

*To the Independent Board Committee and
the Independent Shareholders*

30 September 2025

Dear Sirs,

**SPECIAL DEALS RELATING TO
(1) THE TRANSFER OF EQUITY INTEREST IN TIANYU FROM
HAINAN AIRPORT DEVELOPMENT TO HNA;
AND
(2) THE PRO RATA CAPITAL CONTRIBUTION BY
HAINAN AIRPORT DEVELOPMENT AND HNA
INTO HNA TECHNIC**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in relation to the Special Deals, details of which are set out in the letter from the Board and the Offerors (the “**Letter from the Board and the Offerors**”) contained in the circular of the Company dated 30 September 2025 (the “**Circular**”). Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 6 June 2025 and 27 August 2025, Hainan Airport Development entered into the Master ETA and the Supplemental ETA, respectively with HNA. Subject to and in accordance with the ETA, Hainan Airport Development has conditionally agreed to transfer, and HNA has conditionally agreed to acquire, the Tianyu Equity (being 100% of the equity interest in Tianyu), for a consideration of RMB799,070,000. Upon completion of the Tianyu Transfer, Hainan Airport Development will no longer hold any equity interest in Tianyu.

Hainan Airport Development and HNA intend to enter into the Capital Contribution Agreement. Subject to and in accordance with the Capital Contribution Agreement, Hainan Airport Development and HNA will conditionally agree to make capital contributions in cash to HNA Technic in proportion to their existing shareholdings in HNA Technic, for a total amount of RMB2,401,610,336.17.

Neither Tianyu nor HNA Technic is or will become a member of the Group. However, as the agreements for both the Tianyu Transfer are, and the agreement for the Capital Contribution will be, an agreement entered into between Hainan Airport Development (a presumed concert party of the Offerors) and HNA (a Shareholder) during the Offer Period which are not extended to all Shareholders, each of them constitutes a special deal under Rule 25 of the Takeovers Code, which will require the consent of the Executive. The Offerors have made an application to the Executive for consent under Rule 25 of the Takeovers Code in relation to each of the Special Deals. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion that each of the Special Deals is fair and reasonable; and (ii) each of the Special Deals being approved at the EGM by the Independent Shareholders.

We, Octal Capital Limited, have been appointed with the approval of the Independent Board Committee as the independent financial adviser to give an independent opinion to the Independent Board Committee as to whether each of the Special Deals is fair and reasonable.

As at the Latest Practicable Date, we were not connected with the Group, Hainan Airport Development, HNA, Tianyu, HNA Technic and the Offerors or, where applicable, any of their respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules. In the two years immediately preceding the date of the ETA and the Capital Contribution Agreement, we were engaged by the Company as an Independent Financial Adviser to the Company in respect of (i) the major and connected transaction in relation to the subscription of a maximum of 140,926,000 new Domestic Shares by the Seller (details as contained in the circular of the Company dated 16 November 2023); and (ii) the major and connected transaction in relation to the loan in the principal amount of RMB6.36327 billion granted by the new lenders to the Company and Haikou Meilan International Airport Company Limited* on a joint and several liability basis (details as contained in the circular of the Company dated 28 January 2025) (the “Previous Engagements”).

Under the Previous Engagements, we were required to express our opinion on and give recommendations to the Independent Board Committee of the Company in respect of the relevant transactions. Apart from normal professional fee payable to us by the Company in connection with this appointment and the Previous Engagements, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group, Hainan Airport Development, HNA, Tianyu, HNA Technic and the Offerors, or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. We are therefore considered independent and suitable to give independent advice to the Independent Board Committee regarding the Special Deals.

In formulating our opinion, we have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed by the Directors to us are true, accurate and complete in all material aspects. We have also relied on our discussion with the Directors and/or the management of the Company, given in writing or orally, regarding the Special Deals, 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 the management of the Company in the Circular were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true, accurate and complete in all material respects and not misleading or deceptive up to the time of the Latest Practicable Date, and there are no other matters the omission of which would make any statement herein or the Circular misleading. The Shareholders will be notified of any material changes to such statements, information, representations and/or our opinion contained in this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION ON THE SPECIAL DEALS

In formulating our advice in respect of the Special Deals and the transactions contemplated thereunder, we have taken into consideration the following principal factors:

1. Background information of the parties to the Special Deals

Hainan Airport Development

Hainan Airport Development is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of the Domestic Share Offeror. It is an investment holding company principally engaged in airport operations management, real estate, architectural design and consulting.

HNA

HNA is a company incorporated in the PRC with limited liability and is interested in 5,287,500 Domestic Shares (representing approximately 1.12% of the entire issued share capital of the Company as at the Latest Practicable Date). HNA is principally engaged in passenger, cargo and mail transport to international and domestic destinations (including Hong Kong and Macau); services related to air transportation; air travel services; production of in-flight supplies, aviation materials, aircraft ground support equipment and spare parts; terminal services and operations; and sideline insurance agency services (limited to personal accident insurance). As at the Latest Practicable Date, the substantial shareholder of HNA is Hainan Hanwei Investment Company Limited* (海南瀚巍投資有限公司) (holding approximately 24.41% interests in HNA).

Tianyu

Tianyu is a company incorporated in the PRC with limited liability and is a direct wholly-owned subsidiary of Hainan Airport Development. Tianyu is principally engaged in the training services for pilots, flights attendants and other aviation-related personnel; simulator maintenance, repair and other related technical services; aviation business knowledge training; flight experience; after-sales support for simulator spare parts; development and sales of simulator application software and visual airport systems; accommodation services; and housing rental.

Set out below is a summary of certain audited financial information of Tianyu for the financial years ended 31 December 2023 and 31 December 2024 and the four months ended 30 April 2025, as set out in Appendix VI to the Circular.

	As at 31 December 2023 (audited) <i>unit:</i> RMB10,000	As at 31 December 2024 (audited) <i>unit:</i> RMB10,000	As at 30 April 2025 (audited) <i>unit:</i> RMB10,000
Total assets	<u>240,916.01</u>	<u>235,106.37</u>	<u>227,100.65</u>
Total liabilities	<u>193,634.26</u>	<u>182,743.41</u>	<u>173,448.48</u>
Total equity attributable to shareholder of Tianyu	<u>47,281.75</u>	<u>52,362.96</u>	<u>53,652.17</u>
	For the year ended 31 December 2023 (audited) <i>unit:</i> RMB10,000	For the year ended 31 December 2024 (audited) <i>unit:</i> RMB10,000	For the four months ended 30 April 2025 (audited) <i>unit:</i> RMB10,000
Revenue	42,109.23	38,473.94	13,090.69
Net profit attributable to shareholders of Tianyu	<u>15,389.52</u>	<u>5,508.43</u>	<u>1,289.20</u>

HNA Technic

HNA Technic is a company incorporated in the PRC with limited liability, its shareholders are Hainan Airport Development (holding approximately 31.9305% of the equity interests in HNA Technic) and HNA (holding approximately 68.0695% of the equity interests in HNA Technic). HNA Technic is principally engaged in the maintenance, repair and overhaul of aircraft, engines (including auxiliary power units) and other components for domestic and international customers; provision of line maintenance support services for domestic and international airlines, dispatch of personnel to provide maintenance and technical services; fleet technical management and other engineering services; calibration services; subcontracting management of engines, components and other parts; personnel training; technical consultancy; maintenance and development; design, manufacturing, repair, management and logistics services related to ground equipment and facilities; design, manufacturing, warehousing, logistics, sales, support and management services of aviation materials; and asset management.

Set out below is a summary of certain audited financial information of HNA Technic for the financial year ended 31 December 2024 and unaudited financial information of HNA Technic for the four months ended 30 April 2025, as extracted from the announcement published by the Domestic Share Offeror on the Shanghai Stock Exchange dated 7 June 2025 and 27 August 2025, respectively.

	As at 31 December 2024 (audited) unit: RMB10,000	As at 30 April 2025 (unaudited) unit: RMB10,000
Total assets	<u>787,244.84</u>	<u>844,872.97</u>
Total liabilities	<u>783,337.09</u>	<u>849,274.48</u>
Total equity attributable to shareholder of HNA Technic	<u>28,280.26</u>	<u>21,407.37</u>
	For the year ended 31 December 2024 (audited) unit: RMB10,000	For the four months ended 30 April 2025 (unaudited) unit: RMB10,000
Revenue	489,778.40	171,799.81
Net profit/(loss) attributable to shareholders of HNA Technic	<u>(8,449.05)</u>	<u>(6,872.89)</u>

Set out below is a summary of certain audited financial information of HNA Technic for the financial years ended 31 December 2024 and 31 December 2023 and unaudited financial information of HNA Technic for the four months ended 30 April 2025, which is not otherwise disclosed in the announcements published by the Domestic Share Offeror on the Shanghai Stock Exchange dated 7 June 2025 and 27 August 2025 and set out above, as extracted and reproduced from the announcements published by HNA on the Shanghai Stock Exchange dated 7 June 2025 and 27 August 2025 respectively.

	As at 31 December 2023 (audited) unit: RMB10,000	As at 31 December 2024 (audited) unit: RMB10,000	As at 30 April 2025 (unaudited) unit: RMB10,000
Current assets	394,785.7	494,045.8	548,349.9
Non-current assets	320,499.3	293,199.0	296,523.1
Current liabilities	418,490.3	527,044.6	588,177.4
Non-current liabilities	287,844.6	256,292.5	261,097.2
	For the year ended 31 December 2023 (audited) unit: RMB10,000	For the year ended 31 December 2024 (audited) unit: RMB10,000	For the four months ended 30 April 2025 (unaudited) unit: RMB10,000
Net profit/(loss)	46,355.1	(13,217.6)	(8,449.4)
Total comprehensive income	46,071.8	(12,041.1)	(8,449.4)

Pursuant to Rule 10 of the Takeovers Code, the unaudited financial information in respect of the (i) net loss of HNA Technic; and (ii) the net loss attributable to the parent company of HNA Technic, each for the four months ended 30 April 2025 (collectively, the “**Unaudited Financial Information**”) set out above constitutes a profit forecast under Rule 10 of the Takeovers Code. The Unaudited Financial Information has been reported on by Rainbow Capital and WUYIGE respectively in accordance with the requirements under Rules 10.3 and 10.4 of the Takeovers Code. A copy of the reports from Rainbow Capital and WUYIGE is also set out in Appendices VII and VIII of the Circular, respectively.

2. Reasons for and benefits of entering into the ETA and the Capital Contribution Agreement

Hainan Airport Development considers that the Tianyu Transfer will facilitate the Domestic Share Offeror (being Hainan Airport Development’s sole shareholder) to further focus on its main airports business and optimise the allocation of resources. It is expected that, after completion of the Tianyu Transfer, Hainan Airport Development (and indirectly, the Domestic Share Offeror) will receive an investment income of approximately RMB200 million (the specific amount is subject to the final audited financial report to be disclosed by the Domestic Share Offeror).

HNA considers Tianyu as a vital supporting enterprise for its daily operations, handling over half of its pilot, flight attendant and other aviation-related personnel training, including routing simulator sessions and annual recurrent programs. HNA considers that the Tianyu Transfer will help improve the layout of its aviation industry supply chain, thereby promoting the expansion of its core aviation transportation business, reducing operational costs, and enhancing its core competitiveness and overall operational risk resilience. By integrating aviation simulator resources, HNA can achieve the dual goals of safety compliance and cost-efficient management.

As regards the Capital Contribution, Hainan Airport Development and HNA recognise the future growth potential of HNA Technic and consider that the Capital Contribution would strengthen HNA Technic's financial position, optimise its capital structure, reduce its debt-to-asset ratio, and enhance its financing capacity. The Capital Contribution would provide capital to expand HNA Technic's business operations and boost production capabilities.

Further, the Domestic Share Offeror (being Hainan Airport Development's sole shareholder) considers that the Capital Contribution will deepen its business collaboration with local-based airlines, thereby enhancing its aviation-oriented business layout and strengthening its sustainable development capacity.

HNA also considers that the Capital Contribution would improve its financial position, lower its leverage ratio and improve its creditworthiness, enabling better access to institutional financing.

3. Principal terms of the ETA

The principal terms of the ETA are summarised as follows:

Date: 6 June 2025 and supplemented on 27 August 2025

Parties: (i) Hainan Airport Development;
(ii) HNA; and
(iii) Tianyu.

Transfer consideration

The amount of the Transfer Consideration is based on the valuation results of the Valuation Report, being RMB799,070,000.

Conditions precedent

The ETA will become effective upon satisfaction of the following conditions (the "Tianyu Conditions"):

- (i) the ETA has been signed by legal representatives or authorised representatives of each party to the ETA and their respective official seals have been affixed;

- (ii) Hainan Airport Development has obtained the approval and authorisation of its internal competent decision-making bodies and the approval of the external competent decision-making authorities in respect of the Tianyu Transfer and the ETA;
- (iii) the Tianyu Transfer and the ETA comply with applicable laws, regulations and regulatory requirements in Hong Kong;
- (iv) Hainan Airport Development has completed the filing procedures with Hainan SASAC for the asset valuation results in respect of the Tianyu Transfer;
- (v) HNA has obtained the approval and authorisation of its internal competent decision-making bodies in respect of the Tianyu Transfer and the ETA; and
- (vi) Hainan Airport Development, HNA and Tianyu have jointly completed an inventory count of Tianyu's assets and signed a written confirmation document.

Tianyu Conditions (i), (ii), (iv) and (v) above have been satisfied as at the Latest Practicable Date. The other Tianyu Conditions remain outstanding as at the Latest Practicable Date.

None of the Tianyu Conditions is capable of being waived by any party to the ETA.

Please refer to the section headed "B. THE TIANYU TRANSFER" in the Letter from the Board and the Offerors for details of the ETA.

4. Analysis of the Transfer Consideration

The Transfer Consideration was determined by Hainan Airport Development and HNA after arm's length negotiation having taken into account the valuation value of the Tianyu Equity as at 31 December 2024 of approximately RMB799.07 million based on the Valuation Report issued by Zhong Wei, details of which are set out in Appendix I to the Circular. According to the Valuation Report, the appraised value of the Tianyu Equity was RMB799,070,000 as at the Valuation Benchmark Date, reflecting an appraisal appreciation of RMB204,379,700 compared with the book value of the entire shareholders' equity of Tianyu (being RMB594,690,300), with a value appreciation rate of 34.37%.

In preparing the Valuation Report, Zhong Wei selected the income approach to conclude the valuation of the Tianyu Equity (the "Equity Valuation"). With reference to the confirmation letter included in Appendix III to the Circular in relation to the Equity Valuation, we noted that Zhong Wei has reviewed the financial data of Tianyu as of 30 June 2025 and confirmed that there was no material change in the valuation assumptions and calculation basis adopted in the Equity Valuation. Hence, Zhong Wei confirmed that the assessed value of Tianyu Equity as of 30 June 2025 is not materially different from the assessed value stated in the Equity Valuation. For due diligence purpose, we have reviewed the Valuation Report prepared by Zhong Wei and have discussed with Zhong Wei regarding the Valuation Report with details set out below.

Scope of work and qualification of Zhong Wei

Zhong Wei was engaged to prepare the Valuation Report which sets out independent valuations on the market value of 100% equity interest in the Tianyu as at the Valuation Date. In order to assess the expertise and independence of Zhong Wei, we have (i) reviewed the engagement letter between Zhong Wei and Hainan Airport Development and HNA; (ii) conducted telephone discussions with the core team member of Zhong Wei to understand its experience and its relationship with Hainan Airport Development and HNA and the valuation methodology; and (iii) discussed with Zhong Wei about its previous experiences on valuation projects. Based on our work performed as mentioned above, we understand that Zhong Wei is a qualified valuer for conducting valuation of securities and futures jointly approved by Ministry of Finance of the PRC and China Securities Regulatory Commission, and a qualified asset valuer approved by Beijing Municipal Finance Bureau and the Valuation Report is prepared by Ms. Huang Yinshu who is a qualified asset valuer registered with the China Appraisal Society and has 15 years of relevant experiences in valuation projects. Zhong Wei has confirmed that it is an independent third party of the Company, Hainan Airport Development, HNA, Tianyu, HNA Technic, and their connected persons; and the scope of work of this engagement is appropriate and suitable for the preparation of the Valuation Report. With reference to the comfort letter from Rainbow Capital included in Appendix IV to the Circular, we noted that Rainbow Capital is satisfied that Zhong Wei is suitably qualified and experienced with sufficient current local knowledge, skills and understanding necessary to undertake the Equity Valuation competently and that reliance could fairly be placed on the Zhong Wei's work.

As such, we are not aware of any matters that could cause us to have doubts on the expertise and independence of Zhong Wei.

Valuation methodologies

In the course of our interview with Zhong Wei, we have discussed the methodologies, bases and assumptions adopted in the Valuation Report, further details are set out below.

The Equity Valuation was concluded based on the asset-based approach and income approach and Zhong Wei selected the income approach to conclude the Equity Valuation. We noted from the Valuation Report that the Equity Valuation was prepared by Zhong Wei in accordance with various requirements/standards, including 《中華人民共和國資產評估法》(Law of the PRC on Asset Appraisal*) as passed by the National People's Congress of the PRC, 《資產評估基本準則》(Basic Guidelines for Asset Appraisal*) as issued by Ministry of Finance of the PRC, 《資產評估執業準則》(Guidelines for the Practice of Asset Appraisal*) as issued by the China Appraisal Society, and other relevant valuation standards published by the PRC authorities. In particular, Basic Guidelines for Asset Appraisal* states that, among others, (i) fundamental approaches of assets valuation method include market approach, income approach and asset-based approach; and (ii) valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation method. Based on our discussion with Zhong Wei, we understand that they have considered the below three commonly used valuation approaches for the Equity Valuation, namely (i) the market approach which determines the value of the subject asset by comparing it with comparable references and basing the valuation on their market prices; (ii) the asset-based approach which reflects the fair market value of the assets from an asset replacement perspective; and (iii) the income approach which determines value of the subject asset by capitalising or discounting the expected earnings of the subject asset.

After our discussion with Zhong Wei, we understand that Zhong Wei selected the income approach to conclude the Equity Valuation after considering (i) as there has not been any comparable transactions in the PRC which have similar asset scale and capital structure of Tianyu, the market approach is not an appropriate method for the Equity Valuation; (ii) the use of asset-based approach would determine the appraised value based on the replacement cost of Tianyu's existing assets on the Valuation Benchmark Date and this cannot reasonably reflect the future economic benefits of the business of Tianyu as a whole; (iii) Tianyu has a sustainable business and it has been generating stable earnings with a long track record period to provide a solid basis for the preparation of future cash flow of Tianyu which would support the use of the income approach; and (iv) the income approach is a commonly adopted approach for assessing the market value of a profitable company.

We understand from Zhong Wei that in their preparation of the Equity Valuation using the income approach, they have (i) interviewed the management of Hainan Airport Development to understand the business of Tianyu and the basis of the forecast for net cash flows of Tianyu (the "Net Cashflow Forecast") for the five years ending 31 December 2029 (the "Forecast Period"); (ii) obtained and reviewed Tianyu's historical financial information from 2021 to 2024 which formed the basis for the Net Cashflow Forecast; and (iii) obtained and reviewed the historical utilisation rate of the flight simulators and the relevant lease agreements which were used as inputs to the Net Cashflow Forecast.

Having considered that (i) the Valuation Report was prepared by Zhong Wei in accordance with various requirements/standards; (ii) Zhong Wei had also considered market approach and asset-based approach during the course of the Equity Valuation before concluding the Equity Valuation with the income approach; and (iii) the aforesaid reasons for not adopting the market approach and asset-based approach, we concur with Zhong Wei on the adoption of income approach to conclude the Equity Valuation.

Valuation assumptions

We have reviewed the Valuation Report and discussed with Zhong Wei in respect of the key assumptions adopted for performing the Equity Valuation. We understand from Zhong Wei that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Equity Valuation. We also consider the assumptions adopted in the Equity Valuation Report are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by Zhong Wei.

Details of the valuation

Based on our discussions with Zhong Wei that the Equity Valuation is derived from the Net Cashflow Forecast for the Forecast Period. We have obtained the relevant worksheet (the “Worksheet”) in relation to the Equity Valuation and discussed with Zhong Wei the key basis and assumption adopted in the income approach for the Equity Valuation. With reference to the comfort letters included in Appendix IV and Appendix V to the Circular, we understand that WUYIGE reviewed and confirmed the accounting policies and calculations of the Net Cashflow Forecast has been properly compiled in accordance with the assumptions made by the directors of the Offerors while Rainbow Capital reviewed and confirmed that the Net Cashflow Forecast has been prepared by the directors of the Offerors after due and careful enquiry, who are solely responsible for the Net Cashflow Forecast.

We have reviewed the Worksheet and discussed with Zhong Wei and noted that the market value of Tianyu Equity was derived from the present value of the Net Cashflow Forecast adjusted with cash and non-operating assets and liabilities of Tianyu discounted at a rate calculated based on the weighted average cost of capital formula applicable to Tianyu (the “Discount Rate”).

We noted that the Net Cashflow Forecast was made by the management of Hainan Airport Development after taking into account the operational information of Tianyu which mainly includes (i) the estimated revenue from rental of flight simulators to pilots for the Forecast Period calculated based on the estimated utilisation rate of the flight simulators of approximately 42% to 95% for the Forecast Period which are within the range of the historical utilisation rate from approximately 21% to 99% and the average hourly charge rate of the flight simulators of Tianyu for the four years ended 31 December 2024; (ii) the estimated operating costs based on the historical operating costs of Tianyu for the four years ended 31 December 2024; (iii) the relevant business tax and profits tax in accordance with the relevant tax rate in the PRC; and (iv) the estimated impact of the changes in working capital in relation to the operations (including accounts receivable, cash to be maintained for normal operations and accounts payable) .

Please also refer to the full details of the calculations of the Equity Valuation as set out in Appendix I to the Circular.

As set out in the Valuation Report, Zhong Wei adopted the Discount Rate of 10.12% in the Equity Valuation which was derived using the weight average cost of capital which measures the cost of equity and cost of debt of an investment. Since Tianyu is a debt-free company, only the cost of capital, which was derived using the Capital Asset Pricing Model (“CAPM”) is required to be calculated. CAPM is a widely accepted model used to determine theoretically appropriate required rate of return of an investment with the following formula.

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

where:

R_f = risk-free rate of return

MRP = market risk premium

ε = the characteristic risk adjustment factor of the appraisal object

β_e = expected market risk coefficient of equity capital of the appraisal object

$$\beta_e = \beta_u \times (1 + (1 - t) \times D/E)$$

β_u = unlevered market risk coefficient of comparable companies

D = value of interest-bearing debt of the appraisal object

E = fair value of the appraisal object’s equity capital

Upon our review of the CAPM, we noted that Zhong Wei has applied (i) the risk free rate derived based on the average yield to maturity of issued 10-year treasury bonds in the PRC; (ii) the market risk premium derived based on the CSI 300 Index, representing the average rate of return on the PRC stock market, minus the risk free rate; (iii) the expected market risk coefficient of equity capital was derived based on the unlevered market risk coefficient of comparable companies as queried through iFinD, a financial data terminal developed by Hithink Royal Flush Information Network Co., Ltd. (stock code: SZ300033); and (iv) an additional specific risk premium (ε) of 3% in calculating the cost of equity.

We considered that the choice of the risk free rate by Zhong Wei applied in the CAPM to be reasonable as the yield to maturity of issued 10-year Treasury bonds in the PRC could resemble a risk-free investment while the choice of CSI 300 Index to reflect the market risk premium is also reasonable as such index is representative of equity investments in the PRC to reflect the difference between the expected return on a market portfolio and the risk-free rate. As regards the unlevered market risk coefficient of comparable companies, we have obtained and reviewed the list of comparable companies (the “Comparable Companies”) which Zhong Wei selected to arrive at the unlevered market risk coefficient and noted that the Comparable Companies chosen were similar to the business of Tianyu and thus, we concur with Zhong Wei that the comparable companies chosen are reasonable.

Please refer to the full details of the calculations of the Discount Rate as set out in Appendix II to the Circular.

Taking into account the above work and steps we have conducted in relation to the relevant Valuation Report, including but not limited to (i) interviewing Zhong Wei as to its expertise and its independence; (ii) reviewing the terms of engagement of Zhong Wei and assessing the appropriateness of its scope of work; and (iii) our review and discussion with Zhong Wei in relation to the methodologies, key bases and key assumptions as set out in the Valuation Report and Worksheet, together with the comfort letters from WUYIGE and Rainbow Capital in respect of the Net Cashflow Forecast, we consider that the Equity Valuation is fair and reasonable. Accordingly, we are of the view that the terms of the ETA and the Transfer Consideration is fair and reasonable.

5. Principal terms of the Capital Contribution Agreement

The principal terms of the Capital Contribution Agreement are summarised as follows:

- Parties:
- (i) Hainan Airport Development;
 - (ii) HNA; and
 - (iii) HNA Technic.

Capital contribution arrangements

Hainan Airport Development and HNA hold 31.9305% and 68.0695%, respectively, of the equity interests in HNA Technic.

Hainan Airport Development shall contribute RMB766,846,188.39 in cash, of which RMB382,701,785.27 shall be credited to the registered capital of HNA Technic and RMB384,144,403.12 shall be credited to the capital reserve of HNA Technic.

HNA shall contribute RMB1,634,764,147.78 in cash, of which RMB815,844,386.17 shall be credited to the registered capital of HNA Technic and RMB818,919,761.61 shall be credited to the capital reserve of HNA Technic.

Conditions precedent

The completion of the Capital Contribution is conditional upon satisfaction of the following conditions (the “HNA Technic Conditions”):

- (i) shareholders’ resolutions in respect of the Capital Contribution of HNA Technic having been duly passed;
- (ii) each of Hainan Airport Development and HNA having obtained the approval and authorisation of its internal competent decision-making bodies and the approval of the relevant external competent authorities in respect of the Capital Contribution and the Capital Contribution Agreement; and
- (iii) the Capital Contribution and the Capital Contribution Agreement complying with applicable laws, regulations and regulatory requirements in Hong Kong.

HNA Technic Conditions (i) and (ii) above has been satisfied as at the Latest Practicable Date. HNA Technic Condition (iii) remains outstanding as at the Latest Practicable Date.

None of the HNA Technic Conditions is capable of being waived by any party to the Capital Contribution Agreement.

Please refer to the section headed “C. THE CAPITAL CONTRIBUTION” in the Letter from the Board and the Offerors for details of the Capital Contribution Agreement.

6. Analysis of the Capital Contribution

As the amount of Capital Contribution by Hainan Airport Development and HNA is determined proportionately based on their existing holding of the equity interests in HNA Technic respectively, there will be no change in the shareholding structure upon completion of the Capital Contribution. Thus, we considered that the terms of the Capital Contribution Agreement and the Capital Contribution are fair and reasonable.

RECOMMENDATIONS

Given that the terms of the ETA and the Capital Contribution Agreement are fair and reasonable as explained above, we are of the view that each of the Special Deals is also fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution at the EGM to approve the Tianyu Transfer and the Capital Contribution which constitutes special deals under Rule 25 of the Takeovers Code.

Yours faithfully,
For and on behalf of
Octal Capital Limited



Alan Fung
Managing Director



Louis Chan
Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 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.

* For identification purposes only