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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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

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

**MAJOR AND CONNECTED TRANSACTIONS**  
**THE NEW LOAN AGREEMENT AND**  
**THE NEW LOAN ALLOCATION AGREEMENT**  
**AND**  
**NOTICE OF THE EGM**

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



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A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from Octal Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 38 of this circular.

The notice given by the Company on 28 January 2025 for convening the EGM to be held at 10:00 a.m. on Friday, 7 March 2025 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 EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying 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 meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

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## DEFINITIONS

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

“Airport Project”	the airport project under the Investment and Construction Agreement dated 21 August 2015 and the Supplemental Investment and Construction Agreement dated 11 May 2020, both entered into between the Company and the Parent Company
“Board”	the board of Directors
“Borrowers”	the Parent Company and the Company
“CDB”	China Development Bank (國家開發銀行), a state-owned development finance institution organised under the laws of the PRC
“CDB Hainan Branch”	the Hainan Branch of China Development Bank Limited (國家開發銀行海南省分行), a branch of a licensed bank established in the PRC
“Company”	Hainan Meilan International Airport Company Limited* (海南美蘭國際空港股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	shall have the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Drawdown Date”	the date on which the loan under the New Loan Agreement is drawdown
“EGM”	the extraordinary general meeting to be convened by the Company on Friday, 7 March 2025 for the purposes of considering and, if thought fit, approving, among other things, the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, including any adjournment in respect thereof
“Existing Lenders”	CDB, the Hainan Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司海南省分行), and the Hainan Branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司海南省分行)

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## DEFINITIONS

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“Existing Loan”	the loan in the principal amount of RMB7.8 billion granted by the Existing Lenders to the Company and the Parent Company on a joint and several liability basis for a period of 20 years, which shall solely be used for the construction of the Airport Project
“Existing Loan Agreement”	the loan agreement dated 1 February 2018 entered into between the Existing Lenders and the Borrowers, pursuant to which, the Existing Lenders agreed to grant the Existing Loan to the Company and the Parent Company on a joint and several liability basis in the principal amount of RMB7.8 billion for a period of 20 years, which shall solely be used for the construction of the Airport Project
“Existing Loan Allocation Agreement”	the loan allocation agreement dated 1 February 2018 entered into between the Company and the Parent Company for the purpose of specifying the allocation of the Existing Loan between the Company and the Parent Company
“Five-year LPR”	the over-five-year term Loan Prime Rate published by the National Interbank Funding Center as authorised by the People’s Bank of China
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC Haikou Jiangdong Sub-branch”	the Haikou Jiangdong Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司江東支行), a sub-branch of a licensed bank established in the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Octal Capital”	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, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than the Parent Company and their associates (as defined in the Listing Rules) who do not have any material interests in the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder
“Interest Rate Adjustment Date”	21 June 2025, and semi-annually thereafter on 21 December and 21 June of each year
“Investment and Construction Agreement”	the investment and construction agreement dated 21 August 2015 entered into between the Company and the Parent Company in respect of the Airport Project
“Latest Practicable Date”	24 January 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meilan Airport”	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport*) located in Haikou City, Hainan Province, the PRC
“NDRC”	National Development and Reform Commission of the PRC (中國家發展和改革委員會)
“New Lenders”	CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch
“New Loan”	the loan in the principal amount of RMB6.36327 billion granted by the New Lenders to the Company and the Parent Company on a joint and several liability basis for a period of 20 years, of which no more than RMB4.776 billion shall be used to repay the Existing Loan, and the remaining RMB1.58727 billion shall be used for the construction of the Airport Project
“New Loan Agreement”	the New Loan Agreement dated 31 December 2024 entered into between the New Lenders and the Borrowers, pursuant to which the New Lenders agreed to grant the New Loan to the Company and the Parent Company on a joint and several liability basis in the principal amount of RMB6.36327 billion for a period of 20 years, of which no more than RMB4.776 billion shall be used to repay the Existing Loan, and the remaining RMB1.58727 billion shall be used for the construction of the Airport Project

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## DEFINITIONS

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“New Loan Allocation Agreement”	the new loan allocation agreement dated 31 December 2024 entered into between the Company and the Parent Company for the purpose of specifying the allocation of the New Loan between the Company and the Parent Company
“Parent Company”	Haikou Meilan International Airport Company Limited* (海口美蘭國際機場有限責任公司), a limited liability company established in the PRC and the controlling shareholder of the Company
“PRC”	the People’s Republic of China and for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	ordinary shares issued by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Investment and Construction Agreement”	the supplemental investment and construction agreement dated 11 May 2020 entered into between the Company and the Parent Company
“%”	per cent

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

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Wang Hong (*Chairman and President,*

*Authorised Representative*)

Ren Kai (*Chief Financial Officer*)

Xing Zhoujin (*Authorised Representative*)

*Registered Office:*

Office Building of Meilan Airport

Haikou City

Hainan Province

the PRC

*Non-executive Directors:*

Wu Jian

Li Zhiguo

Wen Zhe

*Principal Place of Business in Hong Kong:*

Room 2204, 22/F

Fu Fai Commercial Centre

27 Hillier Street

Sheung Wan

Hong Kong

*Independent Non-executive Directors:*

Fung Ching, Simon

Ye Zheng

Deng Tianlin

Liu Hongbin

*To the Shareholders,*

Dear Sir/Madam,

### **MAJOR AND CONNECTED TRANSACTIONS THE NEW LOAN AGREEMENT AND THE NEW LOAN ALLOCATION AGREEMENT AND NOTICE OF THE EGM**

#### **A. INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2024. The purpose of this circular is to provide you with information regarding the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, and to give you notice of the EGM to consider and, if thought fit, to approve the resolutions proposed at the EGM.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### B. THE NEW LOAN AGREEMENT

Reference is made to the announcement of the Company dated 1 February 2018 and the circular of the Company dated 6 March 2018 in respect of the Existing Loan Agreement and the Existing Loan Allocation Agreement, pursuant to which the Existing Lenders agreed to grant the Existing Loan to the Company and the Parent Company on a joint and several liability basis in the principal amount of RMB7.8 billion for a period of 20 years, which shall be solely used for the construction of the Airport Project and the Company agreed to be allocated RMB3.9 billion (representing 50% of the Existing Loan) and the Parent Company agreed to be allocated RMB3.9 billion (representing 50% of the Existing Loan).

On 31 December 2024, the Company, the Parent Company and the New Lenders (including CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch) entered into the New Loan Agreement. The key commercial terms of the New Loan Agreement and the Existing Loan Agreement do not have any substantial differences in all material aspects, except for the members of the lenders, loan interest rate, term, repayment and security.

Set forth below are the major terms of the New Loan Agreement:

1. **Date:** 31 December 2024
2. **Parties:**
  - (1) New Lenders:
    - (i) CDB Hainan Branch, as the lead bank, the agent bank and the original lender; and
    - (ii) ICBC Haikou Jiangdong Sub-branch, as the original lender; and
  - (2) Borrowers: the Parent Company and the Company, on the joint and several liability basis, and each of the Parent Company and the Company is also liable for the indebtedness incurred by the other under the New Loan
3. **Principal amount:** RMB6.36327 billion
4. **Commitment composition:**
  - (1) CDB Hainan Branch: RMB3.67113 billion, accounting for approximately 57.69% of the total commitment; and
  - (2) ICBC Haikou Jiangdong Sub-branch: RMB2.69214 billion, accounting for approximately 42.31% of the total commitment.
5. **Term:** 20 years



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## LETTER FROM THE BOARD

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**6. Purpose:**

The Borrowers shall apply not more than RMB4.776 billion of the New Loan to repay the outstanding amount of the Existing Loan and apply the remaining RMB1.58727 billion of the New Loan towards the Airport Project in accordance with the terms of the New Loan Agreement.

As at the Latest Practicable Date, the outstanding amount of the Existing Loan was RMB4.776 billion and the Board intended to fully repay the Existing Loan.

**7. Interest rate:**

The interest rate = benchmark interest rate + interest rate spread.

The benchmark interest rate shall be the Five-year LPR applicable on the business day before the first Drawdown Date, subject to adjustment on each Interest Rate Adjustment Date in accordance with the terms of the New Loan Agreement. The adjusted benchmark interest rate shall be the Five-year LPR applicable on the business day before the respective Interest Rate Adjustment Date in accordance with the terms of the New Loan Agreement.

The interest rate spread shall be negative fifty-five (-55) basis points.

**8. Repayment:**

The Borrowers shall repay part of the principal amount every six months commencing 21 June 2025 with the due amount as agreed in the New Loan Agreement and shall repay the interests of each loan every three months (save for the first and the last interest payment of each loan) in accordance with the terms of the New Loan Agreement.

Interest = outstanding loan balance × loan interest rate × actual number of days of the relevant interest period/360. The last interest payment date under the New Loan Agreement shall be the same date with the last principal repayment date, where the interest shall be settled concurrently with the principal.

Upon agreement by all the New Lenders, the Borrowers may prepay all or any part of the New Loan in accordance with the terms of the New Loan Agreement by submitting a prepayment application (which shall set out the amount and date of the prepayment) thirty (30) business days in advance to CDB Hainan Branch. When the prepayment is made, CDB Hainan Branch is entitled to demand or waive the prepayment penalty from the Borrowers in accordance with the terms of the New Loan Agreement.

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## LETTER FROM THE BOARD

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### 9. Security:

- (1) the entirety of the respective assets of land and the above-ground buildings of the Airport Project legally and individually owned by the Company and the Parent Company and pledgable, being in total of the 8,190.77 mu (subject to the final determination of the rights for the area) of allocated airport land and the above-ground buildings as at the date of the New Loan Agreement; and
- (2) respective assets legally and individually owned by the Company and Parent Company and pledgable (being in total of 1,599.43 mu of the airport land of Phase I of Meilan Airport and 132,791.87 square meters of above-ground buildings).

Save for the New Loan Agreement, as at the Latest Practicable Date, the security was free from other encumbrances.

### C. THE NEW LOAN ALLOCATION AGREEMENT

On 31 December 2024, the Company and the Parent Company entered into the New Loan Allocation Agreement in order to specify the allocation of the New Loan between the Company and the Parent Company under the New Loan Agreement, pursuant to which the Company agreed to be allocated RMB3.181635 billion (representing 50% of the New Loan) and the Parent Company agreed to be allocated RMB3.181635 billion (representing 50% of the New Loan). The New Loan Allocation Agreement is agreed between the Company and the Parent Company based on arms' length negotiations, subject to any adjustment as further negotiated and agreed by the Company and the Parent Company in writing.

Each of the Company and the Parent Company shall be responsible for repaying the principal amount and accrued interests of their respective part of the New Loan in accordance with the terms of the New Loan Allocation Agreement. In the event that the Company repays the principal amount and/or the accrued interests of the part of the Parent Company under the joint and several liability arrangement, the Company has the right to demand the Parent Company to fully reimburse the Company in accordance with the terms of the New Loan Allocation Agreement.

### D. INFORMATION OF THE AIRPORT PROJECT

On 2 June 2015, the NDRC approved the construction of the Phase II Expansion Project (NDRC Infrastructure [2015] No. 1215), which means the feasibility study report (the “**Feasibility Study Report**”) issued by a professional institution engaged by the Parent Company in relation to the construction of the phase II expansion project of Meilan Airport which comprised three parts, i.e. the Airport Project, an air traffic control project and a fuel supply project, was approved. The Company confirms that the air traffic control project and the fuel supply project are independent from the Airport Project and the Company does not participate in these projects.

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## LETTER FROM THE BOARD

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According to the Feasibility Study Report and the approval from NDRC, and leveraging the previous experience of the Parent Company in airport construction, the Parent Company acts as the project representative of the Airport Project, with an estimated aggregate investment amount of approximately RMB13.838 billion. Such estimated aggregate investment amount of approximately RMB13.838 billion of the Airport Project was the estimated amount determined with reference to the applicable national and regional construction fee standards, applicable rules for composing of civil aviation airport construction project budget and interest rate of long-term bank loan of approximately 6.55%.

The Airport Project comprised the terminal building project, parking building project, cargo handling service area project, ground handling service area, airport fire-fighting and rescue project, airport emergency response and rescue project, and vehicles and equipment project (collectively as the **“Company Construction Project”**); and other projects including, without limitation, the airfield area project, visual navigation lighting equipment project, road and bridge project, aviation food and aviation supplies project, water supply project, electricity supply project, and cooling, heating and gas supply project (collectively as the **“Parent Company Construction Project”**). According to the Investment and Construction Agreement, the estimated investment amount of the Company Construction Project was approximately RMB7.158 billion and the estimated investment amount of the Parent Company Construction Project was approximately RMB6.680 billion.

The project design and the estimated aggregate investment amount of the Airport Project in the Feasibility Study Report were amended mainly based on further project construction need or improvement of quality standards. For example, the estimated investment amount of the terminal building project increased by approximately RMB394.62 million as a result of, among others, the improvement of decoration standards, the adoption of LED lights and the adding of anti-seismic facilities, security equipment, elevators and escalators; the estimated investment amount of the airfield area project increased by approximately RMB387.09 million as a result of, among others, the adding of Yuwuxi dark culvert diversion project and slope project and the increase in the work amount of earthwork; the estimated investment amount of the electricity supply project increased by approximately RMB72.80 million as a result of, among others, the increase in the length of electricity supply network cable; the estimated investment amount of the ground handling service area increased by approximately RMB58.81 million as a result of, among others, the increase in the construction cost of special garages and the adding of certain equipment. Therefore, the estimated aggregate investment amount of the Airport Project was adjusted from approximately RMB13.838 billion to approximately RMB14.830 billion. Such adjustments have been approved by relevant governmental authorities, including Development and Reform Commission of Hainan Province (海南省發展和改革委員會) and Central South Regional Administration of Civil Aviation Administration of China (中國民用航空中南地區管理局).

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## LETTER FROM THE BOARD

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Accordingly, on 11 May 2020, the Company and the Parent Company entered into the Supplemental Investment and Construction Agreement to make certain amendments to the Investment and Construction Agreement in order to, among others, specify the allocation of investment amount between the Company and the Parent Company and arrange further financing for the Airport Project. Pursuant to the Supplemental Investment and Construction Agreement, the Company and the Parent Company have agreed that, due to the adjustment of the estimated aggregate investment amount of the Airport Project, the Company shall provide funds, amounting to approximately RMB7.646 billion, to construct the Company Construction Project, and the Parent Company shall provide funds, amounting to approximately RMB7.184 billion, to construct the Parent Company Construction Project.

For further details of the Airport Project, please refer to the announcement of the Company dated 21 August 2015, the circular of the Company dated 7 October 2015, the announcement of the Company dated 11 May 2020 and the circular of the Company dated 20 August 2020.

### **E. POSSIBLE FINANCIAL EFFECT**

Provision of financial assistance by the Company under the New Loan Agreement and the New Loan Allocation Agreement will not have any immediate adverse effect on the Group's earnings, assets and liabilities. However, the Company will be responsible for making repayment of the principal of the New Loan amounting to a maximum of RMB3.181635 billion with accrued interests, penalties, indemnities, damages and/or other expenses (if any) in case the Parent Company defaults in making repayment under the New Loan Agreement.

### **F. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW LOAN AGREEMENT AND THE NEW LOAN ALLOCATION AGREEMENT**

In order to repay the outstanding Existing Loan and to effectively conduct the settlement for the Airport Project as well as specify the allocation of the New Loan, the Company, the Parent Company and the New Lenders entered into the New Loan Agreement, and the Company and the Parent Company entered into the New Loan Allocation Agreement.

The joint and several liability arrangement of the New Loan Agreement was consistent to that under the Existing Loan Agreement, reflecting the long-standing cooperation in which the Airport Project has been jointly constructed and developed by both the Parent Company and the Company since 2015 under the agreements for the Airport Project. Both the Existing Loan and the New Loan were obtained for the purpose of supporting the construction of the Airport Project, with the background of the Parent Company, being the project representative of the Airport Project, enabling the Company as a joint borrower to secure such borrowings.

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## LETTER FROM THE BOARD

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Given that the primary source of repayment for the New Loan is the income generated from the operations of the Airport Project, while pursuant to the lease agreement dated 9 November 2022, the airport runways and other related assets of Meilan Airport held by the Parent Company were leased to the Company, with annual rental fee payable by the Company of approximately RMB557 million for a term of three years, the assets of the Airport Project held by the Parent Company have been leased to the Company for operation. Therefore, the joint and several liability arrangement serves as an effective financing structure. This arrangement enables the New Lenders to evaluate the combined credit strength, integrating their confidence in the Airport Project's performance under the Company's operational expertise with the Parent Company's substantial asset backing and strong shareholder background.

The effective interest rate of the Existing Loan is 3.96% per annum. After the repayment of the outstanding Existing Loan, the interest rate of the remaining loan amount under the New Loan Agreement will be reduced (as compared to the interest rate under the Existing Loan Agreement), which will enable the Company to lower its finance costs. Further, as the Existing Loan will expire in 2037 while the New Loan will expire in 2044, entering into the New Loan Agreement will effectively extend the repayment period (as compared to the Existing Loan), thereby relieving the funding pressure of the Company.

As at 31 August 2024, the estimated remaining investment amount required to be contributed by the Company and the Parent Company to complete the Airport Project was approximately RMB0.5 billion and RMB0.6 billion respectively. The loan amount granted by the New Lenders is calculated based on the total investment amount in the Airport Project, but not the remaining investment amount. After repayment of the outstanding amount of the Existing Loan, the remaining facility amount of the New Loan of the Company's part will be approximately RMB0.79 billion (representing 50% of the remaining amount of the New Loan), which will be used to cover such remaining investment amount. The Company and the Parent Company will draw down the loans based on the actual funding needs of the Airport Project. Having considered that the undrawn amount will not incur additional interest, the Company and the Parent Company believe that a sufficient facility amount will guarantee flexibility in funding the remaining investment amount.

The terms of the New Loan Agreement including the interest rate were agreed by the New Lenders and the Borrowers after arm's length negotiations with reference to the normal prevailing commercial practice and the principal amount of the New Loan. The terms of the New Loan Allocation Agreement were also agreed by the Company and the Parent Company after arm's length negotiations with reference to the normal prevailing commercial practice. The Directors are of the view that the terms of the New Loan Agreement and the New Loan Allocation Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### G. INFORMATION ABOUT THE COMPANY, THE PARENT COMPANY AND THE NEW LENDERS

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 Hainan Province, the PRC. As at the Latest Practicable Date, the Parent Company was owned as to approximately 64.97% by certain PRC State-owned or State-controlled enterprises, including Hainan Airport Industrial Investment Co., Ltd.\* (海南機場實業投資有限公司) and Hainan Airport Group Co., Ltd.\* (海南機場集團有限公司) (each a company controlled by the State-owned Assets Supervision and Administration Commission of Hainan Province) as to 46.71% and 0.1% respectively, CDB Development Fund Co., Ltd. (國開發基金有限公司), a subsidiary of China Development Bank which is a policy-oriented financial institution directly under the State Council of the PRC, as to 14.18%, China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司) and China National Aviation Fuel Supply Co., Ltd. (中國航空油料有限責任公司) (each a company ultimately controlled by the State-owned Assets Supervision and Administration Commission) as to 2.42% and 1.56% respectively. The remaining approximately 35.03% of equity interest of the Parent Company is indirectly held by CITIC Limited. The State-owned Assets Supervision and Administration Commission of Hainan Province is a special institution directly under the government of Hainan Province and responsible for the supervision and administration of state-owned assets of Hainan Province. CDB Development Fund Co., Ltd. (國開發基金有限公司) is a policy-oriented investment company focusing on investment in national key projects. China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司) is principally engaged in equity investment, investment management services and investment advisory 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. CITIC Limited is a company listed on the Stock Exchange (stock code: 0267.HK), mainly engaging in businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

CDB Hainan Branch is principally engaged in the provision of banking and related financial services in Hainan Province. CDB is a state-owned development finance institution incorporated in the PRC. Its largest single shareholder is the Ministry of Finance of the PRC, which holds 36.54% of the equity interest in CDB.

ICBC Haikou Jiangdong Sub-branch is principally engaged in the provision of banking and related financial services in Haikou city. Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司, “ICBC”) is a commercial bank incorporated in the PRC with shares listed on the Shanghai Stock Exchange (stock code: 601398.SH) and the Stock Exchange (stock code: 1398.HK). The largest single shareholder of ICBC is Central Huijin Investment Ltd.\* (中央匯金投資有限責任公司), which holds 34.79% of the equity interest in ICBC.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch and their respective ultimate beneficial owners is not a connected person (as defined under the Listing Rules) of the Company.

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## LETTER FROM THE BOARD

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### H. LISTING RULES IMPLICATIONS

As at the latest Practicable Date, the Parent Company held 50.19% of the total share capital of the Company and was a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As the New Loan will be available to the Company and the Parent Company on a joint and several liability basis by the Company and the Parent Company, each of the Company and the Parent Company will be liable for the indebtedness incurred by the other under the New Loan. Accordingly, the New Loan constitutes a connected transaction involving provision of financial assistance to a connected person by the Company under Chapter 14A of the Listing Rules.

In addition, as the New Loan does not involve disposal or acquisition of any assets, although the highest applicable percentage ratio in respect of the New Loan contemplated under the New Loan Agreement and the New Loan Allocation Agreement is more than 75%, the New Loan shall only be regarded as a major transaction instead of a very substantial disposal pursuant to Chapter 14 of the Listing Rules.

Accordingly, the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder are subject to reporting, announcement, and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

### I. EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder. The Parent Company, which controls over the voting right in respect of its shares in the Company, will abstain from voting on the resolution to be proposed at the EGM for approving the New Loan Agreement and the Loan Allocation Agreement.

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 New Loan Agreement and the New Loan Allocation Agreement, and no Shareholder is required to abstain from voting to approve the relevant resolution(s) at the EGM.

The votes to be taken at the EGM in relation to the above proposed resolution will be taken by poll.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Fung Ching, Simon, Mr. Ye Zheng, Mr. Deng Tianlin and Ms. Liu Hongbin, none of whom has any direct or indirect interest in the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

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 New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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The EGM will be held at 10:00 a.m. on Friday, 7 March 2025 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC. Set out on pages EGM-1 to EGM-2 of this circular is the notice for convening the EGM.

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

A form of proxy for use at the EGM is accompanied with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, and in any event not later than 24 hours before the time appointed for holding the EGM.

Shareholders are reminded that completion and delivery of the forms of proxy will not preclude the Shareholders from attending and voting in person at the EGM or at any adjournment thereof should they so wish.

### **J. BOOK CLOSURE**

The Company's register of members will be closed from Saturday, 15 February 2025 to Friday, 7 March 2025 (both days inclusive), during which time no transfer will be registered. In order to qualify for attending and voting at the EGM, shareholders must deliver their instruments of transfer, accompanied by the relevant share certificates and forms of transfer, to the Company's H share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 14 February 2025.

### **K. RECOMMENDATIONS**

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the New Loan Agreement and the New Loan Allocation Agreement 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 vote in favour of the resolution set out in the notice of the EGM for approval of the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

Each of Mr. Wang Hong, Mr. Ren Kai, Mr. Xing Zhoujin, Mr. Wu Jian, and Mr. Li Zhiguo is interested in the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder as they are nominated to the Board by the Parent Company and some also hold directorship or senior management position in the Parent Company, and therefore had abstained from voting on the relevant resolutions at the Board meeting approving the same. Mr. Wang Hong, an executive Director, the chairman of the Board and president of the Company, has served as chairman of the board of directors and the legal representative of the Parent Company; Mr. Ren Kai, an executive Director and the chief financial officer of the Company, and Mr. Xing Zhoujin, an executive Director and the joint company secretary of the Company, serve as the chief financial officer and the secretary to the board of directors of the Parent Company, respectively; Mr. Wu Jian, a non-executive Director, and Mr. Li Zhiguo, a non-executive Director, are both the vice presidents of the Parent Company.



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## LETTER FROM THE BOARD

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### L. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, details of which are set out in pages 16 to 17 of this circular, and the letter from Octal Capital containing, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, details of which are set out on pages 18 to 38 of this circular. None of the members of the Independent Board Committee has any material interest relating to the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

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

Yours faithfully,  
By Order of the Board  
**Hainan Meilan International Airport Company Limited\***  
**Wang Hong**  
*Chairman and President*

Hainan Province, the PRC  
28 January 2025

\* *For identification purposes only*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

28 January 2025

To the Shareholders

Dear Sir/Madam,

### MAJOR AND CONNECTED TRANSACTIONS THE NEW LOAN AGREEMENT AND THE NEW LOAN ALLOCATION AGREEMENT AND NOTICE OF THE EGM

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder that are subject to the Shareholders' approval, details of which are set out in the letter from the Board in the circular to the Shareholders dated 28 January 2025 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Octal Capital has been appointed as the Independent Financial Adviser to advise us regarding the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder. 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 New Loan Agreement and the New Loan Allocation Agreement, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider the terms and conditions of the New Loan Agreement and the New Loan Allocation Agreement are on normal commercial terms, and the transactions 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.

\* For identification purposes only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We therefore recommend you to vote in favour of the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

Yours faithfully,  
*Independent Board Committee*

<b>Fung Ching, Simon</b> <i>Independent</i> <i>non-executive Director</i>	<b>Ye Zheng</b> <i>Independent</i> <i>non-executive Director</i>	<b>Deng Tianlin</b> <i>Independent</i> <i>non-executive Director</i>	<b>Liu Hongbin</b> <i>Independent</i> <i>non-executive Director</i>
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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 28 January 2025 in respect of the Major and Connected Transaction prepared for the purpose of inclusion in this circular.*



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

28 January 2025

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

## **MAJOR AND CONNECTED TRANSACTIONS THE NEW LOAN AGREEMENT AND THE NEW LOAN ALLOCATION AGREEMENT**

### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the New Loan Agreement entered into between the Company, the Parent Company and the New Lenders (including CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch) and the New Loan Allocation Agreement entered into between the Company and the Parent Company, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular dated 28 January 2025 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

### **The New Loan Agreement and the New Loan Allocation Agreement**

Reference is made to (i) the announcement of the Company dated 1 February 2018 in relation to the Existing Loan Agreement and the Existing Loan Allocation Agreement; (ii) the circular of the Company dated 6 March 2018 in relation to, among others, the Existing Loan Agreement and the Existing Loan Allocation Agreement; and (iii) the announcement of the Company dated 31 December 2024 in relation to the New Loan Agreement and the New Loan Allocation Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 31 December 2024, the Company, the Parent Company and the New Lenders (including CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch) entered into the New Loan Agreement, pursuant to which, the New Lenders agreed to grant the New Loan to the Company and the Parent Company on a joint and several liability basis in the principal amount of RMB6.36327 billion for a period of 20 years, in which not more than RMB4.776 billion shall be used for the repayment of the outstanding amount of the Existing Loan and the remaining RMB1.58727 billion of the New Loan shall be applied towards the Airport Project in accordance with the terms of the New Loan Agreement. The key commercial terms of the New Loan Agreement and the Existing Loan Agreement do not have any substantial differences in all material aspects, except for the members of the lenders, loan interest rate, term, repayment and security.

On 31 December 2024, the Company and the Parent Company entered into the New Loan Allocation Agreement in order to specify the allocation of the New Loan (the “**New Loan Allocation**”) between the Company and the Parent Company under the New Loan Agreement. Pursuant to the New Loan Allocation Agreement, the Company agreed to be allocated RMB3.181635 billion (representing 50% of the New Loan) and the Parent Company agreed to be allocated RMB3.181635 billion (representing 50% of the New Loan).

As at the Latest Practicable Date, the Parent Company holds 50.19% of the total share capital of the Company and is a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As the New Loan will be available to the Company and the Parent Company on a joint and several liability basis by the Company and the Parent Company, each of the Company and the Parent Company will be liable for the indebtedness incurred by the other under the New Loan. Accordingly, the New Loan constitutes a connected transaction involving provision of financial assistance to a connected person by the Company under Chapter 14A of the Listing Rules.

In addition, as the New Loan does not involve disposal or acquisition of any assets, although the highest applicable percentage ratio in respect of the New Loan contemplated under the New Loan Agreement and the New Loan Allocation Agreement is more than 75%, the New Loan shall only be regarded as a major transaction instead of a very substantial disposal pursuant to Chapter 14 of the Listing Rules.

Therefore, the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules. The EGM will be convened to consider and, if thought fit, approve, among other things, the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder. The Parent Company will abstain from voting on the resolutions to be proposed at the EGM for approving the New Loan Agreement and the New Loan Allocation Agreement.

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Fung Ching, Simon, Mr. Ye Zheng, Mr. Deng Tianlin and Ms. Liu Hongbin, none of whom has any direct or indirect interest in the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, has been established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. As at the Latest Practicable Date, we were 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 the major and connected transaction in relation to the subscription of a maximum of 140,926,000 new domestic shares of the Company proposed to be subscribed by the Parent Company (“**Parent Company Subscription**”) and the extension of validity period of Shareholder’s resolutions and authorisation granted to the Board in relation to the Parent Company Subscription and a maximum of 155,000,000 new H shares of the Company proposed to be issued upon the exercise of specific mandate (details can be referred to the circular of the Company dated 16 November 2023) (the “**Previous Engagement**”). Under the Previous Engagement, we were required to express our opinions on and give recommendations to the Independent Board Committee and Independent Shareholders in respect of the transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or the Parent Company or any of its subsidiaries or their respective associates. Despite the Previous Engagement, we consider our independence is unaffected due to the facts that (i) under the Previous Engagement, we were entitled to receive normal professional fees that were comparable to market rates and the fees did not form a significant portion to our overall income; (ii) we had discharged our responsibilities with due care and skill and performed our duties with impartiality in respect of the Previous Engagement with the Company; and (iii) the Previous Engagement 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 Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continued 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 Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed neither in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Parent Company and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE NEW LOAN AGREEMENT AND THE NEW LOAN ALLOCATION AGREEMENT

In arriving at our recommendation in relation to the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

### 1. Principal activities and financial information of the Group

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

Set out below is the summary of the consolidated financial information of the Group for the years ended 31 December 2022 (“FY2022”) and 2023 (“FY2023”), and the six months ended 30 June 2023 (“HY2023”) and 2024 (“HY2024”), as extracted from the annual reports of the Company for the year ended 31 December 2023 and the interim report of the Company for the six months ended 30 June 2024:

	<b>FY2022</b> <i>(Audited)</i> RMB'000	<b>FY2023</b> <i>(Audited)</i> RMB'000	<b>HY2023</b> <i>(Unaudited)</i> RMB'000	<b>HY2024</b> <i>(Unaudited)</i> RMB'000
Revenue	1,141,462	2,085,680	1,065,947	1,149,277
Finance expenses	(88,154)	(135,747)	(75,270)	(62,675)
Net loss attributable to shareholders of the Company	(155,299)	(136,009)	(50,620)	(248,045)
Add: Compensation for the Arbitration Case (as defined below)	—	—	—	272,800
Adjusted net (loss)/profit attributable to shareholders of the Company <sup>Note</sup>	(155,299)	(136,009)	(50,620)	24,755

*Note:*

*The adjusted net (loss)/profit attributable to shareholders of the Company for HY2024 was arrived at after adding back the one-off non-operating expense of approximately RMB272.8 million in relation to the provision of compensation payable by the Company under the Arbitration Case (as defined below).*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The revenue of the Group demonstrated continued growth in FY2023 and in HY2024 as a result of the recovery of the PRC aviation industry where the passenger throughput of Meilan Airport had experienced a growth of approximately 118.06% from approximately 11.16 million headcounts in FY2022 to approximately 24.34 million headcounts in FY2023; and a growth of approximately 20.30% from approximately 12.04 million headcounts in HY2023 to approximately 14.49 million headcounts in HY2024, respectively.

To improve the efficiency and safety of the overall operation of Meilan Airport, on 9 November 2022, the Group entered into a lease agreement with the Parent Company for the leasing of airport runways and other related assets of Meilan Airport held by the Parent Company (the “**Leased Assets**”) with annual rental fee payable by the Company of approximately RMB557 million for a term of three years (the “**Lease Agreement**”) effective from 1 January 2023. As such, there was substantial increase in right-of-use assets and lease liabilities in relation to the Lease Agreement in FY2023. The finance expenses of the Group were attributable to interest expenses on bank borrowings and interest expenses arising from lease liabilities. The increase in finance expenses in FY2023 compared to that in FY2022 was due to additional interest expenses arising from the lease liabilities under the newly entered Lease Agreement in FY2023, while the decrease in finance expenses in HY2024 compared to that in HY2023 was due to the decrease in interest expenses on such lease liabilities which was gradually reduced by lease payments.

The Group recorded net loss attributable to shareholders of the Company of approximately RMB136.01 million for FY2023, representing a decrease in net loss of approximately 12.42% as compared to that of approximately RMB155.30 million for FY2022.

The net loss attributable to shareholders of the Company reduced to a lower level in FY2023 with the Group achieving its highest revenue in the past five years due to recovered passenger throughput and enhanced utilisation of both Phase II facilities and additional revenue contributed from the Leased Assets under continued recovery of the aviation industry. Despite this revenue growth, the Group continued to record net loss in FY2023, mainly attributed to increased depreciation expenses from the Leased Assets as right-of-use assets, alongside higher operating costs from increased airport traffic and visitor volumes.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net loss attributable to shareholders of the Company increased by approximately 390.01% from approximately RMB50.62 million for HY2023 to approximately RMB248.05 million for HY2024. The increase in net loss was mainly due to the one-off expense in relation to the compensation payable by the Company for an arbitration case (the “**Arbitration Case**”) of approximately RMB272.8 million. As disclosed in the announcement of the Company dated 5 July 2024, the Company received an arbitration award in respect of the second phase of the Arbitration Case (being the final award for such), where the arbitral tribunal’s majority opinion determined that the claimant suffered from certain loss of opportunity, and held that the Company should pay damages and relevant arbitration fees totaling approximately HK\$298.8 million (equivalent to approximately RMB272.5 million) and interest from the hand-down date of the arbitration award of the second phase of the arbitration to the date of full payment of the arbitrated amount (calculated at a simple interest rate of 8.875% per annum). The Company has made a provision of RMB272.80 million based on the arbitration results and recognised as non-operating expenses.

Notably, excluding the one-off non-operating expense in relation to the provision of compensation payable by the Company under the Arbitration Case, the Group achieved a turnaround under continued growth in revenue with constantly increasing passenger throughput, with adjusted net profit attributable to shareholders of the Company of approximately RMB24.76 million for HY2024 as compared to the net loss of approximately RMB50.62 million for HY2023.

	<b>As at</b> <b>31 December</b> <b>2022</b> <i>(Audited)</i> <i>RMB'000</i>	<b>As at</b> <b>31 December</b> <b>2023</b> <i>(Audited)</i> <i>RMB'000</i>	<b>As at</b> <b>30 June</b> <b>2024</b> <i>(Unaudited)</i> <i>RMB'000</i>
Total assets	10,639,551	11,360,952	10,735,360
Total liabilities	(6,233,031)	(7,123,059)	(6,754,020)
Total equity	4,406,520	4,237,893	3,981,341
Gearing ratio <sup>Note</sup>	58.58%	62.70%	62.91%

*Note:* The gearing ratio was calculated by dividing the Group’s total liabilities by its total assets.

The total assets of the Group mainly consisted of fixed assets, investment properties and right-of-use assets, which in total amounted to approximately RMB8,960.28 million, RMB9,475.41 million and RMB9,086.72 million, representing approximately 84.22%, 83.40% and 84.64% of the total assets of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024, respectively. The total assets of the Group increased by approximately 6.78% from approximately RMB10,639.55 million as at 31 December 2022 to approximately RMB11,360.95 million as at 31 December 2023, mainly attributable to the increase in right-of-use assets in relation to the Lease Agreement. The total assets of the Group decreased by approximately 5.51% to approximately RMB10,735.36 million as at 30 June 2024 compared to that as at 31 December 2023 which was mainly attributable to the depreciation of the right-of-use assets under the Lease Agreement, settlement of construction costs payable for the expansion project for the Phase II of the Meilan Airport, and higher operating cost due to expanded operation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The total liabilities of the Group mainly consisted of construction payments payable for the Airport Project, lease liabilities, finance lease payable, interest-free payables to the Parent Company, short-term borrowing and the outstanding amount of the Existing Loan, which in total amounted to approximately RMB4,660.05 million, RMB5,663.07 million and RMB5,125.71 million, representing approximately 74.76%, 79.50% and 75.89% of the total liabilities of the Group as at 31 December 2022, 31 December 2023 and 30 June 2024, respectively. Total liabilities of the Group increased by approximately 14.28% from approximately RMB6,233.03 million as at 31 December 2022 to approximately RMB7,123.06 million as at 31 December 2023, mainly attributable to the increase in lease liabilities due to the entering into of the Lease Agreement and increase in short-term borrowings from banks. The total liabilities of the Group decreased by approximately 5.18% to approximately RMB6,754.02 million as at 30 June 2024 which was mainly attributable to the reduction in lease liabilities of the Group under the Lease Agreement through the lease payments to the Parent Company.

### 2. Background of the Parent Company

The Parent Company is principally engaged in ancillary airport services business in the PRC.

As at the Latest Practicable Date, the Parent Company is owned as to approximately 64.97% by certain PRC State-owned or State-controlled enterprises, including Hainan Airport Industrial Investment Co., Ltd.\* (海南機場實業投資有限公司) as to 46.71% and Hainan Airport Group Co., Ltd.\* (海南機場集團有限公司) as to 0.1%, each a company controlled by the State-owned Assets Supervision and Administration Commission of Hainan Province, CDB Development Fund Co., Ltd. (國開發展基金有限公司) as to 14.18%, a subsidiary of China Development Bank which is a policy-oriented financial institution directly under the State Council of the PRC, China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司) as to 2.42% and China National Aviation Fuel Supply Co., Ltd. (中國航空油料有限責任公司) as to 1.56%, each a company ultimately controlled by the State-owned Assets Supervision and Administration Commission. The remaining approximately 35.03% of equity interest of the Parent Company is indirectly held by CITIC Limited. The State-owned Assets Supervision and Administration Commission of Hainan Province is a special institution directly under the government of Hainan Province and responsible for the supervision and administration of state-owned assets of Hainan Province. CDB Development Fund Co., Ltd. (國開發展基金有限公司) is a policy-oriented investment company focusing on investment in national key projects. China Southern Airlines Group Capital Holding Limited (中國南航集團資本控股有限公司) is principally engaged in equity investment, investment management services and investment advisory 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. CITIC Limited is a company listed on the Stock Exchange (stock code: 0267.HK), mainly engaging in businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the audited consolidated financial statement of the Parent Company for the year ended 31 December 2023, cash and cash equivalents, current assets, net current liabilities, total assets, total liabilities and net assets of the Parent Company and its subsidiaries (the “**Parent Group**”) as at 31 December 2023 were approximately RMB0.48 billion, RMB2.30 billion, RMB2.64 billion, RMB21.35 billion, RMB17.09 billion and RMB4.26 billion, respectively. The Parent Group recorded revenue of approximately RMB6.11 billion, net profit after tax of approximately RMB0.08 billion and net operating cash flow of approximately RMB0.56 billion for FY2023. According to the understanding of the Company, the Parent Group has been granted a banking facility with unutilised amount sufficient to cover the repayment of the principal attributable to the Parent Group under the New Loan based on the New Loan Allocation (the “**Parent Group Principal Repayment**”).

### 3. Reasons for and benefits of entering into the New Loan Agreement and the New Loan Allocation Agreement

According to the Letter from the Board as set out in the Circular, the Company, the Parent Company and the New Lenders (including CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch) entered into the New Loan Agreement, and the Company and the Parent Company entered into the New Loan Allocation Agreement in order to repay the outstanding Existing Loan and safeguard the funding for the construction of the Airport Project as well as specifying the allocation of the New Loan.

Pursuant to the New Loan Agreement, the New Lenders (including CDB Hainan Branch and ICBC Haikou Jiangdong Sub-branch) agreed to grant the New Loan to the Company and the Parent Company on a joint and several liability basis in the principal amount of approximately RMB6.36327 billion for a period of 20 years, of which not more than RMB4.776 billion shall be used to repay the Existing Loan and the remaining RMB1.58727 billion (the “**Remaining Amount**”) shall be used for the construction of the Airport Project. Pursuant to the New Loan Allocation Agreement, it was agreed that the Company would be allocated approximately RMB3.181635 billion (representing 50% of the New Loan) while the Parent Company would be allocated approximately RMB3.181635 billion (representing 50% of the New Loan) of the New Loan. The New Loan has a term of 20 years from the first Drawdown Date and the last repayment amount according to the repayment schedule set out in the New Loan Agreement will be due on one day prior to the twentieth (20) anniversary date of the first Drawdown Date, which is extended by around 7 years compared to the term of the Existing Loan.

According to the announcement of the Company dated 21 August 2015, the Company and the Parent Company entered into the Investment and Construction Agreement in relation to the investment of the Airport Project. We noted that the construction of the Airport Project was commenced on 18 November 2015. According to the announcement of the Company dated 11 May 2020, the Company and the Parent Company further entered into a supplemental investment and construction agreement (the “**Supplemental Investment and Construction Agreement**”) (together with the Investment and Construction Agreement, collectively referred to as the “**Airport Project Agreements**”) to specify the allocation of the adjusted estimated aggregate investment amount of the Airport Project between the Company and the Parent Company. Pursuant to the Airport Project Agreements, the Company has agreed to provide funds, amounting to approximately RMB7.646 billion, to construct certain parts of the Airport Project while the Parent Company shall act as the project representative of the Airport Project, responsible for organising and supervising the implementation of construction plan of the Airport Project and the fund raising for the Airport Project until its completion and acceptance. As advised by the Company, the overall construction of the Airport Project included a new 3,600-meter runway with parallel taxiways; 61 aircraft parking stands; a new Terminal 2 building spanning nearly 300,000 square meters across four floors; and essential supporting facilities including cargo terminal, roads, and bridges. The Airport Project was targeted to increase Meilan Airport’s capacity, adding annual capacity of passenger traffic to 35 million headcounts and cargo volume to 400,000 tonnes in 2025.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Except for a few on-going construction projects (including aviation food and aircraft supply engineering, special vehicle garage, material warehouse, airport company office space, staff canteen, hotel demolition project, singles dormitory, and security inspection business premises), other engineering works were completed and put into operation since December 2021. Pursuant to the Airport Project Agreements, the total budgeted investment of the Airport Project is RMB14.830 billion, the portion of construction responsible by the Company is estimated to be RMB7.646 billion. As at 31 August 2024, the estimated remaining investment amount required to be contributed by the Company to complete the Airport Project is RMB0.5 billion (the “**Remaining Investment**”).

The Company has been applying on a planned basis for loans to provide sufficient funds for the Airport Project. As advised by the management of the Company, the source of funding to cover the Remaining Investment is expected to be sufficient which includes (i) the remaining facility amount of approximately RMB0.79 billion (representing 50% of the Remaining Amount) from the New Loan after repayment of outstanding amount of the Existing Loan; (ii) the local government special bonds that are expected to be issued by relevant governmental authorities in Hainan Province to support the construction of the Airport Project, where certain proportion of the proceeds from the local government special bonds is expected to be allocated to the Company, which will be utilised in the construction of the Airport Project; and (iii) the working capital of the Company generated from its operation.

According to the annual reports of the Company for the years ended 31 December 2022 and 2023, we noted that the throughput of Meilan Airport has been on an increasing trend, with the passenger throughput at approximately 11.16 million and 24.34 million for the two years ended 31 December 2022 and 2023, respectively, representing an annual growth rate of approximately 118.06%, whilst the cargo and mail throughput was approximately 124,372.70 tonnes and 174,904.80 tonnes for the two years ended 31 December 2022 and 2023, respectively, representing an annual growth rate of approximately 40.63%. The completion of Airport Project may allow further growth in throughput of passenger and cargo and mail of Meilan Airport, and therefore, increase the competitiveness of Meilan Airport and offer an opportunity for the Company to boost the profitability of Meilan Airport.

Apart from providing the fund for completing the Airport Project, entering into of the New Loan Agreement and the New Loan Allocation Agreement enables the Company to repay the amount under the Existing Loan Agreement which bears a higher finance cost (being the benchmark interest rate for RMB loans published by the People’s Bank of China) and obtain the New Loan with a lower finance cost (being 55 basis point lower than the Five-year LPR) for the remaining construction works of the Airport Project. The term of the New Loan of 20 years from the first Drawdown Date is longer than the remaining term of the Existing Loan of around 7 years. Such arrangement could relieve the Group’s cash outflow with lower finance costs and extended repayment period, reduce the Group’s collateral commitment, and help maintaining the working capital of the Group, while the Group is investing its capital in enhancing its infrastructure for better profitability. This refinancing approach aligns with the management’s continuous effort in monitoring the working capital for operation use and the finance cost of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Therefore, the entering into of the New Loan Agreement and the New Loan Allocation Agreement was part of the strategic development plan of the Company to cooperate with the Parent Company for the investment and construction of the Airport Project and fulfill the Company's obligations pursuant to the Airport Project Agreements. In view of the improved terms under the New Loan Agreement which could enhance the financial structure of the Group, coupled with the Airport Project's potential to improve the Company's operational capacity and competitiveness, we are of the view that the entering into of the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

#### 4. Principal terms of the New Loan Agreement and the New Loan Allocation Agreement

On 31 December 2024, the Company, the Parent Company and the New Lenders entered into the New Loan Agreement in respect of the New Loan. Set out below is a summary of the salient terms of the New Loan Agreement:

Date:	31 December 2024
Parties:	(1) New Lenders: <ul style="list-style-type: none"><li>(i) CDB Hainan Branch, as the lead bank, the agent bank and the original lender; and</li><li>(ii) ICBC Haikou Jiangdong Sub-branch as the original lender; and</li></ul> (2) Borrowers: the Parent Company and the Company, on the joint and several liability basis, and each of the Parent Company and the Company is also liable for the indebtedness incurred by the other under the New Loan
Principal amount:	RMB6.36327 billion
Commitment composition:	(1) CDB Hainan Branch: RMB3.67113 billion, accounting for approximately 57.69 % of the total commitment; and <ul style="list-style-type: none"><li>(2) ICBC Haikou Jiangdong Sub-branch: RMB2.69214 billion, accounting for approximately 42.31% of the total commitment</li></ul>
Term:	20 years

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Purpose:** The Borrowers shall apply not more than RMB4.776 billion of the New Loan to repay the outstanding amount of the Existing Loan and apply the remaining RMB1.58727 billion of the New Loan towards the Airport Project in accordance with the terms of the New Loan Agreement.

As at the Latest Practicable Date, the outstanding amount of the Existing Loan was RMB4.776 billion and the Board intended to fully repay the Existing Loan.

**Interest rate:** The interest rate = benchmark interest rate + interest rate spread.

The benchmark interest rate shall be the Five-year LPR applicable on the business day before the first Drawdown Date, subject to adjustment on each Interest Rate Adjustment Date in accordance with the terms of the New Loan Agreement. The adjusted benchmark interest rate shall be the Five-year LPR applicable on the business day before the respective Interest Rate Adjustment Date in accordance with the terms of the New Loan Agreement.

The interest rate spread shall be negative fifty-five (-55) basis points.

**Repayment:** The Borrowers shall repay part of the principal amount every six months commencing on 21 June 2025 with the due amount as agreed in the New Loan Agreement and shall repay the interests of each loan every three months (save for the first and the last interest payment of each loan) in accordance with the terms of the New Loan Agreement.

Interest = outstanding loan balance × loan interest rate × actual number of days of the relevant interest period/360. The last interest payment date under the New Loan Agreement shall be the same date with the last principal repayment date, where the interest shall be settled concurrently with the principal.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Upon agreement by all the New Lenders, the Borrowers may prepay all or any part of the New Loan in accordance with the terms of the New Loan Agreement by submitting a prepayment application (which shall set out the amount and date of the prepayment) thirty (30) business days in advance to CDB Hainan Branch. When the prepayment is made, CDB Hainan Branch is entitled to demand or waive the prepayment penalty from the Borrowers in accordance with the terms of the New Loan Agreement.

Security:

- (1) the entirety of the respective assets of land and the above-ground buildings of the Airport Project legally and individually owned by the Company and the Parent Company and pledgable, being in total of the 8,190.77 mu (subject to the final determination of the rights for the area) of allocated airport land and the above-ground buildings as at the date of the New Loan Agreement; and
- (2) respective assets legally and individually owned by the Company and Parent Company and pledgable (being in total of 1,599.43 mu of the airport land of Phase I of Meilan Airport and 132,791.87 square meters of above-ground buildings).

It is expected that the net book value of the securities for the New Loan (the “**Securities**”) as at 30 November 2024 is RMB7.0 billion in total and the net book values of the Securities attributable to the Company and the Parent Company is estimated to be approximately RMB0.4 billion (being approximately 5.71% of the total net book value of the Securities owned individually by the Company) and RMB6.6 billion (being approximately 94.29% of the total net book value of the Securities owned individually by the Parent Company), respectively. Save for the New Loan Agreement, as at the Latest Practicable Date, the Securities were free from other encumbrances.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 31 December 2024, the Company and the Parent Company entered into the New Loan Allocation Agreement in order to specify the allocation of the New Loan between the Company and the Parent Company under the New Loan Agreement, pursuant to which the Company agreed to be allocated RMB3.181635 billion (representing 50% of the New Loan) and the Parent Company agreed to be allocated RMB3.181635 billion (representing 50% of the New Loan). The New Loan Allocation Agreement is agreed between the Company and the Parent Company based on arms' length negotiations, subject to any adjustment as further negotiated and agreed by the Company and the Parent Company in writing. Each of the Company and the Parent Company shall be responsible for repaying the principal amount and accrued interests of their respective part of the New Loan in accordance with the terms of the New Loan Allocation Agreement. In the event that the Company repays the principal amount and/or the accrued interests of the part of the Parent Company under the joint and several liability arrangement, the Company has the right to demand the Parent Company to fully reimburse the Company in accordance with the terms of the New Loan Allocation Agreement.

### *Period of borrowing*

Pursuant to the New Loan Agreement, the New Loan has a term of 20 years from the first Drawdown Date and the last repayment amount according to the repayment schedule set out in the New Loan Agreement will be due on one day prior to the twentieth (20) anniversary date of the first Drawdown Date. Pursuant to the New Loan Agreement, the Company, as one of the Borrowers, shall also have the right to make early repayment of all or any part of the New Loan by submitting a prepayment application thirty (30) business days in advance to CDB Hainan Branch. As the extended repayment term enables the Company to maintain higher working capital levels for operations while retaining the flexibility to make early repayments when liquidity permits, we considered that the period of borrowing set out in the New Loan Agreement is reasonable to the Company.

### *Interest rate*

Pursuant to the New Loan Agreement, the interest rate of the New Loan shall be 55 basis point below the Five-year LPR applicable on the business day before the first Drawdown Date subject to adjustment on each Interest Rate Adjustment Date in accordance with the terms of the New Loan Agreement.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have compared the interest rate stated in the New Loan Agreement with other bank borrowings (the “**Previous Bank Borrowings**”) with repayment period of 5 years or above obtained by the Group to assess if the interest rate of the New Loan is made in fair and reasonable manner as compared to the Group’s interest rate in other bank borrowings. According to the information provided by the management of the Company, the respective interest rates, the value of their respective collaterals, the ratios of the value of collaterals over their respective outstanding principal amount (the “**Collaterals Ratio(s)**”) of the Previous Bank Borrowings with repayment period of 5 years or above obtained by the Company are as below:

Types of Bank Borrowings	Issuance Date	Interest rate	Outstanding Principal Amounts at	Value of Collaterals	Collateral Ratio(s)
			30 November 2024 <i>(RMB' billion)</i>		
Asset-backed security borrowings	1 February 2018	3.90%	1.88	8.11	4.31
Sales and leaseback	12 June 2024	3.80%	0.50	0.52 <sup>Note</sup>	1.04
Sales and leaseback	12 June 2024	3.80%	0.30	0.31 <sup>Note</sup>	1.03

*Note:* The values of collaterals for the sales and leaseback contracts were the results of the combination of (i) the net book values of the assets subject to the sales and leaseback borrowings; and (ii) the rental deposit, with both amounts agreed in the respective bank borrowing contracts.

According to the website of the People’s Bank of China, the Five-year LPR since 2022 are as below:

Effective date of Five-year LPR	Interest rate
21 October 2024	3.60%
22 July 2024	3.85%
20 February 2024	3.95%
20 June 2023	4.20%
22 August 2022	4.30%
20 May 2022	4.45%
20 January 2022	4.60%

The latest Five-year LPR is 3.60% per annum and it shows that the RMB loan interest rate has been on a decreasing trend in the PRC. Upon comparison, the interest rates obtained by the Company for the Previous Bank Borrowings were higher than the latest Five-year LPR of 3.60%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In respect of the adjustment mechanism of interest rate on each Interest Rate Adjustment Date, the applicable interest rate of the New Loan will be adjusted downwards to 55 basis point below the Five-year LPR semi-annually. According to the information from the People's Bank of China, the Five-year LPR is one of the monetary policy instruments specified by the State Council of PRC, which leads and adjusts the market interest rate and market yield for commercial banks in the PRC. Thus, the interest rate adjustment mechanism maintains the New Loan's interest rate at terms no less favourable than the current market conditions and in accordance with the government policy.

To further assess the fairness and reasonableness of the interest rate, we compared the Collateral Ratios (the “**Comparable Collateral Ratios**”) of the Previous Bank Borrowings against those of the New Loan. Upon comparison, we noted that the Comparable Collateral Ratios range from 1.03 to 4.31, while the total Collateral Ratio of the New Loan (the “**New Loan Collateral Ratio**”) of 1.10, calculated based on the total net book value of the Securities of approximately RMB7.0 billion as at 30 November 2024 and the principal amount of the New Loan of RMB6.36327 billion, is within the range and comparable to the median value of the Comparable Collateral Ratios.

Given that the interest rate of the New Loan is 55 basis point below the Five-year LPR which is below the range of interest rate of the Previous Bank Borrowings while the New Loan Collateral Ratio is comparable to the Comparable Collateral Ratios, we are of the view that (i) the interest rate stated under the New Loan Agreement is more favourable to the Company as compared to that of the Previous Bank Borrowings; and (ii) the adjustment mechanism of interest rate set out in the New Loan Agreement is reasonable to the Company.

### *Securities*

According to the New Loan Agreement, the Securities comprised (i) the entirety of respective assets of land and the above-ground buildings of the Airport Project legally and individually owned by the Company and the Parent Company and pledgable, being the total of the 8,190.77 mu (subject to the final determination of the rights for the area) of allocated airport land and the above-ground buildings; and (ii) the respective assets legally and individually owned by the Company and Parent Company and pledgable (being in total of 1,599.43 mu of the airport land of Phase I of Meilan Airport and 132,791.87 square meters of above-ground buildings). Save for the New Loan Agreement, as at the Latest Practicable Date, the Securities were free from other encumbrances.

The value of the Securities provided by the Company is approximately 5.71% to the total value of the Securities individually owned by the Company as at 30 November 2024 (calculated by dividing the total net book value of the Securities of RMB7.0 billion by the net book value of the Securities provided by the Company of RMB0.4 billion as at 30 November 2024), and according to the New Loan Allocation Agreement, the Company and the Parent Company both agreed to be allocated 50% of the New Loan, which is much higher than the proportion of total value of the Securities individually owned by the Company of approximately 5.71% contributed by the Company. As such, we consider that the Securities under the New Loan Agreement provided by the Company is no less favourable than that provided by the Parent Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Joint and several liability*

Pursuant to the New Loan Agreement, the Parent Company and the Company, on a joint and several liability basis whereby each of the Parent Company and the Company is also liable for the indebtedness incurred by the other under the New Loan. Furthermore, each of the Company and the Parent Company shall be responsible for repaying the principal and accrued interests of their respective part of the New Loan based on the New Loan Allocation.

The joint and several liability arrangement of the New Loan Agreement was consistent to that under the Existing Loan Agreement, reflecting the long-standing cooperation in which the Airport Project has been jointly developed by both the Parent Company and the Company since 2015 under the Airport Project Agreements. Both the Existing Loan and the New Loan were obtained for the purpose of supporting the construction of the Airport Project, with the background of the Parent Company, being the representative of the Airport Project, enabling the Company as a joint borrower to secure such borrowings. As part of the proceeds from the New Loan will be used to fully repay to Existing Loan, the entering into of the New Loan Agreement by the Company and Parent Company represents a refinancing arrangement of the Existing Loan with lower interest rate.

Considering the present operating condition and future prospects of the Parent Group, there are key factors supporting the Parent Group's ability to repay the principal and interest of the New Loan attributable to the Parent Company based on the New Loan Allocation (the "**Parent Group Repayment**"). The Parent Group's net operating cash flow primarily derived from two key sources: (i) aeronautical related income (comprising aeronautical service charges from aircraft landing and takeoff operations, and aviation fuel supply revenue), which demonstrates strong correlation with aircraft movements and cargo throughput at Meilan Airport; and (ii) non-aeronautical income (including duty-free sales, food and beverage related income and rental income) which maintains strong correlation with passenger volumes at Meilan Airport. We noted that the Parent Group's net operating cash flow of approximately RMB0.56 billion for FY2023 is higher than each of the Parent Company's estimated maximum annual principal repayments (the "**Scheduled Repayments**") of approximately RMB0.16 billion, RMB0.30 billion and RMB0.13 billion during the periods of 2025 to 2031, 2032 to 2037 and 2038 to 2044, respectively, under the principal repayment schedule of the New Loan Agreement based on the New Loan Allocation.

Moreover, we understood from the Company that the operation of the Meilan Airport continued to improve for the financial year ended 31 December 2024 ("**FY2024**") where the Meilan Airport had experienced a growth in passenger throughput of approximately 10.48%, a growth in aircraft takeoff and landing of approximately 7.92% and a growth in cargo and mail throughput of approximately 19.69% from FY2023 to FY2024, respectively, which contributed to the improved financial position and results for the Parent Group in FY2024. According to the unaudited management account of the Parent Group for FY2024 provided by the Company, we noted that the Parent Group's operating profit and net operating cash flow has shown substantial growth and the net current liabilities continue to improve to a lower amount, reinforcing the Parent Group's financial strength to meet the Scheduled Repayments. Looking ahead, driven by the continued development of the Hainan Free Trade Port and the implementation of independent customs operations in 2025, the Company anticipates further growth in Meilan Airport's operations which could boost passenger throughput, aircraft takeoff and landing and cargo and mail throughput, thereby enhancing the Parent Group's financial performance and further strengthening its loan repayment capability.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the other hand, as discussed in the aforesaid section headed “2. Background of the Parent Company”, the net assets of the Parent Group was approximately RMB4.26 billion as at 31 December 2023. As the New Loan would be used to repay the Existing Loan, the drawdown of the New Loan would not materially impact the Parent Group’s net assets and gearing position. Furthermore, according to the understanding of the management of the Company, the Parent Group has various available options to manage its debts when they fall due and improve its liquidity position as detailed below.

We understand from the management of the Company that should the Parent Company require additional cash flow or capital structure enhancement to fulfill any of its financial obligations, the major shareholders of the Parent Company would consider the possibility to provide financial support through various arrangements including equity financing and extendable shareholder’s loan with favourable term, to strengthen its liquidity position. The financing capability and credibility of the Parent Group to obtain external financing in order to meet its financial obligations can also be supported by the sound creditworthiness of the Parent Group as it has obtained the second highest long-term credit rating of AA+ provided by CSCI Pengyuan Credit Rating Co., Ltd. (中證鵬元資信評估股份有限公司) (“CSCI Pengyuan”). According to the official website of CSCI Pengyuan, CSCI Pengyuan is a one of the PRC’s earliest credit rating agencies established in 1993 and has been recognised by the People’s Bank of China, China Securities Regulatory Commission, National Development and Reform Commission, and Hong Kong Securities and Futures Commission to conduct credit rating business both domestically in the PRC and internationally.

Furthermore, as set out in the aforesaid section headed “2. Background of the Parent Company”, the Parent Group has been granted banking facilities (the “**Banking Facilities**”) and the unutilised amount of which is sufficient to cover the Parent Group Principal Repayment. Based on the understanding of the management of the Company, the Parent Group was granted the Banking Facilities for borrowings as its standby option to (i) meet its current liabilities obligations and (ii) improve its working capital and liquidity position from net current liabilities to net current assets, while maintaining stable net assets and gearing levels. This arrangement would strengthen the Parent Group’s capital structure and enhance its ability to repay the Parent Group Repayment. We consider this arrangement feasible taking into account that the unutilised Banking Facilities are sufficient to cover combined amount of approximately RMB5.82 billion of (i) the Parent Group’s net current liabilities of approximately RMB2.64 billion and (ii) the Parent Group Principal Repayment of approximately RMB3.18 billion. The unutilised Banking Facilities serve as a strong additional liquidity buffer for the Parent Group when there are cash flow requirements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Therefore, taking into account (i) the Parent Company's state-owned background with its single largest shareholder being Hainan Airport Industrial Investment Co., Ltd.\* (海南機場實業投資有限公司), a company controlled by the State-owned Assets Supervision and Administration Commission of Hainan Province; (ii) as set out in the aforesaid section headed "2. Background of the Parent Company", the Parent Group's scale of total assets and net assets as at 31 December 2023, and the Parent Group's net operating cash flow for FY2023 and FY2024 which are higher than the Scheduled Repayments; (iii) the Parent Group's improving operational performance as evidenced by the growth in passenger throughput, aircraft movements, and cargo volumes with the strengthening financial results and position demonstrated by substantial growth in operating profit and net operating cash flow for FY2024 and decreased net current liabilities; (iv) available alternative financing options supported by an AA+ credit rating from CSCI Pengyuan to cover potential shortfall of the Parent Group's cash flow; (v) the Parent Group's readily available Banking Facilities to cover both current liabilities and the Parent Group Principal Repayment which could serve as additional buffer for cash flow requirements; (vi) the positive growth outlook of the operation of the Parent Group driven by the Hainan Free Trade Port development and the implementation of independent customs operations in 2025; (vii) the aforesaid strong shareholder background for potential support on additional cash flow requirements; and (viii) that the entering into of the New Loan Agreement by the Parent Company primarily represents a refinancing arrangement on the Existing Loan under more favorable terms and would not materially impact the Parent Group's net assets and gearing position, we consider that the credit risk of the Parent Company is low and the Parent Company is capable to repay the Parent Group Repayment. In view of the above, and given that solely the net book value of the Securities (which were free from other encumbrances save for the New Loan Agreement as at the Latest Practicable Date) of approximately RMB6.6 billion provided by the Parent Company is sufficient to cover the whole principal amount of the New Loan of RMB6.36327 billion, we consider that the joint and several liability arrangement of the New Loan will not cause substantial risks to the financial position of the Company.

Given that the primary source of repayment for the New Loan is the income generated from the operations from the Airport Project while the assets of the Airport Project held by the Parent Company were leased to the Company for operation by the Company under the Lease Agreement, the joint and several liability arrangement serves as an effective financing structure. This arrangement enables the New Lenders to evaluate the combined credit strength, integrating their confidence in the Airport Project's performance under the Company's operational expertise with the Parent Company's substantial asset backing and strong shareholder background.

We have performed a research on financing arrangement similar to the New Loan Agreement in the past two years prior to 31 December 2024 but we could not identify any transactions constituting a major transaction under the Listing Rules that are undertaken by companies listed on the Stock Exchange, with financing arrangement on a joint and several liability basis similar to the transactions contemplated under New Loan Agreement. We selected a two-year timeframe for identifying comparable transactions of similar financing arrangements as this period better reflects the current market terms under recent market conditions and macroeconomic environment, in particular, we noted that the Five-year LPR's significantly declined from 4.60% in January 2022 to 3.60% in October 2024, representing a 21.7% decrease within less than two years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the analysis we performed above, the transactions contemplated under the New Loan Agreement include (i) the long-standing cooperation between the Parent Company and the Company in jointly developing the Airport Project since 2015 which is intended to be supported by the Existing Loan and the New Loan with consistent joint and several liability arrangement; (ii) the operational dependency on both assets owned by the Company and the Leased Assets in Meilan Airport for loan repayment; and (iii) the enhanced borrowing capacity through combining the Company's operational expertise with the Parent Company's asset backing, we are of the view that the joint and several liability arrangement under the New Loan Agreement is fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We have obtained and reviewed all current loan agreements of the Company that were still effective as at the Latest Practicable Date, no terms or clauses in the New Loan Agreement were identified to be potentially contradictory to the Group's other loans currently outstanding.

Based on the above analysis, we are of the view that the terms of the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### 5. Possible financial effect on the New Loan Agreement and the New Loan Allocation Agreement to the Group

#### *Earnings*

As the interest rate under the New Loan Agreement is lower than those under the Existing Loan Agreement, it is expected that the finance costs in respect of the New Loan will decrease and the earnings of the Group will be improved.

#### *Net asset value*

Pursuant to the New Loan Agreement, the New Loan will be drawn down firstly on or before 31 March 2025 (the "**First Drawdown**") for the repayment of the outstanding loan under the Existing Loan Agreement. Following the First Drawdown for the repayment of the outstanding loan under the Existing Loan Agreement, it is expected that there will be no material change to the net asset value of the Group.

Following the subsequent drawdowns from the New Loan after the First Drawdown (the "**Subsequent Drawdown(s)**"), the cash and bank balances of the Group would increase by the same level as the increase in the Group's total liabilities. Therefore, it is also expected that the Subsequent Drawdowns will not result in any material change to the net asset value of the Group.

#### *Gearing ratio*

The gearing ratio of the Group as at 30 June 2024 was approximately 42.83% which was calculated by dividing the Group's net debts (being total borrowings less bank and cash balances) by its total capital (being total equity plus net debts) as at 30 June 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Following the First Drawdown for the repayment of the outstanding loan under the Existing Loan Agreement, the Group's net debt will remain unchanged as the increase in the Group's cash and total borrowings from the First Drawdown would be offset by the decrease in the Group's cash and total borrowings from the loan repayment, resulting in no change to the Group's total borrowings and cash and bank balances. Therefore, it is expected that the gearing ratio of the Group would remain unchanged following the First Drawdown.

Upon the Subsequent Drawdowns, the Group's cash and bank balances will increase by amounts equal to the increases in the Group's total borrowings, resulting in no immediate change to the Group's net debt and total capital, and thus the Group's gearing ratio. When cash and bank balances from the Subsequent Drawdowns are utilised for construction payments, the Group's net debt will increase by a larger extent than its total capital, resulting in a higher gearing ratio of the Group.

### *Cash flows*

The Group had consolidated unaudited cash and bank balances of approximately RMB24 million as at 30 June 2024. As discussed above, following the First Drawdown for the repayment of the outstanding loan under the Existing Loan Agreement, the total cash and bank balances of the Group is expected to be remained at a similar level.

Upon the Subsequent Drawdowns, it is expected that the Group's cash and bank balances would increase.

In light of the foregoing possible financial effects for the New Loan Agreement and the New Loan Allocation Agreement on the earnings, net asset value, gearing position and cash flows of the Group, we are of the view that the entering into of the New Loan Agreement and the New Loan Allocation Agreement would have no material change to the Group's financial position, and the entering into of the New Loan Agreement and the New Loan Allocation Agreement is in the interests of the Company and the Shareholders as a whole.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## RECOMMENDATION

Having taken into account the above principal factors and reasons as discussed above, we consider that the entering into of the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder is conducted in the ordinary and usual course of business and the terms and conditions thereof are on normal commercial terms, and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the New Loan Agreement, the New Loan Allocation Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**

**Alan Fung**                      **Louis Chan**  
*Managing Director*                      *Director*

*Note:*

*Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 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 2021, 2022 and 2023 and six months ended 30 June 2024 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 2021 published on 20 April 2022 (pages 182 to 296)  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000771.pdf>);
- annual report of the Company for the year ended 31 December 2022 published on 24 April 2023 (pages 200 to 314)  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400445.pdf>);
- annual report of the Company for the year ended 31 December 2023 published on 12 April 2024 (pages 194 to 304)  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0412/2024041200619.pdf>); and
- interim report of the Company for the six months ended 30 June 2024 published on 13 September 2024 (pages 42 to 96)  
  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0913/2024091300643.pdf>).

## 2. INDEBTEDNESS

As at the close of business on 30 November 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Group had indebtedness as follows:

	<b>30 November 2024</b>
	<i>RMB'000</i>
Bank borrowings	
Short-term borrowings – unguaranteed and unsecured (a)	400,000
Syndicated loan – guaranteed and secured (b)	1,880,417
	<hr/>
Other liabilities	
Interest on bank loans payable	16,516
Lease liabilities – unguaranteed and unsecured (c)	835,782
Payable to Bocom Financial Leasing (d)	963,037
Payables to related parties and third parties – unguaranteed and unsecured (e)	1,767,224
	<hr/>
Other current liabilities	
Provision for joint repayment commitment – unguaranteed and unsecured (b)	3,039
<b>Total liabilities</b>	<b><u>5,866,015</u></b>

- (a) The Company secured a loan facility of RMB500 million in November 2023, and as at 30 November 2024, the drawn loan amount was RMB400 million, with the average annual interest rate of 3.05%.
- (b) As at 30 November 2024, the Company had withdrawn RMB1.88 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 3.9%.

In the meantime, the Parent Company had withdrawn outstanding principal of RMB3.01 billion of the borrowings under the syndicated loan arrangement, and the Company was jointly liable for the repayment of the outstanding principal borrowings withdrawn by the Parent Company. The Company evaluated the expected credit loss provision for the Joint Repayment Commitments (as defined below) based on expected credit loss model taking into account the main parameters including the probability of default (0.3%), loss given default (26.44%) and exposure undertaken (1.29), and ultimately recognized “other current liabilities – provision for joint repayment commitment” of RMB3.039 million. If the actual results differ from the original estimates, it will affect the accrual or reversal of the provision for the Joint Repayment Commitments (as defined below) based in the current or future periods.

For detailed arrangement of the syndicated loans, please refer to the relevant disclosure in the paragraph headed “3. Working Capital” below.

- (c) As at 30 November 2024, the balance of lease liabilities was approximately RMB0.84 billion, of which RMB0.79 billion will be due within one year.
- (d) In June 2024, the Group entered into sale and leaseback agreements with Bocom Financial Leasing Co., Ltd. (“**Bocom Financial Leasing**”). Pursuant to the agreements, Bocom Financial Leasing will purchase the leased assets from the Company under the sale and leaseback agreements at a purchase price of RMB800 million in total, i.e. the principal of the finance lease, and lease out the leased assets to the Group for a period of approximately 120 months in return for the receipt of lease payments. The lease payments are payable every 6 months in 20 installments, with an effective annual interest rate of 3.87%.
- (e) It represents mainly the amounts due to the Parent Company and third parties of HNA Equity Management Co., Ltd. and HNA Group Co., Ltd, which are interest-free, unsecured and presented as current liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 November 2024, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, bank overdrafts, loan or other similar indebtedness liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, contingent liabilities or guarantees.

### 3. WORKING CAPITAL

The Group recorded the net loss of RMB0.26 billion for six months ended 30 June 2024. As at 30 June 2024, the Group recorded current liabilities of RMB5.59 billion, which exceeded its current assets by RMB5.11 billion. The Group’s current liabilities mainly comprise the syndicated loan of RMB1.88 billion, short-term borrowings of RMB0.325 billion, lease liabilities due within one year of RMB0.60 billion, amounts due to related parties of RMB0.46 billion, compensation payable for the Arbitration Case (the “**Arbitration Case**”) of RMB0.273 billion and the construction fee payable of the Airport Project of RMB0.563 billion.

The Company and the Parent Company jointly constructed the Airport Project, with the Parent Company as the borrower and the Company as the co-borrower obtaining a syndicated loan with a term of RMB7.8 billion and a term of 20 years (i.e. the Existing Loan), which was specifically used for the Airport Project, and the Company and the Parent Company jointly undertook the repayment obligation for each loan under the Existing Loan Agreement, and were jointly and severally liable for the repayment of the creditor’s rights (the “**Joint Repayment Commitment**”). As at 30 June 2024, the cumulative principal amount of the Existing Loan was RMB5.18 billion, and the repayment of principal amount was RMB0.29 billion, of which the Parent Company had drawn down the outstanding principal of the Existing Loan of RMB3.01 billion, and the Company had drawn down the outstanding principal of the Existing Loan of RMB1.88 billion. The Arbitration Case arising from the Company in 2020 has triggered events of default of the Existing Loan, resulting in the Existing Lenders having the right and possibility at any time to require the Company to undertake a joint repayment commitment and fully repay the balance of the Existing Loan of RMB3.01 billion that the Parent Company has drawn down and has not yet been repaid, and the Existing Lenders have the right to require the Company to repay the balance of the Existing Loan of RMB1.88 billion drawn down and outstanding at any time, and to suspend the loan amount of RMB1.96 billion (being half of the principal amount minus the total amount drawn down by the Company, i.e. RMB3.9 billion minus RMB1.94 billion) remaining from the loan contract to the Company.

Regarding the Arbitration Case, as stated in the Company's announcement dated 25 October 2024, according to the second phase award of the Arbitration Case (being the final award for such), after the amicable negotiation between the Company and the arbitration applicant, the parties finally reached a settlement amount of HK\$225 million (before tax) and waived the interest payable. The Company has completed the payment and the Arbitration Case has been concluded. As at the Latest Practicable Date, the Company and the Parent Company had not obtained the written waiver from the Existing Lenders, nor received notice from the Existing Lenders requiring the Company to immediately repay the Existing Loan or undertake the Joint Repayment Commitment.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

In view of the above, the Directors have carefully considered the Group's future working capital, operating position 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 and continue as going concern for 12 months from this circular date. The Group is planning a series of measures to mitigate pressure on working capital, including but not limited to:

- 1) On 31 December 2024, the Company, together with the Parent Company, signed the New Loan Agreement with the New Lenders. According to the New Loan Agreement, the Company, together with the Parent Company, will receive a total loan of RMB6.36 billion, of which no more than RMB4.78 billion will be used to repay the Existing Loan in advance, and the remaining RMB1.58 billion will be used for the construction of the Airport Project;
- 2) In July 2024, the Company signed a loan contract of RMB600 million with the Parent Company, for the purpose of ensuring payment of the Arbitration Case and supplementing the Company's daily operating funds;
- 3) The Company also continued to communicate with major banks and financial institutions to actively obtain new bank facilities. As of November 2024, the Company has obtained working capital loan facilities of RMB600 million from commercial banks, of which the remaining undrawn balance is RMB200 million;
- 4) The Company has negotiated with the Parent Company and has obtained its consent that the Company can repay the amounts due to the Parent Company when the Company has sufficient working capital, including the Company's amounts due to the Parent Company of about RMB460 million, and the lease liabilities due within one year is RMB600 million on 30 June 2024; and
- 5) The Group will continue to apply the incremental time, promote the landing of the seventh air rights route, and build a domestic and international dual-cycle aviation network pattern; reasonably control the airport operating costs, continue to introduce of internationally renowned luxury brands to increase the unit price of duty-free business passengers to increase the Company's operating capital 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 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 12 months from this circular date.

Notwithstanding, significant uncertainty exists as to whether the management of the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- 1) whether the Company can obtain the New Loan, and whether no more than RMB4.78 billion of the New Loan will be used to repay the Existing Loan in advance;
- 2) whether the Company can enter into relevant loan agreements and disburse loans with financial institutions for the new financing facility to repay debts due and meet future funding needs;
- 3) whether the Company can continue to obtain the consent of the Parent Company to repay the amount payable to the Parent Company, the construction payment advanced by the Parent Company for the Company and the rent of the leased assets in subsequent years, depending on the Company's working capital sufficiency; and
- 4) Whether the Group's airport operation will generate the expected growth 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 12 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 circular.

#### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

For the year ended 31 December 2023, the Group recorded an audited revenue of approximately RMB2,085.68 million, and a net loss attributable to Shareholders of approximately RMB136.01 million. Loss per share was RMB0.29. For the first half year ended 30 June 2024, the Group recorded an unaudited revenue of approximately RMB1,149.28 million, and a net loss attributable to Shareholders of approximately RMB248.05 million. Loss per share was RMB0.52.

In the first half of 2024, China's civil aviation economy remained stable with an upward trend and continued to improve, the production of civil aviation passenger transportation recorded steady and rapid growth, and the international routes recovered to 80% of the corresponding period of 2019. As of 30 November 2024, the entire industry achieved a total transportation turnover of 136.09 billion ton kilometers, passenger transport volume of 673 million person-times and cargo and mail transport volume of 8.137 million tons, representing an increase of 25.9%, 18.3% and 23.1% of the corresponding period of last year, respectively. At present, the safety situation has generally remained stable, the whole industry has formed a consensus on safe and orderly recovery, and the transportation and production as a whole have shown a good situation of stable recovery, safe operation, and orderly competition. Steady progress was made in deepening reform in important areas, international exchanges and cooperation in civil aviation continued to deepen, and new results were achieved in the high-quality development of civil aviation.

In 2024, with the gradual recovery of the major part of the civil aviation market, production and operational order return to normal, the industry development momentum further accumulates, and factors and conditions that support high quality development continue to increase, China's civil aviation enters into a new circle with sustained, rapid and healthy development.

In 2024, Meilan Airport took advantage of the opportunity of the construction and development of the Free Trade Port, and comprehensively expanded the Pacific Ocean and the Indian Ocean hub flight route network, reaching a sizable scale. First, it densely organized the domestic network, and achieved re-coverage of the provincial cities; secondly, it refined our high-quality flight routes, and forged the "Free Trade Port Express", expanding the reach of the express, with the first batch covering 5 flight routes, namely from Haikou to Guangzhou, Shenzhen, Changsha, Wuhan, Chongqing and such; thirdly, it expanded the international flight route network to cover the Middle East and North America, increased the frequency of the flights of Hong Kong, Bangkok, Kuala Lumpur, Singapore and Seoul, launched new interline routes such as Haikou=Shanghai=Osaka and Chongqing=Haikou=Seattle, and increased the number of transit business destinations, with a year-on-year increase of over 140% for the overseas passenger throughput for the year; fourthly, it has extended its influence to the world, and pushed travel advertising campaigns in six countries, including Malaysia, Kazakhstan, Russia and such.

In 2025, the Group will focus on on-site core risk management and control, and dynamically adjust the focus and pace for safety management work based on the characteristics of gradual operation to ensure safe, stable and orderly operation of the airport; promote the three-year service quality improvement, formulate Meilan Airport service brand strategy, rejuvenate and upgrade service brands, establish Meilan Airport service brand management supporting mechanism, formulate the marketing communication and overall planning of Meilan Airport service brand and supporting products, and further enrich the connotation of service brands; continue to develop the aviation market, apply the incentives of off-season subsidy policies, and coordinate with airlines to increase flight service frequency in off-season.

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****Director's Interest and Short Position**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 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) had 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 had or may have with the Company.

As at the Latest Practicable Date, none of the Directors had any material interest, directly or indirectly, in any asset which, since 31 December 2023, 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 or arrangement 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 was significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular.

Mr. Wang Hong, an executive Director, the chairman of the Board and president of the Company, has served as chairman of the board of directors and the legal representative of the Parent Company; Mr. Ren Kai, an executive Director and the chief financial officer of the Company, and Mr. Xing Zhoujin, an executive Director and the joint company secretary of the Company, serve as the chief financial officer and the secretary to the board of directors of the Parent Company, respectively; Mr. Wu Jian, a non-executive Director, and Mr. Li Zhiguo, a non-executive Director, are both the vice presidents of the Parent Company.

Save as disclosed above, as at the Latest Practicable Date, no other Director was a director or employee of a company which had 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 was 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	Number of Domestic Shares	Percentage to Domestic Shares issued	Percentage to total issued share capital
Haikou Meilan International Airport Company Limited* (海口美蘭國際機場有限責任公司) (Note 1)	Beneficial owner	237,500,000(L)	96.43%	50.19%
Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司) (Note 1)	Interest of controlled corporations	237,500,000(L)	96.43%	50.19%
Hainan Development Holdings Co., Ltd.* (海南省發展控股有限公司) (Note 1)	Interest of controlled corporations	237,500,000(L)	96.43%	50.19%

\*For identification purposes only



*H Shares*

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
UBS Group AG (Note 2)	Interest of controlled corporations	21,343,128(L)	9.41%	4.51%
M&G Plc (Note 3)	Interest of controlled corporations	20,434,000(L)	9.01%	4.32%
Feng Global Fund SPC - Feng Global SP	Investment manager	18,235,000(L)	8.04%	3.85%

*Notes:*

- Haikou Meilan International Airport Company Limited is established in the PRC and is the controlling shareholder of the Company. According to the disclosure of interest filed on the website of the Stock Exchange, Hainan Development Holdings Co., Ltd.\* (海南省發展控股有限公司) held 100% interest in Hainan Airport Group Co., Ltd\* (海南機場集團有限公司), Hainan Airport Group Co., Ltd held 56.00% interest in Hainan Airport Industrial Investment Co., Ltd.\* (海南機場實業投資有限公司), and Hainan Airport Industrial Investment Co., Ltd. held 46.81% interest in the Parent Company. Therefore, both Hainan Development Holdings Co., Ltd. and Hainan Airport Industrial Investment Co., Ltd. were deemed to be interested in 237,500,000 Domestic Shares in long position held by the Parent Company.
- According to the disclosure of interest filed on the website of the Stock Exchange, UBS Group AG held 100% interest in (i) UBS Asset Management (Hong Kong) Ltd; (ii) UBS Asset Management (Singapore) Ltd; (iii) UBS Fund Management (Switzerland) AG; (iv) UBS AG; (v) UBS Switzerland AG; and (vi) UBS Asset Management (Europe) S.A.. Accordingly, UBS Group AG was deemed to be interested in 1,206,000, 317,300, 534,000, 3,206,729, 2,310,407 and 13,768,692 H Shares in long position held by the above companies respectively.
- According to the disclosure of interest filed on the website of the Stock Exchange, M&G Plc held 100% interest in M&G Group Regulated Entity Holding Company Limited, which held 100% interest in M&G Group Limited. M&G Plc also 100% interest in The Prudential Assurance Company. M&G Group Limited held 100% interest in M&G FA Limited, which held 100% interest in M&G Luxembourg S.A., M&G Investment Management Limited, M&G Securities Limited and M&G Investments (Singapore) Pte. Ltd. Accordingly, M&G Plc was deemed to be interested in the 1,907,000, 20,434,000, 18,527,000 and 20,434,000 H Shares in long position held by M&G Luxembourg S.A., M&G Investment Management Limited, M&G Securities Limited and M&G Investments (Singapore) Pte. Ltd respectively.
- (L) represents long position.

Save as disclosed above, as at the Latest Practicable Date, so far as was 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.

*\*For identification purposes only*

**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**

Since 31 December 2023 (the date to which the latest audited financial statements of the Group were made up) and as at the Latest Practicable Date, save as disclosed in this circular, the Directors were not aware of any material adverse change in the financial position or trading position of the Group.

**5. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was 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 is the qualifications of the expert who has given opinion or advice, which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
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

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

As at the Latest Practicable Date, Octal Capital was not beneficially interested in the share capital of any member of the Group nor did it have 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 did it have any interest, either direct or indirect, in any assets which had 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 were proposed to be acquired or disposed of by or leased to any member of the Group.

**7. MISCELLANEOUS**

- (a) The joint secretaries of the Company are Mr. Xing Zhoujin and Mr. Chen Yingjie. Mr. Xing Zhoujin, aged 59, 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. Mr. Chen Yingjie, aged 37, is an intermediate economist certified by the Ministry of Human Resources and Social Security of the PRC, with qualification certificates of secretary for directorate issued by the Shenzhen Stock Exchange and the Shanghai Stock Exchange, respectively. He also holds a securities practitioner qualification certificate issued by the Securities Association of China and a fund practitioner qualification certificate issued by the Asset Management Association of China. He has been acting as the general manager of the department of investment and operation (Office of the Board) of the Company, assisting the chairman of the Board and Mr. Xing Zhoujin, the company secretary of the Company to manage the listing affairs of the Company.
- (b) The registered address of the Company is at the 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text if there is any inconsistency.

**8. MATERIAL CONTRACTS**

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

- (a) the New Loan Agreement;
- (b) the New Loan Allocation Agreement;
- (c) An account supervision agreement dated 31 December 2024 (the “**Account Supervision Agreement**”) entered into among the Company, the Parent Company and the New Lenders in relation to, among others, the establishment and supervision of a specific bank account in connection with the New Loan; and
- (d) the supplemental agreement dated 17 September 2023 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 and the 2021 supplemental parent company domestic shares subscription agreement (the “**2023 Supplemental Parent Company Domestic Shares Subscription Agreement**”), the details of which were set out in the announcement of the Company dated 17 September 2023 and the circular of the Company dated 16 November 2023.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be posted on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.mlairport.com>) for at least 14 days from the date of this circular:

- (a) the New Loan Agreement;
- (b) the New Loan Allocation Agreement;
- (c) the Account Supervision Agreement;
- (d) the 2023 Supplemental Parent Company Domestic Shares Subscription Agreement;
- (e) the letter from the Board, the text of which is set out on pages 5 to 15 of this circular;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 16 to 17 of this circular;
- (g) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 18 to 38 of this circular;  
and
- (h) the written consent referred to in the paragraph headed “6. Expert and Consent” in this Appendix.

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## NOTICE OF THE EGM

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

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

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Hainan Meilan International Airport Company Limited (the “Company”) will be held at 10:00 a.m. on Friday, 7 March 2025 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 28 January 2025 (the “Circular”).

#### BY WAY OF ORDINARY RESOLUTIONS

1. To consider and approve (i) the New Loan Agreement dated 31 December 2024 entered into between the New Lenders and the Borrowers, pursuant to which, the New Lenders agreed to grant the New Loan to the Company and the Parent Company on a joint and several liability basis in the principal amount of RMB6.36327 billion for a period of 20 years and (ii) the New Loan Allocation Agreement dated 31 December 2024 entered into between the Company and the Parent Company for the purpose of specifying the allocation of the New Loan between the Company and the Parent Company, and to authorise the Board, which further authorise the chairman of the Board, to execute, implement, ratify, amend and complete all other agreements and documents and do any act as necessary and appropriate in relation to the transactions contemplated under the New Loan Agreement and the New Loan Allocation Agreement; and
2. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding one (1) 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 Hong**  
*Chairman and President*

Hainan Province, the PRC  
28 January 2025

*As at the date of this notice, the Board comprises (i) three executive directors, namely Mr. Wang Hong, Mr. Ren Kai and Mr. Xing Zhoujin; (ii) three non-executive directors, namely Mr. Wu Jian, Mr. Li Zhiguo and Mr. Wen Zhe; and (iii) four independent non-executive directors, namely Mr. Fung Ching, Simon, Mr. Ye Zheng, Mr. Deng Tianlin and Ms. Liu Hongbin.*

\* For identification purposes only

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## NOTICE OF THE EGM

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*Notes:*

- (A) The Company's register of members will be closed from Saturday, 15 February 2025 to Friday, 7 March 2025 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Shops1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the office of the secretary to the Board at the Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC (for Domestic Shareholders), no later than 4:30 p.m. on Friday, 14 February 2025.
  - (B) Shareholders whose names appear on the Company's register of members at the close of business on Monday, 17 February 2025 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 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 of directors or by its authorised attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
  - (E) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a Shareholder 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 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) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.
  - (H) Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM.