of Haidao Commercial were mainly current receivables from related parties of RMB572.360 million and long-term equity investments in Meilan Mianshui under equity method of approximately RMB53.118 million. The consolidated liabilities were mainly current payables to related parties of RMB376.291 million.

As at 31 March 2014, the consolidated assets of Haidao Commercial were mainly current receivables from related parties of RMB209.265 million and long-term equity investments in Meilan Mianshui under equity method of approximately RMB60.586 million. As at 31 March 2014, Haidao Commercial had no liability.

Current Ratio and Financial Resources, Gearing Ratio

Haidao Commercial and its subsidiaries financed its daily operation with funds primarily obtained from borrowings, borrowings between related parties and revenue. In terms of the consolidated capital structure of Haidao Commercial, its asset-liability ratios, which calculated as net debt divided by total capital, were approximately 62%, 60% and 59% as at 31 December 2011, 2012 and 2013, respectively. As at 31 March 2014, Haidao Commercial had a net cash position with net cash of approximately RMB0.385 million, being the difference of total borrowings less cash and cash equivalents.

In addition, as at 31 December 2011, 2012 and 2013, Haidao Commercial's current ratios (being the ratios of current assets to current liabilities) were approximately 1.46 times, 1.52 times, and 1.52 times respectively.

Commitment

As at 31 December 2011, 2012, 2013 and 31 March 2014, Haidao Commercial had no capital commitment.

Foreign Exchange Risk

Haidao Commercial operates in mainland China and its major transactions are mainly denominated in and settled through RMB. As all its monetary assets and liabilities are denominated in RMB, the foreign exchange risk is deemed as insignificant.

APPENDIX IIB FINANCIAL INFORMATION OF HAIDAO COMMERCIAL

Employee and Remuneration Policy

As at 31 December 2011, 2012, 2013 and 31 March 2014, Haidao Commercial and its subsidiaries had 129, 0, 0 and 0 employees respectively, and total staff costs in the consolidated statements were set out as Follows:

	2011	2012	2013	For the three months ended 31 March 2014
Staff costs	1,609	284	–	–

For the year ended 31 December 2013 and three months ended 31 March 2014, Haidao Commercial and its subsidiaries incurred no staff costs, which was mainly because Huishenghuo Supermarket, the holding subsidiary of Haidao Commercial had ceased operation in 2012, and the management of Haidao Commercial did not receive remuneration from Haidao Commercial as result of mainly working at other related companies.

Total staff costs included (1) salaries, wages and bonuses; (2) welfare, medical and other expenses; and (3) contributions to the pension scheme. Under the relevant labour laws and regulations in the PRC, Haidao Commercial and its subsidiaries participate in the defined contribution pension scheme operated by local authorities, pursuant to which, Haidao Commercial and its subsidiaries contributed to the scheme based on 20% of salaries during the Relevant Periods.

Save for the contributions made to above pension scheme and supplementary pension scheme, Haidao Commercial and its subsidiaries have no other obligation for the payment of pension and other post-retirement benefits. These contributions are expensed as incurred.

Pledge of Assets

As at 31 December 2011, 2012, 2013 and 31 March 2014, Haidao Commercial did not have any pledged asset.

Contingent Liability

As at 31 December 2011, 2012, 2013 and 31 March 2014, Haidao Commercial had no significant contingent liability.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

HAINAN MEILAN INTERNATIONAL AIRPORT COMPANY LIMITED (THE “COMPANY”)

UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group and the statement of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group (collectively the “**Unaudited Pro Forma Financial Information**”), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the following proposed transactions of the Company contemplated under the sale and purchase agreement (the “**SPA**”) dated 2 July 2014 entered into amongst the Company, Xinhua Lianhang Airport Industry Investment Development Co., Ltd. (“**Xinhua Lianhang**”), HNA International Tourism Island Development (Group) Co., Ltd. (“**Haidao Development**”) and Hainan HNA Engineering Construction Co., Ltd. (“**HNA Engineering**”), which includes: (1) the Company’s acquisition of 80% equity interest in Wuhan HNA Lanhai Airport Industry Development Co., Ltd. (“**Wuhan Linkong**”); and (2) the Company’s acquisition of 100% equity interest in Hainan Haidao Commercial Management Co., Ltd. (“**Haidao Commercial**”) ((1) and (2) collectively the “**Transaction**”), as if the Transaction had taken place on 31 December 2013.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Company and its subsidiaries (collectively the “**Group**”) as set out in the published annual report of the Group for the year ended 31 December 2013.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial positions of the Enlarged Group had the Transaction been completed as at 31 December 2013, where applicable, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

	Unadjusted audited consolidated statement of assets and liabilities of the Group as at 31 December 2013	Statement of assets and liabilities of Wuhan Linkong as at 31 March 2014	Statement of assets and liabilities of Haidao Commercial as at 31 March 2014	Pro forma adjustment for the Transaction			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
				Other adjustments			
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)	RMB'000 (Note 5)	RMB'000 (Note 6)	RMB'000
ASSETS							
Current assets							
Cash at bank and on hand	2,998,411	1,253	385		379,039	(379,039) ^(a)	3,000,049
Accounts receivable	82,122	-	-				82,122
Advances to suppliers	1,194	372	-				1,566
Interest receivable	5,293	-	-				5,293
Other receivables	3,687	1,617	209,265			(209,265) ^(c)	5,304
Inventories	7	467,507	-	76,356 ^(a)			543,870
Other current assets	1,196	-	-				1,196
Total current assets	3,091,910	470,749	209,650				3,639,400
Non-current assets							
Long-term equity investments	1,127,739	-	60,586	1,003,281 ^(a)			2,191,606
Investment properties	-	45,152	-	32,720 ^(a)			77,872
Fixed assets	1,086,632	15,806	-	188 ^(a)			1,102,626
Construction in progress	6,772	-	-				6,772
Intangible assets	185,653	273	-	127 ^(a)			186,053
Goodwill	-	-	-	94,360 ^(c)			94,360
Deferred tax assets	9,067	-	-				9,067
Other non-current assets	159,455	52,749	-				212,204
Total non-current assets	2,575,318	113,980	60,586				3,880,560
Total assets	5,667,228	584,729	270,236				7,519,960

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Pro forma adjustment for the Transaction						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	Unadjusted audited consolidated Statement of assets and liabilities of the Group as at 31 December 2013	Statement of assets and liabilities of Wuhan Linkong as at 31 March 2014	Statement of assets and liabilities of Haidao Commercial as at 31 March 2014	Other adjustments			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
LIABILITIES AND EQUITY							
Current liabilities							
Accounts payable	12,011	173,537	-				185,548
Advances from customers	9,435	771	-				10,206
Employee benefits payable	20,780	287	-				21,067
Taxes payable	16,739	4,461	-				21,200
Interest payable	51,747	1,108	-				52,855
Dividends payable	666	-	-				666
Other payables	161,190	80,759	-		6,000		247,949
Current portion of non-current liabilities	138,326	-	-				138,326
Total current liabilities	410,894	260,923	-				677,817
Non-current liabilities							
Long-term borrowings	1,688,802	50,000	-				1,738,802
Corporate bonds	792,365	-	-				792,365
Long-term payables	87,488	-	-				87,488
Other non-current liabilities	18,336	-	-				18,336
Deferred tax liabilities	-	-	-	27,347 ^(b)			27,347
Total non-current liabilities	2,586,991	50,000	-				2,664,338
Total liabilities	2,997,885	310,923	-				3,342,155

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The unadjusted audited consolidated statement of assets and liabilities of the Group as at 31 December 2013 was extracted from the published annual report of the Group for the year ended 31 December 2013.
2. The statement of assets and liabilities of Wuhan Linkong as at 31 March 2014 was extracted from the accountants' report for Wuhan Linkong as set out in Appendix IIA to this circular.
3. The statement of assets and liabilities of Haidao Commercial as at 31 March 2014 was extracted from the accountants' report for Haidao Commercial as set out in Appendix IIB to this circular.
4. Upon completion of the Transaction, the Company will directly own 80% and 100% equity interest in Wuhan Linkong and Haidao Commercial respectively. The identifiable assets and liabilities of Wuhan Linkong and Haidao Commercial will be accounted for in the consolidated financial statements of the Company at their fair value under the acquisition method of accounting in accordance with Accounting Standards for Business Enterprise.
 - (a) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have preliminarily assessed the fair values of the identifiable assets and liabilities of Wuhan Linkong and Haidao Commercial as at 31 March 2014, after taking reference of the Valuation Reports dated 15 August 2014 with 31 March 2014 being the Benchmark Assessment Date.

Fair value of net assets is made after taking reference to the valuation surplus for long-term equity investments, investment property, fixed assets, intangible assets and inventories of Haidao Commercial and Wuhan Linkong, as at the Benchmark Assessment Date.
 - (b) Amount represents the provision of deferred tax liability in relation to the fair value adjustments on the investment property, fixed assets, intangible assets and inventories of Wuhan Linkong.
 - (c) Amount represents the goodwill arising from the acquisition of Wuhan Linkong and Haidao Commercial. Pursuant to the SPA, the consideration for acquisition of 80% equity interest in Wuhan Linkong and 100% equity interest in Haidao Commercial amounted to approximately RMB379,039,440 and RMB1,273,518,200 respectively. The fair value of the acquired identifiable net assets of Wuhan Linkong and Haidao Commercial totaled approximately RMB1,558,197,000 which is determined with reference to the preliminary valuation assessment carried out by China Enterprise Appraisal Ltd. (the "**Independent Valuer**").

Since the fair values of the Consideration Shares and the assets and liabilities of Wuhan Linkong and Haidao Commercial at the actual completion date may substantially differ from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identifiable net assets (including intangible assets) and goodwill to be recognised in connection with the Transaction may be different from the amounts presented here and the differences may be significant. For the purpose of this Unaudited Pro Forma Financial Information, the directors consider that no impairment in the value of long-term equity investments, investment property, fixed assets, intangible assets, inventories and goodwill is necessary.
5. On 2 July 2014, the Company and Haikou Meilan Airport Co., Ltd. (the "**Parent Company**") entered into the Subscription Agreement, pursuant to which the Parent Company has agreed to subscribe for 66,615,016 new Domestic Shares in the Company in cash at the aggregate subscription price of RMB379,039,440, which will be payable upon completion of the Proposed Subscription. The issue price of the new shares of RMB5.69 (equivalent to approximately HK\$7.17) was arrived based on the average price per H Share of the Company for the last 20 consecutive trading days up to and including the last trading day, i.e. 2 July 2014.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

After deducting the cost and expenses of RMB6,000,000 in connection with the Proposed Subscription, the estimated amount of net proceeds from the issuance of the new Domestic Shares will be approximately RMB373,039,440.

6.
 - (a) The adjustment includes the cash settlement of the consideration to Xinhua Lianhang for the acquisition of the 80% equity shares in Wuhan Linkong.
 - (b) The aggregate consideration for the acquisition of 100% equity interest in Haidao Commercial is RMB1,273,518,200, amongst which the amount of RMB209,265,485 will be satisfied by setting off the Loan Advances pursuant to the Loan Assignment Agreement and the amount of RMB1,064,252,715 will be satisfied by the allotment and issue of 187,039,141 new Consideration Shares on the date of completion of the Transaction.
7. Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2013, or Wuhan Linkong and Haidao Commercial subsequent to 31 March 2014.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

(II) STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

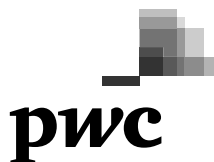
	Audited		Unaudited	
	consolidated		pro forma	
	net tangible		adjusted	
	assets of the		consolidated	
	Group		net tangible	
	attributable		assets of the	Unaudited
	to the		Group	pro forma
	shareholders		attributable	adjusted
	of the		to the	consolidated
	Company as		shareholders	net tangible
	at 31		of the	assets per
	December	Pro forma	Company	Share
	2013	adjustment	RMB'000	RMB
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on 66,615,016 new Domestic Shares to be issued pursuant to the Subscription Agreement and 187,039,141 new Consideration Shares to be issued by the Company to the Vendor for settlement of the Consideration	<u>2,467,599</u>	<u>1,342,612</u>	<u>3,810,211</u>	<u>5.24</u>

Notes to the statement of unaudited pro forma consolidated net tangible assets of the Group:

1. The audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 December 2013 is extracted from the published annual report of the Company for the year ended 31 December 2013.
2. The adjustment represents the balances of the assets and liabilities of Wuhan Linkong and Haidao Commercial adjusted by the pro forma adjustments listed in Section (I) above.
3. The unaudited pro forma consolidated net tangible assets per share is calculated based on the unaudited pro forma consolidated net tangible assets attributable to the shareholders of the Company of approximately RMB3,810,211,000 and 726,867,157 shares of the Company in issue (on the basis that there were 473,213,000 shares in issue as at 31 December 2013 and 66,615,016 new Domestic Shares and 187,039,141 new Consideration Shares will be issued in the Transaction) as if the Acquisition had been completed on 31 December 2013.
4. Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2013, or Wuhan Linkong and Haidao Commercial subsequent to 31 March 2014.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.



普華永道

2014/SH-193/CYT/ADWW

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

To the Directors of Hainan Meilan International Airport Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hainan Meilan International Airport Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), Wuhan HNA Lanhai Airport Industry Development Company Limited and Hainan Haidao Commercial Management Company Limited (the “**Target Companies**”) (collectively the “**Enlarged Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013, the statement of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group as at 31 December 2013, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages III-1 to III-6 of the Company’s circular dated 15 August 2014, in connection with the proposed acquisition of the Target Companies (the “**Transaction**”) by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-6.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group’s financial position as at 31 December 2013 as if the Transaction had taken place at 31 December 2013. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s audited financial statements for the year ended 31 December 2013, which has been included in the annual report of the Company for the year ended 31 December 2013.

普華永道中天會計師事務所(特殊普通合夥)

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APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
15 August 2014

(A) VALUATION REPORT ON WUHAN LINKONG

The following is the full text of the valuation report on Wuhan Linkong, prepared for the purpose of incorporation in this circular, received from the Independent Valuer, China Enterprise Appraisal Limited.

Statement of Certified Public Valuers

- I. We have conducted this valuation engagement in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. We confirm that based on the information collected in our practices, the information stated herein is objective, and we accept legal responsibility for the reasonableness of valuation conclusion.
- II. The lists of assets and liabilities related to the valuation target are submitted by the principal and the subject entity, as confirmed by their signatures and corporate seals. The principal and relevant parties shall be responsible for the truthfulness, legitimacy and completeness of the information provided by them and proper use of this report.
- III. We have no existing or prospective interest in the valuation target hereunder. We have neither existing or prospective interest in nor any bias to the relevant parties.
- IV. We have conducted site survey to the valuation target hereunder and the involved assets. We have given necessary attention to the valuation target and titles of the involved assets, and conducted inspection on their title documents. With the identified problems disclosed truthfully, we have requested the principal and relevant parties to improve the ownership in order to meet the requirement for issuing this report.
- V. Our analysis, judgment and conclusion in valuation report are subject to the assumptions and constrains herein. Users of this report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Executive Summary**Important Notice**

All contents of this summary are extracted from the text of the valuation report. Please carefully read the full text of the valuation report for details of the valuation process and reasonable understanding of the valuation conclusion.

As engaged by Hainan Meilan International Airport Company Limited, China Enterprise Appraisal Limited has followed the necessary valuation procedures to appraise the market value of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. as at the valuation base date in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. The valuation report is summarised as follows:

Valuation purpose:	The valuation of the entire shareholders' equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. is for the purpose of providing a value reference for the proposed acquisition of equity interest in Wuhan HNA Lanhai Airport Industry Development Co., Ltd. by Hainan Meilan International Airport Company Limited (the "Transaction").
Valuation target:	Value of the entire shareholders' equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd.
Valuation scope:	All audited assets and liabilities of the subject entity, including current assets, non-current assets (investment properties, fixed assets, intangible assets, other non-current assets), current liabilities and non-current liabilities, etc.
Valuation base date:	31 March 2014
Type of value:	Market value
Valuation method:	Asset-based approach; income approach
Valuation conclusion:	The valuation result under income approach is adopted as the valuation conclusion herein, are detailed below:

As at the valuation base date, Wuhan HNA Lanhai Airport Industry Development Co., Ltd. had book value of RMB584,728,300 for total assets, RMB310,922,800 for total liabilities and RMB273,805,500 for net assets.

The entire shareholders' equity is valued at RMB473,799,300 under income approach, representing an appreciation of RMB199,993,800 or 73%.

The valuation conclusion of the entire shareholders' equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. is RMB473,799,300.

This report is solely designed to provide a value reference for the Transaction. The valuation conclusion is effective for one year commencing from the valuation base date 31 March 2014.

Users of this report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report
on
the Proposed Acquisition of Equity Interest in
Wuhan HNA Lanhai Airport Industry Development Co., Ltd.
by
Hainan Meilan International Airport Company Limited

To Hainan Meilan International Airport Company Limited:

According to your engagement, China Enterprise Appraisal Limited (“we”) has followed the necessary valuation procedures under asset-based approach and income approach to appraise the market value of the entire shareholders’ equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. as at 31 March 2014 (being the target of your proposed acquisition) in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. The valuation details are presented as follows:

I. PRINCIPAL, SUBJECT ENTITY AND OTHER REPORT USERS SPECIFIED IN THE LETTER OF ENGAGEMENT

For the purpose of this valuation, the principal is Hainan Meilan International Airport Company Limited; the subject entity is Wuhan HNA Lanhai Airport Industry Development Co., Ltd.; and other report users specified in the letter of engagement include those provided under national laws and regulations.

(I) Overview of the Principal

Company name:	Hainan Meilan International Airport Company Limited (“Meilan Airport”)
Registered office:	Meilan Airport Complex, Haikou City, Hainan Province, the PRC
Headquarters:	26/F, Three Pacific Place, 1 Queen’s Road East, Hong Kong
Legal representative:	Wang Zhen
Registered capital:	RMB473,213,000
Date of establishment:	28 December 2000

Business scope: Provision of departure/arrival and ground transportation services for domestic and international air transport enterprises, departing/arriving and transfer passengers; leasing of aviation business premises, commercial and office space in terminal and provision of integrated services; construction and operation of aviation and ancillary real estate facilities in the airport; storage of goods (excluding hazardous goods), packaging, loading and unloading and delivery services; and sale of aviation fuel, hardware and tools, electric products, electronic products and telecommunication equipment, general merchandise, textiles, arts and crafts and magazines to airline companies or passengers in the airport (licence required for business subject to administrative approval)

Meilan Airport is listed on the Stock Exchange of Hong Kong (stock code: 00357).

In 2013, with the overall recovery of China's civil aviation industry and under the promotion of favourable policies such as the Division Program of Key Work of Chinese State Council to Promote the Development of the Aviation Industry and favourable factors such as construction of Hainan International Tourism Island and duty free shops for travellers leaving the Hainan Island, the passenger throughput of Meilan Airport exceeded 10 million for three consecutive years.

For the year ended 31 December 2013, Meilan Airport operated a total of 159 originating routes, including 146 domestic routes, 10 international routes and 3 regional routes; developed 85 navigable cities, including 73 domestic cities, 9 international cities and 3 regional cities; and attracted 39 airline companies to operate at Meilan Airport, including 25 domestic airlines, 8 international airlines and 6 regional airlines.

Throughout the year of 2013, Meilan Airport opened 57 new routes, with overall flight execution rate increasing to 88.3% by 5.4 percentage points as compared with last year, showing an outstanding performance in market development.

In 2013, the performance of non-aviation business of Meilan Airport showed a good momentum of development. Annual revenue from the non-aviation business was RMB326,641,637, representing an increase of 12.55% year-on-year and accounting for up to 42.96% again in Meilan Airport's total revenue, exceeding 40% again. Such significant growth was mainly due to the franchise operation of Meilan Airport Duty-Free Shop for Travellers Leaving the Hainan Island of Haimian Haikou Meilan Airport Duty Free Co., Ltd. in Meilan Airport.

(II) Overview of the Subject Entity

1. Company Profile

Company name: Wuhan HNA Lanhai Airport Industry Development Co., Ltd.
("Wuhan Linkong")

Legal domicile:	188 Julong Avenue, Panlongcheng Economic Development Zone, Huangpi District, Wuhan City
Place of business:	188 Julong Avenue, Panlongcheng Economic Development Zone, Huangpi District, Wuhan City
Legal representative:	Hu Po
Registered capital:	RMB300,000,000.00
Nature of enterprise:	company with limited liability
Main Business scope:	Integrated logistics park services and consultancy, logistics information, merchandise display services, and storage, loading and unloading and delivery of goods; import and export trade; domestic advertising design, production, agency, publishing, conference and exhibition services; sale of building materials, machinery and equipment, hardware and electric products; leasing of construction machinery and equipment; real estate development and sale. (authorised period applies for business subject to the state's special approval or licence)

2. Corporate Shareholding Structure and Change

Wuhan Linkong was established on 27 September 2010 by the joint investment of HNA Group and the People's Government of Huangpi District, Wuhan under the General Strategic Cooperation Agreement between the People's Government of Huangpi District, Wuhan and HNA Group, as the project operator of Wuhan HNA Lanhai Airport Industrial Park (registration number of business licence: 420116000032844). Set out below is its shareholding structure, without any change since its establishment:

		<i>Unit: RMB0'000</i>	
No.	Shareholder	Registered capital	Percentage
1	Xinhua Lianhang Airport Industry Investment Development Co., Ltd.	24,000	80%
2	Wuhan Panlong City Construction Investment Development Co., Ltd.	6,000	20%
Total		30,000	100%

3. *Properties and Operation Management Structure*

Major assets of Wuhan Linkong are stated as Inventories – Development costs, Investment properties, Buildings and structures, Machinery and equipment, and Intangible assets (land).

Inventories – Development costs mainly include warehouses 2#, 3# and 4#, research and development centre, standardised plants and other assets. Warehouses 2-4# were completed in October 2013, with a total gross floor area of 87,000.00 sq.m.

Investment properties include office building, administrative service centre, customised office premises, basement and dining centre that are being constructed.

The exhibition centre included in fixed assets was completed in August 2013, which is a two-storey reinforced concrete structure with gross floor area of 2,105.00 sq.m. and eave height of approximately 7 metres.

Machinery and equipment comprise electronic equipment, including computers, printers, air conditioners and other office equipment.

The land use right within the valuation scope covers 6 land parcels for storage in the industrial park of Wuhan Linkong, with a total site area of 656,067.24 sq.m. With state-owned land use right certificates in place for the six land parcels, the buildings thereon are respectively stated as Fixed assets – Buildings, Investment properties, and Inventories – Development costs, as detailed below:

Name of land parcel	No. of land certificate	Gross site area (sq.m.)	Site area for intangible assets (sq.m.)	Site area for investment properties (sq.m.)	Site area for development costs (sq.m.)	Nature of land title	Land usage
Land lot 1 of industrial park	Huangpi Guo Yong (2014) No. 669	111,393.63	-	-	111,393.63	Granted	Storage
Land lot 2 of industrial park	Huangpi Guo Yong (2014) No. 668	160,355.79	-	-	160,355.79	Granted	Storage
Land lot 3 of industrial park	Huangpi Guo Yong (2014) No. 667	59,485.19	-	-	59,485.19	Granted	Storage
Land lot 4 of industrial park	Huangpi Guo Yong (2014) No. 666	80,202.41	-	-	80,202.41	Granted	Storage
Land lot 5 of industrial park	Huangpi Guo Yong (2014) No. 670	104,707.28	-	-	104,707.28	Granted	Storage
Land lot 6 of industrial park	Huangpi Guo Yong (2014) No. 665	139,922.94	1,052.39	74,203.88	64,666.67	Granted	Storage
Total		<u>656,067.24</u>	<u>1,052.39</u>	<u>74,203.88</u>	<u>580,810.97</u>		

Wuhan Linkong has established functions such as Planning and Finance Department, Integrated Operation Department, Sales Department and Engineering Department.

4. Valuation Base Date and Financial and Business Performance for the Latest Three Years

Set out below is the subject entity's financial performance for the latest three years:

Item	<i>Unit: RMB0'000</i>			
	31 December 2011	31 December 2012	31 December 2013	31 March 2014
Total assets	33,523.57	44,767.02	55,487.91	58,472.83
Total liabilities	4,074.26	16,250.24	27,872.42	31,092.28
Shareholders' equity	29,449.31	28,516.77	27,615.49	27,380.55

Set out below is the subject entity's business performance for the latest three years:

Item	2011	2012	2013	<i>Unit: RMB0'000</i>
				For the three months ended 31 March 2014
I. Revenue	0.00	0.00	111.08	97.06
II. Operating cost	0.00	0.00	0.00	0.00
III. Operating profit	(501.78)	(932.54)	(1023.37)	(234.93)
Add: Non-operating income	0.00	0.00	122.38	0.00
Less: Non-operating expenses	0.00	0.00	0.30	0.00
IV. Total profit	(501.78)	(932.54)	(901.29)	(234.93)
Less: Income tax	0.00	0.00	0.00	0.00
V. Net profit	(501.78)	(932.54)	(901.29)	(234.93)

The selected financial information above for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 are extracted from the accountants' report of Wuhan Linkong by PricewaterhouseCoopers Zhong Tian LLP as set out in Appendix IIA to the circular. PricewaterhouseCoopers Zhong Tian LLP carried out their procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

5. *Connection between the Principal and the Subject Entity*

Meilan Airport, the principal, is a potential acquirer of the equity interest in Wuhan HNA Lanhai Airport Industry Development Co., Ltd., the subject entity.

(III) Other Report Users Specified in the Letter of Engagement

This report is only for use by the principal and the users provided under national laws and regulations, and shall not be used or relied upon by any third party.

II. VALUATION PURPOSE

The valuation of the entire shareholders' equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. is for the purpose of providing a value reference for the proposed acquisition of equity interest in Wuhan HNA Lanhai Airport Industry Development Co., Ltd. by Hainan Meilan International Airport Company Limited.

III. VALUATION TARGET AND SCOPE**(I) Valuation Target**

According to the valuation purpose, the valuation target is the entire shareholders' equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd.

(II) Valuation Scope

The valuation scope comprises all assets and liabilities of the subject entity. As at the valuation base date, the assets within the valuation scope include current assets, investment properties, fixed assets, intangible assets and other non-current assets with total book value of RMB584,728,300; the liabilities include current liabilities and non-current liabilities with total book value of RMB310,922,800; and the book value of net assets is RMB273,805,500.

The valuation target and scope are consistent with those in respect of the Transaction. The book values of the assets and liabilities within the valuation scope as at the valuation base date were extracted from the accountants' report of Wuhan Linkong by PricewaterhouseCoopers Zhong Tian LLP as set out in Appendix IIA to this circular.

IV. TYPE OF VALUE AND DEFINITION

According to the valuation purpose, the type of value of the valuation target is defined as market value.

Market value represents the estimated amount for which the valuation target should exchange on the valuation base date between a willing buyer and a willing seller in an arm's-length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. VALUATION BASE DATE

The valuation base date is 31 March 2014.

The valuation base date is confirmed upon negotiation with the principal taking consideration that it is close to the engagement commencement date and is convenient for the principal to provide the financial statements and accountants' report as of the valuation base date.

VI. BASIS OF VALUATION**(I) Basis of Engagement**

1. The Letter of Engagement on Asset Valuation entered into between the principal and China Enterprise Appraisal Limited.

(II) Laws and Regulations Basis

1. Company Law of the People's Republic of China (passed at the 6th Meeting of the Standing Committee of the 12th National People's Congress on 28 December 2013);
2. Securities Law of the People's Republic of China (passed at the 18th Meeting of the Standing Committee of the 10th National People's Congress on 27 October 2005);
3. Accounting Standards for Business Enterprises (MOF Cai Kuai [2006] No. 3);
4. Enterprise Income Tax Law of the People's Republic of China (2007);
5. Contract Law of the People's Republic of China (promulgated by Presidential Order (9th session, No. 15) of the People's Republic of China, with effect from 1 October 1999);
6. Urban Real Estate Administration Law of the People's Republic of China (passed at the 29th Meeting of the Standing Committee of the 10th National People's Congress on 30 August 2007);
7. Land Administration Law of the People's Republic of China (passed at the 11th Meeting of the Standing Committee of the 10th National People's Congress on 28 August 2004);
8. Provisional Regulations on Urban Land Use Tax of the People's Republic of China (passed at the 163rd executive meeting of the State Council on 30 December 2006);
9. Requirements on Granting of State-Owned Land Use Right by Agreement (Ministry of Land and Resources Order No. 21);
10. Regulations on Valuation of Urban Land (GB/T18508-2001);
11. Regulations on Classification and Grading of Urban Land (GB/T18507-2001);
12. Code for Real Estate Appraisal (GB/T50291-1999).
13. Other relevant laws, regulations, notices and documents.

(III) Valuation Standards Basis

1. Asset Valuation Standards – Basic Standards (Cai Qi [2004] No. 20);
2. Code of Ethics on Asset Valuation – Basic Standards (Cai Qi [2004] No. 20);
3. Guidance to Certified Public Valuers on Titles of Valuation Targets (Kuai Xie [2003] No. 18);

4. Asset Valuation Standards – Valuation Procedures (Zhong Ping Xie [2007] No. 189);
5. Asset Valuation Standards – Working Papers (Zhong Ping Xie [2007] No. 189);
6. Asset Valuation Standards – Machinery and Equipment (Zhong Ping Xie [2007] No. 189);
7. Asset Valuation Standards – Real Estate (Zhong Ping Xie [2007] No. 189);
8. Guidance on Type of Value in Asset Valuation (Zhong Ping Xie [2007] No. 189);
9. Guidance on Valuation of Investment Properties (Trial) (Zhong Ping Xie [2009] No. 211);
10. Guides on Business Quality Control of Valuers (Zhong Ping Xie [2010] No. 214);
11. Asset Valuation Standards – Intangible Assets (Zhong Ping Xie [2008] No. 217);
12. Asset Valuation Standards – Enterprise Value (Zhong Ping Xie [2011] No. 227);
13. Asset Valuation Standards – Valuation Report (Zhong Ping Xie [2011] No. 230);
14. Asset Valuation Standards – Letter of Engagement (Zhong Ping Xie [2011] No. 230);
15. Guides to Asset Valuation Report of State-owned Enterprises (Zhong Ping Xie [2011] No. 230);
16. Asset Valuation Standards – Use of Experts (Zhong Ping Xie [2012] No. 244);
17. Code of Ethics on Asset Valuation – Independence (Zhong Ping Xie [2012] No. 248).

(IV) Basis of Titles

1. State-owned land use right certificates;
2. Major equipments purchase contracts and invoices;
3. Relevant agreements on transfer of property interest;
4. Construction contracts;
5. Other related certificates of property interest.

(V) Pricing Basis

1. Notice of the State Planning Commission on the Issuance of “Provisional Requirements on Consulting Fees for Preliminary Construction Projects” (Ji Jia Ge [1999] No. 1283);
2. Notice of the State Planning Commission and the Ministry of Construction on the Issuance of “Administrative Requirements on Project Survey and Design Fees” (Ji Jia Ge [2002] No. 10);
3. Notice of the State Planning Commission and the State Environmental Protection Administration on Regulating Environmental Impact Consulting Fees (Ji Jia Ge [2002] No. 125);
4. Notice of the State Planning Commission on the Issuance of “Provisional Administrative Requirements on Tending Agency Service Fees” (Ji Jia Ge [2002] No. 1980);
5. Notice of the Ministry of Finance on the Issuance of “Certain Requirements on Financial Management on Infrastructures” (Cai Jian [2002] No. 394);
6. Notice of the National Development and Reform Commission and the Ministry of Construction on the Issuance of “Administrative Requirements on Supervision and Related Service Fees for Construction Projects” (Fa Gai Jia Ge [2007] No. 670);
7. Benchmark bank deposit and lending rates and foreign exchange rates as at the valuation base date;
8. Grading Standards on Completeness and Damage of Buildings (Trial) (Cheng Zhu Zi [1984] No. 678);
9. Consumption Quota and Base Price List for Building Construction and Decoration in Hubei Province (E Jian Wen [2013] Circular No. 66);
10. Consumption Quota and Estimated Unit Price List for General Installation Work in Hubei Province (E Jian Wen [2013] Circular No. 66);
11. Consumption Quota and Base Price List for Special Work of Public Construction Projects (Earth and Stone/Ground Treatment/Pile Foundation/Ready Mixed Mortar) in Hubei Province (E Jian Wen [2013] Circular No. 66);
12. Quantity, Shift and Cost Quota for Construction Machinery in Hubei Province (E Jian Wen [2013] Circular No. 66);
13. Cost Quota for Construction Installation Work in Hubei Province (E Jian Wen [2013] Circular No. 66);

14. Hubei Construction Cost Information (Volume 3 in 2014);
15. Mechanical and Electrical Products Quotation Handbook (2014);
16. Project feasibility study report, estimated project investment budget, estimated design and other information provided by the enterprise;
17. Relevant project budget and final account information provided by the enterprise;
18. Project construction contracts between the enterprise and relevant parties;
19. Financial statements and auditors' reports for the previous years provided by the enterprise;
20. Future annual business plan provided by relevant department of the enterprise;
21. Current and future market forecast on major products provided by the enterprise;
22. Raw materials procurement contracts between the enterprise and relevant parties;
23. Field survey records made and relevant valuation information collected by our appraisers;
24. Other information relevant to this valuation.

(VI) Other References

1. List of assets and valuation application form provided by the subject entity;
2. Accountants' Report of Wuhan Linkong dated 15 August 2014 by PricewaterhouseCoopers Zhong Tian LLP;
3. Database of China Enterprise Appraisal Limited.

VII. VALUATION METHODOLOGY

The basic approaches for valuation of enterprise value include income approach, market approach and asset-based approach.

Income approach is a method to determine the value of the valuation target by capitalising or discounting the expected income flows. Specific methods typically used under income approach include discounted dividend income method and discounted cash flow method.

Market approach is a method to determine the value of the valuation target by comparing the valuation target against comparable listed companies or transaction cases. The two specific methods typically used under market approach are listed company comparison method and transaction case comparison method.

Asset-based approach is a method to determine the value of the valuation target by reasonably valuing the enterprise's on-sheet and off-sheet assets and liabilities based on its balance sheet as at the valuation base date.

The Asset Valuation Standards – Enterprise Value require that for a valuation engagement of enterprise value, the certified public valuer should properly select one or more basic asset valuation approaches by analysing the availability of the three basic approaches (income approach, market approach and asset-based approach) based on relevant conditions including valuation purpose, valuation target, type of value and the information collected.

For the purpose of this valuation, income approach and asset-based approach have been adopted after analysing the availability of the three basic approaches based on relevant conditions including valuation purpose, valuation target, type of value and the information collected. The rationale is set out as follows:

Income approach: Income approach applies as the enterprise operates as an ongoing concern, making its production and operation information available and its future business income predictable.

Asset-based approach: Asset-based approach is a method to determine the value of the valuation target based on reasonable valuation of the assets and liabilities of an enterprise. Asset-based approach applies for this valuation as details of the assets and liabilities are available.

Market approach does not apply as there are insufficient listed companies or transaction cases comparable to the valuation target.

(I) Income Approach

Discounted free cash flow model under the discounted cash flow method is adopted for this valuation, as detailed below:

Value of entire shareholders' equity = Overall enterprise value – Value of interest-bearing debts

1. Overall Enterprise Value

Overall enterprise value is the sum of entire shareholders' equity and interest-bearing debts. According to the assets acquired and used by the subject entity, overall enterprise value is calculated as follows:

Overall enterprise value = Value of operating assets + Value of surplus assets +
Value of non-operating assets and liabilities

(1) *Value of Operating Assets*

Operating assets represent assets and liabilities relating to production and operation of the subject entity and involved in forecasting its free cash flows after the valuation base date. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

where, P: Value of operating assets as at the valuation base date;

F_i : Forecasted free cash flow for Year i after the valuation base date;

F_n : Forecasted free cash flow for the last year in the forecast period;

r: Discount rate (weighted average cost of capital, or WACC);

n: Forecast period;

i: Year i in the forecast period;

g: Perpetual growth rate, estimated at 3% according to industrial characteristics.

Among them, free cash flow is calculated as follows:

$$\text{Free cash flow} = \text{Profit before interest and after tax} + \text{Depreciation and amortisation} - \text{Capital expenditure} - \text{Working capital calls}$$

Among them, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$\text{WACC} = K_e \times \frac{E}{E+D} + K_d \times (1-t) \times \frac{D}{E+D}$$

where, k_e : Cost of equity capital;

k_d : Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debts;

t: Income tax rate.

Among them, cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + \text{MRP} \times \beta + r_c$$

where, r_f : Risk-free interest rate;

MRP: Market risk premium;

β : Systematic risk coefficient of equity;

r_c : Enterprise-specific risk adjustment coefficient.

(2) *Value of Surplus Assets*

Surplus assets represent assets more than required by production and operation of the enterprise as at the valuation base date and not involved in forecasting its free cash flows after the valuation base date.

(3) *Value of Non-operating Assets and Liabilities*

Non-operating assets and liabilities represent those not relating to production and operation of the subject entity and not involved in forecasting its free cash flows after the valuation base date.

2. *Value of Interest-bearing Debts*

Interest-bearing debts represent the liabilities bearing interest payable by the subject entity as at the valuation base date.

(II) Asset-based Approach

1. *Current Assets*

Current assets within the valuation scope mainly include monetary funds, prepayments, other receivables, inventories, etc.

(1) Monetary funds: cash and bank balances are appraised based on the values verified through cash stocktaking, bank statement checking and enquiry letter to banks.

(2) Receivables: the appraised value is determined according to the amount possible to be collected for each payment verified as correct. For the receivables believed to be fully collected on adequate grounds, the full amount receivable is taken as the appraised value. For the receivables with a portion probably to be

uncollectible which is hardly to determine, the appraised value is arrived at by deducting the risk loss estimated from the potentially uncollectible amount using the ageing analysis method by analysing the amount, ageing and reason of arrears, recovery progress, and the funding, credit, operation and management status of the debtor based on historical data and field surveys.

- (3) Prepayments: the appraised value is determined according to the value of assets and rights established by the corresponding goods to be collected. For collectable goods or rights, the verified book value is taken as the appraised value.
- (4) Inventories: given the project development progress, development costs are valued using the hypothetical development method. Under the hypothetical development method, development costs are estimated based on the residual value arrived at by deducting normal expenses, normal taxes and reasonable profit from the estimated value of the target properties completed, which is calculated as follows:

$$\begin{aligned} \text{Value of development costs} = & \text{Value of properties completed} - \text{Development} \\ & \text{costs} - \text{Administrative expenses} - \text{Interest on investment} - \text{Sales taxes} - \\ & \text{Development profit} - \text{Land appreciation tax} - \text{Enterprise Income Tax} \end{aligned}$$

2. *Investment Properties*

Income approach has been adopted as follows according to the valuation purpose and characteristics of the valuation target, with reference to the information available to our appraisers and the results of field survey in accordance with the Asset Valuation Standards.

Income approach is used to arrive at objective and reasonable price or value of the valuation target by estimating the future income of the valuation target and converting it into value.

The application of income approach is subject to a stable and computable ratio between the asset and its operating income that may be correctly forecasted in the future.

The formula is:

$$P = \sum_{i=1}^n \frac{F_i}{(r - g)} \times \left[1 - \frac{(1 + g)^n}{(1 + r)^n} \right]$$

where, P: Value of target asset as at the valuation base date;

F_i: Forecasted income for Year i after the valuation base date;

r: Capitalisation interest rate for properties;

n: Net income life;

g: Annual rent growth.

The valuation steps are as follows:

- 1) Collect and verify the data relevant to future estimation of the valuation target, such as income and cost data of the valuation target and similar properties;
- 2) Estimate future incomes of the valuation target;
- 3) Arrive at the return or capitalisation rate, etc.;
- 4) Select suitable formula under income approach to calculate the value of incomes.

3. *Machinery and Equipment*

Machinery and equipment are primarily valued using the cost method.

The detailed list of machinery and equipment provided by the enterprise has been checked to ensure consistency with accounts, and the titles have been confirmed by auditing and verifying relevant contracts, title proofs and accounting documents. On that basis, necessary field survey and verification on major equipment were carried out by professional engineering and technical personnel.

(1) *Determination of Full Replacement Cost*

For electronic equipment with value-added tax (“VAT”), the full replacement cost is determined based on market transaction price as at the valuation base date.

$$\text{Full replacement cost} = \text{Equipment acquisition cost} - \text{VAT included in equipment acquisition cost}$$

Deductible VAT in Equipment Acquisition Cost

Deductible VAT is calculated for the qualified equipment pursuant to the Circular (Cai Shui [2008] No. 170).

(2) *Determination of Newness Rate*

For electronic equipment, air conditioners and other small devices, the combined newness rate is determined mainly according to economic life. For large electronic equipment, other considerations including work environment and equipment running conditions are also required to be taken into account. The formula is:

$$\text{Life-based newness rate} = (\text{Economic life} - \text{Serviced life}) / \text{Economic life} \times 100\%$$

$$\text{Combined newness rate} = \text{Life-based newness rate} \times \text{Correction coefficient}$$

(3) *Determination of Appraised Value*

$$\text{Appraised value of equipment} = \text{Full replacement cost of equipment} \times \text{Combined newness rate}$$

4. Buildings and Structures

Buildings and structures are primarily valued using the cost method.

(1) *Determination of Full Replacement Cost for Buildings and Structures*

$$\text{Full replacement cost} = \text{Total construction and installation cost} + \text{Preliminary and other expenses} + \text{Cost of capital}$$

- 1) For large, valuable and important buildings and structures, the total construction and installation cost is arrived at by respectively calculating costs of civil works and installation works in accordance with local quota and relevant pricing documents.
- 2) For buildings and structures with insignificant value and simple structure, the total construction and installation cost is determined using the unit pricing method.

Preliminary and other expenses are determined in accordance with industry standards and local regulations on administrative fees. Cost of capital is determined based on the lending rate as at the valuation base date and the normal construction period for such type of buildings, to finally arrive at the full replacement cost.

(2) *Determination of Combined Newness Rate*

Combined newness rate is determined as follows:

$$\text{Combined newness rate} = \frac{\text{Remaining useful life}}{\text{Serviced life} + \text{Remaining useful life}}$$

The remaining useful life above is determined based on economic useful life and serviced life of the target buildings, with reference to field survey, historical renovations and maintenance of buildings. Determination of combined newness rate is subject to continuous service function of the valuation target, mainly depending on stability and firmness of its foundation and main structure, conditional upon which the newness of fitting-out and ancillary facilities can be used continuously and may be considered as an ancillary conditions to the newness rate of foundation and main structure.

(3) *Determination of Appraised Value*

$$\text{Appraised value} = \text{Full replacement cost} \times \text{Combined newness rate}$$

5. *Land Use Rights*

Pursuant to Regulations on Valuation of Urban Land (the “Regulations”), the currently prevailing land valuation methods include market comparison approach, income capitalisation approach, residue approach, cost approximation approach, and benchmark land premium coefficient adjustment approach. We adopted market comparison approach and cost approximation approach pursuant to the Regulations, with reference to local real estate market development as well as characteristics of the subject land and the valuation purpose, mainly based on the following considerations:

- (1) Market comparison approach: Market comparison approach is appropriate as there are market transaction cases which were recently completed, similar to the subject land and located in the same region.
- (2) Cost approximation approach: Cost approximation approach is appropriate as the subject land use right has specific measurement, and adequate statistics of land requisition cost in the same region are available.
- (3) Benchmark land premium coefficient adjustment approach: Benchmark land premium coefficient adjustment approach is not adopted as the subject land is within the benchmark land premium scope published in Huangpi District, Wuhan with a long history, which is hence unable to give a reasonable view of its land use right market value at the current status;

- (4) Hypothetical development method: Among a large number of buildings on the subject land, some will be offered for sale whilst others are held by the subject entity. However, hypothetical development method is not appropriate as it would be difficult to determine the site area respectively attributable to the said buildings in absence of strata title at present.

To sum up, we adopted market comparison approach and cost approximation approach for valuing land use right of the valuation target.

6. Debts

According to the statements provided by the enterprise, we verified actual debtors and debt amount to be borne by the owner after the valuation purpose is fulfilled, based on which the appraised value is determined.

VIII. IMPLEMENTATION OF VALUATION PROCEDURES

The assets and liabilities related to the valuation target were valued by our appraisers from 28 April 2014 to 15 August 2014. Implementation of main valuation procedures are set out as follows:

(I) Acceptance of Engagement

We entered into an agreement with the principal on the valuation purpose, target and scope, valuation base date and other basic considerations as well as rights and obligations of the parties, and developed the valuation plan through negotiation with the principal.

(II) Preparation in the Early Stage

1. Development of Valuation Scheme
2. Establishment of Valuation Team
3. Implementation of Project Training

(1) Training to Personnel of the Subject Entity

We provided training to financial and asset management personnel of the subject entity with the self-developed training materials, to help them understand and properly complete the application materials with the quality required for this valuation. Questions in completing the application materials for asset valuation were answered by dedicated officers.

(2) *Training to Appraisers*

To ensure valuation quality and work efficiency in accordance with the established valuation scheme, we introduced to our team members the background of the Transaction, characteristics of assets related to the valuation target, valuation methodology and specific requirements for this valuation.

(III) **Field Survey**

From 12 May 2014 to 31 May 2014, our appraisers made necessary inspection and verification on the assets and liabilities related to the valuation target and necessary due diligence investigation on operation and management of the subject entity.

1. *Verification of Assets*

(1) *Guiding the Subject Entity to Fill Forms and Prepare Information Required by the Valuer*

Our appraisers instructed financial and asset management personnel of the subject entity to provide thorough and accurate information of the assets within the valuation scope based on their self-inspection and according to the Valuation Application Form, filling requirements and the list of information provided by us. Meanwhile, title proofs of assets and the documents and information evidencing their performance, status and economic and technical indicators were collected and prepared.

(2) *Initial Inspection and Improvement of the Valuation Application Form Submitted by the Subject Entity*

Based on full understanding of the assets within the valuation scope through reviewing relevant information, the appraisers carefully examined the Valuation Application Forms by checking any incompleteness, error and inaccuracy therein. According to their experience and the information available, the appraisers also checked on any omission, and gave feedbacks to the subject entity for improvements.

(3) *Field Surveys*

Field surveys on assets were conducted by appraisers with assistance of the subject entity, using the methods specific to different asset natures and characteristics in accordance with the Asset Valuation Standards, with reference to type, quantity and structure of the assets within the valuation scope.

(4) *Supplement, Modification and Improvement of Valuation Application Forms*

Valuation Application Forms were further improved to ensure consistency among accounts, statements and physical goods based on the results of field surveys by appraisers and full communication with the subject entity.

(5) *Verification of Title Proofs*

Title proofs of assets including buildings and land use rights within the valuation scope were verified by appraisers, and requests were made to the enterprise for verifying or issuing title documents to solve the incompleteness of title information or unclear titles.

2. *Due Diligence Investigation*

Necessary due diligence investigation was made by appraisers to fully understand operation and management of the subject entity and the risk exposure. Key due diligence areas include:

- (1) History, substantial shareholders and shareholding ratios, necessary ownership and management structure of the subject entity;
- (2) Composition and changes of historical annual equity capital, and the reasons for its changes;
- (3) Assets, finance, operation and management; various operating and financial indicators, and the reasons for their changes;
- (4) Historical annual sales and their changes, and the reasons for changes in sales revenue;
- (5) Composition and changes of historical annual cost of principal operations;
- (6) Historical annual profits, and the reasons for their changes;
- (7) Business plan, investment plan and financial forecast information;
- (8) Marketing model and procurement sources;
- (9) Accounting policies, taxation and other preferential policies;
- (10) Previous valuations and transactions on the valuation target and the subject entity;
- (11) Macro and regional economic factors affecting production and operation of the subject entity;
- (12) Industry development and outlook for the subject entity;
- (13) Composition and status of surplus assets and non-operating assets;
- (14) Other relevant information.

(IV) Collection of Information

Information relevant to the valuation target was collected by appraisers, which was sourced directly from market and other independent channels, the principal and relevant parties, and government departments, professional institutions and other relevant departments. Such information was analysed, summarised and compiled where necessary, to form the basis for appraisal and estimation.

(V) Appraisal and Estimation

Asset-specific valuation methods were adopted by appraisers, followed by analysis, computation and judgment using appropriate formulas and parameters to arrive at the initial valuation results. Based on the summarised initial valuation conclusions by asset class, the project leader prepared the draft valuation report.

(VI) Internal Review

According to our management requirements on valuation procedures, the project leader submitted the proof of valuation report for internal review after the draft valuation report pass the first round of review. After passing the internal review, a consultation paper was drafted by the project leader and submitted to the client. Based on the feedbacks from the client, reasonable amendments were made and the finalised valuation report was submitted to the principal.

IX. VALUATION ASSUMPTIONS

Assumptions for analysis and estimation in this report are set out as follows:

(I) General Assumptions

1. The subject entity will continue as a going concern after the valuation base date;
2. There will be no material change in the political, economic and social environment of the country or region where the subject entity is located after the valuation base date;
3. There will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the valuation base date;
4. There will be no material change in interest rates, exchange rates, tax bases and tax rates and administrative charges that are relevant to the subject entity after the valuation base date;
5. After the valuation base date, the subject entity will operate under a responsible and stable management team which is capable of performing its duties;
6. The subject entity will fully comply with all applicable laws and regulations;

7. There will be no material adverse impact on the subject entity from force majeure after the valuation base date.

(II) Specific Assumptions

1. The subject entity will adopt accounting policies that are consistent in all important aspects with those adopted in preparing this valuation report after the valuation base date;
2. After the valuation base date, the subject entity will keep its business scope and model in line with the those currently under the existing management model and level;
3. Cash inflows and outflows of the subject entity after the valuation base date are estimated at the average levels;
4. Buildings and ancillary facilities in the industrial park of the subject entity will be completed as scheduled and smoothly offered for sale after the valuation base date, and the relevant property management will commence operation as scheduled;
5. There will be no material impact from any change in national environmental policy on business scope and model of the subject entity which will continue its normal production;
6. There will be no material change in financial structure and capital scale of the subject entity in its future operation period.

The valuation conclusion herein is established based on the aforementioned assumptions as at the valuation base date. The certified public valuers undersigned and we disclaim any responsibility arising from different valuation conclusion due to a significant change in any of the aforementioned assumptions.

X. VALUATION CONCLUSION

(I) Valuation Result under Income Approach

As at the valuation base date, Wuhan HNA Lanhai Airport Industry Development Co., Ltd. had book value of RMB584,728,300 for total assets, RMB310,922,800 for total liabilities and RMB273,805,500 for net assets.

The entire shareholders'equity is valued at RMB473,799,300 under income approach, representing an appreciation of RMB199,993,800 or 73%.

(II) Valuation Result under Asset-based Approach

As at the valuation base date, Wuhan HNA Lanhai Airport Industry Development Co., Ltd. had book value of RMB584,728,300 for total assets (valued at RMB694,118,600, representing an appreciation of RMB109,390,300 or 18.71%); book value of RMB310,922,800 for total liabilities

(valued at RMB310,922,800, representing no appreciation or depreciation); book value of RMB273,805,500 for net assets (valued at RMB383,195,800, representing an appreciation of RMB109,390,300 or 39.95%).

The valuation result under asset-based approach is set out as follows:

Breakdown of Valuation Result under Asset-based Approach

Valuation base date: 31 March 2014

Unit: RMB0'000

Item		Book value	Appraised value	Appreciation	Appreciation ratio (%)
		A	B	C=B-A	D=C/A×100
I. Current assets	1	47,074.88	54,710.44	7,635.56	16.22
II. Non-current assets	2	11,397.95	14,701.42	3,303.47	28.98
Including: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	4,515.20	7,787.22	3,272.02	72.47
Fixed assets	5	1,580.61	1,599.38	18.77	1.19
Construction in progress	6	0.00	0.00	0.00	–
Oil and gas assets	7	0.00	0.00	0.00	–
Intangible assets	8	27.25	39.93	12.68	46.53
Including: Land use rights	9	27.25	39.93	12.68	46.53
Other non-current assets	10	5,274.90	5,274.90	0.00	0.00
Total assets	11	58,472.83	69,411.86	10,939.03	18.71
III. Current liabilities	12	26,092.28	26,092.28	0.00	0.00
IV. Non-current liabilities	13	5,000.00	5,000.00	0.00	0.00
Total liabilities	14	31,092.28	31,092.28	0.00	0.00
Net assets	15	27,380.55	38,319.58	10,939.03	39.95

(III) Valuation Conclusion

The entire shareholders' equity is valued at RMB473,799,300 under income approach and RMB383,195,800 under asset-based approach.

The difference between the valuation results under income approach and asset-based approach is mainly attributable to their different perspectives. The valuation result under asset-based approach reflects the replacement cost required for reaching the current asset scale. Income approach, as a method to determine the value of the valuation target based on capitalisation or discount of the expected income from subject assets, reflects the enterprise value from the perspective of future profitability.

The valuation conclusion deriving from discounting the estimated future incomes can provide an effective reference for investors in investment forecast and judgment, as the expected future profitability is the key to enterprise value. On that ground and based on our comprehensive analysis, the valuation result under income approach is more appropriate and hence taken as our final valuation conclusion.

Based on the analysis above, the valuation result under income approach is taken as the valuation conclusion that the entire shareholders' equity of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. is valued at RMB473,746,300.

XI. SPECIAL EXPLANATIONS

The matters identified in the valuation process that might affect the valuation conclusion but are beyond professional appraisal levels and capabilities of our appraisers:

- (I) As at the valuation base day, there was no building ownership certificate for 3 warehouses included in inventories and the buildings included in fixed assets. The subject entity has provided title proofs including the Explanation on Titles of Properties to prove that such buildings in absence of ownership certificate are indeed owned by the subject entity, and undertaken that it shall accept legal responsibility for any title defect of such buildings. The gross floor areas of such buildings are determined mainly based on the information provided by the subject entity, with reference to field survey results of appraisers. The appraised value of investment properties and the buildings and structures included in "Fixed assets – Buildings" in absence of ownership certificate does not take consideration of any taxes and surcharges in obtaining the building ownership certificates.

- (II) In April 2014, Wuhan Linkong pledged a portion of its land and warehouses as collaterals to secure the loans totalling RMB247,000,000.00 granted by Hubei Bank, Agricultural Bank of China and Wuhan Rural Commercial Bank, as detailed below:

Lending bank	Loan amount (RMB0'000)	Name of collateral	Number of the pledged land certificate	Site area of collateral (sq.m.)
Hubei Bank	10,000.00	Land lot 5	Huangpi Guo Yong (2014) No. 670	104,707.28
		Warehouses 3# and 4# on ground	Ownership certificate not obtained yet	62,914.23
Agricultural Bank of China	8,200.00	Land lot 1	Huangpi Guo Yong (2014) No. 669	111,393.63
		Land lot 2	Huangpi Guo Yong (2014) No. 668	160,355.79
Wuhan Rural Commercial Bank	6,500.00	Land lot 4	Huangpi Guo Yong (2014) No. 666	80,202.41
		Land lot 6	Huangpi Guo Yong (2014) No. 665	139,922.94

- (III) The book value of Wuhan Linkong as at 31 December 2011, 2012 and 2013 and 31 March 2014 are extracted from the accountants' report of Wuhan Linkong by PricewaterhouseCoopers Zhong Tian LLP as set out in Appendix IIA to the circular. PricewaterhouseCoopers Zhong Tian LLP carried out their procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Set out below are name, report number and date of issue of the accountants' report:

Name of the subject entity	Name of report	Report No.	Date of issue
Wuhan HNA Lanhai Airport Industry Development Co., Ltd.	Accountants' Report of Wuhan Linkong	2014 / SH – 196 / CYT / ADWW	15 August 2014

- (IV) For concealed assets such as air-conditioning pipes in fitting-out work of investment properties, the appraisers examined relevant construction contract, completion data and other information but did not carry out a direct field survey.

User of this report should pay attention to the impact of the aforesaid matters on the valuation conclusion.

XII. LIMITATION ON THE USE OF THIS REPORT

- (I) This report is only for the purpose and use defined herein;
- (II) This report may only be used by the users defined herein;
- (III) Without prior review by us, the content of this report shall not be copied, quoted or made public either in whole or in part, save as provided by the laws and regulations or otherwise agreed upon by the relevant parties;
- (IV) This report shall not come into effect for official use before signed by the certified public valuers and stamped by the valuer;
- (V) The valuation conclusion disclosed in this report is only effective for the Transaction defined herein, which shall remain effective for one year commencing from the valuation base date.

XIII. DATE OF THE VALUATION REPORT

This report is issued on 15 August 2014.

Legal representative: Sun Yuehuan

Certified Public Valuer: Wang Binlu

Certified Public Valuer: Jiang Shubao

China Enterprise Appraisal Limited

15 August 2014

Appendices

- Appendix I. Documents in respect of the Transaction;
- Appendix II. Annual auditors' reports of the subject entity;
- Appendix III. Photocopies of business licences of the principal and the subject entity;
- Appendix IV. Major title proofs relevant to the valuation target;
- Appendix V. Letter of undertakings from the principal and relevant parties;
- Appendix VI. Letters of undertaking from the undersigned certified public valuers;
- Appendix VII. Photocopy of the asset valuation qualification certificate of China Enterprise Appraisal Limited;
- Appendix VIII. Photocopy of the securities business qualification certificate of China Enterprise Appraisal Limited;
- Appendix IX. Photocopy of the original duplicate of business licence of China Enterprise Appraisal Limited;
- Appendix X. Photocopy of the qualification certificates of appraisers of China Enterprise Appraisal Limited;
- Appendix XI. Letter of Engagement on Asset Valuation.

(B) VALUATION REPORT ON HAIDAO COMMERCIAL

The following is the full text of the valuation report on Haidao Commercial, prepared for the purpose of incorporation in this circular, received from the Independent Valuer, China Enterprise Appraisal Limited.

Statement of Certified Public Valuers

- I. We have conducted this valuation engagement in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. We confirm that based on the information collected in our practices, the information stated herein is objective, and we accept legal responsibility for the reasonableness of valuation conclusion.
- II. The lists of assets and liabilities related to the valuation target are submitted by the principal and the subject entity, as confirmed by their signatures. The principal and relevant parties shall be responsible for the truthfulness, legitimacy and completeness of the information provided by them and proper use of this report.
- III. We have no existing or prospective interest in the valuation target hereunder. We have neither existing or prospective interest in nor any bias to the relevant parties.
- IV. We have conducted site survey to the valuation target hereunder and the involved assets. We have given necessary attention to the valuation target and titles of the involved assets, conducted inspection on their title documents and truthfully disclosed the identified problems.
- V. Our analysis, judgment and conclusion in valuation report are subject to the assumptions and constrains herein. Users of this report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Executive Summary**Important Notice**

All contents of this summary are extracted from the text of the valuation report. Please carefully read the full text of the valuation report for details of the valuation process and reasonable understanding of the valuation conclusion.

As engaged by Hainan Meilan International Airport Company Limited, China Enterprise Appraisal Limited has followed the necessary valuation procedures to appraise the market value of Hainan Haidao Commercial Management Co., Ltd. as at the valuation base date in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. The valuation report is summarised as follows:

Valuation purpose:	The valuation of the market value of the entire shareholders' equity of Hainan Haidao Commercial Management Co., Ltd. as at the valuation base date is for the purpose of providing a value reference for the proposed acquisition of equity interest in Hainan Haidao Commercial Management Co., Ltd. by Hainan Meilan International Airport Company Limited (the "Transaction").
Valuation target:	The entire shareholders' equity of Hainan Haidao Commercial Management Co., Ltd.
Valuation scope:	All assets and liabilities of Hainan Haidao Commercial Management Co., Ltd., including current assets and long-term investment.
Valuation base date:	31 March 2014
Type of value:	Market value
Valuation method:	Asset-based approach
Valuation conclusion:	The valuation conclusion is detailed below:

As at the valuation base date, Hainan Haidao Commercial Management Co., Ltd. had book value of RMB270,237,200 and assessed value of RMB1,273,518,200 for total assets, representing an appreciation of RMB1,003,281,000 or 371.26%; it had no liabilities, and had book value of RMB270,237,200 and assessed value of RMB1,273,518,200 for net assets, representing an appreciation of RMB1,003,281,000 or 371.26%.

Summary table of the valuation results

Valuation base date: 31 March 2014

Unit: RMB ten thousand

Item	Book value	Assessed value	Increase or decrease in value	% of appreciation
Current assets	20,965.09	20,965.09	–	–
Non-current assets	6,058.63	106,386.73	100,328.10	1,655.95
Of which: Long-term equity investment	6,058.63	106,386.73	100,328.10	1,655.95
Investment property	–	–	–	–
Fixed assets	–	–	–	–
Construction in progress	–	–	–	–
Intangible assets	–	–	–	–
Of which: Intangible assets – land use rights	–	–	–	–
Other non-current assets	–	–	–	–
Total assets	27,023.72	127,351.82	100,328.10	371.26
Current liabilities	–	–	–	–
Non-current liabilities	–	–	–	–
Total liabilities	–	–	–	–
Net assets	27,023.72	127,351.82	100,328.10	371.26

This report is solely designed to provide a value reference for the Transaction. The valuation conclusion is effective for one year commencing from the valuation base date 31 March 2014.

Users of this report should pay full attention to the assumptions, constrains and special explanations set out herein and their impact on the valuation conclusion.

Valuation Report
on
the Proposed Acquisition of Equity Interest in
Hainan Haidao Commercial Management Co., Ltd.
by
Hainan Meilan International Airport Company Limited

To Hainan Meilan International Airport Company Limited:

According to your engagement, China Enterprise Appraisal Limited (“we”) has followed the necessary valuation procedures under income approach and market approach to appraise the market value of the entire shareholders’ equity of Hainan Haidao Commercial Management Co., Ltd. as at 31 March 2014 (being the target of your proposed acquisition) in accordance with relevant laws, regulations and asset valuation standards and in the principle of independency, objectiveness and impartiality. The valuation details are presented as follows:

I. PRINCIPAL, ACQUIRER, SUBJECT ENTITY AND OTHER REPORT USERS SPECIFIED IN THE LETTER OF ENGAGEMENT

For the purpose of this valuation, the principal is Hainan Meilan International Airport Company Limited; the subject entity is Hainan Haidao Commercial Management Co., Ltd.; and other report users specified in the letter of engagement include the competent regulatory agencies.

(I) Overview of the Principal

Company name:	Hainan Meilan International Airport Company Limited (“Meilan Airport”)
Registered office:	Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC
Headquarters:	26/F, Three Pacific Place, 1 Queen’s Road East, Hong Kong
Legal representative:	Wang Zhen
Registered capital:	RMB473,213,000
Date of establishment:	28 December 2000
Nature of enterprise:	Joint-stock company with limited liability

Business scope: Provision of departure/arrival and ground transportation services for domestic and international air transport enterprises, departing/arriving and transfer passengers; leasing of aviation business premises, commercial and office space in terminal and provision of integrated services; construction and operation of aviation and ancillary real estate facilities in the airport; storage of goods (excluding hazardous goods), packaging, loading and unloading and delivery services; and sale of aviation fuel, hardware and tools, electric products, electronic products and telecommunication equipment, general merchandise, textiles, arts and crafts and magazines to airline companies or passengers in the airport. (licence required for business subject to administrative approval)

Meilan Airport is listed on the Stock Exchange of Hong Kong (stock code: 00357).

In 2013, with the overall recovery of China's civil aviation industry and under the promotion of favourable policies such as the Division Program of Key Work of Chinese State Council to Promote the Development of the Aviation Industry and favourable factors such as construction of Hainan International Tourism Island and duty free shops for travellers leaving the Hainan Island, the passenger throughput of Meilan Airport exceeded 10 million for three consecutive years.

For the year ended 31 December 2013, Meilan Airport operated a total of 159 originating routes, including 146 domestic routes, 10 international routes and 3 regional routes; developed 85 navigable cities, including 73 domestic cities, 9 international cities and 3 regional cities; and attracted 39 airline companies to operate at Meilan Airport, including 25 domestic airlines, 8 international airlines and 6 regional airlines.

Throughout the year of 2013, Meilan Airport opened 57 new routes, with overall flight execution rate increasing to 88.3% by 5.4 percentage points as compared with last year, showing an outstanding performance in market development.

In 2013, the performance of non-aviation business of Meilan Airport showed a good momentum of development. Annual revenue from the non-aviation business was RMB326,641,637, representing an increase of 12.55% year-on-year and accounting for up to 42.96% in Meilan Airport's total revenue, exceeding 40% again. Such significant growth was mainly due to the franchise operation of Meilan Airport Duty-Free Shop for Travellers Leaving the Hainan Island of Haikou Meilan Airport Duty-Free Shop Co., Ltd. in Meilan Airport.

(II) Overview of the Subject Entity

1. Company Profile

Company name: Hainan Haidao Commercial Management Co., Ltd.
("Haidao Commercial")

Legal representative:	Xu Xianhong
Registered capital:	RMB250,000,000.00
Paid-in capital:	RMB250,000,000.00
Company type:	company with limited liability
Registered address:	Room 202-5, 2/F, 168 Lantian Road, Haikou
Scope of business:	commercial project development, tourism project development, business and management consultancy; decoration; manufacture of clothing; sales of building materials, household appliances, electronic products and communications equipment. (Items requiring administrative licences are operated under the licences)
Date of establishment:	2 December 2010
Period of operation:	from 2 December 2010 to 2 December 2060 Registration number: 1885808
History:	Haidao Commercial, a company with limited liability, is a joint venture established by HNA International Tourism Island Development (Group) Co., Ltd. and Hainan HNA Engineering Construction Co., Ltd. Domiciled in Haikou with registered capital of RMB250,000,000.00, the company obtained the Corporate Business Licence No. 460000000252964 issued by the Industrial and Commercial Administration Bureau of Hainan Province in December 2010. As at 13 October 2011, the company received all capital contributions, which were verified by the capital verification report Zhonghengxin Yan Zi [2011] No. 1003 issued by Hainan Zhonghengxin Certified Public Accountants, and the approved period of operation of the company is 50 years.

2. *Shareholding Structure*

As at the valuation base date, the details of the name, amount of capital contribution and proportion of capital contribution of each shareholder of Haidao Commercial are set out in the table below:

No.	Name	Amount of capital contribution (RMB ten thousand)	Proportion of shareholding (%)
1	HNA International Tourism Island Development (Group) Co., Ltd.	22,500.00	90.00
2	Hainan HNA Engineering Construction Co., Ltd.	2,500.00	10.00
	Total	<u>25,000.00</u>	<u>100.00</u>

3. *Major assets and operations*

The major assets of Haidao Commercial are equity interests held in its subsidiaries. It does not operate any business.

4. *Major subsidiaries*

A summary of Haimian Haikou Meilan Airport Duty Free Co., Ltd. is as follows:

(1) *Basic information*

Name of company:	Haimian Haikou Meilan Airport Duty Free Co., Ltd. (hereinafter referred to as “Meilan Mianshui”)
Registered address:	Terminal Restricted Area, Haikou Meilan International Airport, Meilan District, Haikou City, Hainan Province
Legal representative:	Duwei
Registered capital:	RMB fifty million
Paid-in capital:	RMB fifty million
Type of company:	company with limited liability

Scope of business: mainly jewelry, handicrafts, watches, perfumes, cosmetics, pens, glasses (including sunglasses), scarves, neckties, wool products, cotton products, clothing apparel, shoes, belts, bags, small leather goods, candy, sporting goods, beauty and health care equipment, tableware and kitchenware, and toys (including stroller) for a total of twenty-one types (subject to specific approvals by the customs), and sales and shopping services of domestic duty-free boutique shops; and also shops for non-duty-free brand-name products, trading, warehousing and logistics. (Items requiring business licences are operated under the relevant licences or approval documents)

Date of establishment: 1 November 2011

Period of operation: Long-term

(2) *Shareholding structure*

Meilan Mianshui, a company with limited liability, is a joint venture established by Hainan Province Duty Free Merchandise Co., Ltd. and Hainan Haidao Commercial Management Co., Ltd. The company obtained the Corporate Business Licence (Registration No.: 460000000257281) issued by the Industrial and Commercial Administration Bureau of Hainan Province on 1 November 2011.

As at the valuation base date, the details of the name, amount of capital contribution and proportion of capital contribution of each shareholder are set out in the table below:

No.	Name	Amount of capital contribution (RMB0'000)	Proportion of shareholding (%)
1	Hainan Province Duty Free Merchandise Co., Ltd.	2,450.00	49.00
2	Hainan Haidao Commercial Management Co., Ltd.	2,550.00	51.00
Total		<u>5,000.00</u>	<u>100.00</u>

(3) *Major assets and operations*

The major operating assets of Meilan Mianshui include inventories –goods in stock and renovation costs for business premises (construction in progress).

The principal business of Meilan Mianshui is the sale of duty-free goods to travelers departing from the island. According to the requirements of the Interim Measures for the Administration of Duty-Free Shops for Travelers Leaving the Hainan Island, duty-free shops for travelers departing from Hainan Islands refer to business premises providing travelers departing from the islands by plane (excluding departure from the country) with shopping services for duty-free imported goods with restrictions on frequency, value, quantity and type.

Meilan Mianshui has obtained approval for the operation of twenty-one types of commodities, currently including eighteen types of approved commodities excluding the three types of commodities of wool products, cotton products and sporting goods, with cosmetics, perfumes, watches and bags being the major ones.

(4) *Financial and operating position as at the base date and for the past three years*

The following table sets out the financial position of Meilan Mianshui as at the base date and for the past three years:

Unit: RMB ten thousand

Item	31 March 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	31,359.43	28,156.21	24,351.08	11,905.42
Total liabilities	18,994.89	17,315.72	17,173.61	8,723.29
Owners' equity	12,364.54	10,840.49	7,177.47	3,182.12

The following table sets out the operating position of Meilan Mianshui as at the base date and for the past three years:

Unit: RMB ten thousand

Item	January to March 2014	2013	2012	2011
I. Operating income	29,361.41	61,617.78	37,846.08	1,488.62
2. Operating profit	2,128.60	5,012.41	5,398.18	(2,423.84)
3. Total profit	2,132.69	5,043.02	5,371.23	(2,423.84)
Less: Income tax expenses	608.64	1,380.00	1,375.88	(605.96)
4. Net profit	1,524.05	3,663.01	3,995.35	(1,817.88)

(5) *Major types of taxes and tax rates*

Meilan Mianshui is charged income tax at a tax rate of 25%, exempt from customs duties, import VAT and consumption tax, and exempt from sales VAT.

According to the Ministry of Finance Announcement No. 14 of 2011, Announcement of the Ministry of Finance on the Pilot Implementation of the Policies on Duty-free Shopping for Travelers Leaving the Hainan Island, the types of taxes exempted under the policy on tax exemption upon departing from the island are customs duties, import VAT and consumption tax.

According to Qiong Guo Shui Fa [2013] No. 147, Approval of Hainan Province State Administration of Taxation on Issues Related to VAT of Hainan Province Duty Free Merchandise Co., Ltd., Hainan Province Duty Free Merchandise Co., Ltd. and Hainan Haidao Commercial Management Co., Ltd. are exempt from VAT for the sales of duty-free imported goods.

5. *Financial and operating position as at the base date and for the past three years*

The following table sets out the consolidated financial position of Haidao Commercial as at the base date and for the past three years:

Item	<i>Unit: RMB ten thousand</i>			
	31 March 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	27,023.72	64,185.89	62,493.30	69,174.81
Total liabilities	–	37,867.22	37,889.97	45,314.75
Owners' equity	27,023.72	26,318.67	24,603.33	23,860.06

The following table sets out the financial position of the parent company of Haidao Commercial as at the base date and for the past three years:

Item	<i>Unit: RMB ten thousand</i>			
	31 March 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	27,023.72	63,868.51	62,174.11	68,687.61
Total liabilities	–	37,607.64	37,630.39	44,988.58
Owners' equity	27,023.72	26,260.87	24,543.72	23,699.03

The following table sets out the consolidated operating position of Haidao Commercial as at the base date and for the past three years:

Unit: RMB ten thousand

Item	January to March 2014	2013	2012	2011
I. Operating income	0.00	0.00	0.00	354.81
2. Operating profit	762.85	1,715.34	744.03	(1,335.64)
3. Total profit	762.85	1,715.34	743.27	(1,339.94)
Less: Income tax expenses	0.00	0.00	0.00	0.00
4. Net profit	762.85	1,715.34	743.27	(1,339.94)

The following table sets out the operating position of the parent company of Haidao Commercial as at the base date and for the past three years:

Unit: RMB ten thousand

Item	January to March 2014	2013	2012	2011
I. Operating income	0.00	0.00	0.00	0.00
2. Operating profit	762.85	1,717.15	844.77	(1,300.97)
3. Total profit	762.85	1,717.15	844.69	(1,300.97)
Less: Income tax expenses	0.00	0.00	0.00	0.00
4. Net profit	762.85	1,717.15	844.69	(1,300.97)

The selected financial information above for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 are extracted from the accountants' report of Haidao Commercial by PricewaterhouseCoopers Zhong Tian LLP as set out in Appendix IIB to the circular. PricewaterhouseCoopers Zhong Tian LLP carried out their procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

6. Connection between the Principal and the Subject Entity

Meilan Airport, the principal, is a potential acquirer of the equity interest in Haidao Commercial, the subject entity.

(III) Other Report Users Specified in the Letter of Engagement

This report is only for use by the principal and the users provided under national laws and regulations, and shall not be used or relied upon by any third party.

II. VALUATION PURPOSE

The valuation of the market value of the entire shareholders' equity of Haidao Commercial as at the valuation base date is for the purpose of providing a value reference for the proposed acquisition of equity interest in Haidao Commercial by Meilan Airport (the "Transaction").

III. VALUATION TARGET AND SCOPE**(I) Valuation Target**

According to the valuation purpose, the valuation target is the entire shareholders' equity of Haidao Commercial.

(II) Valuation Scope

The valuation scope comprises all assets and liabilities of Haidao Commercial, including current assets and long-term investment. The book value of total assets is RMB270,237,200 with no liabilities; and the book value of net assets is RMB270,237,200.

The valuation target and scope are consistent with those in respect of the Transaction. The book values of the assets and liabilities within the valuation scope as at the valuation base date were extracted from the accountants' report of Haidao Commercial by PricewaterhouseCoopers Zhong Tian LLP as set out in Appendix IIA to this circular.

IV. TYPE OF VALUE AND DEFINITION

According to the valuation purpose, the type of value of the valuation target is defined as market value.

Market value represents the estimated amount for which the valuation target should exchange on the valuation base date between a willing buyer and a willing seller in an arm's-length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

V. VALUATION BASE DATE

The valuation base date is 31 March 2014.

The valuation base date is confirmed upon negotiation with the principal taking consideration that it is close to the engagement commencement date and is convenient for the principal to provide the financial statements and auditors' report as of the valuation base date.

VI. BASIS OF VALUATION**(I) Basis of Engagement**

The Letter of Engagement on Asset Valuation entered into between Hainan Meilan International Airport Company Limited and China Enterprise Appraisal Limited.

(II) Laws and Regulations Basis

1. Company Law of the People's Republic of China (passed at the 6th Meeting of the Standing Committee of the 12th National People's Congress on 28 December 2013);
2. Securities Law of the People's Republic of China (passed at the 18th Meeting of the Standing Committee of the 10th National People's Congress on 27 October 2005);
3. Accounting Standards for Business Enterprises (MOF Cai Kuai [2006] No. 3);
4. Enterprise Income Tax Law of the People's Republic of China (2007);
5. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Taxes (Decree No. 50 of the Ministry of Finance of the People's Republic of China and the State Administration of Taxation);
6. Contract Law of the People's Republic of China (promulgated by Presidential Order (9th session, No. 15) of the People's Republic of China, with effect from 1 October 1999);
7. Price Law of the People's Republic of China (promulgated by Presidential Order No. 92 of the People's Republic of China, with effect from 1 May 1998);
8. Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China (Decree No. 452 of the State Council, with effect from 1 January 2006);
9. Provisions on Registration Administration of Registered Capital of Companies (Decree No.11 of the State Administration for Industry and Commerce of the People's Republic of China, with effect from 1 July 2004);
10. Administrative Measures for Tax Registration (Decree No. 7 of the State Administration of Taxation, with effect from 1 February 2004);
11. Announcement of the Ministry of Finance on the Pilot Implementation of the Policies on Duty-free Shopping for Travelers Leaving the Hainan Island (Announcement No.14 [2011] of the Ministry of Finance, with effect from 20 April 2011);

12. Announcement of the Ministry of Finance on Adjusting the Duty-free Shopping Policy for Travelers Leaving Hainan Island (Announcement No.73 [2012] of the Ministry of Finance, with effect from 1 November 2012);
13. Notice of the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Labor Services (Cai Shui [2012] No.39, with effect from 1 January 2011);
14. Interim Measures for the Administration of Duty-Free Shops for Travelers Leaving the Hainan Island (Cai Qi [2011] No.429, with effect from 5 December 2011);
15. Other relevant laws, regulations, notices and documents.

(III) Basis of Valuation Standards

1. Asset Valuation Standards – Basic Standards (Cai Qi [2004] No. 20);
2. Code of Ethics on Asset Valuation – Basic Standards (Cai Qi [2004] No. 20);
3. Guidance to Certified Public Valuers on Titles of Valuation Targets (Kuai Xie [2003] No. 18);
4. Asset Valuation Standards – Valuation Procedures (Zhong Ping Xie [2007] No. 189);
5. Asset Valuation Standards – Working Papers (Zhong Ping Xie [2007] No. 189);
6. Asset Valuation Standards – Machinery and Equipment (Zhong Ping Xie [2007] No. 189);
7. Asset Valuation Standards – Real Estate (Zhong Ping Xie [2007] No. 189);
8. Guidance on Type of Value in Asset Valuation (Zhong Ping Xie [2007] No. 189);
9. Guides to Operational Quality of Valuation Institutions (Zhong Ping Xie [2010] No. 214);
10. Asset Valuation Standards – Value of Enterprises (Zhong Ping Xie [2011] No. 227);
11. Asset Valuation Standards – Valuation Reports (Zhong Ping Xie [2011] No. 230);
12. Asset Valuation Standards – Letter of Engagement (Zhong Ping Xie [2011] No. 230);
13. Guides to Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2011] No. 230);

14. Occupational Code of Ethics for Asset Valuation – Independence (Zhong Ping Xie [2012] No. 248);
15. Asset Valuation Standards – Use of Experts (Zhong Ping Xie [2012] No. 244).

(IV) Basis of Titles

1. Vehicle licence;
2. Documents of proof of equity interest;
3. Other proof of property title.

(V) Pricing Basis

1. Financial statements and auditors' reports for the previous years provided by the enterprise;
2. Future annual business plans provided by relevant departments of the enterprise;
3. Current and future market forecast on major operations provided by the enterprise;
4. Commodity procurement contracts entered into between the enterprise and relevant parties;
5. Operating premises lease contracts entered into between the enterprise and relevant parties;
6. Regulations on Standards of Compulsory Salvaging of Vehicles (Decree No. 12 of 2012, Ministry of Commerce, Development and Reform Commission, Ministry of Public Security, Ministry of Environmental Protection);
7. Project feasibility study report, estimated project investment budget, estimated design and other information provided by the appraised entity;
8. Project construction contracts entered into between the appraised entity and relevant parties;
9. On-site inspection records made and relevant valuation information collected by valuation officers;
10. Other information relevant to this valuation.

(VI) Other References

1. List of assets and information on earnings forecast provided by the appraised entity;

2. Summary of interviews with the management of the appraised entity;
3. Accountants' Report of Haidao Commercial dated 15 August 2014 by PricewaterhouseCoopers Zhong Tian LLP;
4. Database of China Enterprise Appraisal Limited.

VII. VALUATION METHODOLOGY

The basic approaches for valuation of enterprise value mainly include the income approach, market approach and asset-based approach.

The income approach is a method to determine the value of the valuation target by capitalising or discounting the expected income. Specific methods typically used under the income approach include the discounted dividend method and discounted cash flow method.

The market approach is a method to determine the value of the valuation target by comparing the valuation target against comparable listed companies or transaction cases. The two specific methods typically used under the market approach are the listed company comparison method and transaction case comparison method.

The asset-based approach is a method to determine the value of the valuation target by reasonably valuing the enterprise's on-sheet and off-sheet assets and liabilities based on its balance sheet as at the valuation base date.

The Asset Valuation Standards – Enterprise Value require that for a valuation engagement of enterprise value, the certified public valuer should properly select one or more basic asset valuation approaches by analysing the availability of the three basic approaches (income approach, market approach and asset-based approach) based on relevant conditions including valuation purpose, valuation target, type of value and the information collected.

Haidao Commercial, with the equity interests held in Meilan Mianshui as its primary assets, does not operate any businesses by itself. This valuation was a comprehensive valuation on Meilan Mianshui, the result of which was multiplied by the proportion of equity interests held by Haidao Commercial in Meilan Mianshui to determine the long-term investment value of holding Meilan Mianshui by Haidao Commercial. Accordingly, this valuation on Haidao Commercial was carried out with the asset-based approach only.

In respect of Meilan Mianshui, a subsidiary of Haidao Commercial, for the purpose of this valuation, the income approach and asset-based approach have been adopted after analysing the availability of the three basic approaches based on relevant conditions including valuation purpose, valuation target, type of value and the information collected.

(I) Asset-based approach

1. Monetary funds, including cash and bank balances, are appraised based on the values verified through cash stocktaking, bank statement checking and enquiry letter to banks.

2. The assessed value of receivables is determined according to the amount possibly recoverable for each payment verified as correct. For receivables believed to be fully recoverable on adequate grounds, the full amount of the receivables is taken as the assessed value. For receivables with a portion probably to be unrecoverable, which is difficult to determine, the assessed value is arrived at by deducting the risk loss estimated from the potentially unrecoverable amount using the ageing analysis method by analysing the amount, ageing and reason of arrears, recovery progress, and the funding, credit, operation and management status of the debtor based on historical data and on-site inspections. Where there is conclusive evidence that the receivables are unrecoverable, a value of nil is used in the calculation.
3. The assessed value of prepayments is determined according to the value of assets and rights established by the corresponding goods to be recovered. Where goods or rights are recoverable, the assessed value is determined based on the verified book value.
4. Inventories are all purchased goods available for sale. The stocktaking carried out by appraisers verified the quantity and quality of the relevant goods in stock and the valuation was conducted based on the purchase cost on the valuation base date.
5. Long-term equity investment

In terms of long-term equity investment by shareholding, on the basis of the comprehensive valuation carried out on the entity to be valued, the long term equity investment value is calculated based on the proportion of shareholding.

6. Machinery and equipment

The valuation on machinery and equipment is mainly carried out with the cost method.

(1) Determination of full cost of replacement

Full cost of machinery and equipment replacement = equipment purchase price
+ transporting cost + installation and testing cost + capital cost

No installation is required in general for equipment purchased sporadically, and so the installation and testing cost and the capital cost can be neglected.

Full cost of transport equipment replacement = purchased price (incl. tax) +
vehicle purchase tax + other costs

(Vehicle purchase tax = selling price of vehicle (excl. tax) x 10%)

(2) *Determination of residue rate*

- ① The residue rate of electronic equipment is mainly determined by the usage condition of such equipment, its maintenance condition and how advanced the technology is for the equipment, taking into consideration the relevant actual useful lives prescribed for various equipment items and the serviced life of that equipment, and the remaining useful life is then determined by the appraisers for determining the comprehensive residue rate based on the actual usage condition. The equation for calculation is:

$$\text{Comprehensive residue rate} = \frac{\text{remaining useful life}}{\text{remaining useful life} + \text{serviced life}} \times 100\%$$

- ② According to the standards of compulsory salvaging of vehicles promulgated by the PRC, the residue rate is determined by the lower of the mileage or the serviced life of the vehicle, and it is adjusted taking into consideration the results of on-site investigation, and the equation is:

$$\text{residue rate for useful life} = \frac{\text{prescribed useful life} - \text{serviced life}}{\text{useful life specified}} \times 100\%$$

$$\text{residue rate for mileage} = \frac{\text{prescribed mileage} - \text{actual mileage}}{\text{prescribed mileage}} \times 100\%$$

(3) *Determination of valuation*

$$\text{Valuation of equipment} = \text{full cost of equipment replacement} \times \text{comprehensive residue rate}$$

The valuation of equipment that was purchased in earlier years will be determined by their second-hand price.

7. Construction in progress will be valued with the cost method.

Taking into consideration the characteristics of the construction in progress, the valuation of construction in progress that has a start time within six months of the base date will be based on the balance of the reported amount of the construction in progress by excluding unreasonable expenditures after verification of the accounts.

8. The valuation of disposal of fixed assets will be determined according to the recoverable value.
9. Other intangible assets are purchased general software; the valuation is determined mainly by making reference to the market prices of similar software on the valuation base date.

- 10. For long-term deferred expenses, the appraisers investigated and found out the causes of long-term deferred expenses, checked the legitimacy, reasonableness and authenticity of various long-term deferred expenses, verified the book expenditures and amortisation and found out the situation about forming of new assets and rights by various items of long-term deferred expenses, as well as such new assets and rights remaining at the valuation base date, so as to assess the rights remaining after the valuation base date for determining the valuation.
- 11. For liabilities, we checked and verified the actual debtors and amounts of various liabilities after the valuation purpose is fulfilled according to the statements provided by the enterprise, and determined the assessed value based on the actual items and amounts of liabilities to be borne by the title owner after the valuation purpose is fulfilled.

(II) Income approach

The enterprise discounted free cash flow model under the discounted cash flow method is adopted for this valuation. The discounted cash flow method is detailed below:

Value of entire shareholders' equity = Overall enterprise value – Value of interest-bearing debts

1. Overall Enterprise Value

The overall enterprise value is the sum of entire shareholders' equity and interest-bearing debts. Based the allocation and use of assets by the appraised entity, the overall enterprise value is calculated as follows:

$$\text{Overall enterprise value} = \text{Value of operating assets} + \text{Value of surplus assets} + \text{Value of non-operating assets and liabilities}$$

(1) Value of Operating Assets

Operating assets represent assets and liabilities relating to production and operation of the appraised entity and involved in forecasting its free cash flows after the valuation base date. The value of operating assets is calculated as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n \times (1+g)}{(r-g) \times (1+r)^n}$$

- where, P: Value of operating assets as at the valuation base date;
- F_i: Forecasted free cash flow for Year i after the valuation base date;
- F_n: Forecasted free cash flow for the last year in the forecast period;
- r: Discount rate (weighted average cost of capital, or WACC);

- n: Forecast period;
 i: Year i in the forecast period;
 g: Perpetual growth rate.

By making reference to the long-term stable growth of GDP in China, and taking into consideration expectations on the economy in the future and the long-term and stable development potential of Hainan tourism, the perpetual growth rate of Meilan Mianshui after the forecast period was determined at 2%.

Among them, free cash flow is calculated as follows:

Enterprise free cash flow = Profit before interest and after tax + Depreciation and amortisation – Capital expenditure – Working capital calls

Among them, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

where, k_e : Cost of equity capital;

k_d : Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debts;

t: Income tax rate.

Among them, cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + MRP \times \beta_L + r_c$$

where, r_f : Risk-free rate of return;

MRP: Market risk premium;

β_L : Systematic risk coefficient of equity;

r_c : Enterprise-specific risk adjustment coefficient.

(2) *Value of Surplus Assets*

Surplus assets represent assets more than required by production and operation of the enterprise as at the valuation base date or assets not involved in forecasting enterprise free cash flows after the valuation base date. The surplus assets of the appraised entity as at the valuation base date were mainly monetary funds, and the assessed value is determined based on the verified book value.

(3) *Value of Non-operating Assets and Liabilities*

Non-operating assets and liabilities represent those not relating to production and operation of the appraised entity or those not involved in forecasting enterprise free cash flows after the valuation base date. The non-operating assets and liabilities of the appraised entity included items such as payables for renovation works. For this valuation, the assessed value is based on the audited book value.

2. *Value of Interest-bearing Debts*

Interest-bearing debts represent the liabilities bearing interest payable by the appraised entity as at the valuation base date. The interest-bearing debts of the appraised entity included short-term borrowings, non-current liabilities due within one year, long-term borrowings and long-term payables (lease financing payables). For interest-bearing debts, the book value is taken as the assessed value.

VIII. IMPLEMENTATION OF VALUATION PROCEDURES

The assets and liabilities related to the valuation target were valued by the appraisers from 28 April 2014 to 15 August 2014. The implementation of the main valuation procedures is set out as follows:

(I) **Acceptance of Engagement**

We entered into an agreement with the principal on the valuation purpose, target and scope, valuation base date and other basic considerations as well as rights and obligations of the parties, and developed the valuation plan through negotiation with the principal.

(II) **Preparation in the Early Stage**

1. Development of Valuation Scheme
2. Establishment of Valuation Team
3. Preparation of a list of information
4. Assisting the enterprise in asset valuation reporting

(III) On-site Investigation

From 12 May 2014 to 28 May 2014, the appraisers conducted the necessary on-site verification on the assets and liabilities related to the valuation target and the necessary due diligence investigation on the operation and management of the appraised entity.

1. Verification of Assets

(1) *Verification of the Information Provided by the Appraised Entity according to the List of Information Prepared in the Earlier Stage*

The appraisers instructed financial and asset management personnel of the subject entity to provide thorough and accurate information of the assets within the valuation scope based on their self-inspection and according to the Valuation Reporting Form, filling requirements and the list of information provided by us. Meanwhile, title proofs of assets and the documents and information evidencing their performance, status and economic and technical indicators were collected and prepared.

(2) *Initial Inspection and Improvement of the Income Forecast Reporting Form Submitted by the Appraised Entity*

Based on full understanding of the assets within the valuation scope through reviewing relevant information, the appraisers carefully examined various Valuation Reporting Forms by checking any incompleteness, error and inaccuracy therein. Based on their experience and the information available, the appraisers also checked for any omission in the Valuation Reporting Forms, and gave feedback to the appraised entity for making improvements to the Valuation Reporting Forms.

(3) *On-site Investigation*

On-site investigation on assets were conducted by the appraisers with the assistance of the appraised entity, using inspection methods specific to different asset natures and characteristics, with reference to type, quantity and structure of the assets within the valuation scope. For leased buildings, verification of the information about the relevant buildings is carried out mainly through the relevant lease contracts, and on-site investigation will be conducted on the current usage of the buildings, in order to find out whether there are any adverse impacts on the operation of the enterprise as a going concern. For machinery and equipment, the appraisers found out information such as utilisation rate, performance, condition, economic technical indicators and maintenance records of the equipment through communication with the equipment operator and collected some of the relevant information.

(4) *Verification of Title Proofs*

Title proofs of assets including equipment and intangible assets within the valuation scope were verified by the appraisers, and requests were made to the enterprise for verifying or providing the relevant title documents where the title information was incomplete or where the titles were unclear.

2. *Due Diligence Investigation*

Through collecting and analysing the historical operations and future business plans of the enterprise, and conducting market research and interviews with the management, the appraisers carried out investigation on the business operations of the enterprise, the main contents of which are as follows:

- (1) History, substantial shareholders and shareholding ratios, necessary ownership and management structure of the appraised entity;
- (2) Composition and changes of historical annual equity capital, and the reasons for the changes;
- (3) Assets, finance, operation and management; various operating and financial indicators, and the reasons for the changes;
- (4) Historical annual sales and their changes, and the reasons for changes in sales revenue;
- (5) Composition and changes of historical annual cost of principal operations;
- (6) Historical annual profits, and the reasons for their changes;
- (7) Business plan, investment plan and financial forecast information;
- (8) Marketing model and procurement sources;
- (9) Accounting policies, taxation and other preferential policies;
- (10) Previous valuations and transactions on the valuation target and the appraised entity;
- (11) Macro and regional economic factors affecting production and operation of the appraised entity;
- (12) Industry development and outlook for the appraised entity;
- (13) Understanding the composition and status of surplus assets and non-operating assets;

(14) Other relevant information.

(I) Collection of Information

Information relevant to the valuation target was collected by appraisers, which was sourced directly from market and other independent channels, the principal, appraised entity and relevant parties, and government departments, professional institutions and other relevant departments. Such information was analysed, summarised and compiled where necessary, to form the basis for appraisal and estimation.

(II) Appraisal and Estimation

Asset-specific valuation methods were adopted by appraisers, followed by analysis, computation and judgment using appropriate formulas and parameters to arrive at the initial valuation results. Based on the summarised initial valuation conclusions by asset class, the project leader prepared the draft valuation report.

(III) Internal Review

According to our management requirements on valuation procedures, the project leader submitted the proof of valuation report for internal review after the draft valuation report pass the first round of review. After passing the internal review, a consultation paper was drafted by the project leader and submitted to the client. Based on the feedbacks from the client, reasonable amendments were made and the finalised valuation report was submitted to the principal.

IX. VALUATION ASSUMPTIONS

Assumptions for analysis and estimation in this report are set out as follows:

(I) General Assumptions

1. The appraised entity will continue as a going concern after the valuation base date;
2. There will be no material change in the political, economic and social environment of the country or region after the valuation base date;
3. There will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the valuation base date;
4. There will be no material change in interest rates, exchange rates, tax bases and tax rates and administrative charges that are relevant to the subject entity after the valuation base date;

5. After the valuation base date, the subject entity will operate under a responsible and stable management team which is capable of performing its duties;
6. The subject entity will fully comply with all applicable laws and regulations;
7. There will be no material adverse impact on the subject entity from force majeure after the valuation base date.

(II) Specific Assumptions

1. The appraised entity will adopt accounting policies that are consistent in all important aspects with those adopted in preparing this valuation report after the valuation base date;
2. After the valuation base date, the appraised entity will keep its business scope and model in line with the those currently under the existing management model and level;
3. Cash inflows and outflows of the subject entity after the valuation base date are estimated at the average levels;
4. Assuming that the enterprises involved with the target of valuation would continue to operate according to their initial operation objectives and operation modes after economic activities under the valuation purpose are realised, and their earnings can be predicted;
5. Assuming that the enterprises involved with the target of valuation would continue to develop or operate according to their planned operation schemes and operation modes after economic activities under the valuation purpose are realised;
6. There will be no material changes in the costs of services and manpower required for daily operations of the appraised entity; and there will be no unforeseen material changes in the products and services of the appraised entity;
7. Except for those areas that the appraisers are aware of, assuming that no encumbrances to rights, liabilities and restrictions that would affect the values of the target of valuation and its associated assets are attached thereto, and assuming that the consideration, tax expense, and various payables of the target of valuation and its associated assets have been settled.

The valuation conclusions herein are established based on the aforementioned assumptions as at the valuation base date. The undersigned certified public appraisers and we disclaim any responsibility arising from different valuation conclusions due to a significant change in any of the aforementioned assumptions.

X. VALUATION CONCLUSIONS

As at the valuation base date, Hainan Haidao Commercial Management Co., Ltd. had total assets with book value of RMB270,237,200, assessed value of RMB1,273,518,200, appreciation value of RMB 1,003,281,000 and appreciation rate of 371.26%; no liabilities; and net assets with book value of RMB270,237,200, assessed value of RMB1,273,518,200, appreciation value of RMB 1,003,281,000 and appreciation rate of 371.26%.

Summary Table of the Valuation Results

Valuation base date: 31 March 2014		<i>Unit: RMB ten thousand</i>		
Item	Book value	Assessed value	Increase or decrease in value	% of appreciation
Current assets	20,965.09	20,965.09	–	–
Non-current assets	6,058.63	106,386.73	100,328.10	1,655.95
Of which: Long-term equity investment	6,058.63	106,386.73	100,328.10	1,655.95
Investment property	–	–	–	–
Fixed assets	–	–	–	–
Construction in progress	–	–	–	–
Intangible assets	–	–	–	–
Of which: Intangible assets-land use rights	–	–	–	–
Other non-current assets	–	–	–	–
Total assets	27,023.72	127,351.82	100,328.10	371.26
Current liabilities	–	–	–	–
Non-current liabilities	–	–	–	–
Total liabilities	–	–	–	–
Net assets	27,023.72	127,351.82	100,328.10	371.26

XI. SPECIAL EXPLANATIONS

The matters identified in the valuation process that might affect the valuation conclusions but are beyond professional appraisal levels and capabilities of the valuation officers:

- (I) The book value of Haidao Commercial as at 31 December 2011, 2012 and 2013 and 31 March 2014 are extracted from the accountants' report of Haidao Commercial by PricewaterhouseCoopers Zhong Tian LLP as set out in Appendix IIB to the circular. PricewaterhouseCoopers Zhong Tian LLP carried out their procedures in accordance

with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. Set out below are name, report number and date of issue of the accountants’ report:

Name of the entity audited	Name of the report	Report no.	Date of issue
Hainan Haidao Commercial Management Co. Ltd.	Accountants’ Report of Haidao Commercial	2014 / SH – 195 / CYT / ADWW	15 August 2014

- (II) For concealed assets such as the air conditioning pipe network of the leased housing renovation projects, the valuation officers checked the relevant construction contracts, completion information, etc., but did not carry out direct on-site investigation.

Users of the valuation report should pay attention to the effects of the aforesaid special matters on the conclusions of the valuation.

XII. EXPLANATORY NOTES ON RESTRICTIONS OF USE OF VALUATION REPORT

- (1) The valuation report shall only be used for the valuation objectives and purposes as specified therein;
- (2) The valuation report shall only be used by the users of the valuation report as specified therein;
- (3) Before all of or any part the contents of this valuation report is extracted, quoted or disclosed to the public media, the related content shall be reviewed by the valuation agency, unless required by laws and regulations or otherwise agreed by the relevant parties;
- (4) This valuation report cannot be put to official use unless duly signed by the certified asset valuers and endorsed by the valuation agency under its seal;
- (5) The conclusions of the valuation disclosed in this valuation report are only valid for the economic activities as described herein. The validity period of the conclusions of the valuation lasts for one year from the valuation base date.

XIII. DATE OF VALUATION REPORT

This valuation report is issued on 15 August 2014.

Legal representative: Sun Yuehuan

Certified Public Valuer: Wang Binlu

Certified Public Valuer: Jiang Shubao

China Enterprise Appraisal Limited

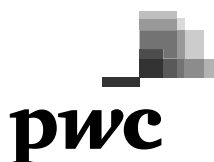
15 August 2014

Appendices of the Valuation Report

- Appendix I. Documents in respect of the Transaction;
- Appendix II. Annual auditors' reports of the appraised entity;
- Appendix III. Photocopies of business licences of the principal and the appraised entity;
- Appendix IV. Major title proofs relevant to the valuation target;
- Appendix V. Letter of undertakings from the principal and relevant parties;
- Appendix VI. Letters of undertaking from the undersigned certified public valuers;
- Appendix VII. Photocopy of the asset valuation qualification certificate of China Enterprise Appraisal Limited;
- Appendix VIII. Photocopy of the securities business qualification certificate of China Enterprise Appraisal Limited;
- Appendix IX. Photocopy of the original duplicate of business licence of China Enterprise Appraisal Limited;
- Appendix X. Photocopy of the qualification certificates of appraisers of China Enterprise Appraisal Limited;
- Appendix XI. Letter of Engagement on Asset Valuation.

(A) REPORT FROM THE REPORTING ACCOUNTANT IN RELATION TO THE VALUATION
OF WUHAN LINKONG

The following is the text of a report received from PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.



普华永道

PwC ZT Te Shen Zi (2014) No. 1537

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH
FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF WUHAN HNA LANHAI
AIRPORT INDUSTRY DEVELOPMENT COMPANY LIMITED

To the Directors of Hainan Meilan International Airport Company Limited

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “**Valuation**”) dated 15 August 2014 prepared by China Enterprise Appraisals Company Limited in respect of the appraisal of the fair value of the 80% equity interests in Wuhan HNA Lanhai Airport Industry Development Company Limited (the “**Target Company**”) is based. The Valuation is set out in Appendix IV(A) of the circular of Hainan Meilan International Airport Company Limited (the “**Company**”) dated 15 August 2014 (the “**Circular**”) in connection with the acquisition of 80% equity interest in the Target Company by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages IV-1 to IV-31 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

普華永道中天會計師事務所(特殊普通合伙)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

Reporting Accountant's Responsibility

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the China Standard on Other Assurance Engagements No.3101 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by Chinese Institute of Certified Public Accountant. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages IV-1 to IV-31 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages IV-1 to IV-31 of the Circular.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
15 August 2014

CPA: Chen Yuntao
CPA: Du Weiwei

**(B) LETTER FROM THE BOARD IN RELATION TO THE VALUATION OF WUHAN
LINKONG**

The following is the full text of a letter from the Board of the Company prepared for the purpose of incorporation in this circular.

15 August 2014

The Stock Exchange of Hong Kong Limited
11th Floor
One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sir/Madam,

We refer to the circular of Hainan Meilan International Airport Company Limited (the “**Company**”) dated 15 August 2014 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We, hereby certifying that, in compliance with the Listing Rules, have reviewed the calculations for earnings forecast in the Valuation Report issued by China Enterprise Appraisal Limited regarding the fair value of equity interests of Wuhan Linkong. Pursuant to requirements of the Rule 14.62 of the Listing Rules, the reporting accountant of the Company has performed review on the Valuation Report of Wuhan Linkong in accordance with the PRC CPA Standards on Other Assurance Engagements No. 3101 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Chinese Institute of Certified Public Accountants, and has expressed opinion on the matter that discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by us as set out on pages IV-1 to IV-31 of the Circular.

We hereby confirm that earnings forecast in the Valuation Report of Wuhan Linkong is made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Hainan Meilan International Airport Company Limited*
Wang Zhen
Chairman

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**(a) Directors and Chief Executive**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, Mr. Joseph Chan, a non-executive Director, is a related party of Oriental Patron Financial Services Group Limited. Oriental Patron Financial Services Group Limited was a company having, as at the Latest Practicable Date, an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no 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.

(b) Substantial Shareholders

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, companies and persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital were as follows:

Domestic shares

Name of shareholder	Identity	Type of shares	Number of ordinary shares	Percentage of domestic shares issued	Percentage of total issued share capital
Parent Company	Beneficial owner	Corporate	237,500,000 (L)	96.43%	50.19%
			66,615,016 (L) (Note 1)	27.05%	14.08%
Haidao Development	Beneficial owner	Corporate	187,039,141(L) (Note 2)	75.94%	39.53%

H Shares

Name of shareholder	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo (Note 3)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Zhang Zhiping (Note 3)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited (Note 3)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Group Limited (Note 3)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (Note 3)	Beneficial owner	94,343,000 (L)	41.58%	19.94%
UBS AG (Note 4)	Beneficial owner	29,751,400(L)	13.11%	6.29%
	Person having a security interest in shares and Interest of corporation controlled by the substantial shareholder	109,000(S)	0.05%	0.02%
Greenwoods Asset Management Limited (Note 5)	Investment manager	13,844,000 (L)	6.10%	2.90%
Walden Ventures Limited (Note 6)	Beneficial owner	32,788,500 (L)	14.45 %	6.93%

Name of shareholder	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
ARC Capital Holdings Limited (Note 6)	Interest of controlled corporations	32,788,500 (L)	14.45 %	20.79%
ARC Capital Partners Limited (Note 6)	Investment manager	32,788,500 (L)	14.45 %	6.93%
Pacific Alliance Equity Partners Limited (Note 6)	Interest of controlled corporations	32,788,500 (L)	14.45 %	6.93%
Pacific Alliance Investment Management Limited (Note 6)	Interest of controlled corporations	32,788,500 (L)	14.45 %	6.93%
Pacific Alliance Group Limited (Note 6)	Interest of controlled corporations	32,788,500 (L)	14.45 %	6.93%
PAG Holdings Limited (Note 6)	Interest of controlled corporations	32,788,500 (L)	14.45 %	6.93%
Pacific Alliance Asia Opportunity Fund L.P (Note 6)	Interest of controlled corporations	32,788,500 (L)	14.45 %	6.93%
Pacific Alliance Group Asset Management Limited (Note 6)	Investment manager	32,788,500 (L)	14.45 %	6.93%
JPMorgan Chase & Co. (Note 7)	Beneficial owner and Custodian corporation/ approved lending agent	11,350,000(L)	5.00%	2.40%

Notes:

- Pursuant to the Subscription Agreement, 66,615,016 new Domestic Shares in the Company will be issued to the Parent Company upon completion of the Subscription Agreement.
- Pursuant to the SPA, 187,039,141 new Domestic Shares in the Company will be issued to Haidao Development upon completion of the SPA.
- 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.

4. Among the 29,751,400 shares in the Company, UBS AG was deemed to hold 6,451,000 shares through its security interest in those shares and held 114,000 shares as beneficial owner. In addition, UBS AG was deemed to hold 23,186,400 shares as interest of corporations controlled by the substantial shareholder (UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd were all wholly-owned by UBS AG, and were beneficially holding 16,879,100 shares, 2,411,300 shares and 3,896,000 shares in the Company, respectively).
5. Greenwoods Asset Management Limited holds such shares in the capacity of an investment manager. Greenwoods Asset Management Limited was 100% owned Greenwoods Asset Management Holdings Limited, which was in turn held 81% by Jiang Jinzhi.
6. PAG Holdings Limited (formerly known as Pacific Alliance Group Holdings Limited) held 99.17% interests in Pacific Alliance Group Limited, which in turn held 90% interests in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited held 52.53% interests in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interests in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited for the purpose of Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interests in Walden Ventures Limited, which in turn held 32,788,500 H shares of the Company as beneficial owner.

Pacific Alliance Investment Management Limited also held 100% interests in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 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 for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interests in Walden Ventures Limited, which in turn held 32,788,500 H shares of the Company.

7. Among the 11,350,000 shares in the Company, JPMorgan Chase & Co. was deemed to hold 10,846,000 as custodian corporation/approved lending agent and held 504,000 shares as beneficial owner.
8. (L) and (S) represent long position and short position respectively.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

3. DIRECTORS' INTEREST IN COMPETING BUSINESS, CONTRACTS AND ASSETS**(a) Interests in competing business**

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the Latest Practicable Date, which is significant in relation to the business of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Enlarged Group which is not expiring or determinable by such member of the Enlarged Group within one year without payment of any compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Company

- (i) the investment and construction agreement dated 12 December 2012 entered into between the Company and the Parent Company in respect of a terminal expansion project carried out by the Parent Company, details of which are set out in the circular of the Company dated 16 January 2013;

- (ii) the termination agreement dated 12 December 2012 entered into between the Company and Parent Company to terminate the subsequent assets acquisition agreement dated 26 August 2011 entered into between the Company and Parent Company in respect of a terminal expansion project carried out by the Parent Company, details of which are set out in the circular of the Company dated 16 January 2013;
- (iii) the financial services agreement (the “**Financial Services Agreement**”) dated 29 August 2013 entered into between the Company and 海航集團財務有限公司 (HNA Group Finance Co., Ltd.*), a non-bank financial institution established in the PRC (“**HNA Group Finance**”), pursuant to which HNA Group Finance has agreed to continue to provide the Group with deposit services, general credit services and other financial services for a term of three years commencing from the date of the Financial Services Agreement. Details of the Financial Services Agreement are set out in the announcement of the Company dated 29 August 2013;
- (iv) the facility agreement (the “**Facility Agreement**”) dated 4 December 2013 and entered into by, among others, the Company as borrower, Taiwan Cooperative Bank, Ltd., Hong Kong Branch, Mega International Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Hua Nan Commercial Bank Ltd., Offshore Banking Branch, Chang Hwa Commercial Bank Ltd. Offshore Banking Branch, Land Bank of Taiwan Co., Ltd. Hong Kong Branch and The Bank of East Asia Ltd. Offshore Banking Branch as mandated lead arrangers, Deutsche Bank AG, Hong Kong Branch, Far Eastern International Bank Co., Ltd., Offshore Banking Branch, First Commercial Bank, Offshore Banking Branch and Jih Sun International Bank (Hsinyi Branch) as lead arrangers, CTBC Bank Co., Ltd., Taichung Commercial Bank Co., Ltd., Offshore Banking Branch and Bank of Kaohsiung as arrangers, Deutsche Bank AG, Offshore Banking Branch as coordinator, and 14 original lenders, for a term loan facility in the aggregate amount of equal to USD250,000,000.00 for a term of three years after the utilization date, which shall be made within six months commencing from the date of the Facility Agreement. Details of the Facility Agreement are set out in the announcement of the Company dated 4 December 2013;
- (v) the supplementary agreement to the Financial Services Agreement dated 18 December 2013 entered into by the Company and HNA Group Finance, details of which are set out in the announcement of the Company dated 18 December 2013;
- (vi) the construction services agreement dated 18 December 2013 entered into between the Company and 洋浦國興工程建設有限公司 (Yangpu Guoxing Engineering Construction Co., Ltd.*) (“**Yangpu Guoxing**”), pursuant to which Yangpu Guoxing agreed to provide services relating to the construction of an integrated project combining star hotel, parking space and commercial building, details of which are set out in the circular of the Company dated 31 December 2013;
- (vii) the Subscription Agreement;
- (viii) the SPA; and

(ix) the Loan Assignment Agreement.

(b) **Haidao Commercial**

- (i) the equity transfer agreement in respect of 海南海航惠生活超市有限公司 (Hainan HNA Huishenghuo Supermarket Co., Ltd.*) (“**Huishenghuo Supermarket**”) dated 1 January 2014 entered into between Haidao Commercial and 海南海航機場資產管理有限公司 (Hainan HNA Airport Asset Management Co., Ltd.*) (“**HNA Airport Asset Management**”), pursuant to which Haidao Commercial agreed to transfer (i) 22.5% paid-up equity interest in Huishenghuo Supermarket for a consideration of RMB5,201,943.36 and (ii) the 67.5% equity interest in Huishenghuo Supermarket and the corresponding obligation to pay up the 67.5% capital to HNA Airport Asset Management;
- (ii) the equity transfer agreement in respect of 海南海島建設物流有限公司 (Hainan Haidao Construction Logistics Co., Ltd.*) (“**Haidao Logistics**”) dated 1 January 2014 entered into between Haidao Commercial and 海口新城區建設開發有限公司 (Haikou New Town Construction Development Co., Ltd.*) (“**New Town Construction**”), pursuant to which Haidao Commercial agreed to transfer 6.25% equity interest in Haidao Logistics to New Town Construction for a consideration of RMB9,993,599.09;
- (iii) the equity transfer agreement in respect of 海南海航地產營銷管理有限公司 (Hainan HNA Property Marketing Management Co., Ltd.*) (“**HNA Marketing**”) dated 1 January 2014 entered into between Haidao Commercial and 海南海島酒店管理有限公司 (Hainan Haidao Hotel Management Co., Ltd.*) (“**Haidao Hotel**”), pursuant to which Haidao Commercial agreed to transfer 10% equity interest in HNA Marketing to Haidao Hotel for a consideration of RMB5,166,828.96;
- (iv) the debt assignment agreement dated 31 March 2014 entered into between Haidao Commercial, Haidao Development and 海航地產控股(集團)有限公司 (HNA Property Holdings (Group) Co., Ltd.*) (“**HNA Property**”), pursuant to which Haidao Commercial agreed to assign the indebtedness owed by Haidao Commercial to Haidao Development in the amount of RMB367,969,800 as of 31 March 2014 to HNA Property;
- (v) the debt assignment agreement dated 31 March 2014 entered into between Haidao Commercial, 海航實業有限公司 (HNA Industry Co., Ltd.*) (“**HNA Industry**”) and New Town Construction, pursuant to which Haidao Commercial agreed to assign the indebtedness owed by Haidao Commercial to HNA Industry in the amount of RMB615,000 as of 31 March 2014 to New Town Construction;
- (vi) the debt assignment agreement dated 31 March 2014 entered into between Haidao Commercial, 海南高和房地產開發有限公司 (Hainan Gaohe Property Development Co., Ltd.*) (“**Gaohe Property**”) and New Town Construction, pursuant to which Haidao

Commercial agreed to assign the indebtedness owed by Haidao Commercial to Gaohe Property in the amount of RMB7,491,030.39 as of 31 March 2014 to New Town Construction;

- (vii) the debt assignment agreement dated 31 March 2014 entered into between Haidao Commercial, HNA Airport and New Town Construction, pursuant to which Haidao Commercial agreed to assign the indebtedness owed by Haidao Commercial to HNA Airport in the amount of RMB537.5 as of 31 March 2014 to New Town Construction; and
- (viii) the debt assignment agreement dated 31 March 2014 entered into between Huishenghuo Supermarket, Haidao Commercial and HNA Industry, pursuant to which Huishenghuo Supermarket agreed to assign the indebtedness owed by Huishenghuo Supermarket to Haidao Commercial in the amount of RMB12,619,524 as of 31 March 2014 to HNA Industry.

(c) **Wuhan Linkong**

- (i) the credit facility agreement dated 19 March 2014 entered into between Wuhan Linkong as borrower and 武漢農村商業銀行股份有限公司青山支行 (Wuhan Rural Commercial Bank Co., Ltd., Qingshan Branch*) (“**Wuhan RCB Qingshan Branch**”) as lender in respect of a general credit facility up to RMB65 million;
- (ii) the maximum mortgage agreement dated 19 March 2014 entered into between Wuhan Linkong as mortgagor and Wuhan RCB Qingshan Branch as mortgagee in respect of the land use rights under the Certificate for the Use of State-Owned Land numbered “Huangpi Guoyong (2014) No.665”;
- (iii) the maximum mortgage agreement dated 19 March 2014 entered into between Wuhan Linkong as mortgagor and Wuhan RCB Qingshan Branch as mortgagee in respect of the land use rights under the Certificate for the Use of State-Owned Land numbered “Huangpi Guoyong (2014) No.666”;
- (iv) the fixed assets loan agreement dated 27 March 2014 entered into between Wuhan Linkong as borrower and 湖北銀行股份有限公司武漢臨空港開發區支行 (Hubei Bank Corporation Limited, Wuhan Linkonggang Development Zone Branch) (“**Hubei Bank Development Zone Branch**”) in respect of a RMB100 million term loan;
- (v) the mortgage agreement dated 27 March 2014 entered into between Wuhan Linkong as mortgagor and Hubei Bank Development Zone Branch as mortgagee in respect of the land use rights under the Certificates for the Use of State-Owned Land numbered “Huangpi Guoyong (2014) No.670” and the construction-in-progress on the subject land;

- (vi) the bank acceptance bill agreement dated 10 April 2014 entered into between Wuhan Linkong as applicant and Wuhan RCB Qingshan Branch as bank, pursuant to which Wuhan RCB Qingshan Branch agreed to issue bank acceptance bills in the total amount of RMB30 million to Wuhan Linkong, and Wuhan Linkong agreed to provide RMB15 million security deposit to Wuhan RCB Qingshan Branch;
- (vii) the working capital loan agreement dated 11 April 2014 entered into between Wuhan Linkong as borrower and Wuhan RCB Qingshan Branch as lender in respect of a RMB10 million short-term working capital loan;
- (viii) the pledge agreement dated 11 April 2014 entered into between Wuhan Linkong as pledgor and Wuhan RCB Qingshan Branch as pledgee in respect of a RMB10 million certificate of deposit;
- (ix) the working capital loan agreement dated 16 April 2014 entered into between Wuhan Linkong as borrower and Wuhan RCB Qingshan Branch as lender in respect of a RMB25 million short-term working capital loan;
- (x) the fixed assets loan agreement dated 23 April 2014 entered into between Wuhan Linkong as borrower and 中國農業銀行股份有限公司武漢漢口支行 (Agricultural Bank of China Limited, Wuhan Hankou Branch*) (“**ABC Hankou Branch**”) in respect of a RMB82 million term loan;
- (xi) the mortgage agreement dated 23 April 2014 entered into between Wuhan Linkong as mortgagor and ABC Hankou Branch as mortgagee in respect of the land use rights under the Certificate for the Use of State-Owned Land numbered “Huangpi Guoyong (2014) No.668”;
- (xii) the mortgage agreement dated 23 April 2014 entered into between Wuhan Linkong as mortgagor and ABC Hankou Branch as mortgagee in respect of the land use rights under the Certificate for the Use of State-Owned Land numbered “Huangpi Guoyong (2014) No.669”; and
- (xiii) the pledge agreement dated 14 May 2014 entered into between Wuhan Linkong as pledgor and ABC Hankou Branch as pledgee in respect of a RMB10 million certificate of deposit.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited accounts of the Group were made up.

8. EXPERTS' QUALIFICATIONS AND CONSENT

The following is the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualifications
First Shanghai	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers Zhong Tian LLP	audit firm that is licensed to conduct securities and futures related business in China and approved by the relevant PRC authorities to act as an auditor or a reporting accountant for a PRC incorporated company listed in Hong Kong
China Enterprise Appraisal Limited	independent property valuer

Each of First Shanghai, PricewaterhouseCoopers Zhong Tian LLP and China Enterprise Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and letter as set out in this circular and references to its name in the form and context in which it appear in this circular.

As at the Latest Practicable Date, each of First Shanghai, PricewaterhouseCoopers Zhong Tian LLP and China Enterprise Appraisal Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of First Shanghai, PricewaterhouseCoopers Zhong Tian LLP and China Enterprise Appraisal Limited did not have any direct or indirect interest in any assets which since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MISCELLANEOUS

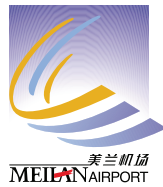
- (a) The company secretary of the Company is Mr. Xing Zhoujin, an affiliated person of The Hong Kong Institute of Chartered Secretaries.
- (b) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong, which is 26/F Three Pacific Place, 1 Queen's Road East, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. for a period of 14 days (other than Saturdays, Sundays, and public holidays) from the date of this circular:

- (a) the articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 8 to 35 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 36 to 37 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 38 to 51 of this circular;
- (e) the annual reports of the Company for each of the three years ended 31 December 2011, 2012 and 2013;
- (f) the accountants' report of PricewaterhouseCoopers Zhong Tian LLP dated 15 August 2014 on the financial information of Wuhan Linkong, the text of which is set out in Appendix IIA to this circular;
- (g) the accountants' report of PricewaterhouseCoopers Zhong Tian LLP dated 15 August 2014 on the financial information of Haidao Commercial, the text of which is set out in Appendix IIB to this circular;
- (h) the assurance report from PricewaterhouseCoopers Zhong Tian LLP dated 15 August 2014 in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (i) the Valuation Reports, the text of which is set out in Appendix IV to this circular;
- (j) the report from PricewaterhouseCoopers Zhong Tian LLP, the text of which is set out in section (A) in Appendix V to this circular;
- (k) the letter from the Board in relation to the valuation of Wuhan Linkong, the text of which is set out in section (B) in Appendix V to this circular;
- (l) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (m) the First HNA Airport Guaranteed Loan Agreement;
- (n) the Second HNA Airport Guaranteed Loan Agreement;

- (o) the HNA Basic Guaranteed Loan Agreement;
- (p) the Strategic Cooperative Agreement;
- (q) the written consents referred to in the paragraph headed “Experts’ Qualification and Consent” in this appendix; and
- (r) this circular.



海南美蘭國際機場股份有限公司
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 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 a.m. on 30 September 2014 (Tuesday) at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions as special resolutions. Capitalised terms used herein without definition shall have the same meanings as in the circular issued by the Company on 15 August 2014 (the “Circular”), unless the context otherwise requires:

SPECIAL RESOLUTIONS

1. CONNECTED TRANSACTION (*Note 1*)

“**THAT:**

- (a) the Subscription Agreement entered into between the Company and the Parent Company in relation to the subscription of a total of 66,615,016 new Domestic Shares by the Parent Company pursuant to which the Parent Company has conditionally agreed to subscribe for and the Company has conditionally agreed to issue 66,615,016 Domestic Shares at RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the Subscription Agreement be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the Subscription Agreement as it may in its absolute discretion think fit, a copy of which is produced to the meeting marked “A” and signed by the Chairman of the EGM for the purpose of identification;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the Subscription Shares at the subscription price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share upon completion of the Subscription Agreement to the Parent Company pursuant to the Subscription Agreement;

* *For identification purposes only*

- (c) the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital of the Company following completion of the Subscription Agreement (details of which were set out in section headed “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION” in the Letter from the Board in the Circular) be and are hereby approved; and
- (d) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Subscription Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

2. MAJOR TRANSACTION *(Note 2)*

“THAT:

- (a) the SPA entered into among the Company, Xinhua Lianhang, Haidao Development and HNA Engineering pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Wuhan Linkong Sale Shares, representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell the Haidao Commercial Sale Shares, representing 100% equity interest in Haidao Commercial at an aggregate consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances and partly by the allotment and issue of the 187,039,141 Domestic Shares at RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the SPA be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the SPA as it may in its absolute discretion think fit, a copy of which is produced to the meeting marked “B” and signed by the Chairman of the EGM for the purpose of identification;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the Consideration Shares at the issue price of RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share upon completion of the SPA to Haidao Development pursuant to the SPA;
- (c) the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital of the Company following completion of the SPA (details of which were set out in section headed “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION” in the Letter from the Board in the Circular) be and are hereby approved; and

- (d) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the SPA and the transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

For the purpose of this notice, the exchange rate of HK\$1.00 = RMB0.7941 have been used for currency translation, where applicable. Such exchange rates are for illustrative purposes and do not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

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

Haikou, Hainan Province, the PRC
15 August 2014

As at the date of this notice, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Liang Jun, Mr. Yang Xiaobin and Mr. Zhang Peihua; (ii) three non-executive Directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da'an.

Notes:

- (1) As disclosed in the Circular, the Parent Company and its associates will abstain from voting on this resolution in relation to the Subscription Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, no other Shareholder will be required to abstain from voting on this resolution. The Subscription Agreement and the transactions contemplated thereunder are also subject to the approval by the holders of H Shares by way of special resolutions at the separate class meeting of the H Shares Shareholders to be held on 30 September 2014 at 11:00 a.m. (or immediately after the conclusion or adjournment of the EGM) and holders of Domestic Shares at the separate class meeting of the Domestic Shares Shareholders to be held on 30 September 2014 at 11:30 a.m. (or immediately after the conclusion or adjournment of the H Shareholders Class Meeting).
- (2) As disclosed in the Circular, HNA Group and its associates will abstain from voting on this resolution in relation to the SPA and the transactions contemplated thereunder at the EGM. Save as disclosed above, no other Shareholder will be required to abstain from voting on this resolution. The SPA and the transactions contemplated thereunder are also subject to the approval by the holders of H Shares by way of special resolutions at the separate class meeting of the H Shares Shareholders to be held on 30 September 2014 at 11:00 a.m. (or immediately after the conclusion or adjournment of the EGM) and the holders of Domestic Shares at the separate class meeting of the Domestic Shares Shareholders to be held on 30 September 2014 at 11:30 a.m. (or immediately after the conclusion or adjournment of the H Shareholders Class Meeting).
- (3) The Company's register of members will be closed from 30 August 2014 (Saturday) to 30 September 2014 (Tuesday), 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 H Shares share registrar, Computershare Hong Kong Investor Services Limited, located at

Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 29 August 2014 (Friday) in order to complete the transfer registration procedures in accordance with the articles of association of the Company.

- (4) 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 29 August 2014 (Friday) are entitled to attend and vote at the EGM after complying with the necessary registration procedures.
- (5) 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 Secretary Office to the Board of Directors of the Company not later than 20 days before the date of the EGM, i.e. no later than 9 September 2014 (Tuesday). Holders of H Shares and Domestic Shares can deliver the reply slips by hand, by post or by facsimile.

Details of the Secretary Office to the Board of Directors of the Company are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
PRC
Tel: (86–898) 6576 2009
Fax: (86–898) 6576 2010

- (6) 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.
- (7) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. The instrument appointing a proxy of any holder of H Shares (being a body corporate) must be affixed with the corporate seal of such holder of H Shares or duly signed by the chairman of its board of directors or by its authorised attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company’s H Shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 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.
- (8) 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 (or any adjournment thereof). Notes (6) and (7) also apply to holders of Domestic Shares of the Company, except that the proxy form or other documents of authority must be delivered to Secretary Office to the Board of Directors of the Company, the address of which is set out in Note (5) 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.
- (9) If a proxy attends the EGM on behalf of a Shareholder, he should produce his ID card and the instrument signed by the proxy or his authorised representative, which specifies the date of its issuance. If the legal representative of the holder of legal person Share(s) attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person Share(s) appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorisation instrument affixed with the seal of the holder of the legal person Share(s) and duly signed by its legal representative.
- (10) 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.
- (11) Pursuant to Rule 13.39(4) of the Listing Rules, 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.



海南美蘭國際機場股份有限公司
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 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 11:00 a.m. on 30 September 2014 (Tuesday) (or immediately after the conclusion or adjournment of the extraordinary general meeting (“**EGM**”)) at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions as special resolutions. Capitalised terms used herein without definition shall have the same meanings as in the circular issued by the Company on 15 August 2014 (the “**Circular**”), unless the context otherwise requires:

SPECIAL RESOLUTIONS

1. CONNECTED TRANSACTION (*Note 1*)

“**THAT:**

- (a) the Subscription Agreement entered into between the Company and the Parent Company in relation to the subscription of a total of 66,615,016 new Domestic Shares by the Parent Company pursuant to which the Parent Company has conditionally agreed to subscribe for and the Company has conditionally agreed to issue 66,615,016 Domestic Shares at RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the Subscription Agreement be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the Subscription Agreement as it may in its absolute discretion think fit, a copy of which is produced to the meeting marked “A” and signed by the Chairman of the H Shareholders Class Meeting for the purpose of identification;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the Subscription Shares at the subscription price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share upon completion of the Subscription Agreement to the Parent Company pursuant to the Subscription Agreement;

* *For identification purposes only*

APPENDIX VIII NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (c) the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital of the Company following completion of the Subscription Agreement (details of which were set out in section headed “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION” in the Letter from the Board in the Circular) be and are hereby approved; and
- (d) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Subscription Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

2. MAJOR TRANSACTION *(Note 2)*

“THAT:

- (a) the SPA entered into among the Company, Xinhua Lianhang, Haidao Development and HNA Engineering pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Wuhan Linkong Sale Shares, representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell the Haidao Commercial Sale Shares, representing 100% equity interest in Haidao Commercial at an aggregate consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances and partly by the allotment and issue of the 187,039,141 Domestic Shares at RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the SPA be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the SPA as it may in its absolute discretion think fit, a copy of which is produced to the meeting marked “B” and signed by the Chairman of the H Shareholders Class Meeting for the purpose of identification;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the Consideration Shares at the issue price of RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share upon completion of the SPA to Haidao Development pursuant to the SPA;
- (c) the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital of the Company following completion of the SPA (details of which were set out in section headed “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION” in the Letter from the Board in the Circular) be and are hereby approved; and

APPENDIX VIII NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (d) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the SPA and the transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

For the purpose of this notice, the exchange rate of HK\$1.00 = RMB0.7941 have been used for currency translation, where applicable. Such exchange rates are for illustrative purposes and do not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

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

Haikou, Hainan Province, the PRC
15 August 2014

As at the date of this notice, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Liang Jun, Mr. Yang Xiaobin and Mr. Zhang Peihua; (ii) three non-executive Directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da'an.

Notes:

- (1) As disclosed in the Circular, the Parent Company and its associates will abstain from voting on this resolution in relation to the Subscription Agreement and the transactions contemplated thereunder at the Domestic Shareholders Class Meeting. Save as disclosed above, no other Shareholder will be required to abstain from voting on this resolution. The Subscription Agreement and the transactions contemplated thereunder are also subject to the approval by the Shareholders by way of special resolutions at the EGM to be held on 30 September 2014 at 10:00 a.m. and holders of Domestic Shares at the separate class meeting of Domestic Shares Shareholders to be held on 30 September 2014 at 11:30 a.m. (or immediately after the conclusion or adjournment of the H Shareholders Class Meeting).
- (2) As disclosed in the Circular, HNA Group and its associates will abstain from voting on this resolution in relation to the SPA and the transactions contemplated thereunder at the H Shareholders Class Meeting. Save as disclosed above, no other Shareholder will be required to abstain from voting on this resolution. The SPA and the transactions contemplated thereunder are also subject to the approval by the Shareholders by way of special resolutions at the EGM to be held on 30 September 2014 at 10:00 a.m. and holders of Domestic Shares at the separate class meeting of Domestic Shares Shareholders to be held on 30 September 2014 at 11:30 a.m. (or immediately after the conclusion or adjournment of the H Shareholders Class Meeting).
- (3) H Share Shareholders 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 29 August 2014 (Friday) are entitled to attend and vote at the H Shareholders Class Meeting after complying with the necessary registration procedures.

APPENDIX VIII NOTICE OF THE H SHAREHOLDERS CLASS MEETING

- (4) Shareholders 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 of Directors of the Company not later than 9 September 2014 (Tuesday).

Details of the Secretary Office to the Board of Directors of the Company are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
PRC
Tel: (86-898) 6576 2009
Fax: (86-898) 6576 2010

- (5) The Company's register of members will be closed from 30 August 2014 (Saturday) to 30 September 2014 (Tuesday), 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 H Shares share registrar, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 29 August 2014 (Friday) in order to complete the transfer registration procedures in accordance with the Articles of Association of the Company.
- (6) 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.
- (7) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. The instrument appointing a proxy of any holder of H Shares (being a body corporate) must be affixed with the corporate seal of such holder of H Shares or duly signed by the chairman of its board of directors or by its authorised attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, 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.
- (8) If a proxy attends the H Shareholders Class Meeting on behalf of an H Shares 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 H 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 H Share(s) appoints a representative of a company other than its legal representative to attend the H Shareholders Class Meeting, such representative should produce his ID card and an authorisation instrument affixed with the seal of the holder of the legal person H Share(s) and duly signed by its legal representative.
- (9) 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.
- (10) Pursuant to Rule 13.39(4) of the Listing Rules, 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.



海南美蘭國際機場股份有限公司
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 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 11:30 a.m. on 30 September, 2014 (Tuesday) (or immediately after the conclusion or adjournment of the H Shareholders Class Meeting) at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC for the purpose of considering and, if thought fit, with or without amendments, passing the following resolutions as special resolutions. Capitalised terms used herein without definition shall have the same meanings as in the circular issued by the Company on 15 August 2014 (the “**Circular**”), unless the context otherwise requires:

SPECIAL RESOLUTIONS

1. CONNECTED TRANSACTION (Note 1)

“**THAT:**

- (a) the Subscription Agreement entered into between the Company and the Parent Company in relation to the subscription of a total of 66,615,016 new Domestic Shares by the Parent Company pursuant to which the Parent Company has conditionally agreed to subscribe for and the Company has conditionally agreed to issue 66,615,016 Domestic Shares at RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the Subscription Agreement be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the Subscription Agreement as it may in its absolute discretion think fit, a copy of which is produced to the meeting marked “A” and signed by the Chairman of the Domestic Shareholders Class Meeting for the purpose of identification;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the Subscription Shares at the subscription price of RMB5.69 (equivalent to approximately HK\$7.17) per Subscription Share upon completion of the Subscription Agreement to the Parent Company pursuant to the Subscription Agreement;

* For identification purposes only

APPENDIX IX NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (c) the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital of the Company following completion of the Subscription Agreement (details of which were set out in section headed “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION” in the Letter from the Board in the Circular) be and are hereby approved; and
- (d) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the Subscription Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

2. MAJOR TRANSACTION *(Note 2)*

“THAT:

- (a) the SPA entered into among the Company, Xinhua Lianhang, Haidao Development and HNA Engineering pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Wuhan Linkong Sale Shares, representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell the Haidao Commercial Sale Shares, representing 100% equity interest in Haidao Commercial at an aggregate consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances and partly by the allotment and issue of the 187,039,141 Domestic Shares at RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share, be and is hereby approved, confirmed and ratified, and all the transactions contemplated under the SPA be and are hereby approved, confirmed and ratified and that the Board be and is hereby authorised to make changes or amendments to the SPA as it may in its absolute discretion think fit, a copy of which is produced to the meeting marked “B” and signed by the Chairman of the Domestic Shareholders Class Meeting for the purpose of identification;
- (b) the Board be and is hereby granted a specific mandate to allot and issue the Consideration Shares at the issue price of RMB5.69 (equivalent to approximately HK\$7.17) per Consideration Share upon completion of the SPA to Haidao Development pursuant to the SPA;
- (c) the proposed amendments to the Articles to be made in order to reflect the corresponding increase in the registered capital of the Company following completion of the SPA (details of which were set out in section headed “PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION” in the Letter from the Board in the Circular) be and are hereby approved; and

APPENDIX IX NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (d) any Director be and is hereby authorised to implement and take all steps and to do all acts and things which in his opinion may be necessary or desirable to give effect and/or to complete or in connection with the SPA and the transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder.”

For the purpose of this notice, the exchange rate of HK\$1.00 = RMB0.7941 have been used for currency translation, where applicable. Such exchange rates are for illustrative purposes and do not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

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

Haikou, Hainan Province, the PRC
15 August 2014

As at the date of this notice, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Liang Jun, Mr. Yang Xiaobin and Mr. Zhang Peihua; (ii) three non-executive Directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da'an.

Notes:

- (1) As disclosed in the Circular, the Parent Company and its associates will abstain from voting on this resolution in relation to the Subscription Agreement and the transactions contemplated thereunder at the Domestic Shareholders Class Meeting. Save as disclosed above, no other Shareholder will be required to abstain from voting on this resolution. The Subscription Agreement and the transactions contemplated thereunder are also subject to the approval by the Shareholders by way of special resolutions at the EGM to be held on 30 September 2014 at 10:00 a.m. and holders of H Shares at the separate class meeting of the H Shares Shareholders to be held on 30 September 2014 at 11:00 a.m. (or immediately after the conclusion or adjournment of the EGM).
- (2) As disclosed in the Circular, HNA Group and its associates will abstain from voting on this resolution in relation to the SPA and the transactions contemplated thereunder at the Domestic Shareholders Class Meeting. Save as disclosed above, no other Shareholder will be required to abstain from voting on this resolution. The SPA and the transactions contemplated thereunder are also subject to the approval by the Shareholders by way of special resolutions at the EGM to be held on 30 September 2014 at 10:00 a.m. and holders of H Shares at the separate class meeting of the H Shares Shareholders to be held on 30 September 2014 at 11:00 a.m. (or immediately after the conclusion or adjournment of the EGM).
- (3) Shareholders of the Company whose names appear on the register of members of Domestic Shares of the Company on 29 August 2014 (Friday) will be entitled to attend and vote at the Domestic Shares Class Meeting (or any adjournment thereof).

APPENDIX IX NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

- (4) Shareholders 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 of Directors of the Company not later than 9 September 2014 (Tuesday).

Details of the Secretary Office to the Board of Directors of the Company are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
PRC
Tel: (86-898) 6576 2009
Fax: (86-898) 6576 2010

- (5) The Company's register of members will be closed from 30 August 2014 (Saturday) to 30 September 2014 (Tuesday), 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 Secretary Office to the Board of Directors of the Company, the address of which is set out in Note (5) above, not later than 4:30 p.m. on 29 August 2014 (Friday) in order to complete the transfer registration procedures in accordance with the Articles of Association of the Company.
- (6) 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.
- (7) 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 (5) 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.
- (8) 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.
- (9) The Domestic Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the Domestic Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.
- (10) Pursuant to Rule 13.39(4) of the Listing Rules, 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.