
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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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)

(1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS
(2) MAJOR AND CONNECTED TRANSACTIONS
INVESTMENT AND CONSTRUCTION AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INDEPENDENT FINANCIAL ADVISER
TO THE INDEPENDENT BOARD COMMITTEE AND
THE INDEPENDENT SHAREHOLDERS



A letter from the Board is set out on pages 3 to 15 of this circular.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 28 of this Circular.

A notice convening the EGM to be held at 10:00 a.m. on 4 March 2013 (Monday) in the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC is set out on pages 41 to 43 of this circular. Whether or not you are able to attend the meeting, 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.

* *For identification purposes only*

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DEFINITIONS

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

“Acquisition Agreement”	the subsequent assets acquisition agreement dated 26 August 2011 entered into between the Company and Parent Company in respect of the Project
“Articles of Association”	the Articles of Association of the Company for the time being
“Board”	the board of Directors of the Company
“Company”	Hainan Meilan International Airport Company Limited* (海南美蘭國際機場股份有限公司), 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
“controlling shareholder”	shall have the meaning ascribed under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 10:00 a.m. on 4 March 2013 (Monday) for the purposes of, among others, considering and, if thought fit, approving the appointment of Mr. Yang Xiaobin and Mr. Yang Xuqiang as executive Directors and the Investment and Construction Agreement and the transactions contemplated thereunder
“Estimated Construction Cost”	the estimated construction cost of the Project under the Acquisition Agreement, which is approximately RMB876,500,000
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“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

DEFINITIONS

“Latest Practicable Date”	11 January 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
“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”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Company Limited), a limited liability company established in the PRC, which is the controlling shareholder of the Company
“PRC”	the 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 “C. Major and Connected Transactions” in this circular
“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
“Termination Agreement”	the termination agreement dated 12 December 2012 entered into between the Company and Parent Company to terminate the Acquisition Agreement

* *For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Liang Jun, *Chairman*
Liu Lu
Xing Xihong

Non-executive Directors:

Hu Wentai, *Vice-chairman*
Zhang Han'an
Chan Nap Kee, Joseph
Yan Xiang

Independent non-executive Directors:

Xu Bailing
Fung Ching Simon
George F. Meng
Feng Da'an

Registered Office:

Office Building of Meilan Airport
Haikou City
Hainan Province, the PRC

*Principal Place of Business
in Hong Kong:*

16/F Luk Kwok Centre
72 Gloucester Road
Wanchai
Hong Kong

16 January 2013

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS
(2) MAJOR AND CONNECTED TRANSACTIONS
INVESTMENT AND CONSTRUCTION AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A. INTRODUCTION

Reference is made to the announcements of the Company dated 12 December 2012 in relation to the proposed appointment of Mr. Yang Xiaobin and Mr. Yang Xuqiang as executive Directors and the Investment and Construction Agreement. The transactions contemplated under the Investment and Construction Agreement constitute major and connected transactions of the Company under Chapters 14 and 14A of the Listing Rules.

* *For identification purposes only*

LETTER FROM THE BOARD

Mr. Xu Bailing, Mr. Fung Ching Simon, Mr. George F Meng and Mr. Feng Da'an, being four independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the EGM on the resolution regarding the Investment and Construction Agreement and the transactions contemplated thereunder.

First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Investment and Construction Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with, among other things, further information regarding the proposed appointment of Mr. Yang Xiaobin and Mr. Yang Xuqiang as executive Directors, the Investment and Construction Agreement and the transactions contemplated thereunder, to set out the advice from First Shanghai to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Investment and Construction Agreement and the transactions contemplated thereunder, and to give notice of the EGM.

B. PROPOSED APPOINTMENT OF EXECUTIVE DIRECTORS

The Board announced that Mr. Liu Lu and Ms. Xing Xihong tendered their resignations as executive directors of the Company which will be effective upon the conclusion of the EGM. The Board was advised by Mr. Liu Lu and Ms. Xing Xihong that their resignations were because of work re-allocation. Mr. Liu Lu and Ms. Xing Xihong will not work within the Group after their resignations.

Mr. Liu Lu and Ms. Xing Xihong have confirmed that they have no disagreement with the Board, and that there are no other matters that need to be brought to the attention of the Shareholders and the Stock Exchange. The Board has confirmed that there is no other matters relating to the resignations of Mr. Liu Lu and Ms. Xing Xihong that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its gratitude to Mr. Liu Lu and Ms. Xing Xihong for their valuable contribution to the Company during their tenures of offices.

The Board also proposed to appoint Mr. Yang Xiaobin and Mr. Yang Xuqiang as executive Directors with effect from the passing of the resolutions approving the appointment thereof at the EGM. The particulars of Mr. Yang Xiaobin and Mr. Yang Xuqiang are as follows:

Mr. Yang Xiaobin (楊小濱), aged 43, received a bachelor's degree in law from Jiangsu University in 2009. He has rich experience in civil aviation management. From October 1992 to February 1994, he worked at Guoying Qing'an Aerospace Equipment Company (國營慶安宇航設備公司). From December 2000 to October 2002, he was the executive vice president secretary of the office department and the deputy manager of the security supervision department of Haikou Meilan Airport Co., Ltd. (海口美蘭機場有限責任公司). From June 2003 to September 2004, he was the security supervision chief of the security supervision department of the Company. From September 2004 to May 2007, he was the division chief of the safe services and quality supervision in the operation standard office of the Company. From July 2007 to December 2008, he was the vice general manager of the command center

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of the Company. From December 2008 to August 2009, he was the general manager of the operation management department of HNA Airport Group Co., Ltd. (海航機場集團有限公司). From September 2009 to September 2011, he was the chairman of the board of directors of Yichang Sanxia Airport Co., Ltd. (宜昌三峽機場有限責任公司). He has been the vice president of the Company since September 2011.

Mr. Yang Xuqiang (楊許強), aged 45, received a master degree in business administration from Capital University of Economics and Business (首都經貿大學) in 2000. He has extensive experience in civil aviation and business management. From January 1988 to October 1992, he was the chief of freight division of transportation department of Civil Aviation Haikou Station (民航海口站). From October 1992 to March 1999, he was the deputy chief of freight division of transportation service department, the deputy chief of ticket office and the chief of the finance department of Civil Aviation Hainan Province Bureau (民航海南省局). From March 1999 to February 2004, he was the chief of the ticket office and the chief of the business scheduling department of the Terminal Management Company, a branch of Haikou Meilan Airport Co., Ltd. (海口美蘭機場有限責任公司分公司候機樓管理公司), the project planning chief of the financial planning department and the vice general manager of the resource development department of Haikou Meilan Airport Co., Ltd. (海口美蘭機場有限責任公司). From February 2004 to April 2004, he was the vice general manager of the business development of the Company. From April 2004 to May 2008, he was the vice general manager of the airport business management department and general manager of the operation management department of HNA Airport Group Co., Ltd. (海航機場集團有限公司). From May 2008 to December 2008, he was the general manager of the Hainan Luckyway Charter Co., Ltd. (海南幸運國旅包機有限公司). From December 2008 to May 2011, he was the general manager of the command center of the Company. From May 2011 to May 2012, he was the general manager of the Xinhua Airport Terminal Services Co., Ltd. (新華空港機場服務有限公司). He has been the vice president of the Company since May 2012.

Subject to the approval of the resolutions at the EGM, it is proposed that each of Mr. Yang Xiaobin and Mr. Yang Xuqiang enters into a service agreement with the Company, which is for a term of three years commencing on the date of the passing of the resolutions at the EGM. Pursuant to the terms of their proposed service agreements, each of Mr. Yang Xiaobin and Mr. Yang Xuqiang's emolument will be RMB70,000 (after tax) per annum and RMB70,000 (after tax) per annum, respectively, determined with reference to the remuneration policies as approved at the EGM.

Save as disclosed herein, each of Mr. Yang Xiaobin and Mr. Yang Xuqiang (i) does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (iii) has not entered into or proposed to enter into any other service agreements with the Company or any member of the group; (iv) does not hold any other positions with the Company and its subsidiaries; and (v) has not held any directorship in any public listed companies in the last three years from the date of the announcement.

Save as disclosed above, there is no information relating to Mr. Yang Xiaobin and Mr. Yang Xuqiang that is required to be disclosed pursuant to paragraphs (h) to (w) of Rule 13.51(2) of the Listing Rules, nor is there any matter about them that needs to be brought to the attention of the Shareholders.

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C. MAJOR AND CONNECTED TRANSACTIONS

Background Information

Reference is made to the announcement and the 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 Project upon completion of construction of the Project, including but not limited to, the land use rights of the Project, 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 (the “ West Gallery Expansion ”)	(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 were completed in August and September 2011, respectively.

As disclosed in the announcement of the Company on 26 March 2012, due to the fact 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 the 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 was completed in October 2012 and is expected to be put into use in early 2013. Before the new international terminal project and ancillary project are put into use, according to relevant PRC civil aviation regulations, the construction of the West Gallery Expansion, which was originally planned to be completed in early 2013, shall not affect

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the operation of the existing terminal and its flights' schedules. Therefore, the construction of the West Gallery Expansion may be delayed accordingly, and is currently anticipated to be commenced and completed by the end of June 2013 and December 2015, respectively. According to the strict requirements under the PRC civil aviation regulations, the existing Meilan Airport (the international hall) currently in use is not permitted to be temporarily closed for the commencement of the construction of the West Gallery Expansion, thus the construction work for the West Gallery Expansion was inevitably delayed and can not be commenced until the new international terminal is satisfactorily tested and examined, and then put into use in temporary substitution of the existing Meilan Airport (the international hall). As a consequence, Parent Company and the Company have agreed that the construction of the Project shall be completed on or before 31 December 2015 at the latest.

Based on the above, the deferral of the completion of construction of the Project until the latest of 31 December 2015 is substantially for the purposes of meeting the additional requirements from the relevant customs and border inspection authorities and for complying with relevant PRC civil aviation regulations which are beyond the control of the Parent Company.

Depending on the prevailing operating requirements of the Meilan Airport from time to time and whether individual asset(s) of the Project meets the national operating standards, the Company may consider to operate such individual asset(s) as soon as possible before the whole Project is completed. As at the Latest Practicable Date, (i) the site area of buildings under the customs regulatory warehouse project and its ancillary project were already put into use by the Company, and (ii) the site area of buildings under the special garage project and its ancillary project will be put into use by the Company shortly. In consideration of any possible maximization of cost-saving effects and the operating requirements of the Meilan Airport from time to time prior to the completion of construction of the Project, it will be possible that the title of the separate assets of the Project will be transferred in stages as soon as the construction is completed and put into use by the Company at that time.

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

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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. The Termination Agreement is conditional upon the obtaining of the Independent Shareholders' approval for the Investment and Construction Agreement at the EGM.

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 previously 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. The construction of the Project 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.

During the period between the completion of all construction works of the Project and the completion of the Project, Parent Company is obliged to be and has been leading and supervising the whole Project works, including but not limited to, the construction tender, site area and building design in accordance with the national and industry standards, testing and examination for the facilities, and the coordination among all working parties thereunder and the local government authorities. Furthermore, Parent Company shall not grant any security upon the Project without prior written consent from the Company, and shall transfer all documentation in respect of the Project to the Company after the completion of construction of the Project. The Company is obliged to make progressive payments to Parent Company in accordance with and upon normal progress of the Project as scheduled, and facilitate the transfer of the assets under the Project upon the Project completion.

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Parent Company irrevocably agrees, undertakes and guarantees that, upon completion of the construction of the Project and before the transfer of the assets under the Project to the Company, Parent Company shall not transfer or dispose of any assets under 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 all the relevant testing and examination work in compliance with all the regulatory requirements applicable to the 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 arrangements, including the closing conditions relating to the transfer of the Project to the Company, 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.

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 consideration of the land use right in the amount of RMB150,180,000, the amount of which in total is RMB1,026,680,000.

The amount of approximately RMB439,361,200, representing the initial 40% of the Tentative Acquisition Consideration already paid by the Company to Parent Company according to the normal progress of the Project under the Acquisition Agreement and before the termination of such agreement, shall be used to offset the total investment under the Investment and Construction Agreement. The Company currently estimates that the remaining funds of the Investment and Construction Agreement will be provided in the following manner, subject to the actual progress of construction of the Project:

- (i) 10% (amounting to RMB109,680,600) of prepayment shall be payable to Parent Company on or before 31 December 2013, conditional upon normal progress of the Project as scheduled;

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- (ii) 10% (amounting to RMB109,680,600) of prepayment shall be payable to Parent Company on or before 28 February 2014, conditional upon normal progress of the Project as scheduled;
- (iii) 20% (amounting to RMB219,361,200) of prepayment shall be payable to Parent Company within ten (10) business days after completion and acceptance of the Project (the “**Project Acceptance**”) and handover to the Company; and
- (iv) the balance of the final consideration net of estimated payments to be made by the Company to Parent Company as referred to (i) to (iii) above, shall be payable to Parent Company within ten (10) business days after the both contracting parties negotiate the acquisition way for completing 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 licences to the Company.

Parent Company shall complete the construction of the Project on or before 31 December 2015 and subsequently complete the transfer of relevant land use rights and property ownership certificates to the Company and the relevant necessary procedures to hand over the Project and all relevant documents and licenses to the Company after the completion of the Project. Otherwise, the Company shall be entitled to terminate or discharge the Investment and Construction Agreement, and be refunded for all payments by Parent Company upon written notice to Parent Company.

Reasons for and Benefits of the Termination Agreement and Investment and Construction 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 Parent Company will incur estimated tax expenses of approximately RMB78,531,100 arising from the transaction under the Acquisition Agreement. The Company and Parent Company are analysing certain corporate re-organisation arrangement with an aim for cost-saving effects. As confirmed by the Company and Parent Company, the final determination of such alternative acquisition way and actual cost saving effect will be negotiated according to the then relevant laws, including the then prevailing tax laws and shall be no worse than that under the original Acquisition Agreement in terms of financial effects, and the total actual construction costs under the Project upon the completion of construction of the Project must not exceed the Estimated Construction Cost. Therefore, the entering into of the Investment and Construction Agreement will provide more flexibility for both parties thereunder to seek other possible alternative acquisition ways 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;

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- (ii) As disclosed in the 2011 Circular, Parent Company originally would charge a 8% premium of the Estimated Construction Cost. Under the Investment and Construction Agreement, the Parent Company will not charge such premium of approximately RMB70,120,000 while the Estimated Construction Cost remains 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, and that 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 is of commercial benefits to the Company and the Group as a whole.

The Directors (including the independent non-executive Directors) 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. Liang Jun, Mr. Liu Lu, Ms. Xing Xihong, Mr. Hu Wentai and Mr. Zhang Han'an is interested in the above transactions as they are delegates from the connected shareholders of the Company, and therefore abstained from voting on the relevant resolution of the Board approving the same.

Financial Effects of the Investment and Construction Agreement

(a) *Effects on assets, liabilities, and net assets*

Based on the unaudited pro forma financial information in Appendix I of this circular, the assets of the Group as at 30 June 2012 would be increased by approximately RMB3,623,000 from RMB3,816,020,000 to approximately RMB3,819,643,000. It is the Group's present intention to pay the remaining consideration RMB618,633,000 with the Group's cash at bank. Based on the unaudited pro forma financial information in Appendix I to this circular, the liabilities of the Group as at 30 June 2012 would increase by approximately RMB3,623,000 from RMB1,440,690,000 to approximately RMB1,444,313,000.

As the fee payable by the Company to Parent Company under the Investment and Construction Agreement will form part of the consideration for the future acquisition of the Project, the decrease in bank balance and cash of the Group and increase of other financings will be offset by the future increase of assets in relation to the Project, the Board expects that there will be no significant impact on the net assets of the Group upon completion of the transaction contemplated under the Investment and Construction Agreement.

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(b) Effect on earnings

Upon completion of the transaction contemplated under the Investment and Construction Agreement, the Directors do not expect such transaction will have any material impact on the earnings of the Group until the Project is put into operation.

Listing Rules Implications

Parent Company, holding 237,500,000 shares, being 50.19% of the total 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 Investment and Construction 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.

D. INDEPENDENT SHAREHOLDERS' APPROVAL AND COMPLIANCE WITH THE LISTING RULES

The Company will seek the approval of the Independent Shareholders at the EGM for the Investment and Construction Agreement and transaction contemplated thereunder. The Company will comply with Chapter 14 and Chapter 14A of the Listing Rules in respect of the transaction under the Investment and Construction Agreement.

E. EGM

Set out on pages 41 to 43 of this circular is a notice convening the EGM to be held at 10:00 a.m. on 4 March 2013 (Monday) in the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC. At the EGM, among other things, ordinary resolutions will be proposed to consider, and if thought fit, to approve the proposed appointment of Mr. Yang Xiaobin and Mr. Yang Xuqiang as executive Directors and the Investment and Construction Agreement and the transaction contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. As at the Latest Practicable Date, Parent Company, which holds 50.19% voting rights at a general meeting of the Company, and has controls over the voting right in respect of its shares, and is interested in the transaction contemplated under the Investment and Construction Agreement, will abstain from voting at the EGM for aforesaid resolutions regarding the Investment and Construction Agreement pursuant to the Listing Rules. Other than Parent Company, there is no other Shareholder who has a material interest in the transaction contemplated under the Investment and Construction Agreement. The poll results will be published on the websites of the Company (<http://www.mlairport.com>) and of the Stock Exchange (<http://www.hkexnews.hk>) 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 both cases in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting should you so desire.

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The reply slip for the EGM is also enclosed with this circular. You are reminded to complete and sign the reply slip and return the signed reply slip to the office of the Secretary Office to the Board at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC no later than 12 February 2013 (Tuesday) in accordance with the instructions printed thereon.

F. BOOK CLOSURE

The H share register of the Company will be closed from 1 February 2013 (Friday) to 4 March 2013 (Monday) (both days inclusive), during which period no transfer of H shares will be effected. Any holders of H shares of the Company, whose names appear on the Company's register of members on 1 February 2013 (Friday) are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting.

In order to be entitled to attend and vote at the EGM (or any adjournment thereof) on 4 March 2013 (Monday), share transfer documents should be lodged with the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31 January 2013 (Thursday).

G. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012 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 2009 published on 9 April 2010 (pages 47 to 108);
- annual report of the Company for the year ended 31 December 2010 published on 13 April 2011 (pages 40 to 96);
- annual report of the Company for the year ended 31 December 2011 published on 18 April 2012 (pages 56 to 118); and
- interim report of the Company for the six months ended 30 June 2012 published on 5 September 2012 (pages 24 to 92).

H. INDEBTEDNESS

At the close of business on 30 November 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding loans of approximately RMB1,191,406,000 (including the carrying amount of the domestic bonds as mentioned below), out of which approximately RMB399,940,000 was secured bank loans secured by a floating charge over the Company's revenue and by the 24.5% interest of HNA Airport Holding (Group) Company Limited.

LETTER FROM THE BOARD

The Company issued RMB800,000,000 unsecured domestic bonds with an annual interest rate of 7.8%, which will be due in 2018. The carry amount of these bonds was RMB791,466,000 as at 30 November 2012.

At the close of business on 30 November 2012, the Group had no contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 30 November 2012, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 November 2012.

I. WORKING CAPITAL

As at 30 November 2012, the Company had cash at bank and at hand of approximately RMB1,118,000,000.

The Directors are of the opinion that, after taking into account the internal resources available to the Group including the internally generated funds and the available banking facilities, and the expected completion of the Investment and Construction Agreement, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

J. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the six months ended 30 June 2012, the Group recorded an unaudited revenue of RMB354,603,870, and a net profit attributable to Shareholders of approximately RMB156,489,000. As disclosed in the 2011 Circular, in order to further expand the Group's business, the Company makes use of this opportunity from the transaction contemplated under the Acquisition Agreement to expand its business, as well as to accommodate the expected increase in number of tourists, aircraft movement, passenger and cargo throughput at Meilan Airport of the Company, which will enable the Company to enhance its future development.

Upon completion of the Project, the Meilan Airport will have the capacity to satisfy the operational needs for passenger throughput of 15 million per year and the cargo and mail throughput of 180,000 tons per year.

The construction of the Project will help to meet the needs for the Company's future passenger growth and lay a foundation of the Company's long-term development, increase of revenue and level of profitability. The Board expects that growth of business after the completion of the Project will provide more operating income for the Company.

LETTER FROM THE BOARD

K. GENERAL INFORMATION

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

L. RECOMMENDATIONS

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the Investment and Construction Agreement are fair and reasonable so far as the Company is concerned and are 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 Investment and Construction Agreement and the transaction contemplated thereunder.

The Directors also consider that each of the other resolutions proposed for consideration and approval by the Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders vote in favor of all the resolutions to be proposed at the EGM as set out in the notice of the EGM.

M. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the Investment and Construction Agreement and the transaction contemplated thereunder, and the letter from the Independent Financial Adviser containing among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Investment and Construction Agreement and the transaction contemplated thereunder, details of which are set out on pages 17 to 28 respectively of this circular. None of the members of the Independent Board Committee has any material interest relating to the Investment and Construction Agreement and the transaction contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendices to this Circular. A form of proxy and a copy of reply slip for use at the EGM are enclosed with this Circular.

Yours faithfully,

By the order of the Board

Hainan Meilan International Airport Company Limited*

Liang Jun

Chairman

Hainan, the PRC

16 January 2013

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

16 January 2013

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of the Investment and Construction Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval, details of which are set out in the letter from the Board in this circular to the Shareholders. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this circular.

First Shanghai has been appointed as the Independent Financial Adviser to advise us regarding the Investment and Construction Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval. We wish to draw your attention to the letter from First Shanghai which contains advice to us in relation to the Investment and Construction Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval, 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 this circular.

Having taken into account the advice of, and the principal factors and reasons considered by First Shanghai in relation thereto as stated in its letter, we consider the terms and conditions of the Investment and Construction Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval, to be fair and reasonable so far as the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the Investment and Construction Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval.

Yours faithfully,

Independent Board Committee

Xu Bailing <i>Independent</i> non-executive director	Fung Ching Simon <i>Independent</i> non-executive director	George F Meng <i>Independent</i> non-executive director	Feng Da'an <i>Independent</i> non-executive director
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* For identification purposes only

LETTER FROM FIRST SHANGHAI

The following is the full text of the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders dated 16 January 2013 setting out their opinion regarding the Termination Agreement and the Investment and Construction Agreement in respect of the Project in substitution for the Acquisition Agreement, for the purpose of inclusion in this circular.



19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

16 January 2013

*To the Independent Board Committee and
the Independent Shareholders*

Hainan Meilan International Airport Company Limited
Office Building of Meilan Airport
Haikou City
Hainan Province
The PRC
Postal Code: 571126

Dear Sirs/Madam,

MAJOR AND CONNECTED TRANSACTIONS TERMINATION AGREEMENT INVESTMENT AND CONSTRUCTION AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Termination Agreement and the Investment and Construction Agreement in respect of the Project in substitution for the Acquisition Agreement, details of which are set out in a circular dated 16 January 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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 the Parent Company entered into the Acquisition Agreement, pursuant to which the Company agreed to purchase, and the Parent Company agreed to sell, all assets comprising the terminal expansion project

LETTER FROM FIRST SHANGHAI

carried out by the Parent Company (the “**Project**”) upon completion of construction of the Project (the “**Project Completion**”), 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 Project Completion.

On 12 December 2012, the Company and the Parent Company entered into the Termination Agreement to terminate the Acquisition Agreement. On the same day, the Company and the Parent Company also entered into the Investment and Construction Agreement in respect of the Project in substitution for the original Acquisition Agreement. The Termination Agreement is conditional upon the Investment and Construction Agreement having become unconditional upon the obtaining of the Independent Shareholders’ approval at the EGM.

The Parent Company, holding approximately 50.19% shareholding interest of the Company as at the Latest Practicable Date, 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 the Listing Rules for the transactions contemplated under the Investment and Construction Agreement are more than 25% but less than 100%, such transactions constitute (i) major transactions of the Company under Chapter 14 of the Listing Rules; and (ii) 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.

BASIS OF OUR OPINION

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided, and opinion expressed to us, by the Directors and the management of the Company (the “**Management**”). We have assumed that all such information and representations made or referred to in the Circular and provided, and opinion expressed, to us by the Directors and the Company were true, accurate and complete at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Company and the information contained in the Circular. We have also been advised by the Directors and the Company that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, operations, financial condition, affairs or future prospects of the Group and the Parent Company. We confirm that we have taken all the reasonable steps, which are applicable to the Termination Agreement and the Investment and Construction Agreement, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annexed notes) in forming our opinion.

LETTER FROM FIRST SHANGHAI

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. Feng Da'an, has been established to consider the Termination Agreement and the Investment and Construction Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Termination Agreement and the Investment and Construction Agreement and the transactions contemplated thereunder.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions contemplated under the Termination Agreement and the Investment and Construction Agreement are conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of the Termination Agreement and the Investment and Construction Agreement are on normal commercial terms; (iii) whether the entering into of the Termination Agreement and the Investment and Construction Agreement is in the interests of the Company and the Shareholders as a whole; (iv) whether the terms of the Termination Agreement and the Investment and Construction Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (v) how the Independent Shareholders should vote in relation to the ordinary resolution(s) to be proposed at the EGM for approving the Termination Agreement as well as the Investment and Construction Agreement and the transactions contemplated thereunder at the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the entering into of the Termination Agreement and the Investment and Construction Agreement, we have considered the following principal factors and reasons:

1. Background of the Group

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

The Group has been operating the Meilan Airport, the main gateway to, and located at Hainan Province, the PRC since May 1999, and has been experiencing a smooth operation and satisfactory growth in terms of aircraft movement, passenger throughput and cargo throughput since then.

2. Background of the Parent Company

The Parent Company is a domestic limited liability company established in the PRC and the controlling Shareholder, and is principally engaged in ancillary airport service business.

3. Reasons for and benefits of the Termination Agreement and the Investment and Construction Agreement

As mentioned in the 2011 Circular, the passenger throughput of Meilan Airport has significantly increased to almost its designed maximum throughput in recent years. In line with the government plan to establish Hainan Province as an "International Tourism Island" which has been approved by the

LETTER FROM FIRST SHANGHAI

central government of the PRC to accommodate the increasing number of tourists, aircraft movement, passenger and cargo throughput at the Meilan Airport, the Parent Company launched the Project. As the vast majority portion of the land on which the Project will be built is owned by the Parent Company (approximately 317,020.29m² out of 400,480.37m²), the Parent Company had submitted the approval application for construction of the Project and has obtained the relevant approvals from the regulatory authorities, and therefore it is administratively more convenient for the Parent Company to continue the construction of the Project. The Company originally intended 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 also 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 the relevant laws and regulations, and the Parent Company will incur estimated tax expenses of approximately RMB78,531,100 arising from the transactions 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 Project Completion 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 could be reduced. As further disclosed therein, 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 thereunder payable by the Company to the Parent Company will be reduced by approximately RMB70,120,000 accordingly.

Based on our discussion with and understanding from the Management, the Company and the Parent Company, in conjunction with their legal and tax advisers, are analysing certain corporate re-organisation arrangement with an aim for cost-saving effects within the member companies of the Parent Company, including the Company. The final determination of such alternative acquisition way and actual cost saving effect will be negotiated according to the then relevant laws, including the then prevailing tax laws and must be no worse than that under the original Acquisition Agreement in terms of financial effects, and the total actual construction costs under the Project upon Project Completion must not exceed the Estimated Construction Cost originally approved and authorised by the Independent Shareholders at the extraordinary general meeting held on 24 October 2011 for approving the Acquisition Agreement.

The Board considered that the construction and completion 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 could be reduced and hence are of commercial benefits to the Company and the Group as a whole.

LETTER FROM FIRST SHANGHAI

The Directors 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. Liang Jun, Mr. Liu Lu, Ms. Xing Xihong, Mr. Hu Wentai and Mr. Zhang Han'an 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.

According to the statistical information as extracted from the official websites of 中華人民共和國國家統計局 (The National Bureau of Statistics of China) and 中華人民共和國海南省人民政府 (The People's Government of Hainan Province, the PRC) (the "**Government of Hainan Province**"), Hainan Province had a population of approximately 8.8 million as at 31 December 2011 and had experienced a substantial economic growth in the past ten years. The real gross domestic products (the "**GDP**") growth rate of Hainan Province exceeded the average national growth rate for the past few years. Since Hainan became a province of the PRC in 1988, the economic structure gradually evolved toward a healthy balance among primary, secondary and tertiary sectors when compared with its substance in agricultural industry before. In 2011, the GDP rose by 12.0% on year-on-year basis to approximately RMB251.5 billion, which was higher than the national average growth rate of 9.2%. The GDP growth was mainly contributed by investment and consumption. Hainan Province's fixed-asset investment surged 36.2% on year-on-year basis to approximately RMB161.1 billion, while its retail sales also increased by 18.8% to approximately RMB74.1 billion.

According to the statistical information published by the Government of Hainan Province, tourism in Hainan Province had been rapidly growing over the past few years, which represented an average increase in terms of revenue and number of tourists of almost 10% per annum. It recorded over 30.0 million tourists visiting Hainan Province and bringing gross revenue of approximately RMB32.4 billion in 2011, which represented respective increases of approximately 16.0% and 25.8% over that in 2010. According to a statement of the State Council of the PRC, the PRC's central government aims to build the southern island of China into a top international tourism destination by 2020; and plans to develop the only tropical island province (i.e. the Hainan Province) to be a platform for international economic cooperation and cultural exchanges. In view of such scenario, the Government of Hainan Province has anticipated that there would be about 47.6 million and 76.8 million tourists visiting Hainan Province and bringing gross revenue of approximately RMB54.0 billion and RMB124.0 billion in 2015 and 2020 respectively, representing respective significant increases from that of approximately 30.0 million tourists visiting Hainan Province with gross revenue of approximately RMB32.4 billion in 2011. Based on the Directors' estimation, upon the Project Completion, the Meilan Airport will have the capacity to satisfy the operational needs for passenger throughput of 15 million per year and the cargo and mail throughput of 180,000 tons per year, so the construction of the Project will help to meet the needs for the Company's future passenger growth and lay the foundation of its long-term development, increase of revenue and level of profitability.

Based on the above scenario, we share with the Directors' view that the construction and completion of the Project will (i) benefit the region's aviation industry by bringing in new opportunities; and (ii) enable the Group to better implement its strategy and planning in respect of the operation and

LETTER FROM FIRST SHANGHAI

development of the existing Meilan Airport in the future, and therefore potentially benefit and broaden the earning base of the Group in the future which the Board considers is in the interests of the Company and the Shareholders as a whole.

In view of the above, we are of the view that the entering into of the Investment and Construction Agreement is to optimize the implementation and completion of the Project, and it is in line with the original business development strategy of the Group, conducted in its ordinary and usual course of business, and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the original Acquisition Agreement

Assets to be acquired

Pursuant to the original Acquisition Agreement, the Company agreed to purchase, and the Parent Company agreed to sell, all assets comprising the Project upon the Project Completion, 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 the Project Completion, details of which are set out below:

Items under construction or to be constructed	Site area of buildings under the Project <i>m</i>²	Site area of land <i>m</i>²
International terminal project and ancillary project	13,000	101,031.46
Expansion project of the west gallery of the terminal and ancillary project (the “ West Gallery Expansion ”)	(west gallery expansion) 28,000 (station site) 114,000	263,520.89
Customs regulatory warehouse project and ancillary project	3,095	25,988.86
Special garage project and ancillary project	<u>3,610</u>	<u>9,939.16</u>
Total	<u><u>161,705</u></u>	<u><u>400,480.37</u></u>

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

As disclosed in the announcement of the Company dated 26 March 2012, due to the facts that the 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

LETTER FROM FIRST SHANGHAI

international tourists, aircraft movement, passengers and cargo throughput at the Meilan Airport arising from the construction of Hainan Province, the PRC, 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 the Parent Company, the construction of main body 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 the relevant PRC civil aviation regulations, the construction of the West Gallery Expansion, 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 West Gallery Expansion may be delayed accordingly, but which is currently anticipated to be commenced and completed before the end of June 2013 and December 2015 respectively. As strict requirements under the PRC civil aviation regulations, the existing Meilan Airport currently in use is not permitted to be temporarily closed for allowing the commencement of the construction of the West Gallery Expansion, so the construction work for which was inevitably delayed and can only be commenced until the new international terminal is satisfactorily tested and examined, and then to be put into use in temporary substitution for the existing Meilan Airport. The site area of buildings attributable to the West Gallery Expansion accounts for approximately 87.8% of the same under the Project as a whole. As a consequence, the Parent Company and the Company have agreed that the Project Completion shall take place on or before 31 December 2015 at the latest. During the period between completion of all construction works of the Project and the Project Completion, the Parent Company, among others, is obliged and has been leading and supervising the whole Project works including but not limited to, the construction tender, site area and building design to meet the national and industry standard, testing and examination for the facilities, and coordination among all working parties thereunder and the local government authorities, etc.; while the Company is obliged to (i) make progressive payments to the Parent Company in accordance with the normal progress of the Project as scheduled, and (ii) facilitate the transfer of the assets under the Project upon Project Completion. Depending on the prevailing operating requirements of the Meilan Airport from time to time and whether individual asset(s) of the Project meets the national operating standard, the Company may consider to operate such individual asset(s) as soon as possible before the whole Project is completed. As at the Latest Practicable Date, the site area of buildings under (i) the customs regulatory warehouse project and its ancillary project had already been put into use by the Company, while (ii) the special garage project and its ancillary project will be put into use by the Company shortly. In consideration of any possible maximization of cost-saving effects and the operating requirements of the Meilan Airport from time to time prior to the Project Completion, it will be possible that the title of the separate assets of the Project will be transferred in stages as soon as construction is completed and put into use by the Company at that time.

Based on the above, the deferral of the Project Completion until the latest of 31 December 2015 is substantially for the purposes of meeting the additional requirements from the relevant customs and border inspection authorities and of complying with relevant PRC civil aviation regulations which are beyond the control of the Parent Company and therefore inevitable for undertaking the Project as a whole, we are of the view that such deferral of Project Completion leading to the entering into of the Investment and Construction Agreement in substitution for the original Acquisition Agreement but without causing any increase in the overall Estimated Construction Cost is justifiable, fair and reasonable for the Parent Company, the Company and the Shareholders as a whole.

LETTER FROM FIRST SHANGHAI

After taking into account the above reasons, on 12 December 2012, the Company and the Parent Company entered into the Termination Agreement and the Investment and Construction Agreement in respect of the Project.

5. Principal terms of the Termination Agreement and the Investment and Construction Agreement

Termination Agreement

On 12 December 2012, the Company and the Parent Company entered into the Termination Agreement, pursuant to which the Company and the Parent Company will terminate the Acquisition Agreement. The Termination Agreement is conditional upon the Investment and Construction Agreement having become unconditional upon the obtaining of the Independent Shareholders' approval at the EGM. The Company and the 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 the Parent Company also entered into the Investment and Construction Agreement, pursuant to which the Parent Company shall continue to complete the construction of the Project according to the original schedule previously agreed by the Company and the Parent Company, unless the schedule of the Project is adjusted due to the reasons beyond the control of the Company and the Parent Company. Such construction shall be completed on or before 31 December 2015 at the latest, and the Company shall provide funds to the Parent Company according to the progress of the construction of the Project.

The Parent Company irrevocably agrees, undertakes and guarantees that, upon Project Completion and before the transfer of the assets of the Project to the Company, the 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 Project Completion and before the satisfaction of all the relevant testing and examination work in compliance with all the regulatory requirements applicable to the transfer of the assets of the Project to the Company, the Company is exclusively entitled to operate the Project.

The Parent Company also irrevocably agrees, undertakes and guarantees that, upon Project Completion and before the transfer of the assets of the Project to the Company, the Company and the 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 the Parent Company to the Company, to ensure that the Company can ultimately acquire the titleship of all the assets of the Project. The funds provided by the Company to the 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. The Parent Company and the Company agree that the actual construction cost of the Project as audited by a competent independent auditor upon the Project Completion shall not exceed 110% of the Estimated Construction Cost of RMB876,500,000.

LETTER FROM FIRST SHANGHAI

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

According to the relevant requirements under the applicable PRC Laws, the actual construction costs for similar airport construction works generally cannot exceed 110% of the relevant estimated construction costs, the Board therefore expects that the actual construction cost upon the Project Completion shall not exceed 110% of the Estimated Construction Cost. Based on our review on the 民航建設工程設計變更及概算調整管理辦法 (The Management Regulations for Variations of Civil Aviation Construction Design and Adjustments for Cost Estimations) granted by the 中國民用航空局機場司 (Airport Office of the Civil Aviation Administration of China), the 110% buffer for allowable deviation from the Estimated Construction Cost was determined with reference to, and consistent with, the regulations as stipulated thereunder. Given the consumer price index of Hainan Province, the PRC for (i) the whole year of 2011 rose by approximately 6.1% when compared to that of 2010; and (ii) the nine months ended 30 September 2012 rose by approximately 3.7% when compared to that of the corresponding period in 2011, we consider that the 10% buffer over the Estimated Construction Cost is to provide a reasonable flexibility for the Parent Company to implement the construction works under the Project which will last for almost four years, and therefore is appropriate, fair and reasonable. Independent Shareholders should note that the actual construction cost incurred for the Project is subject to final audit by an independent third party auditor upon the Project Completion.

In view of the above, we are of the view that the entering into of the Investment and Construction Agreement is incidental and ancillary to the original Acquisition Agreement for the sole purpose to optimize the implementation and completion of the Project and its subsequent asset transfer from the Parent Company to the Company, while the substance thereunder would not be changed, and therefore is conducted in its ordinary and usual course of business and on normal commercial terms, fair and reasonable in so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Consideration

Under the Investment and Construction Agreement, the Company will provide funds to the Parent Company according to the progress of the construction of the Project based on the Estimated Construction Cost of RMB876,500,000 and the land use right transfer consideration of RMB150,180,000, the amount of which in total is RMB1,026,680,000. On such basis, we note that the original progress payment schedule and the Tentative Acquisition Consideration of RMB1,096,806,000, after excluding the original 8% premium of the Estimated Construction Cost at approximately RMB70.1 million payable to the Parent Company, as previously agreed under the Acquisition Agreement shall basically be consistent with that had already been authorised by the Independent Shareholders at the extraordinary general meeting of the Company held on 24 October 2011 for approving the same, while the substance thereunder would not be changed.

The amount of approximately RMB439,361,200, representing the initial 40% of the Tentative Acquisition Consideration, already paid by the Company to the Parent Company according to the normal progress of the Project under the Acquisition Agreement and before the termination of such

LETTER FROM FIRST SHANGHAI

agreement shall be used to offset the total investment under the Investment and Construction Agreement. The Company currently estimates that the remaining fund of the Investment and Construction Agreement will be provided in the following manner, subject to the actual progress of construction of the Project:

- (i) 10% (amounting to RMB109,680,600) of prepayment shall be payable to the Parent Company on or before 31 December 2013, conditional upon normal progress of the Project as scheduled;
- (ii) 10% (amounting to RMB109,680,600) of prepayment shall be payable to the Parent Company on or before 28 February 2014, conditional upon normal progress of the Project as scheduled;
- (iii) 20% (amounting to RMB219,361,200) of prepayment shall be payable to the Parent Company within ten (10) business days after completion and acceptance of the Project (the “**Project Acceptance**”) and handover to the Company; and
- (iv) the balance of the final consideration net of estimated payments to be made by the Company to the Parent Company as referred to (i) to (iii) above, shall be payable to the Parent Company within ten (10) business days after the both contracting parties negotiate the acquisition way for completing 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 licences to the Company.

The Parent Company shall complete the construction of the Project on or before 31 December 2015 and subsequently negotiate the acquisition way to complete the transfer of relevant land use rights and property ownership certificates to the Company and the relevant necessary procedures to hand over the Project and all relevant documents and licences to the Company after the Project Completion. Otherwise, the Company shall be entitled to terminate or discharge the Investment and Construction Agreement, and be refunded for all payments by the Parent Company upon written notice to the Parent Company.

We consider that such set-off arrangement and payment terms are basically on normal commercial terms while the remaining payment schedule is to be deferred correspondingly according to the subsequent progress of the Project, and therefore is fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole notwithstanding the possible deferral of Project Completion by two calendar years to the latest of 31 December 2015, on the grounds that such deferral of Project Completion is substantially for the purposes of meeting the additional requirements from the relevant customs and border inspection authorities and of complying with the relevant PRC civil aviation regulations which are beyond the control of the Parent Company and therefore inevitable for undertaking the Project as a whole, but would not be causing any increase in the overall Estimated Construction Cost.

LETTER FROM FIRST SHANGHAI

Independent Shareholders should note that it is administratively more convenient for the Parent Company to undertake the construction of the Project for the benefit of the Company because, as mentioned above, the vast majority portion of the land on which the Project will be built is owned by the Parent Company and it had submitted the approval application for construction of the Project and has obtained the relevant approvals from the regulatory authorities. Pursuant to the Investment and Construction Agreement, the Parent Company will no longer charge the original 8% premium of the Estimated Construction Cost (i.e. RMB70,120,000) as a project management fee. On such basis, it can be seen that the Parent Company has been assisting the Company to undertake the whole Project which will last for almost four years until the Project Completion by end of 2015 without any remuneration or compensation to be receivable, we therefore maintain our view that the consideration under the Investment and Construction Agreement is still fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

6. Possible financial effects on the Termination Agreement and the Investment and Construction Agreement to the Group

Upon the Project Completion, there is no immediate material impact on earnings of the Group, while the Directors expect that the Project will enhance the operating capability of the existing Meilan Airport and business development of the Group, and then further contribute to its earnings base in the long run, but the quantification of such impact will depend on the future operating performance of the Group after commencement of the full scale of operation attributable to the new airport building(s) erected on the parcels of lands under the Project.

By considering that (i) the expected long-term benefits from the Project that may arise in the future; and (ii) there would not be material adverse impact on the earnings and financial position of the Group arising from the entering into of the Investment and Construction Agreement in substitution for the original Acquisition Agreement, we consider that the Acquisition Agreement as substituted by the Termination Agreement and the Investment and Construction Agreement is incidental and ancillary to the original Acquisition Agreement for the sole purpose to optimize the implementation and completion of the Project and its subsequent asset transfer from the Parent Company to the Company, while (i) the substance thereunder would not be changed; and (ii) the elimination of the original 8% premium of the Estimated Construction Cost payable to the Parent Company would have certain cost-saving and cash-outlay-reducing effects favourable to the Company to the extent of approximately RMB70.1 million. On such basis, we are of the view that the arrangement under the Termination Agreement and the Investment and Construction Agreement are in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM FIRST SHANGHAI

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Termination Agreement and the Investment and Construction Agreement are basically incidental and ancillary to the original Acquisition Agreement and therefore conducted in the ordinary and usual course of business of the Group, and the terms of which are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the Termination Agreement and the Investment and Construction Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Eric Lee

Fanny Lee

Managing Director

Managing Director

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group (the “Unaudited Pro Forma Financial Information”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the entering of the Termination Agreement and Investment and Construction Agreement (the “Transactions”), as if it had taken place on 30 June 2012 for the Compliance with Rule 14.67.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transactions been completed on 30 June 2012 or any future date.

	Unadjusted unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2012 RMB'000 Note 1	Pro forma adjustments RMB'000 Note2	Pro forma adjustments RMB'000 Note 3	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2012 RMB'000
ASSETS				
Current assets				
Cash at bank and on hand	1,149,787	28,161	(618,633)	559,315
Accounts receivable	111,573			111,573
Advances to suppliers	5,436			5,436
Other receivables	3,495			3,495
Interest receivable	3,510			3,510
Inventories	140			140
Other current assets	32			32
Total current assets	<u>1,273,973</u>			<u>683,501</u>
Non-current Assets				
Long-term equity investments	1,080,733			1,080,733
Fixed assets	864,723		903,233	1,767,956
Construction in progress	2,618			2,618
Intangible assets	145,657	3,296	123,471	272,424
Long-term prepaid expenses	4,937			4,937
Deferred tax assets	4,018	3,456		7,474
Other non-current assets	439,361		(439,361)	—
Total non-current assets	<u>2,542,047</u>			<u>3,136,142</u>
Total assets	<u><u>3,816,020</u></u>			<u><u>3,819,643</u></u>

	Unadjusted unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2012 <i>RMB'000</i> <i>Note 1</i>	Pro forma adjustments <i>RMB'000</i> <i>Note2</i>	Pro forma adjustments <i>RMB'000</i> <i>Note 3</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2012 <i>RMB'000</i>
LIABILITIES				
Current liabilities				
Accounts payable	12,553			12,553
Advances from customers	8,476			8,476
Employee benefits payable	49,639			49,639
Taxes payable	12,372	6,752		19,124
Interest payable	20,142			20,142
Dividends payable	666			666
Other payables	80,633	28,161	(31,290)	77,504
Current portion of non-current liabilities	<u>115,848</u>			<u>115,848</u>
Total current liabilities	<u>300,329</u>			<u>303,952</u>
Non-current liabilities				
Long-term borrowings	341,586			341,586
Debenture payables	790,705			790,705
Non-current liabilities	<u>8,070</u>			<u>8,070</u>
Total non-current liabilities	<u>1,140,361</u>			<u>1,140,361</u>
Total liabilities	<u><u>1,440,690</u></u>			<u><u>1,444,313</u></u>

Notes to this unaudited pro forma statement of assets and liabilities:

1. The balances are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2012 as set out in the published interim report of the Company for the six months ended 30 June 2012.

The following pro forma adjustments are made to reflect the effect of the Transactions:

2. Pursuant to the Land Use Right Transfer Agreement which was effective on 26 August 2011, the Company will transfer land use right with a book value of RMB17,275,000 as at 31 July 2011 to Haikou Meilan International Airport Company Limited (“Haikou Meilan”) at a consideration of RMB31,290,000. There would be a tax payable by us of RMB6,752,000 in connection with the transfer. Upon the completion of construction and the acquisition of the whole Project by the Company, the land use right transferred, forming part of the land use right to be acquired by the Company from Haikou Meilan would be transferred back at the same consideration of RMB31,290,000. As the transfer is merely to facilitate the obtaining of the whole land use right, the Company is committed to acquire the land use right and the Haikou Meilan is also committed to transfer back the land use right to the Company at the same consideration. The Company still retains substantial risk and reward of the land use right. Accordingly, the land use right will not be derecognized upon the completion of the Land Use Right Transfer Agreement and no gain/loss should be recognized.

As at 30 June 2012, the whole transaction was still in process. Haikou Meilan has made 10% prepayment of RMB3,129,000 to the Company.

3. Pursuant to the Investment and Construction Agreement, the Group is entitled to use the terminal when the Project is completed. Therefore the risk and reward of the Project will be transferred to the Group when the Project is completed despite the title of the properties are still with Haikou Meilan before the formal acquisition of the Project by the Group. The adjustment represents i) the consideration for the acquisition of land use right of RMB118,890,000 (being the Land Use Right Transfer Consideration of RMB150,180,000 less the consideration for the transfer back of the land use right as mentioned in note 2 above of RMB31,290,000); ii) the consideration for the acquisition of the Project of RMB876,500,000, which was based on the estimated construction cost as agreed in the Acquisition Agreement of the project and iii) transaction tax totalling RMB31,314,000 of which RMB26,733,000 is attributable to the acquisition of the Project and RMB4,581,000 is attributable to the acquisition of the land use right. As at 30 June 2012, the Company has made the progress payment of RMB439,361,000, and which would be transferred to the fixed assets when the Project completes, and the Company would be required to pay the remaining consideration and related taxes of RMB618,633,000.
4. No other adjustments have been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2012.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers Zhong Tian CPAs Limited Company, for the purpose of incorporation in this circular.



普华永道

**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF HAINAN MEILAN INTERNATIONAL AIRPORT COMPANY
LIMITED**

We report on the unaudited pro forma financial information set out on pages 29 to 31 under the heading of “Unaudited Pro Forma Statement of Assets and Liabilities” (the “Unaudited Pro Forma Financial Information”) in Appendix I of the circular dated 16 January 2013 (the “Circular”) of Hainan Meilan International Airport Company Limited (the “Company”), in connection with the termination of the assets acquisition agreement dated 26 August 2011 entered into between the Company and Haikou Meilan International Airport Company Limited (the “Parent Company”) which has not completed and the entering of an investment and construction agreement dated 12 December 2012 (the “Transactions”) by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transactions might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 29 to 31 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

普华永道中天会计师事务所有限公司

*PricewaterhouseCoopers Zhong Tian CPAs Limited Company, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC*

T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2012 as set out in the “Unaudited Pro forma Financial Information” section of this circular with the unaudited financial statements of the Group as set out in the published interim report of the Company for the six months ended 30 June 2012, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2012 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, the People’s Republic of China
16 January 2013

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company 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

(a) Director's interest and short position

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

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

None of the Directors has any material interest, directly or indirectly, in any asset which, since 31 December 2011, 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.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries which cannot be terminated by the Group within one (1) year without the payment of compensation other than statutory compensation.

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

Mr. Joseph Chan, a non-executive Director, is a related party of Oriental Patron Financial Services Group Limited. The shareholding of the Oriental Patron Financial Services Group Limited in the Company is disclosed in paragraph 3 of this section.

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have 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 Securities and Futures Ordinance (the "SFO"); or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; 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	Identity	Type of shares	Number of ordinary shares	Percentage	Percentage
				of domestic shares issued	of total issued share capital
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial	Corporate	237,500,000 (L)	96.43%	50.19%

H shares

Name of shareholders	Type of interest	Number of ordinary shares	Percentage	Percentage
			of H shares issued	of total issued share capital
Zhang Gaobo (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Zhang Zhiping (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Financial Services Group Limited (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Oriental Patron Financial Group Limited (<i>Note 2</i>)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Resources Investment Limited (<i>Note 2</i>)	Beneficial	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
UBS AG (<i>Note 3</i>)	Person having a security interest in shares and controlled corporate interest	29,352,400 (L)	12.94%	6.20%
Utilico Emerging Markets Utilities Limited (<i>Note 4</i>)	Investment manager	11,629,000 (L)	5.12%	2.46%
ARC Capital Holdings Limited (<i>Note 5</i>)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
ARC Capital Partners Limited (<i>Note 5</i>)	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Asia Opportunity Fund L.P (<i>Note 5</i>)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Equity Partners Limited (<i>Note 5</i>)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Asset Management Limited (<i>Note 5</i>)	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Holdings Limited (<i>Note 5</i>)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Limited (<i>Note 5</i>)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Investment Management Limited (<i>Note 5</i>)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Walden Ventures Limited (Note 5)	Beneficial owner and person having a security interest in shares	98,365,500 (L)	43.35%	20.79%

Notes:

- Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
- Zhang Gaobo was holding 49.19% interest in Oriental Patron Financial Group Limited. Zhang Zhiping was holding 49.92% interest in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited was holding 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited as to 100% interests.
- Among the 29,352,400 shares in the Company, UBS AG was deemed to hold 4,000 shares in the capacity of beneficial owner and was deemed to have equity interest in 29,207,400 shares (UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd were all wholly-owned by UBS AG, and were beneficially holding 20,497,400 shares, 4,695,000 shares and 4,015,000 shares in the Company, respectively).
- Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.
- Pacific Alliance Group Holdings Limited was holding 99.17% interest in Pacific Alliance Group Limited, which was in turn holding 90% interest in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited was holding 61.8% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited was holding 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 98,365,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited for the purpose of Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which was in turn holding 43.35% interest of H shares in the Company, among which, Walden Ventures Limited was interested in 32,788,500 H shares of the Company in its capacity as a person having a security interest in shares, and 65,577,000 H shares of the Company in its capacity as a beneficial owner.

Pacific Alliance Investment Management Limited was also holding 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 98,365,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. was holding 36.67% interest in Walden Ventures Limited which was in turn holding 43.35% interest of H shares in the Company.

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

Save as disclosed above, as at the Latest Practicable Date so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have 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, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2011, the date to which the latest audited financial statements of the Group were made up.

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. EXPERT AND CONSENT

The following are the qualifications of the professional advisers who have given opinion or advice, which is contained in this circular:

Name	Qualifications
First Shanghai Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO.
PricewaterhouseCoopers Zhong Tian CPAs Limited Company (“PwC”)	Audit firm that is licensed to conduct securities and futures related business in China and approved by the relevant PRC authorities to act as an auditor or a reporting accountant for a PRC incorporated company listed in Hong Kong.

Each of First Shanghai and PwC 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, each of First Shanghai and PwC is not beneficially interested in the share capital of any member of the Group nor does 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 does it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Xing Zhoujin. Mr. Xing Zhoujin, aged 47, an economist, has engaged in corporate governance of listed companies for years and participated in relevant trainings provided by Securities regulatory authorities at home and abroad.
- (b) The registered address of the Company is at Meilan Airport Office Building, Haikou City Hainan Province, PRC.
- (c) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 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.

8. MATERIAL CONTRACT

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 Termination Agreement;
- (b) the Investment and Construction Agreement;
- (c) the equity transfer agreement dated 28 December 2011 and entered into between the Company, Parent Company and Xinhua Airport Terminal Services Company Limited (新華空港機場服務有限公司), pursuant to which the Company and Parent Company transferred their 95% and 5% equity interests in Hainan Meilan International Airport Travel Service Company Limited (海南美蘭國際機場旅行社有限責任公司) to Xinhua Airport Terminal Services Company Limited, respectively, at a total consideration of RMB14,020,000;
- (d) the Acquisition Agreement; and
- (e) the land use right transfer agreement dated 26 August 2011 and entered into between the Company and Parent Company, 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.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road Wan Chai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the Termination Agreement;
- (c) the Investment and Construction Agreement;
- (d) the letter from the Board, the text of which is set out on pages 3 to 15 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders;
- (f) the letter from First Shanghai to the Independent Board Committee, the text of which will be submitted separately by First Shanghai;
- (g) the annual reports of the Company for each of the three financial years ended 31 December 2009, 2010 and 2011;
- (h) the report from PwC on unaudited pro forma financial information, the text of which is set out in Appendix I to this circular;
- (i) a copy of each of the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (j) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (k) the Circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

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 4 March 2013 (Monday) in 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:

BY WAY OF ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to approve the appointment of Mr. Yang Xiaobin as an executive director of the Company, to authorize the board of directors of the Company to determine his remuneration, and to authorize the chairman of the board of directors or any executive director of the Company to execute a service agreement or such other documents or supplemental agreements or deeds on behalf of the Company.
2. To consider and, if thought fit, to approve the appointment of Mr. Yang Xuqiang as an executive director of the Company, to authorize the board of directors of the Company to determine his remuneration, and to authorize the chairman of the board of directors or any executive director of the Company to execute a service agreement or such other documents or supplemental agreements or deeds on behalf of the Company.
3. To consider and, if thought fit, to approve the investment and construction agreement (the “**Investment and Construction Agreement**”) dated 12 December 2012 entered into between the Company and Parent Company and the major and connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) contemplated thereunder.

By the order of the Board

Hainan Meilan International Airport Company Limited*

Liang Jun

Chairman

Hong Kong, 16 January 2013

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (A) A circular containing, among others, details of the appointment of Mr. Yang Xiaobin and Mr. Yang Xuqiang as executive directors of the Company and the Investment and Construction Agreement will be despatched to the shareholders of the Company as soon as possible.
- (B) The H share register of the Company will be closed from 1 February 2013 (Friday) to 4 March 2013 (Monday) (both days inclusive), during which period no transfer of H shares will be effected. In order to be entitled to attend and vote at the EGM (or any adjournment thereof) on 4 March 2013 (Monday), share transfer documents should be lodged with the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31 January 2013 (Thursday).
- (C) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited on 1 February 2013 (Friday) are entitled to attend and vote at the EGM after complying with the necessary registration procedures.
- (D) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete and return the reply slips for attending the EGM to the Secretary Office to the board of directors of the Company not later than 20 days before the date of the EGM, i.e. no later than 12 February 2013 (Tuesday). Holders of H shares and domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the Secretary Office to the board of directors of the Company are as follows:

Office Building of Meilan Airport
Haikou City
Hainan Province
PRC
Tel: (86-898) 6576 2009
Fax: (86-898) 6576 2010

- (E) Each holder of H shares who has the right to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (F) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its board of directors or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.
- (G) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. Notes (E) and (F) also apply to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to Secretary Office to the board of directors of the Company, the address of which is set out in Note (D) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (H) 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 authorized 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 authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (I) 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.
- (J) Pursuant to Rule 13.39 (4) of the Listing Rules, 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.

BOOK CLOSURE NOTICE

The H share register of the Company will be closed from 1 February 2013 (Friday) to 4 March 2013 (Monday) (both days inclusive), during which period no transfer of H shares will be effected. In order to be entitled to attend and vote at the EGM (or any adjournment thereof) on 4 March 2013 (Monday), share transfer documents should be lodged with the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31 January 2013 (Thursday).