THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

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

(Stock Code: 357)

SUPPLEMENTAL CIRCULAR TO THE CIRCULAR TO THE SHAREHOLDERS DATED 13 AUGUST 2021
MAJOR AND CONNECTED TRANSACTION
THE 2021 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT;
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION, THE NEW H SHARES ISSUE AND AOA CONSEQUENTIAL AMENDMENTS;
SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND NOTICES OF THE CLASS MEETINGS

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

八方金融有限公司
OCTAL Capital Limited

This supplemental circular should be read in conjunction with the circular of the Company dated 13 August 2021 in relation to, among other things, the Extraordinary General Meeting (the "**First Circular**"). A notice convening the Extraordinary General Meeting was set out in the First Circular. The supplemental notice given by the Company on 21 September 2021 for convening the Extraordinary General Meeting and the notices given by the Company on 21 September 2021 for convening the Class Meetings to be held at 10:00 a.m. on Friday, 8 October 2021 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC are set out on pages 104 to 116 of this supplemental circular.

A letter from the Board is set out on pages 6 to 23 of this supplemental circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this supplemental circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 46 of this supplemental circular.

Additional resolutions will be proposed at the Extraordinary General Meeting and the Class Meetings. Details of such resolutions will be set out in this supplemental circular. The revised form of proxy for the use at the Extraordinary General Meeting which contains the additional resolutions to be proposed at the Extraordinary General Meeting is enclosed herewith. Forms of proxy (including the revised form of proxy) for use at the Extraordinary General Meeting and the Class Meetings are accompanied with this supplemental circular. Whether or not you are able to attend the Extraordinary General Meeting or the Class Meetings, you are requested to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon, and in both cases in any event not later than 24 hours before the time appointed for holding the meetings. Completion and return of the forms of proxy shall not preclude you from attending and voting at the meetings or any adjourned meetings should you so desire.

* *For identification purposes only*

21 September 2021

CONTENTS

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

"2020 Parent Company Domestic Shares Subscription Agreement"	the subscription agreement dated 24 July 2020 entered into between the Company and the Parent Company in relation to the Parent Company Subscription
"2021 Supplemental Parent Company Domestic Shares Subscription Agreement"	the supplemental agreement dated 21 August 2021 entered into by the Company and Parent Company for the amendments of certain terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement
"AOA Consequential Amendments"	the consequential amendments to the Articles of Association as the Board thinks fit to reflect the latest registered capital structure and number of issued Shares of the Company as a result of each of the issuance of the Subscription Shares and the New H Shares
"AOA Consequential Amendments Extension Resolutions"	The proposed resolutions to extend the validity period of the resolutions in relation to the AOA Consequential Amendments within a term of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022
"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"Board"	the board of Directors
"CAAC"	Civil Aviation Administration of China (中國民用航空局)
"Class Meetings" and each as "Class Meeting"	the respective class meetings of the Domestic Shareholders and the H Shareholders to be convened by the Company immediately following the conclusion of the Extraordinary General Meeting or any adjournment thereof on Friday, 8 October 2021 for the purposes of considering and, if thought fit, approving, among other things, (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Extension Resolutions, including any adjournment in respect thereof
"Company"	海南美蘭國際空港股份有限公司 (Hainan Meilan International Airport Company Limited*), a joint stock company incorporated in the PRC with limited liability
"connected person(s)"	shall have the meaning as defined in the Listing Rules

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Date of Relevant Agreement"	the date on which: (a) the subscription agreement(s) in respect of the New H Shares Issue is entered into between the Company and the placee(s); and/or (b) the placing agreement(s) in respect of the New H Shares Issue is entered into between the Company with the placing agent(s)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which is/are subscribed for in RMB
"Domestic Shareholder(s)"	holders of Domestic Shares
"Effective Date"	the effective date of the Parent Company Domestic Shares Subscription Agreements when all the relevant conditions precedent are fulfilled or waived
"Extension Resolutions"	the Parent Company Subscription Extension Resolutions, the New H Shares Issue Extension Resolutions and the AOA Consequential Amendment Extension Resolutions
"Extraordinary General Meeting"	the Extraordinary General Meeting to be convened by the Company on Friday, 8 October 2021 for the purposes of considering and, if thought fit, approving, among other things, (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreements; (ii) the Extension Resolutions, including any adjournment in respect thereof
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreements; and (ii) the Parent Company Subscription Extension Resolutions
"Independent Financial Adviser" or "Octal Capital"	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreements; and (ii) the Parent Company Subscription Extension Resolutions
"Independent Shareholders"	Shareholders who do not have any material interests and are not required to abstain from voting at the Extraordinary General Meeting and the Class Meetings pursuant to the Listing Rules
"Last Trading Day"	20 August 2021, being the last trading day in the H Shares immediately before the date on which the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement was signed
"Latest Practicable Date"	15 September 2021, being the latest practicable date prior to the printing of this supplemental circular for the purpose of ascertaining certain information referred to in this supplemental circular
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Meilan Airport"	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport*) located in Haikou City, Hainan Province, the PRC
"New H Shares"	the maximum number of 155,000,000 H Shares proposed to be issued upon the exercise of the Specific Mandate

"New H Shares Issue"	the issuance of the New H Shares by way of private placing upon the exercise of the Specific Mandate, if granted, subject to fulfilment of certain conditions stated in this announcement
"New H Shares Issue Extension Resolutions"	the proposed resolutions (i) to extend the validity period of the Specific Mandate in relation to the New H Shares Issue and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the New H Shares Issue within a term of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022
"Parent Company"	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.*), a limited liability company established in the PRC and the controlling shareholder of the Company
"Parent Company Domestic Shares Subscription Agreements"	2020 Parent Company Domestic Shares Subscription Agreement and the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement
"Parent Company Subscription"	the subscription of the Subscription Shares by the Parent Company contemplated under the Parent Company Domestic Shares Subscription Agreements
"Parent Company Subscription Extension Resolutions"	The proposed resolutions (i) to extend the validity period of the resolutions in relation to the Parent Company Subscription and (ii) to authorize the Board and the persons delegated by the Board to deal with and complete the Parent Company Subscription within a term of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022
"Past New H Shares Issue"	the issuance of the maximum number of 200,000,000 new H Shares by way of private placing
"Past New H Shares Subscription Agreement"	the Subscription Agreement as defined in the announcement of the Company dated 30 September 2019
"Phase I Runway Assets"	the Phase I runway of Meilan Airport and other auxiliary facilities as more particularly described in the 2020 Parent Company Domestic Shares Subscription Agreement
"PRC"	the People's Republic of China and for the purpose of this supplemental circular only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC

"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shareholder(s)"	the Domestic Shareholders and the H Shareholders
"Shares"	Domestic Shares and H Shares
"Specific Mandate"	the specific mandate granted to the Board by the Shareholders to issue not more than 155,000,000 New H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Shares"	the maximum number of 140,741,000 new Domestic Shares proposed to be subscribed by the Parent Company pursuant to the Parent Company Domestic Shares Subscription Agreements
"%"	per cent

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

For the purpose of this supplemental circular, the exchange rate of HK$1.00 = RMB0.8958 has been used for currency translation, where applicable. Such exchange rate is for illustrative purpose only and does not constitute representations that any amount in HK$ or RMB has been, could have been or may be converted at such a rate.

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

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

(Stock Code: 357)

Executive Directors:
Wang Zhen *(Chairman, Authorized Representative)*
Wang Hong *(President)*
Wang Hexin
Yu Yan
Xing Zhoujin *(Authorized Representative)*

Non-executive Directors:
Tu Haidong
Yuan Yubao

Independent Non-executive Directors:
Deng Tianlin
Fung Ching, Simon
George F Meng
He Linji

Registered Office:
Office Building of Meilan Airport
Haikou City
Hainan Province
the PRC

Principal Place of Business in Hong Kong:
Room 2204, 22/F
Fu Fai Commercial Centre
27 Hillier Street
Sheung Wan, Hong Kong

To the Shareholders,

Dear Sir/Madam,

**SUPPLEMENTAL CIRCULAR TO THE CIRCULAR
TO THE SHAREHOLDERS DATED 13 AUGUST 2021
MAJOR AND CONNECTED TRANSACTION
THE 2021 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES
SUBSCRIPTION AGREEMENT;
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS
AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE
PARENT COMPANY SUBSCRIPTION, THE NEW H SHARES ISSUE AND
AOA CONSEQUENTIAL AMENDMENTS;
SUPPLEMENTAL NOTICE OF THE
EXTRAORDINARY GENERAL MEETING
AND
NOTICES OF THE CLASS MEETINGS**

* *For identification purposes only*

A. BACKGROUND

Reference are made to the circular of the Company dated 20 August 2020 and the poll results announcement of the Company dated 18 September 2020, in relation to, among others, the Shareholder's resolution and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Share Issue.

The validity period of the Shareholder's resolution and authorisation granted to the Board in relation to the Parent Company Subscription expired on 17 September 2021. In order to complete the transactions contemplated under the 2020 Parent Company Domestic Shares Subscription Agreement, on 21 August 2021, the Company and the Parent Company entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement to amend certain terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement.

B. THE 2021 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

The Company and the Parent Company entered into the 2020 Parent Company Domestic Shares Subscription Agreement on 24 July 2020, pursuant to which the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company.

The Board announced that on 21 August 2021, the Company and the Parent Company entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation, pursuant to which, the Company and the Parent Company mutually agreed to make the following amendment to the Parent Company Domestic Shares Subscription Agreement:

(i) The Parent Company agreed to subscribe for not more than 140,741,000 Domestic Shares to be issued by the Company as the consideration for the transfer of the Phase I Runway Assets, which was determined based on the aggregate appraised asset value of approximately RMB1.52 billion for the Phase I Runway Assets as at 30 June 2021 (the "**2021 Valuation**"); and

(ii) The Parent Company and the Company further agreed that if, in accordance with the requirements of domestic laws and regulations or regulatory authorities, a relevant valuation report is required to be issued by a domestic appraisal entity, and if there is any difference between the valuation results and the 2021 Valuation, the lower appraised value will be adopted by both parties as the consideration for the Parent Company Subscription by the Parent Company with a view to protect the interests of minority Shareholders of the Company. Accordingly, where the domestic appraised value is greater than the 2021 Valuation at that time, the consideration for the Parent Company Subscription shall be determined with reference to the 2021 Valuation without any adjustment; where the domestic appraised value is less than the 2021 Valuation at that time, the consideration for the Parent Company Subscription shall be determined based on such lower appraised value. The parties agreed to make necessary written confirmation or sign a supplemental agreement (if required) in accordance with the final valuation results at that time.

The Board will seek the Shareholder at the Extraordinary General Meeting and the Class Meetings to authorize the Board and/or designated persons by the Board to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2021 Valuation and any domestic appraised value).

The 2020 Parent Company Domestic Shares Subscription Agreement which are amended by the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto. The price mechanism and the maximum number of Domestic Shares to be issued for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement. There was only a slight adjustment to the total consideration of the Parent Company Subscription, which was determined with reference to the 2021 Valuation.

The Directors consider that the transactions contemplated under the Parent Company Domestic Shares Subscription Agreements will be conducted in the ordinary and usual course of business of the Company, and the terms and conditions of the Parent Company Domestic Shares Subscription Agreements have been negotiated on an arm's length basis, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION, THE NEW H SHARES ISSUE AND AOA CONSEQUENTIAL AMENDMENTS

As disclosed the circular of the Company dated 20 August 2020, on 29 September 2019, the Company entered into the Past New H Shares Subscription Agreement. However, as the relevant conditions precedent have not been fulfilled or waived on or before the long stop date, being 25 June 2020, the Past New H Shares Subscription Agreement has automatically terminated. The validity period of the Shareholders' resolutions and authorisation granted to the Board in relation to the Past New H Shares Issue also expired on 25 June 2020. In order to further promote the issuance of the New H Shares, the Board has resolved to convene extraordinary shareholder meeting and class meetings for the grant of the proposed Specific Mandate to the Board to issue not more than 155,000,000 New H Shares, representing not more than 32.75% of the total share capital of the Company before the Parent Company Subscription and the New H Shares Issue, and approximately 20.15% of total share capital of the Company as enlarged by the Parent Company Subscription (assuming the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company) and the New H Shares Issue; and representing not more than 68.31% of share capital of H Shares of the Company before the New H Shares Issue, and 40.59% of share capital of H Shares of the Company as enlarged by the New H Shares Issue. The New H Shares Issue is subject to, among others, (i) the approval of relevant resolutions in respect of the New H Shares Issue by the Shareholders at relevant extraordinary shareholders meeting and class meetings; (ii) the approvals from the relevant competent departments and/or regulatory authorities, including but not limited to the CSRC, the Stock Exchange (where applicable) and SFC (where applicable); (iii) the 2020 Parent Company Domestic Shares Subscription Agreement becoming effective and the Parent Company Subscription is completed; (iv) the entering into of the subscription agreement(s) between the Company and the placee(s) and/or the placing agreement(s) between the Company and the placing agent(s) in relation to the proposed New H Shares Issue and such agreement(s) not being terminated in accordance with the terms therein; and (v) the Listing Committee granting listing of and permission to deal in the New H Shares to be issued and allotted pursuant to the proposed New H Shares Issue. The Company will submit new application documents in relation to the proposed New H Shares Issue to the CSRC, including, among others, the application report, the relevant board/shareholder resolutions, tax certificate issued by relevant PRC tax authorities and the PRC legal opinions. A separate announcement will be made if the Board proceeds to issue New H Shares pursuant to the proposed Specific Mandate.

Based on the reasons disclosed in this supplemental circular below, the Company believes that a further twelve (12)-month extension is required and is in the best interest of the Shareholders. Considering that the validity period of the resolutions relating to each of the Parent Company Subscription, the New H Shares Issue and the AOA Consequential Amendments expired on 17 September 2021, in order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreements and the Parent Company Subscription contemplated thereunder, the New H Shares Issue and the AOA Consequential Amendments, the Board proposed to convene the Extraordinary General Meeting and the Class Meetings for the Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions, the New H Shares Issue Extension Resolutions and the AOA Consequential Amendments Extension Resolutions) to extend the validity period of the Shareholders' resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription and the New H Shares Issue for a further period of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022. The Parent Company and its associates will abstain from voting on the Parent Company Subscription Extension Resolutions.

Details of the Specific Mandate are set out below.

(a) Class of Shares to be issued

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

(b) Time of issuance

The Company will select an appropriate time and issuance window within the validity period of the resolutions to be passed at the Extraordinary General Meeting and the Class Meetings to proceed with the New H Shares Issue. The specific time of issue will be determined by the Board with reference to the international capital market conditions, as well as the progress of review by the domestic and foreign administrative and/or regulatory authorities.

(c) Size of issuance

The New H Shares to be issued shall not exceed 155,000,000 Shares, representing not more than 32.75% of the total share capital of the Company before the Parent Company Subscription and the New H Shares Issue, and approximately 20.15% of total share capital of the Company as enlarged by the Parent Company Subscription (assuming the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company) and the New H Shares Issue; and representing not more than 68.31% of share capital of H Shares of the Company before the New H Shares Issue, and 40.59% of share capital of H Shares of the Company as enlarged by the New H Shares Issue.

(d) Ranking of New H Shares

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

(e) Listing

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

(f) Method of issuance

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

(g) Target placee(s)

Upon the grant of the Specific Mandate, the Board may proceed to place the New H Shares to qualified institutional, corporate and individual and other investors, who will be independent of and not connected with any Director, supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

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

(h) Pricing mechanism

The New H Shares will be issued at an issue price which is the highest of the followings:

(1) RMB10.80 (equivalent to approximately HK$12.06) per Subscription Share, being the audited net asset value per Share of the Company as at 31 December 2019; or

(2) the audited net asset value per Share of the Company as at the end of the financial year preceding the Date of Relevant Agreement; or

(3) 90% of the highest among the followings:

    (i) the closing price of H Share as quoted on the Stock Exchange at the Date of Relevant Agreement;

    (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Date of Relevant Agreement;

(iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Date of Relevant Agreement; and

(iv) the average closing price of H Shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the Date of Relevant Agreement.

Such pricing mechanism of the issue price was determined by the Board after taking into account the interests of existing Shareholders, investors' capabilities, the potential issuance risks, the market practice and applicable regulatory requirements, as well as the conditions of the civil aviation industry, the business pattern, the operation status and prospects and the asset quality of the Company and with reference to the net asset value per Share of the Company, the market price of the H Shares and the market conditions at the Date of Relevant Agreement. The applicable exchange rate of Renminbi to Hong Kong dollars shall be the exchange rate of Renminbi to Hong Kong dollars promulgated by the People's Bank of China on the Date of Relevant Agreement.

(i) Method of subscription

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

(j) Accumulated profits

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

(k) Use of proceeds

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

(l) Validity period of the resolutions

The resolutions relating to the Specific Mandate will be extended and valid for a further period of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022.

The Board will also seek the Shareholders' approval at each of the Extraordinary General Meeting and the Class Meetings to extend the authorization to the Board and the persons delegated by the Board to deal with all the matters in relation to the New H Shares Issue with full authority for a further period of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022:

(1) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas regulatory departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;

(2) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;

(3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);

(4) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;

(5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;

(6) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

(7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;

(8) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange;

(9) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;

(10) adjust or waive in time any one of the conditions precedent for the proposed New H shares Issue based on the actual conditions; and

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

D. POSSIBLE CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement is approved by the Shareholders at the forthcoming Extraordinary General Meeting and the Class Meetings; (ii) the proposed Extension Resolutions are granted by the Shareholders at the forthcoming Extraordinary General Meeting and the Class Meetings; (iii) the Board exercises the proposed Specific Mandate; (iv) all conditions for the proposed New H Shares Issue have been satisfied; (v) the maximum of 155,000,000 New H Shares are issued pursuant to the proposed Specific Mandate; and (vi) the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company pursuant to the Parent Company Subscription, the possible changes in the share capital and shareholding structure of the Company will be as follows:

	As at the Latest Practicable Date		**Immediately after issuance of the Subscription Shares and the New H Shares**	
Class of Shares	**No. of Shares**	**Percentage of total issued Shares**	**No. of Shares**	**Percentage of total issued Shares**
		(%)	*(maximum)*	*(%)*
Domestic Share				
Parent Company	237,500,000	50.19	378,241,000	49.19
Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司)	5,287,500	1.12	5,287,500	0.69
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.46
H Shares				
H Shares in issue				
Public Shareholders	226,913,000	47.95	226,913,000	29.51
New H Shares	0	0	155,000,000	20.15
Total Number of Issued Shares	473,213,000	100	768,954,000	100

As indicated above, the public float of the Company in such scenario will be approximately 49.66%.

Assuming that the Company fails to issue any New H Shares and the maximum of 140,741,000 Subscription Shares are subscribed by the Parent Company pursuant to the Parent Company Subscription, the resulting changes in the issued share capital and shareholding structure of the Company will be as follows:

Class of Shares	As at the Latest Practicable Date		Immediately after issuance of the Subscription Shares	
	No. of Shares	Percentage of total issued Shares	No. of Shares	Percentage of total issued Shares
		(%)	*(maximum)*	*(%)*
Domestic Share				
Parent Company	237,500,000	50.19	378,241,000	61.61
Hainan Airlines Holding Co., Ltd.* (海南航空控股股份有限公司)	5,287,500	1.12	5,287,500	0.86
HNA Group Co., Ltd.* (海航集團有限公司)	3,512,500	0.74	3,512,500	0.57
H Shares				
H Shares in issue				
Public Shareholders	226,913,000	47.95	226,913,000	36.96
New H Shares	0	0	0	0
Total Number of Issued Shares	473,213,000	100	613,954,000	100

As indicated above, the public float of the Company in such scenario will be approximately 36.96%.

Therefore, the Company is able to comply with the minimum public float requirement in the above two scenarios after the completion of the Parent Company Subscription and the New H Shares Issue.

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

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

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

E. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT AND EXTENSION RESOLUTIONS

The validity period of the Shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue expired on 17 September 2021. In order to further promote the Parent Company Subscription and the New H Shares Issue, the Company entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement with the Parent Company and proposes Extension Resolutions after considering, among others, the following reasons:

1. Acquisition of the Phase I Runway Assets

The Phase I Runway Assets which consist of Phase I runway of Meilan Airport and other auxiliary facilities, are located at the Meilan Airport. Phase I runway of Meilan Airport is approximately 3,600 meters long and 60 meters wide, equipped with the parallel taxiway which is approximately 3,600 meters long and 44 meters wide, 78 aircraft parking stands, globally advanced navigational lighting aid system, communication navigation equipment and other service facilities. It can satisfy the full-weight takeoff and landing requirements of large aircrafts, such as Boeing 747–400 and handled more than 16.49 million passengers in 2020. The original cost of the construction of the Phase I Runway Assets of the Parent Company was approximately RMB592,255,000.

Prior to the acquisition of the Phase I Runway Assets under the 2020 Parent Company Domestic Shares Subscription Agreement, the Phase I Runway Assets is owned and operated by the Parent Company. The Directors are of the view that the current separation of operation of the Phase I Runway Assets and the terminal buildings of Meilan Airport leads to unclear delineation of responsibilities which affects the operational efficiency and security of Meilan Airport. The acquisition of the Phase I Runway Assets will enable the Company to better run its operational assets consistent with the "High Standard, Strict Compliance" (高標準，嚴要求) standards in the civil aviation industry. In addition, upon the completion of the acquisition of the Phase I Runway Assets, the Parent Company's share of the service fees will reduce from 25% to such lesser amount to be approved by the CAAC. The increase of the service fees to be received by the Company going forward, as a result of the acquisition of the Phase I Runway Assets, will strengthen the revenue stream and competitiveness of the Company. To ensure the timely completion of the Parent Company Subscription and avoid the possible adverse impact of the tightening of local property transfer policies by the government of Haikou City, as agreed by both parties, as at the Latest Practicable Date, the Parent Company has cooperated with the Company to complete the transfer and registration procedures of part of the Phase I Runway Assets in advance. Before the completion of the Parent Company Subscription, the Parent Company will still have the ownership and operation right of such part of the Phase I Runway Assets.

2. Equity fundraising to improve working capital

As an important transportation hub for the construction of Hainan Free Trade Port, Meilan Airport is well positioned to capture opportunities in connection with the Hainan Free Trade Port. The Company believes that the proposed New H Shares Issue will improve its capital structure, strengthen its financial risk resilience, enhance its solvency and expand its financial base. As such, the Company wishes to take advantage of the relatively low cost to raise additional funds through the issuance of the New H Shares to the investors to replenish its working capital to equip the Group to carry out the renovation and expansion of infrastructure and the intelligent upgrade of the airport and to fund any operational needs of the Company (including the repayment of debts).

Reference is made to the announcement of the Company dated 5 January 2021. As disclosed in the announcement, Aero Infrastructure Holding Company Limited and the Company entered into the Past New H Shares Subscription Agreement. The Company received a notice of arbitration (the "**Notice of Arbitration**"). Pursuant to the Notice of Arbitration, Aero Infrastructure Holding Company Limited, as the claimant (the "**Claimant**"), filed an arbitration (the "**Arbitration**") with the Hong Kong International Arbitration Centre against the Company asserting allegations in connection with the Past New H Shares Subscription Agreement. The Claimant alleged that the Company breached the Subscription Agreement and claimed damages and related arbitration costs in the amount of HK$5,832 million or HK$6,962 million. For further details, please refer to the announcement of the Company dated 5 January 2021. As at the Latest Practicable Date, the Arbitration is still pending.

Reference is also made to the announcement of the Company dated 15 March 2021. As disclosed in the announcement, on 15 March 2021, the Company received a notice from Parent Company regarding the court ruling on acceptance of the restructuring of Parent Company. As at the Latest Practicable Date, the restructuring of Parent Company is still on-going.

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

The Company confirms that as the majority shareholder(s) of the Company needs to be entities incorporated in the PRC according to relevant PRC laws and regulations, the completion of the Parent Company Subscription is a condition precedent for the New H Shares Issue. Upon the completion of the Parent Company Subscription, the Company will proceed with the New H Shares Issue. As mentioned above, the Company believes that the proposed New H Shares Issue will improve its capital structure, strengthen its financial risk resilience, enhance its solvency and expand its financial base with a view to capture opportunities in connection with the Hainan Free Trade Port. If both of the Parent Company Subscription and the New H Shares Issue do not proceed, there is no need to make consequential amendments to the Articles of Association and therefore, it is not necessary to conduct the AOA Consequential Amendments.

F. USE OF PROCEEDS

The use of proceeds will remain the same as disclosed in the announcement of the Company dated 24 July 2020 and the circular of the Company dated 20 August 2020.

Solely for illustration purposes, assuming the New H Shares are fully placed at the price of RMB10.80 (equivalent to approximately HK$12.06), the gross proceeds from the proposed New H Shares Issue will be approximately RMB1,674,000,000 (equivalent to approximately HK$1,868,721,000) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB1,651,000,000 (equivalent to approximately HK$1,843,045,000).

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

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

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

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

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

To guarantee the smooth operation and to reduce the financing cost of the Company, approximately 35% of the net proceeds shall be used to repay the loans and replenish the working capital of the Company (including but not limited to operation cost of the Company, such as tax, labour cost, cost of water and electricity, environmental handling fee and afforestation fee). The Company intends to apply approximately RMB380,000,000 to repay the short term bank loans which became due in November 2020 and the remaining to replenish the working capital of the Company.

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

Since 2013, the Company has launched the "smart airport" project with remarkable achievements. The Company expects to invest approximately 25% of the net proceeds in construction projects in relation to "smart airport" including but not limited to the basic cloud platform (基礎雲平台), GIS (geographic information system), the information exchange platform and the data warehouse.

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

G. LISTING RULES IMPLICATIONS FOR THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

As of the Latest Practicable Date, the Parent Company holds 50.19% of the total issued Shares of the Company and is a substantial shareholder of the Company, and therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Parent Company Domestic Shares Subscription Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratio (as defined under the Listing Rules) in respect the transactions contemplated under the Parent Company Domestic Shares Subscription Agreements are more than 25%, such transactions also constitute a major transaction of the Company under Chapter 14 of the Listing Rules and therefore are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

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

H. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE (12) MONTHS

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

I. INFORMATION OF THE COMPANY AND THE PARENT COMPANY

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

The Parent Company is principally engaged in ancillary airport service business in the PRC. As at the Latest Practicable Date, the Parent Company is owned as to 59.54% by certain PRC state-owned or state-controlled enterprises, including the State-owned Assets Supervision and Administration Commission of Hainan Province as to 29.98% (directly and indirectly), CDB Development Fund Co., Ltd. (國開發展基金有限公司) as to 19.92%, a subsidiary of China Development Bank which is controlled by the PRC government, Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) as to 5.77%, China Southern Airlines Co., Ltd. (中國南方航空股份有限公司) as to 2.35% and China National Aviation Fuel Co., Ltd. (中國航空油料有限責任公司) as to 1.52%, a company controlled by State-owned Assets Supervision and Administration Commission. HNA Group Co., Ltd. (海航集團有限公司), a company controlled by Hainan Cihang Charity Foundation (海南省慈航公益基金會), holds 29.50% of equity interest in the Parent Company through its relevant subsidiaries. The remaining 10.96% of equity interest of the Parent Company is held by Hainan Hanghui Agricultural Development Co., Ltd. (海南航輝農業開發有限公司), a company owned by Shang Yongmin (尚永民) and Wang Yuanyuan (王媛媛). The State-owned Assets Supervision and Administration Commission of Hainan Province is the largest shareholder of the Parent Company and is a special institution directly under the government of Hainan Province and responsible for the supervision and administration of state-owned assets of Hainan Province. CDB Development Fund Co., Ltd. (國開發展基金有限公司) is a policy-oriented investment company focusing on investment in national key projects. Hainan Airlines Holding Co., Ltd. (海南航空控股股份有限公司) is a company listed on the Shanghai Stock Exchange (stock code: 600221.SH), principally engaged in air transport business, air tour business and other air transport-related businesses. China Southern Airlines Co., Ltd. (中國南方航空股份有限公司) is a company listed on the Shanghai Stock Exchange (stock code: 600029.SH), mainly providing air transport service, general aviation service, aircraft maintenance service and other aviation-related services. China National Aviation Fuel Co., Ltd. (中國航空油料有限責任公司) is principally engaged in the wholesale of gasoline, kerosene and diesel oil in the civil aviation system of the PRC. HNA Group Co., Ltd. (海航集團有限公司) is principally engaged in the air transport business and investment and management of airports, hotels and golf courses. Hainan Cihang Charity Foundation (海南省慈航公益基金會) is a non-public foundation officially registered with the Bureau of Civil Affairs of Hainan (海南省民政廳) in 2010, which is a non-profit charity organization and carries out various charity projects both at home and abroad, including education assistance, poverty relief, earthquake rescue and disaster relief, culture promotion, medical aid, environmental protection, scientific innovation and others. Hainan Hanghui Agricultural Development Co., Ltd. (海南航輝農業開發有限公司) is principally engaged in the agricultural development and investment and operation of ecological and environmental protection projects, landscape gardening projects and water conservancy projects.

J. EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS

The Extraordinary General Meeting and Class Meetings will be convened to consider and, if thought fit, approve, among other things, (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreements; and (ii) the Extension Resolutions, including any adjournment in respect thereof. The Parent Company, which controls over the voting right in respect of its shares in the Company, will abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting and the Domestic Shareholders Class Meeting for approving (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreements; and (ii) the Parent Company Subscription Extension Resolutions.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Extension Resolutions, and no Shareholder is required to abstain from voting to approve the relevant resolution(s) at the Extraordinary General Meeting and the Class Meetings.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription as well as the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription as well as the Parent Company Subscription Extension Resolutions.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription as well as the Parent Company Subscription Extension Resolutions.

As disclosed in the announcement of the Company dated 27 August 2021, the Extraordinary General Meeting has been postponed and will be held at 10:00 a.m. on Friday, 8 October 2021 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC. The Class Meetings will be held immediately following the conclusion of the Extraordinary General Meeting or any adjournment thereof.

Set out on pages 104 to 116 of this supplemental circular are the supplemental notice for convening the Extraordinary General Meeting and the notices for convening the Class Meetings to be held at 10:00 a.m. on Friday, 8 October 2021 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC. The supplemental notice of Extraordinary General Meeting contained in the supplemental circular should be read in conjunction with the first notice of Extraordinary General Meeting given by the Company on 13 August 2021.

Pursuant to Rule 13.39(4) of the Listing Rules, voting at the Extraordinary General Meeting and the Class Meetings will be conducted by poll. The poll results will be published on the websites of the Company and of the Stock Exchange following the Extraordinary General Meeting and the Class Meetings.

The first form of proxy ("**First Form of Proxy**") was dispatched to the Shareholders on Friday, 13 August 2021 and has also been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mlairport.com). Since the First Form of Proxy does not contain the resolutions as set out in the supplemental notice of the Extraordinary General Meeting contained in this supplemental circular, the Company has prepared the revised form of the proxy ("**Revised Form of Proxy**") for dispatch together with this supplemental circular.

Forms of proxy (including the Revised Form of Proxy) for use at the Extraordinary General Meeting and the Class Meetings are accompanied with this supplemental circular. Whether or not you are able to attend the Extraordinary General Meeting and the Class Meetings, you are requested to complete and return the accompanying forms of proxy (including the Revised Form of Proxy) in accordance with the instructions printed thereon, and in both cases in any event not later than 24 hours before the time appointed for holding the Extraordinary General Meeting and the Class Meetings.

If a Shareholder has already lodged the First Form of Proxy with the Company's H Share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares), he/she should note that:

(i) If the Revised Form of Proxy is not lodged with the Company's H share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares) 24 hours prior to the time designated for convening the Extraordinary General Meeting (the "**Closing Time**") or if it is incorrectly completed, the First Form of Proxy will be treated as a valid proxy form lodged by him/her if correctly completed. The proxy so appointed by him/her will be entitled to vote at the proxy's discretion or to abstain on any resolution properly put to the Extraordinary General Meeting other than those referred to in the notice of Extraordinary General Meeting dated 13 August 2021 and the First Form of Proxy, including the newly added resolutions as set out in this supplemental circular.

(ii) If he/she lodged the Revised Form of Proxy with the Company's H share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares) before the Closing Time, the Revised Form of Proxy will revoke and supersede the First Form of Proxy previously lodged by he/she provided that the Revised Form of Proxy is correctly completed.

Shareholders are reminded that completion and delivery of the First Form of Proxy and/or the Revised Form of Proxy and other forms of proxy will not preclude the Shareholders from attending and voting in person at the Extraordinary General Meeting and the Class Meetings or at any adjourned meeting(s) should they so wish.

K. BOOK CLOSURE

The Company's register of members will be closed from Saturday, 18 September 2021 to Friday, 8 October 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the Extraordinary General Meeting and the Class Meetings, Shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 September 2021.

L. RECOMMENDATIONS

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including the Independent Board Committee, recommends that the Independent Shareholders vote in favour of the resolution set out in the supplemental notice of the Extraordinary General Meeting and the notices of the Class Meetings for approval of the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription.

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

Each of Mr. Wang Zhen, Mr. Wang Hong, Mr. Wang Hexin, Mr. Yu Yan and Mr. Xing Zhoujin is interested in (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions as they are nominated by the Board of the Parent Company, and therefore had abstained from voting on the relevant resolutions at the Board meeting approving the same.

The Directors also believe that all other resolutions proposed for consideration and approval by the Shareholders at the Extraordinary General Meeting and the Class Meetings are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders vote in favour of all other resolutions to be proposed at the Extraordinary General Meeting and the Class Meetings as set out in the supplemental notice of Extraordinary General Meeting and the notices of the Class Meetings.

M. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the Extraordinary General Meeting regarding (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions, and the letter from Octal Capital Limited containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder; and (ii) the Parent Company Subscription Extension Resolutions, details of which are set out on pages 26 to 46 of this supplemental circular. None of the members of the Independent Board Committee has any material interest relating to (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions.

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

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

Hainan, the PRC
21 September 2021

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

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

(Stock Code: 357)

21 September 2021

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION
THE 2021 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT
AND
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions that are subject to the Independent Shareholders' approval, details of which are set out in the letter from the Board in the Supplemental circular to the Shareholders dated 21 September 2021 (the "**Supplemental Circular**"), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Supplemental Circular.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us regarding (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions. We wish to draw your attention to the letter from the Independent Financial Adviser which contains advice to us in relation to the terms and conditions of the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription Extension Resolutions, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Supplemental Circular.

* *For identification purposes only*

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider (i) the terms and conditions of the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and the Parent Company Subscription contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the Parent Company Subscription Extension Resolutions are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of (i) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the Parent Company Subscription Extension Resolutions.

Yours faithfully,
Independent Board Committee

Deng Tianlin	**Fung Ching, Simon**	**George F Meng**	**He Linji**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders dated 21 September 2021 in respect of, inter alia, the Parent Company Subscription Extension Resolutions prepared for the purpose of inclusion in this supplemental circular.

八方金融有限公司
OCTAL Capital Limited

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

21 September 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
THE 2021 SUPPLEMENTAL PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT;
EXTENSION OF VALIDITY PERIOD OF SHAREHOLDERS' RESOLUTIONS AND AUTHORISATION GRANTED TO THE BOARD IN RELATION TO THE PARENT COMPANY SUBSCRIPTION**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription and the Parent Company Subscription Extension Resolutions, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") of this supplemental circular dated 21 September 2021 (the "**Supplemental Circular**") to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Supplemental Circular.

The 2021 Supplemental Parent Company Domestic Shares Subscription Agreement

Reference is made to the circular of the Company dated 20 August 2020 and the poll results announcement of the Company dated 18 September 2020, in relation to, among others, the Shareholder's resolution and authorisation granted to the Board in relation to the Parent Company Subscription and the New H Share Issue.

The validity period of the Shareholder's resolution and authorisation granted to the Board in relation to the Parent Company Subscription has been expired on 17 September 2021. In order to complete the transactions contemplated under the 2020 Parent Company Domestic Shares Subscription Agreement, on 21 August 2021, the Company and Parent Company entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement to amend certain terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement.

The Extension Resolutions

The validity period of the resolutions relating to each of the Parent Company Subscription, the New H Shares Issue and the AOA Consequential Amendments has been expired on 17 September 2021. In order to enable the Board to complete the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder, the New H Shares Issue and the AOA Consequential Amendments, the Board proposed to convene the Extraordinary General Meeting and the Class Meetings for the Shareholders to consider, among other things, the Extension Resolutions (including the Parent Company Subscription Extension Resolutions, the New H Shares Issue Extension Resolutions and the AOA Consequential Amendments Extension Resolutions) to extend the validity period of the Shareholders' resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription and the New H Shares Issue for a further period of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription Extension Resolutions, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder as well as the Parent Company Subscription Extension Resolutions.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription and the Parent Company Subscription Extension Resolutions in this regard. We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Parent Company or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged by the Company as an independent financial adviser to the Company in respect of (i) the extension of validity period of shareholder's resolutions and authorisation granted to the Board in relation to the Past Parent Company Subscription (details can be referred to the circular of the Company dated 7 January 2020); and (ii) the very substantial acquisition and connected transaction in relation to the supplemental investment and construction agreement and major and connected transaction in relation to the 2020 Parent Company Domestic Shares Subscription Agreement (details can be referred to the circular of the Company dated 20 August 2020) (the "**Previous Engagements**"). Under the Previous Engagements, we were required to express our opinion on and give recommendations to the Independent Board Committee and Independent Shareholders in respect of the transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial shareholders of the Company or the Parent Company or any of its subsidiaries or their respective associates. Despite the Previous Engagements, we consider our independence is unaffected due to the facts that (i) under the Previous Engagements, we were entitled to receive normal professional fees that are comparable to market rates and the fees do not form a significant portion to our overall income; (ii) we have discharged our responsibilities with due care and skill and performed our duties with impartiality in respect of each of our engagements with the Company; and (iii) each of the Previous Engagements was handled independently as an individual task. Therefore, we consider ourselves eligible to act as the independent financial adviser to the Company under the requirements of the Listing Rules.

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

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

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

1. Background of entering into, among others, the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement

- ***Background of the Company***

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

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

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

- ***The 2021 Supplemental Parent Company Domestic Shares Subscription Agreement***

Reference is made to the announcements of the Company dated 24 July 2020 and the circulars of the Company dated 20 August 2020 in relation to, among other things, the 2020 Parent Company Domestic Shares Subscription Agreement, pursuant to which the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company.

The Board announced that on 21 August 2021, the Company and the Parent Company entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement after negotiation, pursuant to which, the Company and the Parent Company mutually agreed to make the following amendment to the Parent Company Domestic Shares Subscription Agreement:

(i) The Parent Company agreed to subscribe for not more than 140,741,000 Domestic Shares to be issued by the Company as the consideration for the transfer of the Phase I Runway Assets, which was determined based on the aggregate appraised asset value of approximately RMB1.52 billion for the Phase I Runway Assets as at 30 June 2021 (the "**2021 Valuation**"); and

(ii) The Parent Company and the Company further agreed that if, in accordance with the requirements of domestic laws and regulations or regulatory authorities, a relevant valuation report is required to be issued by a domestic appraisal entity, and if there is any difference between the valuation results and the 2021 Valuation, the lower appraised value will be adopted by both parties as the consideration for the Parent Company Subscription by the Parent Company with a view to protect the interests of minority Shareholders of the Company. Accordingly, where the domestic appraised value is greater than the 2021 Valuation at that time, the consideration for the Parent Company Subscription shall be determined with reference to the 2021 Valuation without any adjustment; where the domestic appraised value is less than the 2021 Valuation at that time, the consideration for the Parent Company Subscription shall be determined based on such lower appraised value. The parties agreed to make necessary written confirmation or sign a supplemental agreement (if required) in accordance with the final valuation results at that time.

The 2020 Parent Company Domestic Shares Subscription Agreement which are amended by the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement would continue to remain valid and legally binding on the parties thereto. The pricing mechanism and the maximum number of Domestic Shares to be issued for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement. There was only a slight adjustment to the total consideration of the Parent Company Subscription, which was determined with reference to the 2021 Valuation.

The 2021 Valuation

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have interviewed the Vigers Appraisal & Consulting Limited (the "**Valuer**"), the Valuer who prepared the 2021 Valuation, and noted that the Valuer has possessed sufficient qualifications and experience in valuing assets similar to that of the Phase I Runway Assets for listed companies in the PRC and Hong Kong over the years. Meanwhile, we have reviewed the scope of services provided under the engagement of the Valuer and we noted that the scope of work is appropriate to the opinion given and, as confirmed by the Valuer during our enquiry, there were no limitations on the scope of work. We have also made inquiry on any current or prior relationship between the Valuer and the Group, the Parent Company and their core connected persons which the Valuer has confirmed their independence. During the course of our review of the report of the 2021 Valuation (the "**Valuation Report**") and enquiry with the Valuer, we understand the reasons behind and appropriateness for the Valuer adopting the combined valuation approaches (i.e. market approach and cost approach) for the valuation of the Phase I Runway Assets, and have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the 2021 Valuation.

The Valuer has advised us that it has adopted a combination of the market approach for the valuation of the land portion of the Phase I Runway Assets by making reference to the sales evidence as available in Haikou City, Hainan Province, the PRC and it has adopted cost approach for the valuation of the building and structure portion and the plant and equipment portion of the Phase I Runway Assets by calculating the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The Valuer has also carried out physical inspection of the properties of the Phase I Runway Assets in July 2021, in order to research into the necessary information to determine the market value of the Phase I Runway Assets.

As advised by the Valuer, under the market approach for the valuation of the land portion of the Phase I Runway Assets, the Valuer selected the comparable based on the following selection criteria: (i) the locality of the land which is in the adjacent area of the Phase I Runway Assets (i.e. Haikou City); (ii) the usage of the land which is similar to that of the land portion of Phase I Runway Assets; and (iii) the transaction was completed in 2021. As advised by the Valuer, the information of the sale and purchase transactions are publicly available from an official website of the Government of Hainan Province. Based on the above selection criteria, four sale and purchase transactions of land in Haikou City which were conducted in the year 2021 have been selected for making a meaningful comparison. The Valuer considered that these comparables are fair and representative samples for evaluating the land portion of the Phase I Runway Assets. We also noted that the Valuer has made adjustments on the comparables in relation to the dissimilarities on transportation and other public facilities. We, on our best effort basis, have also independently ascertained the relevant public websites where the Valuer obtained information of the selected comparables, and we do not see any anomaly in the Valuer's selection of comparables. We have reviewed the selected comparables and concur with the selection criteria, bases for compiling such comparables and the slight adjustment for dissimilarities on transportation and other public facilities made by the Valuer, which we consider to be fair and representative samples.

Upon enquiry with the Valuer, we understand that the Valuer has considered (i) standard land price approach; and (ii) the income or earnings approach in valuing the land portion of the Phase I Runway Assets. Due to inadequate information which could be obtained, the Valuer considered these approaches were less appropriate in valuing the land portion of the Phase I Runway Assets. For instance, since the latest data in respect of standard price land was only available up to the year 2017, the Valuer considered that such outdated data could not reflect the current market situation, thus, the standard land price approach was not an appropriate methodology to be applied in valuing the land portion of the Phase I Runway Assets. On the other hand, since the allocation of the forecast income and expenses attributable to the Phase I Runway Assets is not readily available and cannot be clearly separate from the entire airport, thus, the income or earnings approach was not applied in valuing the land portion of the Phase I Runway Assets neither.

In respect of the buildings and structures portion of the Phase I Runway Assets, the Valuer has adopted the cost approach for the valuation which takes into account the replacement costs after deducting deprecation charges. As advised by the Valuer, the nature of the buildings and structures cannot be valued on the basis of market value, therefore, such buildings and structures were valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach takes into account the current cost of replacement (reproduction) of the buildings and structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. As confirmed by the Valuer, the depreciated replacement cost approach is commonly adopted for valuation of assets which cannot be valued by market approach and the depreciated replacement cost approach generally furnishes the most reliable indication of value for assets in absence of a known and established secondhand market based on comparable sales. Upon enquiry with the Valuer, we noted that the replacement cost adopted by the Valuer was made with reference to the current market construction cost of the relevant building and structure after taking into account the management fee, interest expenses, tax and other expenses. We have reviewed the calculation of the appraised value of the building and structure portion of the Phase I Runway Assets and we do not see any anomaly in the Valuer's calculation. Based on the above, we concur that the methodology of depreciated replacement costs applied by the Valuer in valuing buildings and structures portion of the Phase I Runway Assets is fair and appropriate.

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

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

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

Hence, the combination of the value of (i) the land portion; (ii) the buildings and structures portion; and (iii) the plant and equipment portion represent the market value of the Phase I Runway Assets.

Having considered that (i) the valuation approaches for the respective portions of the Phase I Runway Asset, namely the land portion, the building and structure portion and the plant and equipment portion, are commonly adopted methodology in valuing the assets of similar nature; and (ii) there were no anomaly noted during our review on the computation of the appraised value in the 2021 Valuation, we are of the view that the methodology adopted by the Valuer is fair and appropriate.

Based on the foregoing, we considered the Valuation Report to be an appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the terms under the Parent Company Subscription (which involves the proposed acquisition of the Phase I Runway Assets (the "**Runway Acquisition**")). Further details of the bases and assumptions of the 2021 Valuation are included in the Valuation Report as contained in the Appendix V to the Supplemental Circular.

Since the total consideration for the Runway Acquisition is equivalent to the amount of the valuation of the Phase I Runway Assets as at 30 June 2021, being approximately two months immediately preceding the entering into of the 2021 Supplemental Parent Company Domestic Share Subscription Agreement at approximately RMB1.52 billion (the "**Consideration**") as evaluated and concluded by the Valuer, we consider that the basis for determining the Consideration is fair and reasonable.

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

Acquisition of the Phase I Runway Assets and equity fundraising

The Phase I Runway Assets which consist of Phase I runway of Meilan Airport and other auxiliary facilities, are located at the Meilan Airport in Haikou City, Hainan Province, the PRC. Phase I runway of Meilan Airport is approximately 3,600 meters long and 60 meters wide, equipped with the parallel taxiway which is approximately 3,600 meters long and 44 meters wide, 78 aircraft parking stands, globally advanced navigational lighting aid system, communication navigation equipment and other service facilities. It can satisfy the full-weight takeoff and landing requirements of large aircrafts, such as Boeing 747-400 and handled more than 16.49 million passengers in 2020.

Prior to the Runway Acquisition, the Phase I Runway Assets were previously owned and operated by the Parent Company, and the separation of operation of the Phase I Runway Assets and the terminal buildings of the Meilan Airport leads to unclear delineation of responsibilities which affects the operational efficiency and security of the Meilan Airport. The Runway Acquisition will enable the Company to better run its operational assets consistent with the "High Standard, Strict Compliance" (高標準，嚴要求) standards prevalent in the civil aviation industry. In addition, upon the completion of the acquisition of the Phase I Runway Assets, the Parent Company's share of the service fees will reduce from 25% to such lesser amount to be approved by the CAAC, and as a result of the Runway Acquisition, will strengthen the revenue stream and competitiveness of the Company.

Meanwhile, Meilan Airport, being the only airport situated in Haikou City, which is a strategic city under the "One Belt, One Road" (一帶一路) initiative, is well positioned to capture opportunities in connection with the implementation of the "One Belt, One Road" initiative. The Parent Company Subscription and the proposed New H Shares Issue will improve capital structure, strengthen the financial risk resilience, enhance the solvency and expand financial base of the Company.

According to the operation data published in the official website of Meilan Airport, the summary of historical passenger throughput, historical cargo throughput and aircraft movement from 1 January 2019 to 31 August 2021 is shown in the table below.

Year	**Historical passenger throughput** *(Unit: million people)*	**Historical cargo throughput** *(Unit: 1,000 ton)*	**Aircraft movement** *(Unit: 1,000 time)*
2019	24.22	322.36	163.96
2020	16.49	222.37	128.86
Annual growth rate (2019 – 2020)	(31.9)%	(31.0)%	(21.4)%
Annual average growth rate (2016 – 2019)	10.6%	6.6%	7.7%
January to August 2020	9.10	139.93	73.36
January to August 2021	12.47	171.88	94.04
Year-on-year growth rate (sum of January to August)	37.0%	22.8%	28.2%

According to the appendix headed "Appendix III – Traffic Study Report" of the circular of the Company dated 20 August 2020 regarding the matter from the annual rate of growth (from 2016 to 2019), the growth rate of passenger throughput, cargo throughput and aircraft movement is 10.6%, 6.6% and 7.7% respectively. As shown in the above table, the demand for Meilan Airport has decreased in year 2020 as compared to year 2019, with the passenger throughput at approximately 16.49 million for 2020, representing a decrease of approximately 31.9% as compared to approximately 24.22 million for 2019; whilst the cargo throughput was approximately 222,370 tonnes for 2020, representing a decrease of approximately 31.0% as compared to approximately 322,360 tonnes for 2019; and the aircraft movement was approximately 128,860 times for 2020, representing a decrease of approximately 21.4% as compared to approximately 163,960 times for 2019. As advised by the management of Company, such decrease was mainly due to the COVID-19 pandemic (the "**Pandemic**") in which various emergency public health measures taken in the PRC including having certain control on crowd movement and transportation, and implementing restriction on the date of returning to work after the Chinese Lunar New Year vacation has been severely affected the airline industry.

Since the emergency public health measures have been successfully inplemented in the PRC, the Pandemic is under control, and the flights of Meilan Airport were gradually resumed. As shown in the table above, the passenger throughput, the cargo throughput and the aircraft movement have increased significantly during the eight months ended 31 August 2021. The passenger throughput was approximately 12.47 million for the eight months ended 31 August 2021 (the "**8M2021**"), representing an increase of approximately 37.0% as compared to the same period in 2020, whilst the cargo throughput was approximately 171,880 tonnes for the 8M2021, representing an increase of approximately 28.2% as compared to the same period for 2020, and the aircraft movement was approximately 94,040 times for the 8M2021, representing an increase of approximately 22.8% as compared to the same period for 2020. Taking into account of the recovery of the domestic economy, the resumption of the flights of Meilan Airport and the significant rebound in the demand for Meilan Airport during 8M2021, the management of Company expected that the prospect of Phase I Runway Assets will be no less favourable than that of the time when the Company first proposed the Runway Acquisition. Thus, we are of the view that the Runway Acquisition remains fair and reasonable as the Company first proposed.

As described by the management of the Company in the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**"), the current development strategy of the Company is to focus on building a regional hub airport to achieve free and convenient passenger access and transportation of Hainan Free Trade Port with high quality and to facilitate Hainan Province to achieve the goal of building a "1+N" transportation planning system. Leveraging on the opportunity from the "One Belt, One Road (一帶一路)" initiative and the "14th Five-Year Plan", the management expected that the Runway Acquisition will help to build the Group into a global leading integrated service provider in airport investment, operation and management.

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

For (i) information of the Phase I Runway Assets; (ii) valuation of the Equipment under the Runway Acquisition; (iii) background of and reasons for and benefits of entering into, among others, the 2020 Parent Company Domestic Shares Subscription Agreement; and (iv) principal terms and conditions of the 2020 Parent Company Domestic Shares Subscription Agreement, please refer to our letter contained in the circular of the Company dated 20 August 2020 for details.

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

3. Principal terms of the Parent Company Subscription

Subscription price of the Parent Company Subscription

As disclosed in the Supplemental Circular, the pricing mechanism of the Subscription Shares to be issued for the Parent Company Subscription remained unchanged as contained in the 2020 Parent Company Domestic Shares Subscription Agreement. Pursuant to the 2020 Parent Company Domestic Shares Subscription Agreement, the Subscription Shares will be allotted and issued at a subscription price which is the highest of the followings:

(a) RMB10.80 (equivalent to approximately HK$12.06) per Subscription Share, being the audited net asset value per Share of the Company as at 31 December 2019; or

(b) the audited net asset value per Share of the Company as at the end of the financial year preceding the Effective Date; or

(c) 90% of the highest among the followings:

   (i) the closing price of H Share as quoted on the Stock Exchange at the Effective Date;

   (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Effective Date;

   (iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Effective Date; and

   (iv) the average closing price of H Shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the Effective Date.

According to the Letter from the Board, the pricing mechanism of the subscription price of the Parent Company Subscription was determined after arm's length negotiation between the Company and the Parent Company after taking account the conditions of the civil aviation industry, the business pattern, the operation status and prospects and the asset quality of the Company, and with reference to the net asset value per Share of the Company, the market price of the H Shares and the market conditions at the Effective Date. The applicable exchange rate of Renminbi to Hong Kong dollars shall be the exchange rate of Renminbi to Hong Kong dollars promulgated by the People's Bank of China on the Effective Date.

(i) Review on H Share price performance

The following is the share price chart which illustrates the highest and lowest closing prices and the daily closing price of the H Shares as quoted on the Stock Exchange during the period commencing from 1 July 2020 up to and including the Latest Practicable Date (the "**Review Period**"):

Source: www.hkex.com.hk

During the Review Period, the highest closing price of the Shares was HK$60.00 on 6 August 2020, while the lowest closing price of the Shares was HK$12.14 on 2 July 2020 and the daily closing price of the H Shares of most of the trading days has been fluctuating in a range from HK$30.00 to HK$50.00 per H Share (the "**Price Range**") with an average daily closing of the H Shares of approximately HK$35.79. The minimum subscription price of the Subscription Shares at RMB10.80 (equivalents to HK$12.06) is lower than the Price Range. The minimum subscription price represents a discount of approximately 80.0% and 0.7% to the highest closing price and the lowest closing price of the Shares during the Review Period, respectively.

According to the abovementioned pricing mechanism, the minimum subscription price of RMB10.80 (equivalent to approximately HK$12.06) will only be effective if (i) the 90% of recent closing price of H Share preceding the Effective Date fall below RMB10.80 (equivalent to approximately HK$12.06), represents that the H Share price falls below HK$13.40; and (ii) the audited net asset value per share of the Company as at the end of the financial year preceding the Effective Date falls below RMB10.80. The minimum subscription price of RMB10.80 (equivalent to approximately HK$12.06) per Subscription Share provides a safeguard for the downward price fluctuation of H Share as well as the audited net assets value which is in favor of the Company and the Independent Shareholders. Also, with reference to the current high price level of the H Share, it is remote for the H Share to drop below HK$13.40 per Share and adopt the minimum subscription price of RMB10.80 (equivalent to approximately HK$12.06) under this pricing mechanism. Meanwhile, when the closing price and the average price on or preceding to the Effective Date is above HK$13.40 per Share, the discount would not be more than 10% to the prevailing market price of the H Shares.

For illustration purpose, the minimum subscription price of RMB10.80 (equivalent to approximately HK$12.06 per Subscription Share) represents:

(i) a discount of approximately 45.8% of the closing price of HK$22.25 per H Share as quoted on the Stock Exchange on Last Trading Day;

(ii) a discount of approximately 48.5% of the average closing price of HK$23.42 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 50.7% of the average closing price of HK$24.44 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 61.3% of the closing price of HK$31.20 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a discount of approximately 60.9% of the average closing price of HK$30.82 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Latest Practicable Date; and

(vi) a discount of approximately 58.5% of the average closing price of HK$29.05 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Latest Practicable Date.

Assuming the Share price of the H Share will remain at the similar level up to the Effective Date and the Effective Date is the Latest Practicable Date, the closing price of H Shares as quoted on the Stock Exchange on the Latest Practicable Date was HK$31.20, thus the subscription price calculated under the pricing mechanism of the Subscription Shares will be approximately HK$28.08 (the "**Illustration Price**") which is higher than that of the minimum subscription price of RMB10.80 (equivalent to approximately HK$12.06 per Subscription Share) and the net asset value per share of the Company as at 31 December 2020 (i.e. RMB7.96 (equivalent to approximately HK$8.89)). Further, the Illustration Price represents:

(i) a premium of approximately 26.2% of the closing price of HK$22.25 per H Share as quoted on the Stock Exchange on Last Trading Day;

(ii) a premium of approximately 19.9% of the average closing price of HK$23.42 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 14.9% of the average closing price of HK$24.44 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 10.0% of the closing price of HK$31.20 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

(v) a discount of approximately 8.9% of the average closing price of HK$30.82 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Latest Practicable Date; and

(vi) a discount of approximately 3.3% of the average closing price of HK$29.05 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Latest Practicable Date.

As indicated above, the Illustration Price represents premium to the closing prices of the H Share on the Last Trading Day and the average closing prices of the H Share on the last five and ten consecutive trading days up to and including the Last Trading Day while the discount of the Illustration Price to the closing prices of the H Share on the Latest Practicable Date and the average closing prices of the H Share on the last five and ten consecutive trading days up to and including the Latest Practicable Date have been reduced as compared to those benchmark closing prices compared with the minimum subscription price of RMB10.80, thus we are of the view that the pricing mechanism is fair and reasonable and is in the interest of the Company and the Independent Shareholders as a whole.

(ii) Comparison with industry comparables

To assess the fairness and reasonableness of the subscription price per Subscription Shares, we have also endeavoured to identify all listed companies in Hong Kong which are principally engaged in the same industry with similar business operation of the Company which provides airport management and operation services in the PRC and examined the price to net asset value multiple (the "**P/B Ratio**") using the closing prices of such companies as quoted on the Last Trading Date. As the Group recorded a net loss for the year ended 31 December 2020, price to earnings multiple was not applicable and not considered in our analysis. We have identified one company whose H shares are also listed on the Main Board of the Stock Exchange, namely Beijing Capital International Airport Co., Ltd. (Stock Code: 694) ("**Beijing Capital**") and is principally engaged in the ownership and operation of the international airport in Beijing, the PRC and the provision of related services. Based on our selection criteria, we considered the industry comparable company of Beijing Capital to be exhaustive.

Assuming that the final subscription price of the Subscription Shares will be determined at RMB10.80 (equivalent to approximately HK$12.06), which is the minimum price under the pricing mechanism, such P/B Ratio is approximately 1.36 times. Assuming that the final subscription price of the Subscription Shares will be based on 90% of the prevailing market price on or prior to the Effective Date (which is unknown as at the Latest Practicable Date, thus we adopted the 90% of the closing price of H Shares as quoted on the Stock Exchange on the Last Trading Date (i.e. HK20.03)), such P/B Ratio is approximately 2.25 times.

We noted from our independent analysis that the P/B Ratio of Beijing Capital accounted for approximately 0.79 times, which was (i) lower than that of the Company implied by the minimum subscription price of the Subscription Shares of RMB10.80 (equivalent to approximately HK$12.06) at approximately 1.36 times; and (ii) lower than that of the Company implied by the 90% of the closing price of H Shares as quoted on the Stock Exchange on the Last Trading Date of approximately RMB17.94 (equivalent to HK$20.03 per Share) at approximately 2.25 times.

For our further analysis, we endeavoured to identify all listed companies in the PRC which are principally engaged in the same industry with similar business operation of the Company which provides airport management and operation services in the PRC from the official websites of Shanghai Stock Exchange and Shenzhen Stock Exchange. We have identified an exhaustive list of four listed companies in the PRC which are principally engaged in the airport management and operation services in the PRC on the official websites of Shanghai Stock Exchange and Shenzhen Stock Exchange, and we have summarised the Beijing Capital together with these four PRC listed companies (the "**Industry Comparable(s)**") for the purpose of P/B Ratio analysis. Summarised below are our relevant findings:

Company name	**Principal business**	**Market capitalization as at the Last Trading Date** *(HK$ million)*	**P/B Ratio as at the Last Trading Date** *(times)*
Beijing Airport (694.HK)	Principally engaged in the operation and management of Beijing Capital Airport and the provision of related services in China.	19,690.5	0.79
Guangzhou Baiyun International Airport Co. Ltd. (600004.SH)	Principally engaged in airport support services in Guangzhou Baiyun International Airport	23,679.8	1.13
Shanghai International Airport Co., Ltd. (600009.SH)	Principally engaged in provision of full range of services including air traffic control, terminal management, cargo handling, advertising, space rental, and other related services.	83,919.0	2.61
Xiamen International Airport Co., Ltd (600897.SH)	Principally engaged in aviation businesses, leasing and franchising businesses, cargo business, as well as parking business	5,081.4	1.20

Company name	Principal business	Market capitalization as at the Last Trading Date *(HK$ million)*	P/B Ratio as at the Last Trading Date *(times)*
Shenzhen Airport Co., Ltd (000089.SZ)	Principally engaged in provision of airport terminal ground passenger transportation and cargo delivery services.	16,098.9	1.20
		Maximum	2.61
		Minimum	0.79
		Average	1.39
		Median	1.20
Company			1.35 *Note 1*
			2.25 *Note 2*

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

Notes:

1. The relevant ratio was calculated based on the minimum subscription price as reference to the audited net asset value per Share of the Company as at 31 December 2019 (i.e. HK$12.06).

2. The relevant ratio was calculated based on the 90% of the closing price of the H Shares as quoted on the Stock Exchange on the Last Trading Date (i.e. HK$20.03).

We noted that the P/B Ratio of the Industry Comparables on the Last Trading Date ranged from approximately 0.79 times to approximately 2.61 times and have an average of approximately 1.39 times and a median of approximately 1.20 times. The P/B Ratio of the Company based on the 90% of the closing price on the Last Trading Date (i.e. HK$20.03) was approximately 2.25 times, and upon comparison, we noted that the 90% of the closing price on the Last Trading Day was (i) within the range of the P/B Ratio of the Industry Comparables; and (ii) higher than the average of P/B Ratio of the Industry Comparables and the median of the P/B Ratio of the Industry Comparables.

Having considered the analysis and factors set out in our letter contained in Company's circular dated 20 August 2020 and our updated analysis above, including,

(i) the Runway Acquisition is in line with the business development strategy of the Group and would alleviate its reliance on the operational support by the controlling Shareholder in the long run, it is necessary and in the interests of the Company and its Shareholder as a whole to propose the Parent Company Subscription Extension Resolutions in order to complete the Runway Acquisition; and

(ii) the pricing mechanism of the Parent Company Subscription is fair and reasonable,

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

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

Earnings

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

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

Working capital

Base on the interim report of the Company for the six months ended 30 June 2021 (the "**2021 Interim Report**"), the Group's deficiency of working capital (i.e. total current assets of approximately RMB963.2 million, less total current liabilities of approximately RMB6,943.9 million) amounted to approximately RMB5,980.7 million as at 30 June 2021, representing a current ratio of approximately 14%. This showed that the Group's working capital position was relatively tighter at that time.

As the total consideration for the acquisition of Phase I Runway Assets will be fully settled by allotment and issue of the Subscription Shares to the Parent Company, it would not exert any considerable immediate pressure on the working capital of the Group. Immediately after completion of the Parent Company Subscription, the Group's working capital position would be enhanced as a result of the net cash proceeds received from the Parent Company.

Net asset value

It is currently expected that there will not be any material adverse impact of the net asset value of the Group following the completion of the Parent Company Subscription, as the increase in the value of the non-current assets attributable to the Phase I Runway Assets will be funded by the allotment and issue of new Domestic Shares as the consideration for the Runway Acquisition, whilst the Parent Company Subscription would generate meaningful cash resources and enhance the net asset value of the Group.

According to the 2021 Interim Report, the Group had consolidated net asset value (excluding non-controlling interests) of approximately RMB4,113.8 million as at 30 June 2021, representing a net asset value per Share of approximately RMB8.69 (equivalent to approximately HK$9.71). Assuming the subscription price is 90% of the closing price of H Share as at the Last Trading Date (i.e. HK$20.03 (equivalent to approximately RMB17.94)), the subscription price of RMB20.03 per Subscription Share would represent a premium of approximately 106.3% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at 30 June 2021. On such basis, it is anticipated that the net asset value per Share would increase immediately after the completion of the Parent Company Subscription.

Gearing position

As at 30 June 2021, the Group's interest-bearing borrowings and net asset value amounted to approximately RMB2,399.1 million and RMB4,160.0 million respectively, and hence a gearing ratio (which is calculated as total interest-bearing borrowings, corporate bonds and long-term payables divided by the net asset value of the Group) of approximately 57.7%. As the consideration for the Runway Acquisition will be settled by allotment and issue of new Domestic Shares to the Parent Company, it is currently anticipated that the gearing position of the Group would decrease to a lower level, because its net asset value would be enhanced following completion of the Parent Company Subscription as a whole.

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

5. Potential dilution effect on the interests of other public Shareholders

Based on the shareholding structure of the Company as at the Latest Practicable Date as set out in the Letter from the Board, 226,913,000 H Shares were held by public Shareholders which represent approximately 47.95% of the issued share capital of the Company. Immediately after the Parent Company Subscription and assuming the Company fails to issue any New H Shares, the corresponding shareholding of public Shareholders will be diluted by approximately 10.99% to approximately 36.96%. In view of such scenario, the dilution of shareholding appears to be material, while such dilution is inevitable on the grounds that the Company would take up full control over the Phase I Runway Assets without expending any cash resources or incur any liability of the Group so as to alleviate its reliance on the operational support by the controlling Shareholder in the long-term future. The abovementioned dilution effect does not represent the theoretical dilution effect as defined under Rule 7.27B of the Listing Rules. For details of the possible changes in share capital and shareholding structure, please refer to the Letter from the Board in the Supplemental Circular.

However, the Independent Shareholders should note that dilution of the earnings per Share and shareholding is inevitable for the allotment and issue of new Domestic Shares and New H Shares. Having considered (i) the benefit of the Runway Acquisition, (ii) the possible enhancement and broadening of shareholders' capital base of the Company upon completion of the Subscription and the Parent Company Subscription and (iii) the expected increase in the total net asset value of the Group upon completion of the Subscription and the Parent Company Subscription, we consider that the dilution of the shareholding will outweigh the dilution impact to the Independent Shareholders and is fair and reasonable, so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement, the Parent Company Subscription and the Parent Company Subscription Extension Resolutions are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Independent Shareholders are concerned as well as is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favor of the Parent Company Subscription Extension Resolutions to be proposed at the Extraordinary General Meeting and the Class Meeting.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung — *Managing Director*
Louis Chan — *Director*

Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.mlairport.com) respectively:

- annual report of the Company for the year ended 31 December 2018 published on 18 April 2019 (pages 149 to 264) (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0418/ltn20190418428.pdf);

- annual report of the Company for the year ended 31 December 2019 published on 22 April 2020 (pages 165 to 284) (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200577.pdf);

- annual report of the Company for the year ended 31 December 2020 published on 20 May 2021 (pages 185 to 316) (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0520/2021052000527.pdf); and

- interim report of the Company for the six months ended 30 June 2021 published on 10 September 2021 (pages 41 to 104) (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0910/2021091000476.pdf).

2. INDEBTEDNESS

As at the close of business on 31 July 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this supplemental circular, the Group had total indebtedness as follows:

	31/07/2021
	RMB'000
Bank borrowings	
Short-term borrowings – guaranteed and secured (a)	379,450
Syndicated loan – guaranteed and secured (b)	1,944,000
	2,323,450
Other liabilities:	
Interest on bank loans payable	65,260
Lease liabilities (c)	150,681
Entrusted loans – guaranteed (d)	23,252
Payables to related parties – unguaranteed (e)	1,145,009
	1,384,202
Other current liabilities – provision for joint repayment commitment (b)	189,087
Total liabilities	**3,896,739**

(a) As at 31 July 2021, the secured bank loans with an annual interest rate of 6% were secured and guaranteed by the land of Parent Company, which has fallen due and remained outstanding. In March 2021, the Company has negotiated with the lending bank and reached an intention of renewal, the terms of which are still subject to negotiation with the bank. Given that the Parent Company, the guarantor of the loans, has entered into the merger and restructuring procedures of HNA Group Co., Ltd. (海航集團有限公司) (the "**HNA Group**"), the formal renewal agreement is subject to the final approval of the lending bank.

(b) As at 31 July 2021, the Company has withdrawn RMB1.94 billion of the borrowings under the syndicated loan arrangement, which has been presented as non-current liabilities due within one year. The borrowings bear an annual interest rate of 4.9%.

In the meantime, the Parent Company has withdrawn RMB3.24 billion of the borrowings under the syndicated loan arrangement, and the Company was jointly responsible for the repayment of the borrowings withdrawn by the Parent Company. The Company has made "other current liabilities – provision for joint repayment commitment" of RMB189 million due to the mergers and restructuring of the Parent Company, HNA Group and other 321 companies.

For detailed arrangement of the syndicated loans, please refer to the disclosure of joint borrowings in the "Working Capital" below.

(c) Lease liabilities are the balance of the minimum lease payments of fixed assets leased by the Group under financing lease after deducting unrecognised finance charge and the balance of the minimum lease payments of fixed assets leased by the Group under operating lease. As at 31 July 2021, the balance of lease liabilities was RMB150,680,569, of which RMB63,901,425 will be due within one year.

As at 31 July 2021, the balance of unrecognised finance charge was RMB4,599,134.

(d) Payables for entrusted loan with guarantee represent the minimum payment of entrusted loan provided by Dongyin Financial Leasing (Tianjin) Co., Ltd.* (東銀融資租賃(天津)有限公司) to the Group less unrecognized finance charges. As at 31 July 2021, the balance of entrusted loans was RMB23,251,544, of which RMB13,568,634 will be due within one year. Such loan was guaranteed by the Parent Company.

(e) These amounts are amounts due to related parties, which mainly include other payables to HNA Group and the Parent Company, and such amounts are interest-free, unsecured and presented as current liabilities.

Contingent Matters

As disclosed in the announcement of the Company dated 5 January 2021, Aero Infrastructure Holding Company Limited as the Claimant and the Company entered into a subscription agreement in relation to the subscription of 200,000,000 New H Shares (the "**Past New H Shares Subscription Agreement**") on 29 September 2019. The Claimant filed the Arbitration with the Hong Kong International Arbitration Centre against the Company asserting allegations in connection with the Past New H Shares Subscription Agreement. The Company does not believe that there is a breach of the subscription agreement as described by the claimant and has taken legal measures that will be strongly defended in the arbitration proceedings. As of the Latest Practicable Date , the case is still in progress. The management believes there is no breach by the Company as claimed in the notice of arbitration and believes that the claim of the arbitration claimant will not be supported by the arbitration tribunal, and therefore no accrual of estimated liabilities is required.

In addition, the Company obtained a loan in the principal amount of US$75,000,000 from Aero Infrastructure Investment Company Limited in August 2019, which was pledged against the Company's 100% equity interest in Hainan Ruigang Logistics Co., Ltd. (海南瑞港物流有限公司) and 51% equity interest in Haikou Meilan International Airport Cargo Co., Ltd. (海南美蘭國際機場貨運有限責任公司), both being a subsidiary of the Company. The loan was repaid on 8 July 2020 and the Company needs further cooperation from the lender for the release of such pledge, which are still pending. As at 31 July 2021, the pledge of such equity interests had not been released.

At the close of business on 31 July 2021, save as disclosed in this supplemental circular, the Group had no contingent liabilities or guarantees.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 31 July 2021, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 July 2021.

3. WORKING CAPITAL

As at 30 June 2021, the Group recorded net current liabilities of approximately RMB5.98 billion, short-term borrowings and non-current liabilities due within one year of RMB0.38 billion and RMB2.87 billion respectively, cash and cash equivalents of RMB0.52 billion. Non-current liabilities due within one year included mainly syndicated loan of RMB1.94 billion and amounts due to related parties of RMB0.84 billion.

The Company and the Parent Company are jointly constructing Meilan Airport Phase II Expansion Project (the "**Phase II Expansion Project**"). The Parent Company (as the borrower) and the Company (as the co-borrower) have obtained a syndicated loan (the "**Syndicated Loan**") with a total facility of RMB7.8 billion and maturity of 20 years which is specifically for financing the construction of the Phase II Expansion Project. The Company and the Parent Company jointly undertake the repayment obligation for each loan drawn down under the Syndicated Loan Agreement and are jointly and severally liable for the repayment of the Loan (the "**Joint Repayment Commitment**"). As of 30 June 2021, the draw-down of the Syndicated Loan totalled to RMB5.18 billion, of which the Parent Company has drawn down RMB3.24 billion and the Company has drawn down RMB1.94 billion. As of 30 June 2021, the Parent Company has triggered the event of default of the Syndicated Loan Agreement. Furthermore, as HNA Group and its certain related parties including the Parent Company were not able to settle their debts in due course and were insolvent as a whole and these companies are highly mixed, Hainan Higher People Court ruled on the acceptance of the substantial consolidated restructuring of HNA Group and its related companies inclusive of the Parent Company totalling 321 companies on 13 March 2021 ("**Parent Company's Defaults**"). Parent Company's Defaults resulted in the loan syndicate has the right to request, at any time, the Company as the co-borrower to undertake the Joint Repayment Commitment to repay the Syndicated Loan drawn down by the Parent Company amounting to RMB3.24 billion, and after the payment the Company has the right to request reimbursement from the Parent Company. The Parent Company's Default has also resulted in the loan syndicate has the right to request the Company to early repay the balance of the Syndicated Loan drawn down by the Company amounting to RMB1.94 billion and suspend offering the remaining loan facility of RMB1.96 billion to the Company. The Group has reclassified the Syndicated Loan drawn down by the Company of RMB1.94 billion which is originally due for repayment after 30 June 2022 to current portion of non-current liabilities, and provided "credit impairment loss – loss from Joint Repayment Commitment" of RMB189 million in respect of the expected credit loss for above-mentioned Joint Repayment Commitment in 2020. As of 30 June 2021, the balance of "other non-current liabilities – Joint Repayment Commitment" was RMB189 million. As of the date of this supplemental circular, the Company and the Parent Company have not obtained the written waiver from loan syndicate, and have not received request from loan syndicate requiring the Company to repay the Syndicated Loan or undertake the Joint Repayment Commitment.

A short-term bank loan of the Company amounting to approximately RMB380 million has not been repaid in due course in November 2020 (the "**Overdue Debt**") and constituted an event of default of the bank loan. As of the date of this supplemental circular, the Company has not yet obtained a written waiver from the bank in respect of the Overdue Debt.

The Company received arbitration application requiring the Company to pay a compensation for the damage in a maximum amount of HK$6.962 billion in respect of the H shares subscription agreement entered into in prior year on 23 December 2020. Management is of the view that the Company has no breach of contract as claimed by the applicant and the damage claimed by the applicant will not be supported by the arbitration centre. As of 30 June 2021, the Company has not made any provision for the Arbitration. As of the date of this supplemental circular, the Hong Kong International Arbitration Centre has issued the Procedural Order No. 1 for the Arbitration and the applicant has submitted statement of claims and supporting documents.

The Overdue Debt and the Arbitration have also constituted events of default of the Syndicated Loan.

In addition, as of 30 June 2021, the Company's payables to related parties totalled to RMB1.15 billion, including other payables of RMB0.31 billion and non-current liabilities due within one year of RMB0.84 billion, these payables have no specific repayment terms. As these related parties have been included in HNA Group Substantial Consolidated Restructuring, the Company may be required to settle these payables immediately. As of the date of this supplemental circular, the Company has not received request to repay these payables.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the sufficiency of the Group's working capital.

In view of the above, the directors of the Company have carefully considered the progress of HNA Group Substantial Consolidated Restructuring, the Parent Company Subscription for proposed acquisition of Phase I Runway Assets and the proceeds from the proposed New H Shares Issue, the Group's future liquidity, operation results and available sources of financing so as to assess whether the Group has sufficient working capital and sources of financing to ensure that it can settle its debts when they fall due in 12 months from the date of this supplemental circular. The Group and the Parent Company are trying to take certain measures to improve its financial position and cash flow status, including but not limited to:

1) The Parent Company and the loan syndicate have submitted an application to the administrator of HNA Group Substantial Consolidated Restructuring (the "**Restructuring Administrator**") to apply for Hainan High People Court to approve the Syndicated Loan Agreement as a continuing contract. The Company, the Parent Company and the Restructuring Administrator are negotiating with the loan syndicate to waive the aforementioned events of default. Management is of the view that the application of the Syndicated Loan Agreement as continuing contract can be approved by the court and the HNA Group Substantial Consolidated Restructuring can be completed. Based on this preassumption, management is of the view that the loan syndicate will grant the waiver of the events of default and will not require the Company to settle the balance of the Syndicate Loan drawn down by the Parent Company of RMB3.24 billion or early repay the balance of the Syndicate Loan drawn down by the Company of RMB1.94 billion and will continue to grant the remaining facility of the Syndicate Loan according to the Syndicate Loan Agreement;

2) In respect of the Overdue Debt, the Company is negotiating with the bank and has obtained a letter of intent from the bank in March 2021, the bank is planning to extend the whole loan by entering into a new long-term loan agreement with the Company. The new loan agreement is subject to the final approval of the bank. Management is of the view that the loan can be renewed and extended under reasonable condition and the Company can continuously fulfil the covenants during the extended loan period;

3) In respect of the payables to related parties, although the HNA Group Substantial Consolidated Restructuring is in progress, the Company has proposed a by-instalment repayment schedule to the Restructuring Administrator. Management is of the view that HNA Group Substantial Consolidated Restructuring will be successfully completed, the repayment schedule can be approved by the Restructuring Administrator and the related creditors' meeting of HNA Group;

4) In respect of the Arbitration, the arbitration is in progress as of the date of this supplemental circular, the two parties are preparing information for submission to arbitration centre. The Company will raise a strong defense. Management is of the view that the matters claimed by the applicant will not be supported by the arbitration centre and the Company will not be required to pay the damage;

5) As at 30 June 2021, the Parent Company has obtained the funding from Hainan Provincial Government sourced from the local government bonds offering and paid the construction fee of the Company for the Phase II Expansion Project amounting to approximately RMB130 million. The Parent Company and the Company continuously discussed with Hainan Provincial Government about the continuous sources of funding for the Phase II Expansion Project. Management is of the view that the Company can obtain continuous fundings to finance the construction of the Phase II Expansion Project. As of the date of this supplemental circular, the construction of the Phase II Expansion Project is progressing well, management anticipates the Phase II Expansion Project will be completed and put into use in 2021; and

6) Although being affected by Covid-19 epidemic, the airport operation businesses of the Group have achieved a stable growth in the second half of 2020. For the six months ended 30 June 2021, the passenger throughput of the Group was approximately 9.9669 million, representing an increase of 64.93% as compared to the same period of last year. Management estimated the Group's airport operation businesses in 2021 will continue to grow by comparing the year of 2020, and generate stable net operating cash inflow.

The Board has reviewed the Group's cash flow forecast prepared by the management of the Company and the Directors are of the opinion that, after careful consideration of the progress of HNA Group Substantial Consolidated Restructuring and taking into account the proposed acquisition of Phase I Runway Assets and the estimated proceeds from the proposed New H Share Issue, as well as the resources available to the Group, including the internally generated funds and the available banking and other financing resources, and taking into account the above plans and measures, and in the absence of unforeseeable circumstances, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this supplemental circular.

Notwithstanding, significant uncertainty exists as to whether the Group is able to achieve its plans and measures as described above:

1) Whether the Syndicated Loan Agreement will be approved by the court as a continuing contract and whether the HNA Group Substantial Consolidated Restructuring can be successfully completed. Based on this preassumption, whether the Company can obtain the loan syndicate's waiver in respect of the aforementioned events of default and then the Company is not required to early repay the balance of the Syndicate Loan drawn down by the Company of RMB1.94 billion or settle the balance of the Syndicate Loan drawn down by the Parent Company of RMB3.24 billion and the loan syndicate will continue to grant the remaining facility of the Syndicate Loan according to the Syndicate Loan Agreement;

2) In respect of the Overdue Debt, whether the bank will approve the extension of the loan by entering into a new long-term loan contract and whether the Company can continuously fulfil the loan covenants during the extended loan period;

3) In respect of the payables to related parties, whether the Company's proposed repayment schedule can be approved by the Restructuring Administrator and the related creditors' meeting of HNA Group;

4) In respect of the Arbitration Case, whether the Company will not be required to pay the damage as claimed by the applicant;

5) Whether the Company can continue to obtain fundings to finance the construction of the Phase II Expansion Project and settle the construction fee payables, and whether the project will be completed and put into use according to the schedule; and

6) Whether the Group's airport operation businesses will continue to grow according to the management's forecast and generate stable net operating cash inflow.

If the above conditions are not met and the Group is unable to take other measures to defer payment of its debts as they become due over the next twelve months, the Group will not have sufficient working capital for its present requirements for at least the next 12 months from the date of this supplemental circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2020, the Group recorded an audited revenue of RMB1,369.53 million, and a net loss attributable to Shareholders of RMB1,340.38 million. Loss per share was RMB2.83. For the first half year ended 30 June 2021, the Group recorded an unaudited revenue of RMB893.98 million and net profit attributable to shareholders of RMB345.36 million. Earnings per share was RMB0.73.

In the first half of 2021, the global epidemic situation was gradually under control, and the world economy gradually recovered. However, the economy of different countries still showed significant differentiation and imbalance. With the acceleration of domestic vaccination speed and the gradual implementation of various measures to normalize epidemic prevention and control, in the first half of the year, various regions in the PRC implemented precise macroeconomic policies. As a result, the national economy continued to recover steadily, production demand continued to rise, and employment and prices were generally stable. With the rapid growth of new momentum, steady improvement in quality and efficiency, and positive expectations of market entities, the major macro indicators were within a reasonable range and economic development showed a trend of steady reinforcement and improvement amidst stabilisation. The economy of Hainan continued to develop well on the basis of achieving a "good start" in the first year of the "14th Five-Year" Plan, showing a good trend of "stable development at the start and progress amidst stabilisation", and the major economic indicators including fixed asset investment and total retail sales of social consumer goods maintained rapid growth.

In the first half of 2021, the severe situation of overseas epidemic prevention and control and the repeated outbreaks of the Epidemic in certain areas in the PRC hit the civil aviation passenger transportation market again, and Meilan Airport still faced greater pressure on production and operation. In this context, the Group adhered to epidemic prevention and control and strictly implemented the requirements of governments at all levels to ensure the safe operation of Meilan Airport; and it promoted the resumption of work and production through various measures including strengthening cooperation with enterprises at the upstream and downstream of the aviation tourism industry chain. Due to the Epidemic, Meilan Airport suspended international and regional flights from 29 March 2020. As of the Latest Practicable Date , international and regional passenger routes have not yet resumed. At present, the Epidemic situation abroad is still severe, and its impact on the international passenger transportation market of Meilan Airport is still continuing.

In the second half of 2021, Hainan Province will focus on ten aspects including implementation of free trade port policy, effective investment and investment promotion, expanding consumer demand, building a modern industrial system, optimizing the business environment, rural revitalization, ecological environmental protection, safety protection in production, people's livelihood and work style construction, to promote the high-quality development of the province's economy. Under the leadership of the governments at all levels in Hainan Province, Meilan Airport will revise and refine the internal rectification plan in strict accordance with the CAAC's latest requirements on three-year special rectification action for safety production, to integrate the dual prevention mechanism of "hidden hazard management" and "risk prevention and control" with SMS (Safety Management System) construction, consolidate the "basic skills", and form a long-term working mechanism; the normalization of epidemic prevention and control will be continuously implemented and focus will placed on the winter season change of flights, aviation market promotion, and promotion of the recovery of international flights. Meanwhile, Meilan Airport will cooperate with the Meilan Airport Off-shore Duty-free Shop to proceed with off-shore duty-free promotion to increase operating income; it will fully cooperate with the departments in advancement of favourable policies including the Seventh Freedom of The Air and bonded aviation oil, striving to put the Phase II Expansion Project into operation in 2021 to help the construction of the Hainan Free Trade Port. In addition to ensuring safety and service quality, the Group will continue to reduce expenditures, generate new income sources and strictly control costs, so as to maintain annual income level and strive for fruitful return to the shareholders.

1. RESPONSIBILITY STATEMENT

This supplemental 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 supplemental 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 supplemental circular misleading.

2. DISCLOSURE OF INTERESTS

Director's Interest and Short Position

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

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

As at the Latest Practicable Date, none of the Directors has any material interest, directly or indirectly, in any asset which, since 31 December 2020, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

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

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

Save as disclosed above, as at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' Interests in Shares

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

Domestic Shares

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

H Shares

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
ARC Capital Holdings Limited *(Note 2)*	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited *(Note 2)*	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. *(Note 2)*	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited *(Note 2)*	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Pacific Alliance Group Asset Management Limited *(Note 2)*	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited *(Note 2)*	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited *(Note 2)*	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited *(Note 2)*	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited *(Note 2)*	Beneficial owner	32,788,500(L)	14.45%	6.93%
UBS Group AG *(Note 3)*	Interest of controlled corporations	33,620,700(L) 4,701,801(S)	13.53% 2.07%	6.49% 0.99%
Sumitomo Mitsui Financial Group, Inc *(Note 4)*	Beneficial owner	15,883,000(L)	6.99%	3.36%
Aspex Management (HK) Limited *(Note 5)*	Investment manager	24,968,000(L)	11.00%	5.28%

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.

2. According to the disclosure of interest filed on the website of the Stock Exchange, PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 long position shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interest in Walden Ventures Limited, which in turn held 14.45% interest in the H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited, which in turn held 14.45% interest in the H shares of the Company.

3. According to the disclosure of interest filed by UBS Group AG on the website of the Stock Exchange, UBS Group AG was deemed to hold 33,620,700 long position shares and 4,701,801 short position shares through its interest in controlled corporations. UBS AG, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Deutschland) GmbH, UBS Fund Management (Switzerland) AG, UBS Switzerland AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd and UBS Asset Management Switzerland AG were wholly owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were holding 13,098,302, 541,300, 18,624,837, 46,000, 40,000, 699,261, 3,000, 228,000 and 340,000 long position shares in the Company, respectively. In addition, UBS AG and UBS Switzerland AG hold 4,688,981 and 12,820 short position shares in the Company.

4. According to the disclosure of interest filed by Sumitomo Mitsui Financial Group, Inc on the website of the Stock Exchange, Sumitomo Mitsui Financial Group, Inc was deemed to hold 15,883,000 long position shares through its interest in controlled corporations. SMBC Asset Management Services (UK) Limited was held as to 100% by Sumitomo Mitsui Financial Group, Inc, TT International Asset Management Ltd was held as to 100% by SMBC Asset Management Services (UK) Limited, and TT International Asset Management Ltd was held as to 100% by TT International Asset Management Ltd. TT International Asset Management Ltd and TT International Asset Management Ltd held 13,704,579 and 2,097,421 long position shares, respectively. In addition, Sumitomo Mitsui DS Asset Management Company, Limited was held as to 50.13% by Sumitomo Mitsui Financial Group, Inc, and Sumitomo Mitsui DS Asset Management (Hong Kong) Limited was held as to 100% by Sumitomo Mitsui Financial Group, Inc. Sumitomo Mitsui DS Asset Management (Hong Kong) Limited held 81,000 long position shares.

5. According to the disclosure of interest filed on the website of the Stock Exchange, Aspex Management (HK) Limited was deemed to hold 24,968,000 long position shares in its capacity as investment manager.

6. (L) and (S) represent long position and short position respectively.

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

3. SERVICE CONTRACTS

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

4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2020, the date to which the latest audited financial statements of the Group were made up.

5. LITIGATION

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

6. EXPERT AND CONSENT

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

Name	Qualifications
Octal Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Chelbi Engineering Consultants, Inc. ("**Chelbi**")	Independent traffic study report consultant
Vigers Appraisal & Consulting Limited ("**Vigers**")	Professional surveyors and valuers

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

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

7. MISCELLANEOUS

(a) The secretary of the Company is Mr. Xing Zhoujin. Mr. Xing Zhoujin, aged 54, an economist, has engaged in corporate governance of listed companies for years and participated in relevant trainings provided by securities regulatory authorities at home and abroad.

(b) The registered address of the Company is at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC.

(c) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) The English text of this supplemental circular and form of proxy shall prevail over the Chinese text.

8. MATERIAL CONTRACTS

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

(a) Past New H Shares Subscription Agreement;

(b) supplemental investment and construction agreement (the "**Supplemental Investment and Construction Agreement**") dated 11 May 2020 entered into between the Company and the Parent Company in respect of the Phase II Expansion Project;

(c) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement; and

(d) the 2020 Parent Company Domestic Shares Subscription Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Sheung Wan, Hong Kong for a period of 14 days from the date of this supplemental circular:

(a) the Articles of Association;

(b) the Past New H Shares Subscription Agreement;

(c) the Supplemental Investment and Construction Agreement;

(d) the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement;

(e) the 2020 Parent Company Domestic Shares Subscription Agreement;

(f) the letter from the Board, the text of which is set out on pages 6 to 23 of this supplemental circular;

(g) the letter from the Independent Board Committee to the Independent Shareholders;

(h) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;

(i) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021;

(j) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix;

(k) the circular of the Company dated 20 August 2020;

(l) the circular of the Company dated 13 August 2021; and

(m) this supplemental circular.

A. THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENTS

Set forth below are the major terms of the 2020 Parent Company Domestic Shares Subscription Agreement:

Date

24 July 2020

Parties

(i) the Company; and

(ii) the Parent Company

Subscription Shares

Pursuant to the 2020 Parent Company Domestic Shares Subscription Agreement, the Parent Company agreed to subscribe for the Subscription Shares, being not more than 140,741,000 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company.

The Subscription Shares will be allotted and issued at a subscription price which is the highest of the followings:

(1) RMB10.80 (equivalent to approximately HK$12.06) per Subscription Share, being the audited net asset value per Share of the Company as at 31 December 2019; or

(2) the audited net asset value per Share of the Company as at the end of the financial year preceding the Effective Date; or

(3) 90% of the highest among the followings:

   (i) the closing price of H Share as quoted on the Stock Exchange at the Effective Date;

   (ii) the average closing price of H Shares as quoted on the Stock Exchange over the last five (5) trading days prior to the Effective Date;

   (iii) the average closing price of H Shares as quoted on the Stock Exchange over the last ten (10) trading days prior to the Effective Date; and

   (iv) the average closing price of H Shares as quoted on the Stock Exchange over the last twenty (20) trading days prior to the Effective Date.

The final amount of the Subscription Shares is to be calculated by dividing the total subscription price for the Subscription Shares by the final subscription price per Subscription Share.

Conditions precedent

Effectiveness of the 2020 Parent Company Domestic Shares Subscription Agreement is conditional upon fulfilment of the following conditions or otherwise agreed by the Parent Company and the Company in writing or waived by the Company in writing:

(a) the passing of resolutions by the Board and the Independent Shareholders in accordance with the Articles of Association and the Listing Rules approving, among others, the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder;

(b) the passing of resolutions by the general meeting of the Parent Company approving the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder; and

(c) the obtaining of approvals from relevant competent departments and/or regulatory authorities, including but not limited to the CSRC, the Stock Exchange (where applicable) and the SFC (where applicable), in relation to the 2020 Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder.

B. INFORMATION OF THE PHASE I RUNWAY ASSETS

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

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

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

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

(a) Earnings

As disclosed in the annual report of the Group for the year ended 31 December 2020, the Group recorded a net loss attributable to shareholders was approximately RMB1,340,376,146 for the year ended 31 December 2020. Upon the completion of the acquisition of the Phase I Runway Assets, it is expected that the net profit of the Group will increase.

(b) Total assets and liabilities

As disclosed in the annual report of the Group for the year ended 31 December 2020, the Group had total assets of RMB11,077,487,669 as at 31 December 2020. Upon the completion of the acquisition of the Phase I Runway Assets, it is expected that the total assets of the Group will increase. The acquisition of the Phase I Runway Assets will not have any impact on the liabilities of the Group.

For other information in relation to the Parent Company Subscription, please refer to the circular of the Company dated 24 July 2020.

I. BACKGROUND

(I) Hainan Meilan International Airport Company Limited

Haikou Meilan International Airport (hereinafter referred to as "**Meilan Airport**") commenced its services on 25 May 1999, and with beautiful scenery, spectacular view and a greenbelt area ratio of up to 99.6%, it was considered as China's No. 1 ecological landscape garden airport.

In recent years, Meilan Airport has developed rapidly. The transportation capacity has been rising over the years, and it has enjoyed a sustained annual growth rate of passenger throughput at 10% above. As of 26 December 2011, the passenger throughput of Meilan Airport had a breakthrough of 10,000,000, since which, it has been considered on a par with other major airports in Mainland China. In March 2012, the National Development and Reform Commission approved the implementation of the Meilan Airport Phase II Expansion Construction (hereinafter referred to as "**Phase II Expansion Construction"**). Meilan Airport Phase II Expansion Construction will be built in conformity with the standards of a five-star airport.

To satisfy the project needs of additional issuance of domestic shares by Hainan Meilan International Airport Company Limited (hereinafter referred to as "**Meilan Airport Company**") and in consideration of the impact of the COVID-19 epidemic in 2020, CHELBI ENGINEERING CONSULTANTS, INC. was commissioned by Meilan Airport Company in September 2021 to conduct a specific study on the future air traffic of Meilan Airport for the purpose of the incorporation in the circular.

(II) CHELBI ENGINEERING CONSULTANTS, INC.

CHELBI ENGINEERING CONSULTANTS, INC. (hereinafter referred to as "**Chelbi**") was established in 1984. As one of the earliest sino-foreign joint venture engineering consulting companies in Mainland China, it is currently one of the largest sino-foreign joint venture engineering consulting companies in Mainland China and is principally engaged in businesses such as the research of transportation development strategies, planning and feasibility study of transportation and construction engineering projects, the research, survey and design, bidding consultation and bidding agency, project evaluation and project management of loan technical assistance projects of international financial organizations, the traffic safety study, consultation on the financing and marketization operation of transportation infrastructure projects.

(III) Study basis

The report collects base data that is relatively complete to use as an important reference for the traffic study, as follows:

- Meilan Airport 2005-2020 Air Transport Statistics;
- Sanya Phoenix International Airport 2006-2020 Air Transport Statistics;
- The World Bank – Global Economic Prospects 2020: Slow Growth, Policy Challenges;
- Global Economic Prospects (South Asia);
- Haikou Meilan International Airport Phase II Expansion Construction Feasibility Study Report (July 2013);
- The development of civil aviation in China and the aviation industry of other major cities across the country;
- Historic statistic yearbooks and statistic communiqués of Hainan Province;
- Hainan International Tourism Island Construction Development Plan (2010-2020);
- Other industry-related regulations and standards.

To expressly indicate, the information providers are responsible for the accuracy and validity of the aforesaid information, Chelbi has not independently verified any of the aforesaid information.

II. MEILAN AIRPORT'S HISTORICAL DEVELOPMENT TREND

Being a modernized 4E-rating civil airport, Meilan Airport has been developing rapidly in recent years, and the three indicators, namely the passenger throughput, cargo and mail throughput and aircraft takeoff and landing, have retained a relatively fast-growing momentum. From the perspective of the annual average growth rate (from 2005 to 2020), the passenger throughput, cargo and mail throughput and aircraft takeoff and landing have risen by 5.9%, 5.5% and 5.5% respectively, and the increase in the proportion of wide-body passenger aircraft and large passenger aircraft makes it possible to meet more transportation needs without changing the times of aircraft takeoff and landing.

The passenger throughput of Meilan Airport from 2005 to 2020 is shown in the table below.

Table 1 Historic passenger throughput of Meilan Airport (Unit: headcount/year)

Year	Total	Domestic	International	Regional
2005	7,027,397	6,799,474	88,015	139,908
2006	6,668,016	6,397,147	140,299	130,570
2007	7,265,352	6,926,203	165,270	173,879
2008	8,221,997	7,871,710	189,079	161,208
2009	8,391,165	8,083,307	151,893	155,965
2010	8,773,771	8,416,614	191,481	165,676
2011	10,167,502	9,779,671	189,135	198,696
2012	10,696,721	10,266,721	191,347	238,653
2013	11,935,470	11,460,903	186,739	287,828
2014	13,853,859	13,307,062	244,889	301,908
2015	16,167,004	15,620,074	244,257	302,673
2016	18,803,727	17,994,611	425,069	384,047
2017	22,584,815	21,540,933	597,285	446,597
2018	24,123,582	22,814,745	835,934	472,903
2019	24,216,552	22,590,092	1,176,465	449,995
2020	16,490,216	16,350,057	100,330	39,829
		Annual average growth rate		
2006–2010	4.5%	4.4%	16.8%	3.4%
2011–2015	13.0%	13.2%	5.0%	12.8%
2016–2020	0.4%	0.9%	-16.3%	-33.3%
2006–2019	9.2%	9.0%	20.3%	8.7%
2006–2020	5.9%	6.0%	0.9%	-8.0%

The cargo and mail throughput of Meilan Airport from 2005 to 2020 is shown in the table below.

Table 2 Historic cargo and mail throughput of Meilan Airport (Unit: ton/year)

Year	Total	Domestic	International	Regional
2005	60,590.3	60,103.1	212.3	274.9
2006	62,510.1	62,072.5	213.3	224.3
2007	69,791.0	69,265.3	65.8	459.9
2008	74,062.6	73,537.4	167.0	358.2
2009	77,786.1	77,476.0	137.4	172.7
2010	91,667.3	91,312.3	86.5	268.5
2011	97,826.9	97,414.1	107.9	304.9
2012	99,945.0	99,183.4	352.8	408.8
2013	111,813.6	110,876.6	382.6	554.4
2014	121,131.5	120,214.6	464.7	452.2
2015	135,944.7	135,144.1	197.6	603.0
2016	148,814.2	145,566.0	2,471.3	776.9
2017	154,495.7	151,376.5	2,152.2	967.0
2018	168,622.1	164,158.9	3,503.8	959.4
2019	175,566.7	168,831.5	5,680.3	1,054.9
2020	134,717.9	133,752.8	905.9	59.2
		Annual average growth rate		
2006–2010	8.6%	8.7%	-16.4%	-0.5%
2011–2015	8.2%	8.2%	18.0%	17.6%
2016–2020	-0.2%	-0.2%	35.6%	-37.1%
2006–2019	7.9%	7.7%	26.5%	10.1%
2006–2020	5.5%	5.5%	10.2%	-9.8%

The aircraft takeoff and landing of Meilan Airport from 2005 to 2020 is shown in the table below.

Table 3 Historic aircraft takeoff and landing of Meilan Airport (Unit: time/year)

Year	Total	Domestic	International	Regional
2005	57,994	55,498	934	1,562
2006	54,222	51,389	1,187	1,646
2007	56,872	53,675	1,387	1,810
2008	63,100	59,895	1,508	1,697
2009	65,186	62,444	1,290	1,452
2010	67,501	64,551	1,551	1,399
2011	75,528	72,360	1,516	1,652
2012	79,886	76,002	1,651	2,233
2013	88,859	84,652	1,724	2,483
2014	102,130	96,839	2,870	2,421
2015	121,827	116,938	2,556	2,333
2016	132,857	126,742	3,033	3,082
2017	156,065	147,449	4,958	3,658
2018	164,090	154,718	5,739	3,633
2019	163,957	152,266	8,040	3,651
2020	129,726	128,479	866	381
		Annual average growth rate		
2006–2010	3.1%	3.1%	10.7%	-2.2%
2011–2015	12.5%	12.6%	10.5%	10.8%
2016–2020	1.3%	1.9%	-19.5%	-30.4%
2006–2019	7.7%	7.5%	16.6%	6.3%
2006–2020	5.5%	5.8%	-0.5%	-9.0%

As observed from table 1 to table 3, from 2006 to 2019, the average annual growth rate of international passengers, international cargo and mail and international takeoff and landing were the highest, which is closely associated with the internationalized development trend of the economic society of Hainan Province. However, the impact of the COVID-19 outbreak in 2020 caused a significant drop in airport traffic, with international traffic being the most severely affected, and regional and domestic traffic also affected to varying degrees.

III. ANALYSIS ON FACTORS AFFECTING FUTURE DEVELOPMENT OF AIR TRANSPORT SERVICES OF MEILAN AIRPORT

(I) GDP

Economic and social development and the accompanying increase in disposable income are key factors driving international, regional and domestic air travel. The relationship between per capita income and travel frequency is quite close in each market. The economic situation of China is particularly important, as it is the key driver to promote the growth of air travel in China and the increase in domestic passengers. The economic situation of countries where the inbound passengers belong to is equally important, the following table provides the GDP of related countries and regions as the basis for predicting the base scenario of airport traffic.

Table 4 The GDP growth rate forecast of major source markets of Meilan International Airport 2021–2050

Source Market	2021	2022	2023–2025	2026–2030	2031–2040	2041–2050
China	5.8%	5.7%	5.5%	5.5%	5.0%	4.0%
Hainan Province	6.0%*	6.0%*	5.5%	5.0%	4.0%	3.0%
Hong Kong	3.0%*	3.0% *	3.0%	3.0%	2.5%	2.0%
Macau	5.5%*	5.5%*	5.0%	4.5%	4.0%	3.0%
Taiwan	2.0%*	2.0%*	2.0%	1.5%	1.0%	1.0%
Japan	0.6%	0.4%	0.5%	0.5%	0.4%	0.4%
South Korea	2.5%*	2.5%*	2.5%	2.0%	1.5%	1.0%
Thailand	2.8%	2.9%	3.0%	3.0%	2.5%	2.0%
Vietnam	6.5%	6.4%	6.4%	6.0%	5.0%	4.0%
Singapore	3.0%*	3.0%*	2.5%	2.0%	1.5%	1.0%
Indonesia	5.2%	5.2%	5.0%	5.0%	4.5%	4.0%
Australia	3.0%*	3.0%*	3.0%	2.5%	2.0%	1.5%
Malaysia	4.5%	4.5%	4.0%	3.5%	3.0%	2.5%
Cambodia	6.8%	6.8%	6.5%	6.0%	5.0%	4.0%
Laos	5.7%	5.6%	5.5%	5.0%	4.5%	4.0%
Ukraine	4.2%	4.2%	4.0%	3.5%	3.0%	2.5%
Brunei	1.0%*	1.0%*	1.0%	0.8%	0.6%	0.5%
Myanmar	6.8%	6.8%	6.5%	6.0%	5.0%	4.0%
Kazakhstan	3.9%	3.7%	3.5%	3.0%	2.5%	2.0%
Russia	1.8%	1.8%	2.0%	2.0%	1.5%	1.5%
Philippines	6.2%	6.2%	6.0%	5.0%	4.0%	3.0%
Italy	1.7%	1.7%	1.5%	1.5%	1.0%	1.0%

Notes:

1. Data sources: The World Bank – Global Economic Prospects 2020: Slow Growth, Policy Challenges, Global Economic Prospects (South Asia) and the official website of the World Bank;

2. The data with "*" and the forecast data from 2023 to 2050 are the results of extrapolation based on data sources.

(II) Hainan International Tourism Island

On 4 January 2010, the State Council issued the Certain Opinions of the State Council on Promoting the Construction and Development of Hainan International Tourism Island. As a national material strategic deployment, China will initially develop Hainan as the world's first-class recreational resort island by 2020, making it an island of liberalization, green, civilization and harmony.

Hainan International Tourism Island will be developed into a pilot zone for the reform and innovation of China's tourism industry, a world-class island leisure vacation destination, a national ecological civilization construction demonstration area, an important platform for international economic cooperation and cultural exchange, the South China Sea resource development and servicing base and the national tropical modern agricultural base.

Transportation infrastructure is a major support to the construction of Hainan International Tourism Island. Although the construction plan and timetable of the Qiongzhou Strait Cross-sea Project have not yet been confirmed, the related preliminary strategic research work has been accelerating. The cross-sea channel directly connects the economies of Hainan, Guangdong and even the whole country, which can promote the development of Hainan, but also can create better opportunities for China's southeast coastal manufacturing industry to penetrate the Southeast Asian market. The establishment of the international tourism island can also make Hainan a brand-new international consumer market, which is conducive to establishing the Made-in-China image worldwide. Furthermore, the development of Hainan is also beneficial to exploit and manipulate petroleum and gas resources in the South China Sea, which is favorable for China to maintain the integrity of its territory in the South China Sea.

(III) Hainan Pilot Free Trade Zone

In 2018, President Xi Jinping of the People's Republic of China solemnly announced at the 30th Anniversary Meeting of Hainan Province and Hainan Special Economic Zone that, the CPC Central Committee decided to support the construction of a pilot free trade zone across the island of Hainan. The construction of the China (Hainan) Pilot Free Trade Zone (hereinafter referred to as the "**Pilot Free Trade Zone**") is a major decision made by the CPC Central Committee and the State Council based on the overall international and domestic development through in-depth research, overall consideration and scientific planning as well as a major measure that demonstrated China's determination to expand opening-up and actively promote the economic globalization. In order to deeply implement the spirits of General Secretary Xi Jinping's important speech at the conference celebrating the 30th anniversary of the setup of Hainan Province and the establishment of a special economic zone in Hainan, follow the requirements in the Guiding Opinions of the CPC Central Committee and the State Council on Supporting Hainan's Comprehensive Deepening of Reform and Opening-up and build the Pilot Free Trade Zone with high standards and high quality, the Overall Plan of China (Hainan) Pilot Free Trade Zone has been formulated.

We must give full play to the overall advantages of the across-island pilots in the Hainan Island and focus on the construction of a pilot area for the comprehensive deepening of reform and opening-up, a national ecological civilization pilot zone, an international tourism consumption center and a servicing area of major national strategies, and we should adopt a more proactive opening strategy, accelerate the construction of a new open economic system and promote the formation of a new pattern of comprehensive opening, in a bid to build Hainan into China's important opening door to the Pacific Ocean and the Indian Ocean. According to the requirements of the overall plan of Hainan Province, we should take the development of tourism, modern service industry and high-tech industries as the key tasks, and scientifically arrange the industrial layout of Hainan Island. We should set up special customs supervision areas according to development needs, and innovate systems mainly to facilitate the free investment and trade in the special customs supervision areas and principally carry out the international investment and trade, bonded logistics, bonded maintenance and other businesses. A site should be selected in Sanya to establish customs quarantine areas to carry out the businesses such as the introduction and transit of global animal and plant germplasm resources.

The construction of the Pilot Free Trade Zone will bring a new round of development opportunities for the aviation industry in Hainan Province, and further promote the vigorous development of the aviation market.

(IV) Impacts on Sanya Phoenix International Airport

Sanya Phoenix International Airport is a domestic mainline airport with an area of 471.20 hectares and a terminal area of 107,000 square meters. In 2020, Sanya Phoenix International Airport operated 195 flight routes, including 159 domestic routes, 36 international and regional routes; the airport extended its reach to 116 cities, including 80 domestic cities, 36 international and regional cities; and there are 47 airlines in operation, including 29 domestic airlines, 18 international and regional airlines. The airport has been rated as SKYTRAX 4-star airport. The comparison between Sanya Phoenix International Airport and Meilan Airport is shown below.

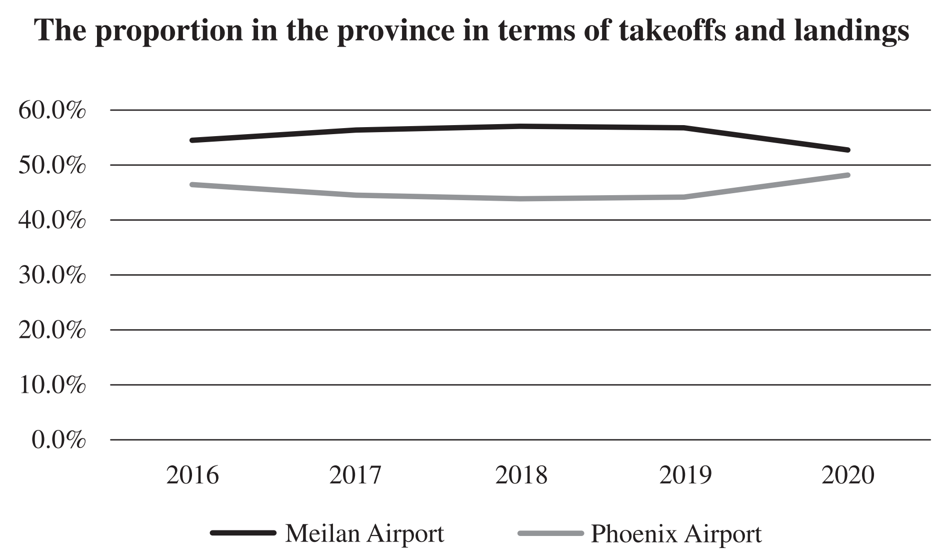

Figure 1 The proportion of takeoffs and landings of Sanya Phoenix International Airport and Meilan Airport

The proportion in the province in terms of passenger throughput

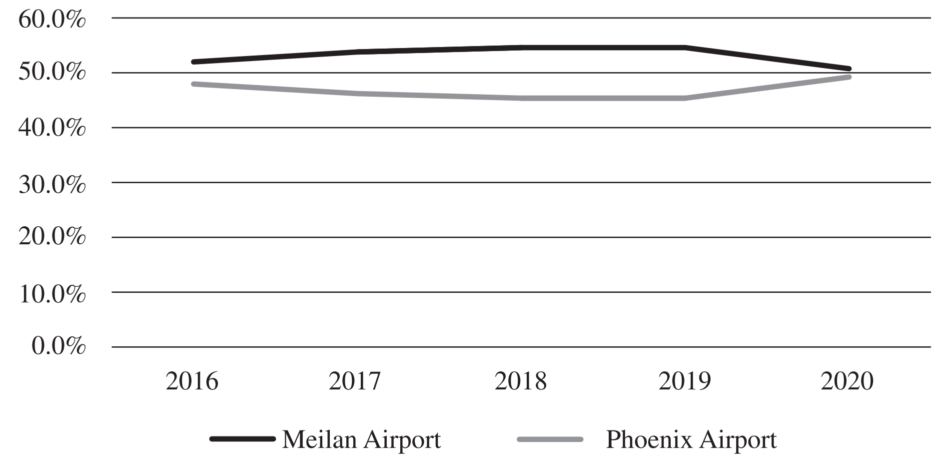

Figure 2 The proportion of passenger throughput of Sanya Phoenix International Airport and Meilan Airport

The proportion in the province in terms of cargo and mail throughput

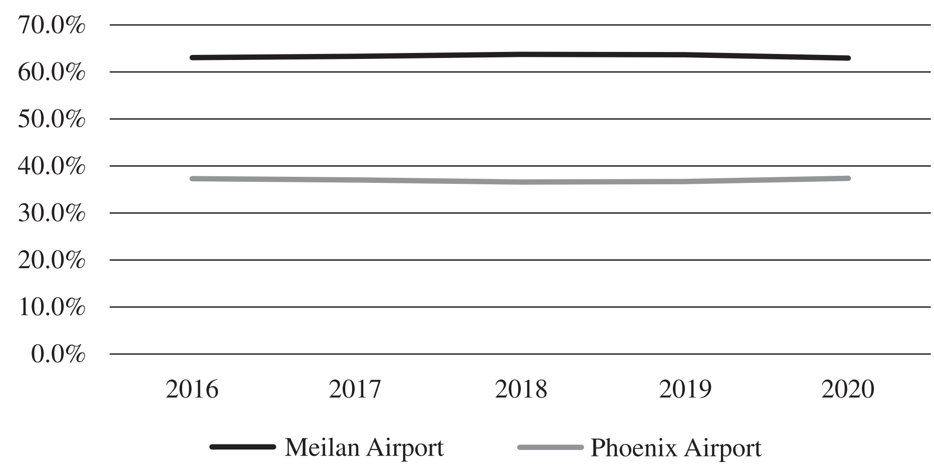

Figure 3 The proportion of cargo and mail throughput of Sanya Phoenix International Airport and Meilan Airport

Sanya Phoenix International Airport is slightly lower than Meilan Airport in terms of takeoffs and landings and passenger throughput, and Sanya Phoenix International Airport has relatively fewer cargo and mail throughput.

Sanya Phoenix International Airport, being one of the two 4E-rating airports in Hainan Province, has an important transport diversion role for Meilan Airport and jointly undertakes the air transportation tasks of Hainan Province. In 2020, the passenger throughput of Sanya Phoenix International Airport was 15.4128 million passengers. At present, the phase III expansion construction of Sanya Phoenix International Airport was completed in 2017. It can now achieve a passenger throughput of 25 million passengers per year and provide better services to passengers.

(V) Services and fares of airlines

The fare level is an important determinant of air travel demand. The key factors affecting Meilan Airport's fares are fluctuations in global oil prices and competitions within the airline industry. In the short term, international crude oil prices have recently hit a new low in recent years, and airlines operating at Meilan Airport have formed a fully competitive market. In the long run, the main factor affecting fares is the improvement of aircraft carrying efficiency brought about by technological progress.

(VI) Capacity constraints

Currently, Meilan Airport has the guarantee capability of an annual passenger throughput of 16,000,000 passengers. In 2019, the passenger throughput of Meilan Airport was 24.2166 million passengers, and in 2020, the passenger throughput was 16.4902 million passengers in spite of the impact of the epidemic. The facilities such as the airport terminals and airfield were oversaturated, which imposed increasing pressure upon the operation of the airport.

Up to now, except for the new tower, the west tunnel (west vertical sliding project) and the railway-related works in the supporting project that are still under construction, the other main works, the comprehensive traffic supporting project, the oil supply project and the air traffic control project of the Phase II Expansion Construction have been completed and accepted. Meanwhile, the completed projects have all been qualified for acceptance by the General Civil Aviation Professional Engineering Quality Supervision Station and the Haikou Construction Engineering Quality and Safety Supervision Station, with the overall project aiming to be officially put into operation within 2021. According to the work plan of Hainan provincial government, the Phase II Expansion Construction is a major landmark project for the construction of Hainan Free Trade Port. After the project is completed and put into operation, Meilan Airport will form a north-south double runways operation pattern and realize the convenient transition of aviation, high speed rail around the island, intercity rail transportation, highways and other modes of transportation, thereby becoming an important gateway for foreign trade and economic exchanges in Hainan Free Trade Port, as well as Hainan's regional aviation gateway hub facing the Pacific Ocean and the Indian Ocean, to further promote the expansion and upgrading of Hainan's civil aviation and the flourishing development of the airline industry and help Hainan accelerate the process of the construction of the Free Trade Port. It is expected that after the completion of the construction, it can ensure the maximum of the annual passenger throughput of 45,000,000 passengers and the annual cargo and mail throughput of 600,000 tons, respectively. Meanwhile, the Phase II Expansion Construction will not only drastically improve the current position of existing infrastructure in the airport, but also further foster the economic and social development of Haikou City and even the surrounding areas.

(VII) Aircraft models

Meilan Airport is currently a 4E-rating airport, which can meet the requirements of 747-400 aircraft full-load takeoff. In the course of the Phase II Expansion Construction, a 3,600-metre runway will be built. After the construction is implemented, Meilan Airport will have two airfields, namely the north airfield and south airfield. The north airfield is ranked the 4F grade and can meet the takeoff and landing requirements of the currently largest civil aviation aircraft Airbus A380. The maximum takeoff weight and the required runway length of each aircraft model are shown in the table below.

Table 5 The maximum takeoff weight and the required runway length of each aircraft model

Model	Number of seats (Headcount)	Cargo (Ton)	Maximum structural weight (Ton)	Actual takeoff weight (Ton)	Runway length (Meter)
B747-200	–	93.80	377.84	377.80	3,600
B747-400	334	28.18	385.50	385.50	3,630
B777-200	345	16.20	242.67	242.67	2,800
A330-200	283	18.85	233.0	233.0	3,200
A340-313	370	15.30	271.0	271.0	3,750
A380-841	555	66.40	560.0	560.0	3,600

IV. AIR TRAFFIC FORECAST OF MEILAN AIRPORT

The traffic forecast of Meilan Airport adopts the econometric model, which has been widely recognized by the industry and has garnered the industry's "best practice" assessed by organizations like International Civil Aviation Organization (ICAO) and the Department of Transport of the United Kingdom.

According to the available historical information regarding the passenger throughput, cargo and mail throughput and aircraft takeoff and landing of Meilan Airport, based on the analysis on regional and national economic society and current position of transportation and with reference to the national and regional economic prospects provided by the World Bank and the International Monetary Fund to further predict their trend types of economic and social development, this report adopts the elastic coefficient method to estimate the passenger throughput, cargo and mail throughput and aircraft takeoff and landing in the future.

- **Elastic coefficient method**

By analyzing the changing law of economic activities and social activities and their relationship with transportation, we can more accurately grasp the changing law of traffic generation. The traffic forecast predicts the passenger throughput, cargo and mail throughput and aircraft takeoff and landing in the future based on the economic and social prediction results and by applying the elasticity coefficient method. The elastic coefficient method is to capture the relationship between economic development and transportation as a whole. The formula of the elastic coefficient is shown below:

$$\text{Elastic coefficient e} = \frac{\text{Percentage of the change of transportation indicators}}{\text{Percentage of the change of economic indicators}}$$

According to the analysis of relevant indicators, the growth rate of the headcount of passengers, cargo and mail throughput, aircraft takeoff and landing and the growth rate of GDP are generally selected for regression analysis to estimate their elasticity coefficients. With reference to these coefficients, the future elasticity coefficient can be determined.

When analyzing the traffic volume of regional and international airports, the most frequent regional and international regions (Hong Kong and South Korea) are selected as examples. Through analyzing the economic and social development of Hong Kong and South Korea and the airports' historic regional and international traffic, we can determine the future regional and international elastic coefficients of the airports in order to estimate traffic growth.

Against the backdrop of China vigorously developing the tourism industry of Hainan Province, the passenger throughput of airports in Hainan Province is closely related to the country's economic development. Therefore, utilizing the GDP to forecast domestic flights' traffic is relatively objective and feasible.

- **The elastic coefficient forecast of future traffic volume**

In the initial development stage of an airport, economic development generates a large demand for transportation, and the development of traffic travel shows explosive growth. At this time, the elasticity coefficients of passenger and cargo travel are large. When the development of an airport becomes saturated, the routes and voyages are gradually fixed, and the throughput will gradually decrease due to the capacity constraints of the airport itself. At this time, the development trend of airport traffic and the economic development trend will gradually slow down, and the elastic coefficients will gradually decrease.

When predicting the domestic, regional and international passenger throughput and cargo and mail throughput of Meilan Airport, we use the World Bank's reports on the development trend of GDP of China and typical countries and regions (South Korea and Hong Kong) and the elasticity coefficients of historical traffic volume and GDP analysis to predict future traffic growth.

- **The growth rate forecast of future airport traffic volume**

Based on the afore-predicted economic development rates and the airport throughput elasticity coefficients, the growth rate of the future traffic volume can be derived. The calculation formula is:

$$\gamma\, k(h) = Tk(h) \cdot E$$

In the formula: $\gamma\, k(h)$ – Airport traffic throughput growth rate (%);
$Tk(h)$ – Transportation elastic coefficient;
E – GDP growth rate (%).

It should be noted that in 2020, airport traffic showed a significant decline due to the impact of the COVID-19 epidemic. At present, the COVID-19 epidemic prevention and control has entered a normal stage, and airport traffic has also shown a rebounding trend. In addition, domestic tourism demand is strong. Therefore, this forecast does not use 2020 data as the base year data.

(I) Aviation passengers forecast

1. Domestic passenger throughput forecast

According to the forecast, as for the base scenario, the domestic passenger throughput of Meilan Airport is expected to reach 72,730,000 by 2050, which represents an annual average growth rate of 3.5% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 2.5% and 4.2% respectively in the upcoming 30 years. For detail, please refer to table 6.

Table 6 Domestic passenger throughput forecast (Unit: headcount/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	26,370,941	26,945,158	27,379,879
2022	28,294,965	29,218,252	29,923,744
2025	34,487,910	36,724,850	38,480,776
2030	43,453,263	48,753,300	53,106,774
2040	50,082,575	61,983,450	72,628,180
2050	54,301,142	72,732,035	90,390,757
		Annual average growth rate	
2021–2025	6.9%	8.0%	8.9%
2021–2030	5.7%	6.8%	7.6%
2021–2040	3.4%	4.5%	5.3%
2021–2050	2.5%	3.5%	4.2%

2. *International passenger throughput forecast*

According to the forecast, as for the base scenario, the international passenger throughput of Meilan Airport is expected to reach 16,210,000 by 2050, which represents an annual average growth rate of 8.1% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 7.5% and 8.5% respectively in the upcoming 30 years. For detail, please refer to table 7.

Table 7 International passenger throughput forecast (Unit: headcount/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	1,690,794	1,712,651	1,729,136
2022	2,004,447	2,043,596	2,073,290
2025	3,131,685	3,254,818	3,349,793
2030	5,131,658	5,498,290	5,788,716
2040	9,846,421	11,115,455	12,167,845
2050	13,737,903	16,208,812	18,338,703
		Annual average growth rate	
2021–2025	16.7%	17.4%	18.0%
2021–2030	13.1%	13.8%	14.4%
2021–2040	9.7%	10.3%	10.8%
2021–2050	7.5%	8.1%	8.5%

3. Regional passenger throughput forecast

According to the forecast, as for the base scenario, the regional passenger throughput of Meilan Airport is expected to reach 1,080,000 by 2050, which represents an annual average growth rate of 2.6% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 2.1% and 3.0% respectively in the upcoming 30 years. For detail, please refer to table 8.

Table 8 Regional passenger throughput forecast (Unit: headcount/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	503,469	510,155	515,198
2022	529,901	540,509	548,557
2025	601,816	625,707	644,138
2030	692,605	741,350	779,932
2040	823,815	926,097	1,010,622
2050	928,185	1,085,409	1,219,917
		Annual average growth rate	
2021–2025	4.6%	5.2%	5.7%
2021–2030	3.6%	4.2%	4.7%
2021–2040	2.6%	3.2%	3.6%
2021–2050	2.1%	2.6%	3.0%

4. *Total passenger throughput forecast*

According to the forecast, as for the base scenario, the total passenger throughput of Meilan Airport is expected to reach 90,030,000 by 2050, which represents an annual average growth rate of 4.0% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 3.1% and 4.6% respectively in the upcoming 30 years. For detail, please refer to table 9.

Table 9 Total passenger throughput forecast (Unit: headcount/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	28,565,204	29,167,964	29,624,214
2022	30,829,312	31,802,357	32,545,591
2025	38,221,411	40,605,375	42,474,707
2030	49,277,526	54,992,940	59,675,423
2040	60,752,811	74,025,002	85,806,646
2050	68,967,230	90,026,256	109,949,377
		Annual average growth rate	
2021–2025	7.6%	8.6%	9.4%
2021–2030	6.2%	7.3%	8.1%
2021–2040	4.1%	5.0%	5.8%
2021–2050	3.1%	4.0%	4.6%

(II) Air cargo forecast

1. Domestic cargo forecast

According to the forecast, as for the base scenario, the domestic cargo throughput of Meilan Airport is expected to reach 1,230,000 tons by 2050, which represents an annual average growth rate of 6.3% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 5.4% and 7.1% respectively in the upcoming 30 years. For detail, please refer to table 10.

Table 10 Domestic cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	201,701	206,043	209,329
2022	219,407	226,478	231,880
2025	279,162	297,025	311,037
2030	386,263	432,601	470,610
2040	653,565	804,459	938,822
2050	923,701	1,227,947	1,517,630
	Annual average growth rate		
2021–2025	8.5%	9.6%	10.4%
2021–2030	7.5%	8.6%	9.4%
2021–2040	6.4%	7.4%	8.2%
2021–2050	5.4%	6.3%	7.1%

2. *International cargo forecast*

According to the forecast, as for the base scenario, the international cargo throughput of Meilan Airport is expected to reach 220,000 tons by 2050, which represents an annual average growth rate of 12.1% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 11.5% and 12.5% respectively in the upcoming 30 years. For detail, please refer to table 11.

Table 11 International cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	7,929	8,033	8,111
2022	9,277	9,461	9,600
2025	14,494	15,068	15,511
2030	27,688	29,647	31,198
2040	79,875	89,925	98,239
2050	185,819	218,164	245,929
		Annual average growth rate	
2021–2025	16.3%	17.0%	17.6%
2021–2030	14.9%	15.6%	16.1%
2021–2040	12.9%	13.6%	14.0%
2021–2050	11.5%	12.1%	12.5%

3. Regional cargo forecast

According to the forecast, as for the base scenario, the regional cargo throughput of Meilan Airport is expected to reach 4,000 tons by 2050, which represents an annual average growth rate of 4.5% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 4.0% and 4.9% respectively in the upcoming 30 years. For detail, please refer to table 12.

Table 12 Regional cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	1,188	1,203	1,215
2022	1,260	1,285	1,304
2025	1,486	1,545	1,590
2030	1,879	2,009	2,112
2040	2,748	3,083	3,360
2050	3,693	4,307	4,832
		Annual average growth rate	
2021–2025	5.8%	6.5%	7.0%
2021–2030	5.2%	5.9%	6.3%
2021–2040	4.5%	5.1%	5.5%
2021–2050	4.0%	4.5%	4.9%

4. Total cargo forecast

According to the forecast, as for the base scenario, the total cargo throughput of Meilan Airport is expected to reach 1,450,000 tons by 2050, which represents an annual average growth rate of 6.8% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 5.9% and 7.5% respectively in the upcoming 30 years. For detail, please refer to table 13.

Table 13 Total cargo and mail throughput forecast (Unit: ton/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	210,818	215,279	218,656
2022	229,944	237,224	242,784
2025	295,143	313,638	328,138
2030	415,829	464,257	503,920
2040	736,188	897,466	1,040,421
2050	1,113,212	1,450,418	1,768,391
		Annual average growth rate	
2021–2025	8.8%	9.9%	10.7%
2021–2030	7.8%	8.9%	9.7%
2021–2040	6.8%	7.8%	8.6%
2021–2050	5.9%	6.8%	7.5%

(III) Aircraft takeoff and landing forecast

1. Domestic aircraft takeoff and landing forecast

According to the forecast, as for the base scenario, the domestic aircraft takeoff and landing of Meilan Airport is expected to reach 500,000 times by 2050, which represents an annual average growth rate of 3.5% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 2.6% and 4.3% respectively in the upcoming 30 years. For detail, please refer to table 14.

Table 14 Domestic aircraft takeoff and landing forecast (Unit: time/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	179,680	183,572	186,518
2022	194,019	200,313	205,123
2025	240,525	256,035	268,207
2030	305,446	342,552	373,021
2040	342,447	423,750	496,463
2050	375,289	502,543	624,442
		Annual average growth rate	
2021–2025	7.6%	8.7%	9.5%
2021–2030	6.1%	7.2%	8.0%
2021–2040	3.5%	4.5%	5.3%
2021–2050	2.6%	3.5%	4.3%

2. *International aircraft takeoff and landing forecast*

According to the forecast, as for the base scenario, the international aircraft takeoff and landing of Meilan Airport is expected to reach 82,000 times by 2050, which represents an annual average growth rate of 7.4% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 6.9% and 7.9% respectively in the upcoming 30 years. For detail, please refer to table 15.

Table 15 International aircraft takeoff and landing forecast (Unit: time/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	10,185	10,325	10,431
2022	11,405	11,642	11,821
2025	15,677	16,327	16,829
2030	25,376	27,247	28,731
2040	49,850	56,388	61,818
2050	69,861	82,589	93,579
		Annual average growth rate	
2021–2025	11.4%	12.1%	12.7%
2021–2030	10.7%	11.4%	11.9%
2021–2040	8.7%	9.3%	9.8%
2021–2050	6.9%	7.4%	7.9%

3. *Regional aircraft takeoff and landing forecast*

According to the forecast, as for the base scenario, the regional aircraft takeoff and landing of Meilan Airport is expected to reach 16,000 times by 2050, which represents an annual average growth rate of 4.7% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 4.2% and 5.1% respectively in the upcoming 30 years. For detail, please refer to table 16.

Table 16 Regional aircraft takeoff and landing forecast (Unit: time/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	4,119	4,173	4,214
2022	4,372	4,459	4,526
2025	5,173	5,377	5,534
2030	6,634	7,094	7,458
2040	9,939	11,149	12,148
2050	13,619	15,880	17,810
		Annual average growth rate	
2021–2025	5.9%	6.5%	7.0%
2021–2030	5.4%	6.1%	6.5%
2021–2040	4.7%	5.3%	5.7%
2021–2050	4.2%	4.7%	5.1%

4. *Total aircraft takeoff and landing forecast*

According to the forecast, as for the base scenario, the total aircraft takeoff and landing of Meilan Airport is expected to reach 601,000 times by 2050, which represents an annual average growth rate of 3.9% in the future 30 years. The forecast results of the underestimate scenario and overestimate scenario show an annual average growth rate of 3.0% and 4.6% respectively in the upcoming 30 years. For detail, please refer to table 17.

Table 17 Total aircraft takeoff and landing forecast (Unit: time/year)

Year	Underestimate scenario	Base scenario	Overestimate scenario
2021	193,984	198,070	201,162
2022	209,796	216,414	221,469
2025	261,375	277,738	290,569
2030	337,456	376,893	409,210
2040	402,236	491,288	570,429
2050	458,768	601,013	735,831
		Annual average growth rate	
2021–2025	7.7%	8.8%	9.6%
2021–2030	6.3%	7.4%	8.2%
2021–2040	3.9%	4.9%	5.6%
2021–2050	3.0%	3.9%	4.6%

V. DESCRIPTION OF RESULTS

During the past fifteen years, Meilan Airport has achieved huge growth in traffic. The annual average passenger growth from 2005 to 2019 is 9.2%. Under certain momentums arising from new economic norms, the active development of Hainan International Tourism Island, the huge development of China's air transportation industry as well as the growth of international (Entry-Exit) and domestic tourism industry, the growth in traffic is expected to continue. In the short term, the overall trend of air transportation remains very optimistic. In the long run, continuous economic growth and small-scale decrease in real airfares will continue to support the demand for air passenger services. In the overall forecast period (i.e. from 2021 to 2050), the annual average passenger growth rate is expected to be 4.0%.

Considering the outbreak of COVID-19 in 2020 caused a huge impact on China and the globe, the transportation industry was on the front line of the impact caused by the epidemic and faced a substantial loss. In particular, during the early stage of the outbreak, many airlines took measures to suspend flights, slowing down the flow of people and cargo. Therefore, the air traffic data for 2020 does not truly reflect the demand for airport traffic. As such, this forecast does not use 2020 data as the base year data. As of now, due to the appropriate normal prevention and control measures against the epidemic in China and strong domestic travel demand, airport traffic will also show a rebound.

In addition, we would like to emphasize that the forecast results in this report are based on historical information as well as certain foreseeable conditions precedent and assumptions. Any forecast relating to airport traffic has its uncertainties. Inevitably, certain assumptions made during forecasting cannot be realized, and some unforeseen events or situations may also occur. Therefore, Chelbi cannot provide any form of guarantee as to whether the forecasts attached to the report can be achieved.

The following factors may lead to the deviation of the actual traffic from expectations:

- The growth rate of the Chinese economy is lower than the predicted value, or the expected economic growth rate of the major international source countries entering the port is lower than the predicted value;
- Changes in government policies directly or indirectly affect the traffic flow of Meilan Airport, such as the Sea Crossing Rail-Road Bridge of Qiongzhou Straits;
- Negative impact on Meilan Airport due to aviation industry integration;
- The costs of airlines have changed dramatically (e.g. sudden changes in fuel prices), and such changes are passed on to consumers by raising airfares;
- External factors including, but not limited to, natural disasters, political unrest, the outbreak of diseases, acts of terrorism and associated security concerns and strikes.

This report is provided for the exclusive use of Meilan Airport Company. No third-party institution can quote the data in this report without the authorisation of Meilan Airport Company or Chelbi.

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EXECUTIVE SUMMARY

VALUATION OF PLANT AND EQUIPMENT

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

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

Based on the succeeding, it is our opinion that the market value (in-continued use) of the subject Equipment, appraised as at 30 June 2021, is reasonably represented in the amount of:

RMB 3,550,300
(Renminbi Three Million Five Hundred Fifty Thousand Three Hundred)

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

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

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

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

Mr. David W. I. CHEUNG
MRICS, MHKIS, RPS(GP)
RICS Registered Valuer
China Real Estate Appraiser (CIREA)
Executive Director

Note: Sr David W. I. CHEUNG is a "Registered Professional Surveyor in General Practice Division" ("**RPS(GP)**") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 37 years' property and business valuation experiences in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, the United Kingdom, Canada and the United States of America.

REPORT PROPER

PURPOSE OF VALUATION

It is our understanding that this valuation is for internal reference purposes.

DATE OF VALUATION

Our opinion of the market value (in-continued use) of the Equipment is stated as at 30 June 2021.

BASIS OF VALUATION

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

ASSETS APPRAISED

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

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

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

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

Location

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

Observations and Comments

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

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

1. As reported to us and based on the documents provided to us, we assumed that the subject Equipment is capable to be operated to perform within its designed parameters.

2. That the subject Equipment is in good working condition and subjected to routine maintenance.

VALUATION METHODOLOGY

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

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

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

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

Analysis

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

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

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

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

SCOPE OF INVESTIGATION, ASSUMPTIONS AND CONSIDERATIONS

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

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

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

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

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

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

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

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

OPINION OF VALUE

Premised on the above and as supported by the accompanying schedule of assets, we are of the opinion that the market value (in-continued use) of the Equipment for its intended usage, as part of an on-going business, appraised as at 30 June 2021, is fairly represented in the amount of **RMB3,550,300 (Renminbi Three Million Five Hundred Fifty Thousand Three Hundred),** summarized below:

	Market Value (in-continued use) as at 30 June 2021 *RMB*
• Machinery	2,845,800
• Motor Vehicles	621,600
• Office Equipment	82,900
Grand Total	3,550,300

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this supplemental circular received from **Vigers Appraisal and Consulting Limited**, an independent professional valuer, in connection with the valuation(s) of the property held by the Group as at 30th June 2021.

Vigers Appraisal and Consulting Limited
General Practice Sector

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

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

The Board of Directors
Hainan Meilan International Airport Company Limited
Office Building of Meilan Airport,
Haikou City,
Hainan Province, the PRC

Dear Sir/Madam,

We refer to the recent instruction from "**Hainan Meilan International Airport Company Limited**" (referred to as the "**Company**") to us to value the property interest(s) of the property held by Haikou Meilan International Airport Co., Ltd.（海口美蘭國際機場有限責任公司）("**Haikou Meilan**"). We confirm that we have inspected the property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of value(s) of the property as at **30th June 2021** (the "**Date of Valuation**").

BASIS OF VALUE

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

APPROACH TO VALUE

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

TITLE INVESTIGATION

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

VALUATION CONSIDERATION

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

VALUATION ASSUMPTION

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

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

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

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

REMARKS

The outbreak of the "Novel Coronavirus" ("**COVID-19**"), declared by the "World Health Organisation" as a "Global Pandemic" on 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks or a "second wave" is possible. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the Date of Valuation some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinion of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to "Material Valuation Uncertainty" as defined by VPS3 and VPGA10 of the "RICS Valuation – Global Standards" published by RICS as well as "Material Uncertainty" as set out in "VS9 Reporting" of "HKIS Valuation Standards 2020" published by the HKIS, except as identified below. In respect of the sector in which the property is being classified, as at the Date of Valuation we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant or sufficient market evidence on which to base our judgement. Our valuation of the property is therefore reported as being subject to “Material Valuation Uncertainty” as set out in VPS3 and VPGA10 of the “RICS Valuation – Global Standards” published by RICS as well as “Material Uncertainty” as set out in “VS9 Reporting” of “HKIS Valuation Standards 2020” published by the HKIS. Consequently, in respect of the valuation less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, this explanatory note, including the “Material Valuation Uncertainty” declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the Date of Valuation.

As confirmed by the Company,

(1) the use(s) of the property do(es) not constitute any breach of environmental regulation(s); and

(2) there is no plan to change the use(s) of the property.

We hereby confirm that:

(1) we have no present or prospective interest in the property; and are not a related corporation of nor having a relationship with the Company or other party/parties who the Company is contracting with;

(2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;

(3) our valuation(s) has/have been prepared on a fair and unbiased basis;

(4) the valuer’s compensation is not contingent upon reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount(s) of the value estimate, the attainment of a stipulated result, or occurrence of subsequent event; and

(5) we are independent of the Company.

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

We enclose herewith the Property Valuation Report.

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

Mr. David W. I. CHEUNG
MRICS, MHKIS, RPS(GP)
RICS Registered Valuer
China Real Estate Appraiser (CIREA)
Executive Director

Note: Sr David W. I. CHEUNG is a "Registered Professional Surveyor in General Practice Division" ("**RPS(GP)**") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 37 years' property and business valuation experiences in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, the United Kingdom, Canada and the United States of America.

PROPERTY VALUATION REPORT

Property held by Haikou Meilan for Owner-occupation purpose

The Property	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Date of Valuation
The land, buildings and structures located within Haikou Meilan International Airport, Lingshan Town, Meilan District, Haikou City, Hainan Province, the PRC	The property comprises 4 parcels of land (Lot Nos.: 460108102011GB02029, 460108102011GB02011 and 460108101022GB02137、460108101022GB02138) with a total site area of approximately 1,952,587.34 square metres, 2 power substations completed in 1999 with a total gross floor area of approximately 1,235.57 square metres and various structures including runway, taxiway, carport, warehouse and fences erected thereon. The property is held with the land use rights for terms expiring on 25th May 2065, 26th March 2069 and 5th October 2069 respectively for civil airport uses.	The property is occupied by "Haikou Meilan" for civil airport and ancillary facilities uses.	RMB1,516,700,000 (RENMINBI ONE BILLION FIVE HUNDRED SIXTEEN MILLION SEVEN HUNDRED THOUSAND ONLY) (100% interest attributable to the Company: RMB1,516,700,000 (RENMINBI ONE BILLION FIVE HUNDRED SIXTEEN MILLION SEVEN HUNDRED THOUSAND ONLY))

Notes

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

No.	Lot No.	Real Estate Title Certificate No.	Title Owner	Site Area *(square metres)*	Gross Floor Area *(square metres)*	Land-use Rights Expiry
1.	460108102011 GB02029	Qiong(2019) Haikou Shi Bu Dong Chan Quan No. 0170302	The Company	1,891,452.00	795.96	25th May 2065
2.		Qiong(2019) Haikou Shi Bu Dong Chan Quan No. 0170304	The Company		439.61	
3.	460108102011 GB02011	Qiong (2020) Haikou Shi Bu Dong Chan Quan No. 0018828	The Company	8,820.69	Not applicable	26th March 2069
4.	460108101022 GB02137	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031664	The Company	16,652.10	Not applicable	5th October 2069
5.	460108101022 GB02137	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031665	The Company	35,662.55	Not applicable	5th October 2069
			Total:	**1,952,587.34**	**1,235.57**	

2. According to a memorandum issued by the Company's PRC legal adviser, "King & Wood Mallesons, Beijing", the title owner of the property is the Company but the property is actually held and owned by "Haikou Meilan" which still has the rights to occupy, use and handle the property.

3. The Company has been previously named as "海南美蘭國際機場股份有限公司", "海航基礎股份有限公司" and "瑞港國際機場集團股份有限公司".

4. An inspection to the property and surrounding environment, but not in any form of a building survey, was carried out by Ms Xu Xiao Yun China Registered Real Estate Appraiser on 23rd July 2021.

VALUATION BREAKDOWN

1. Land

No.	**Real Estate Title Certificate No.**	**Site Area** *(square metres)*	**Market Value in Existing State as at the Date of Valuation** *(RMB)*
1.	Qiong (2019) Haikou Shi Bu Dong Chan Quan Nos. 0170302 and 0170304	1,891,452.00	1,365,000,000
2.	Qiong (2020) Haikou Shi Bu Dong Chan Quan No. 0018828	8,820.69	6,000,000
3.	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031664	16,652.10	12,000,000
4.	Qiong (2021) Haikou Shi Bu Dong Chan Quan No. 0031665	35,662.55	26,000,000
	Sub-Total	**1,952,587.34**	**1,409,000,000**

2. Building with Real Estate Title Certificate

No.	**Item**	**Real Estate Title Certificate No.**	**Gross Floor Area** *(square metres)*	**Market Value in Existing State as at the Date of Valuation** *(RMB)*
1.	East Lighting Substation	Qiong (2019) Haikou Shi Bu Dong Chan Quan No. 0170304	439.61	540,000
2.	West Lighting Substation	Qiong (2019) Haikou Shi Bu Dong Chan Quan No. 0170302	795.96	980,000
	Sub-Total		**1,235.57**	**1,520,000**

3. Building without Real Estate Title Certificate

No.	**Item**	**Gross Floor Area** *(square metres)*	**Market Value in Existing State as at the Date of Valuation** *(RMB)*
1.	Field Equipment Garage	381.40	520,000
2.	Rescue Warehouse	812.04	1,040,000
	Sub-Total	**1,193.44**	**1,560,000**

4. Structure

No.	**Item**	**Market Value in Existing State as at the Date of Valuation** *(RMB)*
1.	Aircraft Runway	58,000,000
2.	Aircraft Taxiway	42,000,000
3.	Flight Zone Boundary Alteration	2,820,000
4.	Flight Zone Boundary Replacement	590,000
5.	Fence Facilities(Flight Zone Boundary Alteration)	1,210,000
	Sub-Total	**104,620,000**

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

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

(Stock Code: 357)

SUPPLEMENTAL NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of the extraordinary general meeting (the "**EGM**") of Hainan Meilan International Airport Company Limited (the "**Company**") dated 13 August 2021, which sets out the time and venue of the EGM and contains the resolutions to be tabled before the EGM for shareholders' approval. Reference is also made to the announcement of the Company dated 27 August 2021 for the postponement of the EGM to 10:00 a.m. on Friday, 8 October 2021. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 13 August 2021 and the supplemental circular of the Company dated 21 September 2021 (the "**Circulars**").

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will be held at 10:00 a.m. on Friday, 8 October 2021 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the "**PRC**") for the purpose of considering and, if thought fit, passing the following resolutions, in addition to the resolutions set out in the notice of EGM dated 13 August 2021.

BY WAY OF SPECIAL RESOLUTIONS

6. To consider and approve the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 August 2021 entered into between the Company and the Parent Company and the Parent Company Subscription under the Parent Company Domestic Shares Subscription Agreements and to authorize the Board and/or designated persons by the Board to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2021 Valuation and any domestic appraised value);

7. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022;

* *For identification purpose only*

8. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Circulars):

   8.1. Class of Shares to be issued;

   8.2. Time of issuance;

   8.3. Size of issuance;

   8.4. Ranking of New H Shares;

   8.5. Listing;

   8.6. Method of issuance;

   8.7. Target placee(s);

   8.8. Pricing mechanism;

   8.9. Method of subscription;

   8.10. Accumulated profits;

   8.11. Use of proceeds;

   8.12. Validity period of the resolutions;

9. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022;

10. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022. Such matters include but are not limited to:

    (1) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas regulatory departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;

(2) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;

(3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);

(4) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;

(5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;

(6) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

(7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;

(8) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange;

(9) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;

(10) adjust or waive in time any one of the conditions precedent for the proposed New H shares Issue based on the actual conditions; and

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

11. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

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

Hainan Province, the PRC
21 September 2021

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

Notes:

(A) The Company's register of members will be closed from Saturday, 18 September 2021 to Friday, 8 October 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders must deliver their transfer documents, accompanied by the relevant share certificates and form of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 September 2021.

(B) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Friday, 17 September 2021 are entitled to attend and vote at the EGM after complying with the necessary registration procedures.

(C) Each holder of H Shares who has the right to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.

(D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. The instrument appointing a proxy of any holder of H Shares (being a body corporate) must be affixed with the corporate seal of such holder of H Shares or duly signed by the chairman of its Board or by its authorised attorney. Shareholders who intend to appoint a proxy to attend the EGM, shall complete and return the enclosed revised proxy form, containing the originally proposed resolutions and additional proposed resolutions, to the registrar of H shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the revised proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.

(E) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. Notes (C) and (D) also apply to holders of Domestic Shares, except that the revised proxy form or other documents of authority must be delivered to the office of the secretary to the Board, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

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

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

(F) If a proxy attends the EGM on behalf of a Shareholder, he should produce his ID card and the instrument signed by the proxy or his authorised representative, which specifies the date of its issuance. If the legal representative of the holder of legal person Share(s) attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person Share(s) appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorisation instrument affixed with the seal of the holder of the legal person Share(s) and duly signed by its legal representative.

(G) If a Shareholder has not yet lodged the original form of proxy which was sent to Shareholders together with the notice of EGM dated 13 August 2021 (the "**Original Proxy Form**") with the Company's H share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares), he/she is requested to lodge the revised form of proxy if he/she wishes to appoint proxies to attend the EGM on his/her behalf. In this case, the Original Proxy Form should not be lodged with the Company's H Share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares).

(H) If a Shareholder has already lodged the Original Proxy Form with the Company's H Share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares), he/she should note that:

(i) If the revised form of proxy is not lodged with the Company's H share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares) before the closing time as mentioned in Note (D) above or if it is incorrectly completed, the Original Proxy Form will be treated as a valid proxy form lodged by him/her if correctly completed. The proxy so appointed by him or her will be entitled to vote at the proxy's discretion or to abstain on any resolution properly put to the EGM other than those referred to in the notice of EGM dated 13 August 2021 and the Original Proxy Form, including the newly added resolutions as set out in this supplemental notice.

(ii) If he/she lodged the revised form of proxy with the Company's H share registrar (for H Shares) or delivered to the Secretary Office to the Board of Directors of the Company (for Domestic Shares) before the closing time as mentioned in Note (D) above, the revised form of proxy will revoke and supersede the Original Proxy Form previously lodged by he/she provided that the revised form of proxy is correctly completed.

(I) Please refer to the notice of the EGM of the Company dated 13 August 2021 for details in respect of other resolutions to be passed at the EGM and other relevant matters.

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

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

(Stock Code: 357)

NOTICE OF THE DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the domestic shareholders class meeting (the "**Domestic Shareholders Class Meeting**") of Hainan Meilan International Airport Company Limited (the "**Company**") will be held at 10:00 a.m. on Friday, 8 October 2021 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the "**PRC**") for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 13 August 2021 and the supplemental circular of the Company dated 21 September 2021 (the "**Circulars**").

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 August 2021 entered into between the Company and the Parent Company and the Parent Company Subscription under the Parent Company Domestic Shares Subscription Agreements and to authorize the Board and/or designated persons by the Board to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2021 Valuation and any domestic appraised value);

2. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022;

3. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Circulars):

   3.1. Class of Shares to be issued;

   3.2. Time of issuance;

   3.3. Size of issuance;

* *For identification purposes only*

3.4. Ranking of New H Shares;

3.5. Listing;

3.6. Method of issuance;

3.7. Target placee(s);

3.8. Pricing mechanism;

3.9. Method of subscription;

3.10. Accumulated profits;

3.11. Use of proceeds;

3.12. Validity period of the resolutions;

4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022;

5. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022. Such matters include but are not limited to:

(1) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas regulatory departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;

(2) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;

(3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);

(4) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;

(5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;

(6) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

(7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;

(8) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange;

(9) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;

(10) adjust or waive in time any one of the conditions precedent for the proposed New H shares Issue based on the actual conditions; and

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

6. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

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

Hainan Province, the PRC
21 September 2021

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

Notes:

(A) The Company's register of members will be closed from Saturday, 18 September 2021 to Friday, 8 October 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the Domestic Shareholders Class Meeting, Shareholders must deliver their transfer documents, accompanied by the relevant share certificates and form of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 September 2021.

(B) Holders of the domestic shares of the Company whose names appear on the Company's register of members of domestic shares at the close of business on Friday, 17 September 2021 are entitled to attend and vote at the Domestic Shareholders Class Meeting after complying with the necessary registration procedures.

(C) Each holder of domestic shares who has the right to attend and vote at the Domestic Shareholders Class Meeting (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the Domestic Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

(D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. The instrument appointing a proxy of any holder of Domestic Shares (being a body corporate) must be affixed with the corporate seal of such holder of Domestic Shares or duly signed by the chairman of its board of directors or by its authorised attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Secretary Office to the Board of Directors of the Company, the address of which is set out below, not less than 24 hours before the time for holding the Domestic Shareholders Class Meeting or any adjournment thereof in order for such documents to be valid.

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

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

(E) If a proxy attends the Domestic Shareholders Class Meeting on behalf of a Domestic Shareholder, he should produce his ID card and the instrument signed by the proxy or his authorised representative, which specifies the date of its issuance. If the legal representative of the holder of legal person Domestic Share(s) attends the Domestic Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person Domestic Share(s) appoints a representative of a company other than its legal representative to attend the Domestic Shareholders Class Meeting, such representative should produce his ID card and an authorisation instrument affixed with the seal of the holder of the legal person Domestic Share(s) and duly signed by its legal representative.

(F) The Domestic Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the Domestic Shareholders Class Meeting responsible for their own transportation and accommodation expenses.

(G) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the Domestic Shareholders Class Meeting will demand a poll in relation to all the proposed resolutions at the Domestic Shareholders Class Meeting.

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

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

(Stock Code: 357)

NOTICE OF THE H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the H shareholders class meeting (the "**H Shareholders Class Meeting**") of Hainan Meilan International Airport Company Limited (the "**Company**") will be held at 10:00 a.m. on Friday, 8 October 2021 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the "**PRC**") for the purpose of considering and, if thought fit, passing the following resolutions. Unless the context otherwise requires, expressions used in this notice shall have the same meaning set out in the circular of the Company dated 13 August 2021 and the supplemental circular of the Company dated 21 September 2021 (the "**Circulars**").

BY WAY OF SPECIAL RESOLUTIONS

1. To consider and approve the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement dated 21 August 2021 entered into between the Company and the Parent Company and the Parent Company Subscription under the Parent Company Domestic Shares Subscription Agreements and to authorize the Board and/or designated persons by the Board to determine the final consideration if there is no material difference (within a difference not more than 1% between the 2021 Valuation and any domestic appraised value);

2. To consider and approve the extension of the validity period of the resolutions in relation to the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022;

3. To consider and approve the extension of the validity period of the Specific Mandate in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022, together with the following resolutions on the Specific Mandate for the New H Shares Issue and listing of New H Shares on the Stock Exchange (relevant details of the resolutions are set out in the Circulars):

    3.1. Class of Shares to be issued;

    3.2. Time of issuance;

    3.3. Size of issuance;

* *For identification purposes only*

3.4. Ranking of New H Shares;

3.5. Listing;

3.6. Method of issuance;

3.7. Target placee(s);

3.8. Pricing mechanism;

3.9. Method of subscription;

3.10. Accumulated profits;

3.11. Use of proceeds;

3.12. Validity period of the resolutions;

4. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete the Parent Company Subscription, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022;

5. To consider and approve the extension of the authorisation to the Board granted by the general meeting of Shareholders to deal with and complete all the matters in relation to the New H Shares Issue, for a further period of twelve (12) months, from 18 September 2021 to 17 September 2022. Such matters include but are not limited to:

(1) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas regulatory departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;

(2) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;

(3) negotiate and enter into subscription agreement(s) with the placee(s) and/or the placing agreement(s) with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such agreement(s);

(4) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;

(5) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;

(6) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;

(7) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;

(8) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange;

(9) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange;

(10) adjust or waive in time any one of the conditions precedent for the proposed New H shares Issue based on the actual conditions; and

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

6. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding three (3) per cent or more of the shares carrying the right to vote at such meeting.

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

Hainan Province, the PRC
21 September 2021

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

Notes:

(A) The Company's register of members will be closed from Saturday, 18 September 2021 to Friday, 8 October 2021 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting at the H Shareholders Class Meeting, Shareholders must deliver their transfer documents, accompanied by the relevant share certificates and form of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 17 September 2021.

(B) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Friday, 17 September 2021 are entitled to attend and vote at the H Shareholders Class Meeting after complying with the necessary registration procedures.

(C) Each holder of H shares who has the right to attend and vote at the H Shareholders Class Meeting (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the H Shareholders Class Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

(D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its Board or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the H Shareholders Class Meeting or any adjournment thereof in order for such documents to be valid.

(E) If a proxy attends the H Shareholders Class Meeting on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his authorized representative, which specifies the date of its issuance. If the legal representative of the holder of legal person share(s) attends the H Shareholders Class Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person share(s) appoints a representative of a company other than its legal representative to attend the H Shareholders Class Meeting, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.

(F) The H Shareholders Class Meeting is expected to last not more than one day. Shareholders or proxies attending the H Shareholders Class Meeting are responsible for their own transportation and accommodation expenses.

(G) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the H Shareholders Class Meeting will demand a poll in relation to all the proposed resolutions at the H Shareholders Class Meeting.