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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

MAJOR AND CONNECTED TRANSACTION ACQUISITION AGREEMENT DISCLOSEABLE AND CONNECTED TRANSACTION LAND USE RIGHT TRANSFER AGREEMENT

MAJOR AND CONNECTED TRANSACTION

On 26 August 2011, the Company entered into the Acquisition Agreement with Parent Company, details of which are set out below.

DISCLOSEABLE AND CONNECTED TRANSACTION

On 26 August 2011, the Company entered into the Land Use Right Transfer Agreement with Parent Company, details of which are set out below.

LISTING RULES IMPLICATIONS

Parent Company, holding 50.19% shares of the Company, is the holding company of, and therefore a connected person of the Company under the Listing Rules.

Accordingly, the transaction contemplated under the Acquisition Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules and subject to reporting, announcement and independent shareholders' approval requirements. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

* For identification purpose only

The transaction contemplated under the Land Use Right Transfer Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

GENERAL

An independent board committee, comprising three independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching Simon and Mr. George F Meng, who have no direct or indirect interest in the Acquisition Agreement and the Land Use Right Transfer Agreement and the transactions contemplated thereunder, has been established to advise the Independent Shareholders on the terms of such transactions. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders on the terms of the Acquisition Agreement and the Land Use Right Transfer Agreement and the transactions contemplated thereunder.

It is expected that a circular containing, among other things, information relating to the Acquisition Agreement and the Land Use Right Transfer Agreement and the transactions contemplated thereunder, a letter of advice from First Shanghai Capital Limited to advise the independent board committee and the Independent Shareholders, the recommendation of the independent board committee to the Independent Shareholders, together with a notice convening the EGM will be despatched to the Shareholders not later than 19 September 2011.

INTRODUCTION

On 26 August 2011, the Company and Parent Company entered into the Acquisition Agreement and the Land Use Right Transfer Agreement, respectively, details of which are set out below.

MAJOR AND CONNECTED TRANSACTION – THE ACQUISITION AGREEMENT

Date: 26 August 2011

Parties: The Company

Parent Company

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to purchase, and Parent Company has agreed to sell, all assets comprising the Project upon completion of construction of the Project, including but not limited to, the land use rights of the Project, and all buildings, equipment, facilities and other related assets comprising the Project upon completion of construction of the Project, details of which are set out below:

Item under construction or to be constructed	Commencement date of construction	Expected date of completion of construction	Site area of buildings	Site area of land
International terminal project and ancillary project	20 April 2011	18 January 2012	13,000 m ²	101,031.46 m ²
Expansion project of the west gallery of the terminal and ancillary project	1 September 2011	20 January 2013	(west gallery expansion) 28,000 m ² (station site) 114,000 m ²	263,520.89 m ²
Customs regulatory warehouse project and ancillary project	25 April 2011	31 August 2011	3,095 m ²	25,988.86 m ²
Special garage project and ancillary project	27 April 2011	15 September 2011	3,610 m ²	9,939.16 m ²
Total			<u>161,705 m²</u>	<u>400,480.37 m²</u>

Out of the land of the Project with a total site area of 600.72 acres (approximately 400,480.37 m²), the land use right of the land with a site area of 475.53 acres (approximately 317,020.29 m²) is owned by Parent Company, while the land use right of the land with a site area of 125.19 acres (approximately 83,460.08 m²) is owned by the Company. In order to facilitate the construction of the Project and the obtaining of relevant property ownership certificate(s) as a whole by Parent Company, the Company will transfer the land use right of the land with a site area of 125.19 acres (approximately 83,460.08 m²) to Parent Company at a consideration of RMB31,297,500, which was determined with reference to the value of the land of which the land use right is owned by Parent Company as at 31 July 2011 as appraised by an independent third party valuer pursuant to the Land Use Right Transfer Agreement, details of which are set out below. Upon completion of the construction and acceptance of the Project and obtaining of the property ownership certificate(s), Parent Company will transfer the portion of the land use right originally owned by the Company back to the Company at the same consideration, together with the above mentioned land use right with a site area of 475.53 acres (approximately 317,020.29m²) currently owned by Parent Company. Details of the land use right owned by the Company are set out in the section headed “Discloseable and Connected Transaction – The Land Use Right Transfer Agreement”.

Consideration

The Tentative Acquisition Consideration which consists of:

- (a) the Estimated Construction Cost plus 8% premium which included an estimated tax expenses of approximately RMB78,531,100 arising from the transaction under the Acquisition Agreement to be born by Parent Company, amounting to RMB946,626,000 in aggregate; and
- (b) the Land Use Right Transfer Consideration; and

The final consideration for the transaction contemplated under the Acquisition Agreement shall consist of:

- (a) the Actual Construction Cost as audited by an independent third party auditor within 180 days after completion and acceptance of the Project plus a 8% premium; and
- (b) the Land Use Right Transfer Consideration.

The Board expects that the Actual Construction Cost shall not exceed 110% of the Estimated Construction Cost.

The consideration shall be settled in the following manner:

- (i) 20% of the Tentative Acquisition Consideration (amounting to RMB219,361,200) prepayment shall be payable to Parent Company within ten (10) business days after the effectiveness of the Acquisition Agreement;
- (ii) 10% of the Tentative Acquisition Consideration (amounting to RMB109,680,600) prepayment shall be payable to Parent Company on or before 30 September 2011, conditional upon normal progress of the Project as scheduled;
- (iii) 10% of the Tentative Acquisition Consideration (amounting to RMB109,680,600) prepayment shall be payable to Parent Company on or before 31 October 2011, conditional upon normal progress of the Project as scheduled;
- (iv) 10% of the Tentative Acquisition Consideration (amounting to RMB109,680,600) prepayment shall be payable to Parent Company on or before 31 December 2011, conditional upon normal progress of the Project as scheduled;
- (v) 10% of the Tentative Acquisition Consideration (amounting to RMB109,680,600) prepayment shall be payable to Parent Company on or before 29 February 2012, conditional upon normal progress of the Project as scheduled;

- (vi) 20% of the Tentative Acquisition Consideration (amounting to RMB219,361,200) prepayment shall be payable to Parent Company within ten (10) business days after completion and acceptance of the Project and handover to the Company; and
- (vii) the balance of the final consideration net of an estimated payments to be made by the Company to Parent Company as referred (i) to (vi) above, shall be payable to Parent Company within ten (10) business days after the transfer of relevant land use rights and property ownership certificates to the Company and the completion of relevant necessary legal procedures to hand over the Project and all relevant documents and licenses to the Company.
- (viii) The Company shall assume an estimated tax expenses of RMB39,446,700 in total (subject to the actual amount) in accordance with the requirements under relevant laws and regulation.

Conditions precedents

The Acquisition Agreement is conditional upon approval by the Independent Shareholders being obtained.

The transfer of the Project under the Acquisition Agreement is conditional upon:

- (i) the Independent Shareholders passing the necessary resolution approving the Acquisition Agreement and the transaction contemplated thereunder; and
- (ii) the Project being completed and accepted as required under relevant laws and regulations.

DISCLOSEABLE AND CONNECTED TRANSACTION – THE LAND USE RIGHT TRANSFER AGREEMENT

Date: 26 August 2011

Parties: The Company

Parent Company

Land use right to be transferred

In order to facilitate the construction of the Project and the obtaining relevant property ownership certificate(s) as a whole by Parent Company, the Company and Parent Company entered into the Land Use Right Transfer Agreement. Pursuant to the Land Use Right Transfer Agreement, the Company has agreed to transfer, and Parent Company has agreed to purchase, the land use right of the land with a site area of approximately 125.19 acres (approximately 83,460.08 m²) located at the Meilan Airport.

Consideration

The consideration payable to the Company for the above land use right shall be RMB31,289,733.75 in total, determined with reference to the appraisal price as at 31 July 2011 as appraised by an independent third party valuer.

A deposit of 10% of the consideration (amounting to RMB3,128,973.38) payable to the Company shall be paid by Parent Company in cash or by cheque within ten (10) days upon the Land Use Right Transfer Agreement taking effect as guarantee for the performance of its obligations under the Transfer Agreement. Such deposit may be used to offset to the total consideration under the Land Use Right Transfer Agreement.

The consideration payable to the Company shall be fully paid by Parent Company within 60 days upon the effectiveness of the Land Use Right Transfer Agreement taking effect. In the event of any delay in payment for more than ten (10) days, Parent Company shall be liable to pay the Company a penalty of 0.3% of the outstanding consideration per day of overdue; in the event of any delay in payment for more than ninety (90) days, Parent Company shall be deemed to have breached the Land Use Right Transfer Agreement, and the Company shall return the consideration paid by Parent Company and be entitled to retain the deposit paid under the Land Use Right Transfer Agreement.

Completion

The completion of the Land Use Right Transfer Agreement shall take place upon completion of the land registration modification procedures after signing of the Land Use Right Transfer Agreement.

REASONS FOR AND BENEFIT OF THE ABOVE MAJOR, DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. In recent years, the passenger throughput of Meilan Airport has significantly increased and expected to or even exceed its designed maximum throughput in the second half of 2011. In line with the government plan to establish Hainan Province as an “International Tourism Island” which has been approved by the central government of the PRC and accommodate the increasing number of tourists, aircraft movement, passenger and cargo throughput at Meilan Airport, Parent Company launched the Project. As the vast majority portion of the land on which the Project will be built is owned by Parent Company (approximately 317,020.29 m² out of 400,480.37 m²), Parent Company had submitted the approval application for construction of the Project and has obtained relevant approvals, and therefore it is administratively more convenient for Parent Company to continue the such construction of the Project. The Company intends to carry out the acquisition of assets under the Acquisition Agreement so as to maintain the integrity of the Company’s assets and business.

As Parent Company is the proprietor of the Project, the property ownership certificate should be issued to Parent Company upon completion of the construction of the Project, while the land use right for part of the land on which the Project will be built was owned by the Company. In order to facilitate Parent Company to construct the Project and to obtain the property ownership certificate(s) of the Project as a whole by Parent Company, the Company agreed to transfer the land use right for the land with a site area of 125.191 acres (approximately 83,460.08 m²) to Parent Company pursuant to the Land Use Right Transfer Agreement and Parent Company will transfer back such land use right to the Company at the same consideration after the completion of the construction of the Project and the acquirement of relevant property ownership certificate(s) pursuant to the Acquisition Agreement at a later stage.

In view of the above, the Board consider that the transactions under the Acquisition Agreement and the Land Use Right Transfer Agreement will benefit the region's aviation industry by bringing in new opportunities and enable the Company to better implement its strategy and planning in respect of the operation and development of the existing Meilan Airport in the future, and therefore are of commercial benefit to the Company and the Group as a whole.

The Directors (excluding the independent non-executive Directors who reserve their rights pending receipt of advice from First Shanghai Capital Limited) are satisfied that (i) the terms and conditions of the Acquisition Agreement and the Land Use Right Transfer Agreement have been negotiated on an arms' length basis and are on normal commercial terms; (ii) such transactions will be conducted in the ordinary and usual course of business of the Company; and (iii) terms of the same transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors confirm that they do not have any material interest in such transactions.

LISTING RULES IMPLICATIONS

Parent Company, holding 50.19% shares of the Company, is the holding company of, and therefore a connected person of the Company under the Listing Rules. The transaction contemplated under the Acquisition Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

The transaction contemplated under the Land Use Right Transfer Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules which is subject to reporting, announcement and independent shareholders' approval requirements. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

It is expected that a circular containing, among other things, information relating to the Acquisition Agreement and the Land Use Right Transfer Agreement and the transactions contemplated thereunder, a letter of advice from First Shanghai Capital Limited to advise the independent board committee and the Independent Shareholders, the recommendation of the independent board committee to the Independent Shareholders, together with a notice convening the EGM will be despatched to the Shareholders not later than 19 September 2011.

GENERAL INFORMATION

The Company is principally engaged in the management and operation of aeronautical and non-aeronautical businesses at Meilan Airport in Hainan Province, PRC. Parent Company is principally engaged in ancillary airport service business.

DEFINITIONS

For the purposes of this announcement, capitalized terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“Acquisition Agreement”	the subsequent assets acquisition agreement dated 26 August 2011 entered into between the Company and Parent Company
“Actual construction Cost”	the actual construction cost for the buildings and ancillary facilities of the Project under the Acquisition Agreement
“Board”	the board of Directors of the Company
“Company”	海南美蘭國際機場股份有限公司 (Hainan Meilan International Airport Company Limited), a joint stock limited company incorporated in the PRC on 28 December 2000
“connected person”	shall have the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company on 24 October 2011 for the purposes of considering and, if thought fit, approving the Acquisition Agreement and the Land Use Right Transfer Agreement and the transactions contemplated thereunder
“Estimated Construction Cost”	the estimated construction cost for the buildings and ancillary facilities of the Project under the Acquisition Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders who are not involved or interested in the transactions contemplated under the Acquisition Agreement and the Land Use Right Transfer Agreement

“Land Use Right Transfer Agreement”	the land use right transfer agreement dated 26 August 2011 entered into between the Company and Parent Company
“Land Use Right Transfer Consideration”	the consideration of RMB150,180,000 for the land use right to be transferred under the Acquisition Agreement pursuant to the appraisal value as at 31 July 2011 as appraised by an independent third party valuer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“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, PRC
“Parent Company”	海口美蘭機場有限責任公司 (Haikou Meilan Airport Co., Ltd.), a limited liability company established in the PRC which is the controlling shareholder of the Company
“PRC”	People’s Republic of China
“Project”	the terminal expansion project carried out by Parent Company, details of which are set out in the section headed “Major and Connected Transaction – The Acquisition Agreement”
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tentative Acquisition Consideration”	the tentative consideration of RMB1,096,806,000 for the Project under the Acquisition Agreement

By the order of the Board
Hainan Meilan International Airport Company Limited
Xing Zhoujin
Company Secretary

Haikou, Hainan Province, the PRC 26 August 2011

As at the date of this announcement, there are eleven directors on the Board. They are: Mr. Liang Jun, Mr. Dong Zhanbin, Ms. Xing Xihong as executive directors; Mr. Hu Wentai, Mr. Zhang Han’an, Mr. Joseph Chan, Mr. Yan Xiang as non-executive directors; and Mr. Xu Bailing, Mr. Fung Ching Simon, Mr. George F Meng and Mr. Feng Dáan as independent non-executive directors.