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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 TRANSACTIONS
TERMINATION AGREEMENT
INVESTMENT AND CONSTRUCTION AGREEMENT



TERMINATION AGREEMENT

On 12 December 2012, the Company and Parent Company entered into the Termination Agreement to terminate the Acquisition Agreement.

INVESTMENT AND CONSTRUCTION AGREEMENT

On 12 December 2012, the Company and Parent Company entered into the Investment and Construction Agreement in respect of the Project.

LISTING RULES IMPLICATIONS

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

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the transactions contemplated under the Investment and Construction Agreement are more than 25% but less than 100%, such transactions constitute major transactions of the Company under Chapter 14 of the Listing Rules and connected transactions of the Company under Chapter 14A of the Listing Rules, therefore are subject to reporting, announcement and independent shareholders' approval requirements. Such transactions will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

* For identification purposes only

GENERAL

An independent board committee, comprising four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching Simon, Mr. George F Meng and Mr. Feng Da'an, who have no direct or indirect interest in the Investment and Construction 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 Investment and Construction Agreement and the transactions contemplated thereunder.

It is expected that a circular containing, among other things, information relating to the Investment and Construction 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 on or before 4 January 2013.

BACKGROUND INFORMATION

Reference is made to the announcement and circular (the “**2011 Circular**”) of the Company dated 26 August 2011 and 19 September 2011, respectively, which disclosed, among others, that the Company and Parent Company entered into the Acquisition Agreement, pursuant to which the Company agreed to purchase, and Parent Company agreed to sell, all assets comprising the terminal expansion project carried out by Parent Company (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 the Project are set out below:

Item under construction or to be constructed	Site area of buildings	Site area of land
International terminal project and ancillary project	13,000 m ²	101,031.46 m ²
Expansion project of the west gallery of the terminal and ancillary project	(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	3,095 m ²	25,988.86 m ²
Special garage project and ancillary project	<u>3,610 m²</u>	<u>9,939.16 m²</u>
Total	<u>161,705 m²</u>	<u>400,480.37 m²</u>

The construction of the customs regulatory warehouse project and ancillary project and the special garage project and ancillary project had been completed in August and September 2011, respectively.

As disclosed in the announcement made by the company on 26 March 2012, due to that Parent Company needs additional time to adjust the Project's design to meet additional requirements from the relevant customs and border inspection authorities in respect of their occupation area, and to upgrade the functions of the Project to satisfy the increase in number of international tourists, aircraft movement, passengers and cargo throughput at the Meilan Airport arising from the construction of Hainan Province as an international tourism island, the construction of the international terminal project and ancillary project was delayed and expected to be completed in October 2012. As confirmed with Parent Company, the construction of main body (主體工程) of the international terminal project had been completed in October 2012 and expected to be put into use in early 2013. Before putting into use of the new international terminal project and ancillary project, according to relevant PRC civil aviation regulations, the construction of the expansion project of the west gallery of the terminal and ancillary project, which was originally planned to be completed in early 2013, shall, among others, not affect the operation of the existing terminal and its flights' schedules and therefore, the construction of the expansion project of the west gallery of the terminal and ancillary project may be delayed accordingly. Parent Company and Company have agreed that the construction of the Project shall be completed on or before 31 December 2015 at the latest.

After taking into account the reasons set out below, on 12 December 2012, the Company and Parent Company agreed to enter into the Termination Agreement and the Investment and Construction Agreement in respect of the Project.

TERMINATION AGREEMENT

On 12 December 2012, the Company and Parent Company entered into the Termination Agreement, details of which are set out below.

Date: 12 December 2012

Parties: The Company

Parent Company

Subject Matter

Pursuant to the Termination Agreement, the Company and Parent Company will terminate the Acquisition Agreement. The Company and Parent Company shall not make any claims against each other under the Acquisition Agreement.

INVESTMENT AND CONSTRUCTION AGREEMENT

On 12 December 2012, the Company and Parent Company entered into the Investment and Construction Agreement, details of which are set out below.

Date: 12 December 2012

Parties: The Company

Parent Company

Subject Matter

Pursuant to the Investment and Construction Agreement, Parent Company shall continue to complete the construction of the Project according to the original schedule previous agreed by the Company and Parent Company, unless the schedule of the Project is adjusted due to the reasons beyond the control of the Company and Parent Company. Such construction shall be completed on or before 31 December 2015 at the latest, and the Company shall provide funds to Parent Company according to the progress of the construction of the Project.

Parent Company irrevocably agrees, undertakes and guarantees that, upon completion of the construction of the Project and before the transfer of the assets of the Project to the Company, Parent Company shall not transfer or dispose of any assets of the Project to any third party in any way (including, but not limited to, any transfer, sale, pledge or other guaranty, joint venture or cooperation) without prior written consent of the Company, and that upon completion of the construction of the Project and before the satisfaction of the closing conditions of transfer of the assets of the Project to the Company, the Company is exclusively entitled to operate the Project.

Parent Company also irrevocable agrees, undertakes and guarantees that, upon completion of the construction of the Project and before the transfer of the assets of the Project to the Company, the Company and Parent Company shall in due course negotiate and reach new arrangement with a view to minimize financial costs regarding the transfer of the assets of the Project (including the land use rights of the Project) as a whole by Parent Company to the Company to ensure that the Company can ultimately acquire the title of all the assets of the Project. The funds provided by the Company to Parent Company under the Investment and Construction Agreement could be used to pay for the consideration for the transfer of the Project as agreed between the parties in the future. Parent Company and Company agree that the actual construction cost of the Project as audited by a competent independent auditor upon completion of the construction of the Project shall not exceed 110% of the estimated construction cost of RMB876,500,000.

The land use right transfer agreement dated 26 August 2011 entered into between the Company and Parent Company in relation to the Project will still be valid, pursuant to which the Company agreed to transfer the land use right of the land with a site area of 125.19 acres (approximately 83,439.29 m²) to Parent Company.

Consideration

Under the Investment and Construction Agreement, the Company will provide funds to Parent Company according to the progress of the construction of the Project based on the estimated construction cost of the Project in the amount of RMB876,500,000 and the land use right in the amount of RMB150,180,000, which in total is RMB1,026,680,000.

The amount of RMB439,000,000 already paid by the Company to Parent Company according to the Acquisition Agreement before the termination of such agreement shall be used to offset the total investment under the Investment and Construction Agreement.

REASONS FOR AND BENEFITS OF THE TERMINATION AGREEMENT AND INVESTMENT AND INSTRUCTION AGREEMENT

Given that:

- (i) As disclosed in the 2011 Circular, the Company shall assume estimated tax expenses of RMB39,446,700 in total (subject to the actual amount) in accordance with the requirements under relevant laws and regulations and the Parent Company will incur estimated tax expenses of approximately RMB78,531,100 arising from the transaction under the Acquisition Agreement. The entering into of the Investment and Construction Agreement will provide more flexibility for both parties thereunder to seek possible alternative acquisition way after the completion of the Project

with a view to minimize relevant financial costs while the total consideration made or to be made by the Company in respect of the future acquisition of the Project is reduced as indicated in (ii) below;

- (ii) As disclosed in the 2011 Circular, the Parent Company originally will charge a 8% premium of the estimated construction cost of the Project which is approximately RMB876,500,000. Under the Investment and Construction Agreement, the Parent Company will not charge such premium of approximately RMB70,120,000 while the estimated construction cost remained the same. Therefore, it is expected that the transfer consideration for the Project to the Company will be reduced by approximately RMB70,120,000 accordingly; and
- (iii) As disclosed in the 2011 Circular, the Board consider that the construction of the Project 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, the entering into of the Investment and Construction Agreement will provide more flexibility to both parties with a view to minimize the financial costs in respect of the Project while the total consideration to be paid by the Company is reduced and hence are of commercial benefits 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 Investment and Construction Agreement have been negotiated on an arm's length basis and are on normal commercial terms; (ii) the transactions contemplated under such agreements will be conducted in the ordinary and usual course of business of the Company; and (iii) the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of Mr. Liu Lu, Mr. Liang Jun, Mr. Hu Wentai, Mr. Zhang Han'an and Ms. Xing Xihong is interested in the above transactions as they are delegates from the connected shareholders of the Company, and therefore had abstained from voting on the relevant resolution of the Board approving the same.

LISTING RULES IMPLICATIONS

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It is expected that a circular containing, among other things, information relating to the Investment and Construction 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 on or before 4 January 2013.

GENERAL INFORMATION OF THE COMPANY AND PARENT COMPANY

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 in respect of the Project
“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 for the purposes of considering and, if thought fit, approving the Investment and Construction Agreement and transactions contemplated thereunder
“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 Investment and Construction Agreement

“Investment and Construction Agreement”	the investment and construction agreement dated 12 December 2012 entered into between the Company and Parent Company in respect of the Project
“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, 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
“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
“Termination Agreement”	the termination agreement dated 12 December 2012 entered into between the Company and Parent Company to terminate the Acquisition Agreement

By the order of the Board
Hainan Meilan International Airport Company Limited
Liang Jun
Chairman

Hong Kong, 12 December 2012

As at the date of this announcement, the Board comprises of (i) three executive Directors, namely Mr. Liang Jun, Mr. Liu Lu and Ms. Xing Xihong; (ii) four non-executive Directors, namely Mr. Hu Wentai, Mr. Zhang Han’an, Mr. Chan Nap Kee Joseph and Mr. Yan Xiang; and (iii) four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching Simon, Mr. George F Meng and Mr. Feng Da’an.