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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)

**CONTINUING CONNECTED TRANSACTIONS
(FINANCIAL SERVICES AGREEMENT)**

On 8 October 2007, the Company and HNA Group Finance entered into the Financial Services Agreement, pursuant to which HNA Group Finance has agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein.

The Parent Company, being the controlling shareholder of the Company, holds approximately 31.25% of the equity interest in HNA Group Finance. Therefore, HNA Group Finance is an associate of the Parent Company and is a connected person of the Company. The transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Deposit Services: as certain percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the provision of deposit services under the Financial Services Agreement are each more than 2.5%, the deposit services to be provided by HNA Group Finance to the Group are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules. The provision of deposit services under the Financial Services Agreement constitutes the provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules and here a notifiable transaction under Chapter 14 of the Listing Rules.

* *For identification purposes only*

Loan Services: as the loan services to be provided by HNA Group Finance to the Group are on normal commercial terms similar or even more favourable than those offered by independent third parties for the provision of comparable services in the PRC and are for the benefit of the Group, and the Company has confirmed that no security over the assets of the Group has been granted in respect of the loan, such continuing connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Other Services: Other services mainly consist of the consulting services to be provided by HNA Group Finance to the Group. The Company estimates that the total financial consulting fees (including all the financial services fee payable by the Group to HNA Finance Group for other financial services (other than the deposit services and the loan services referred to above) rendered by HNA Finance Group under the Financial Services Agreement) payable by the Group to HNA Group Finance shall not exceed RMB2,000,000 (equivalent to approximately HK\$2,000,000) annually. As one of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) is above 0.1% but lower than 2.5% and the total consideration for such consulting services is lower than HK\$10,000,000, therefore the provision of other financial services by HNA Group Finance to the Group needs to comply with the reporting, announcement requirement but exempt from independent shareholders' approval requirements of the Listing Rules.

The Independent Board Committee has been established to consider the terms of the Financial Services Agreement (in relation to the provision of the deposit services only), the related annual caps and First Shanghai Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, inter alia, the terms of the Financial Services Agreement (in relation to the provision of the deposit services only) and the related annual caps.

A circular containing, among others, further details of the Financial Services Agreement and the related annual caps, a letter from the Independent Board Committee, a letter of advice from First Shanghai Capital and the notice of EGM will be dispatched to the Shareholders as soon as practicable.

I. CONTINUING CONNECTED TRANSACTION

A. Agreement

1. Date: 8 October 2007
2. Parties: The Company
HNA Group Finance
3. Service: Subject to the Company's request and provided that HNA Group Finance obtained the relevant approval from CBRC, HNA Group Finance shall provide to the Group financial services, including deposit services, settlement services, loans and finance leasing services, bill acceptance and discount services, entrusted loans and entrusted investment services, company debt bonds underwriting services, financial and financing consultation, credit certification and other relevant advice and agency services and provision of security and other financial services approved by CBRC.

As to the integrated credit facilities, HNA Group Finance will approve the scope, projects to be used, amount and securities together as a package.

As to the settlement of bill of exchange with recourse, interest based on the amount of the bill of exchange will be charged by HNA Group Finance.

4. Service Principle: HNA Group Finance has undertaken to adhere to the principles below in providing the aforementioned financial services to the Group: (1) the interest rate for the Group's deposits with HNA Group Finance shall be fixed as the deposit interest rate and shall not be lower than the benchmark deposit rate as announced by PBOC; (2) the interest rate for loans granted to the Group by HNA Group Finance shall be the base lending rate and shall not be higher than the benchmark lending rate as announced by PBOC; and (3) as to the settlement services, HNA Group Finance shall provide such services to the Group if requested, including but not limited to the business of central settlement management on a free of charge basis except those fees requested by PBOC.

5. Company discretion: The Group, with the benefit of the information of the market rate and in view of its own interests, has rights to determine whether to maintain the business relationship with HNA Group Finance or not. The Group may obtain financial services from other financial institutions in addition to those provided by HNA Group Finance pursuant to the Financial Services Agreement.

6. Termination: HNA Group Finance should safeguard its fund and if any loss happened to such fund, the Company shall have the right to unilaterally terminate the Financial Services Agreement.

7. Term: the term of the Financial Services Agreement shall be three years commencing from 8 October 2007 to 7 October 2010.

II. REASONS FOR THE CONTINUING CONNECTED TRANSACTION

- 1 One of purposes for the establishment of HNA Group Finance is to facilitate the provision of financial services to the inter-group members in respect of production, sales, operation and management and HNA Group Finance is expected to render more expedient and efficient services than other PRC commercial banks to the Group.
- 2 Inter-group fund settlement and transaction cost can be reduced if it can use HNA Group Finance's system for the settlement of transactions between the Company and other companies in the HNA Group.
- 3 The rates on loans and deposits offered by HNA Group Finance to the Group will be equal to or more favourable than those offered by commercial banks in the PRC.
- 4 The Group is expected to benefit from HNA Group Finance acting as a financing platform which facilitates the use of outside fund.

The Directors (including the independent non-executive Directors) are satisfied that (i) the terms and conditions of the Financial Services Agreement contemplated in this announcement have been negotiated on arms' length basis and are on normal commercial terms; (ii) such transaction will be conducted in the ordinary and usual course of business of the Company; (iii) the annual caps for the years 2008, 2009 and 2010 are reasonable and (iv) the terms of the same transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. RISKS RELATING TO THE TRANSACTION AND RISK CONTROL MEASURES

There are some uncertainties as to whether the Company can effectively use HNA Group Finance as a financial platform and the profit of the HNA Group Finance is also exposed to uncertainties. The following risk control measures are taken or are to be taken to ensure the safety of the funds deposited by the Company with HNA Group Finance:

- 1 HNA Group Finance shall ensure the strict compliance of relevant regulations and requirements issued by PBOC and CBRC and the scientific management of its business. HNA Group Finance shall establish and improve its business accounting system.

- 2 HNA Group Finance shall implement periodic evaluation metric and establish internal control system and risk monitoring system indicators to ensure the safe and stable operation of fund management.

IV. ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION

The Company currently expects to deposit all its cash balance to HNA Group Finance. The Company estimates its maximum daily deposit balance (excluding the interest accrued therefrom) with HNA Group Finance for the four years 2007, 2008, 2009 and 2010 will not exceed RMB0.5 billion (equivalent to approximately HK\$0.5 billion). Such proposed annual cap has been determined based on the following two factors: (1) the Group had a total amount of time deposit and cash and cash equivalents of RMB418,828,000 (equivalent to approximately HK\$418,828,000) as at 30 June 2007; (2) there is about RMB44,445,000 (equivalent to approximately HK\$44,445,000) airport fee receivable by the Company as at 30 June 2007 as disclosed in the Company's interim report dated 11 September 2007 and (3) the future plan of the Company. The Company confirms that there is no historical cap, and no maximum outstanding balance for the deposit services. The deposit services are subject to the annual review requirement under the Listing Rules. The Company confirms that the provisions of financial services under the Financial Services Agreement will be deemed as a whole and the Financial Services Agreement would only come into effect in its entirety upon the obtaining of the Independent Shareholders' approval.

Loan Services: As the loan services to be provided by HNA Group Finance to the Group are on normal commercial terms similar or even more favourable than those offered by independent third parties for the provision of comparable services in the PRC and are for the benefit of the Group, and the Company has confirmed that no security over the assets of the Group has been granted in respect of the loan, such contains connected transaction is exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Other Services: Other services mainly include the consulting services provided by HNA Group Finance to the Group. The Company estimates that the total financial consulting fees (including all the financial services fee payable by the Group to HNA Finance Group for other financial services rendered by HNA Finance Group under the Financial Services Agreement) payable by the Group to HNA Group Finance shall not be higher than RMB2,000,000 (equivalent to approximately HK\$2,000,000) annually. As one of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) is above 0.1% but lower than 2.5% and the total consideration for such consulting services is lower than HK\$10,000,000, therefore the provision of other financial services by HNA Group Finance to the Group needs to comply with the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements of the Listing Rules.

V. COMPLIANCE WITH THE LISTING RULES

The Parent Company, being the controlling shareholder of the Company, holds approximately 31.25% of the equity interest in HNA Group Finance. Therefore, HNA Group Finance is an associate of the Parent Company and is a connected person of the Company. The transaction contemplated under the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company under the Listing Rules.

As certain percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the provision of deposit services under the Financial Services Agreement are each more than 2.5%, the deposit services to be provided by HNA Group Finance to the Group are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules. As connected persons, Parent Company, HNA Group and Hainan Airlines and their associates shall abstain from voting at the EGM. The provision of deposit service under the Financial Services Agreement constitutes the provision of financial assistance under Rule 14.04(1) (e) of the Listing Rules and therefore constitutes notifiable transaction. The Company will comply with the general disclosure obligation where the relevant advance to an entity exceeds 8% under the assets ratio as defined under rule 14.07(1) as provided in Rule 13.13 of the Listing Rules.

The loan services to be provided by HNA Group Finance to the Group under the Financial Services Agreement amount to the provision of financial assistance by a connected person for the benefit of the Group, on normal commercial terms or more favourable terms than those offered by independent third parties for comparable services in the PRC where no security over the assets of the Group is granted in respect of the financial assistance. Thus, the provision of such services is exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements since no security over the assets of the Group is granted in respect of the loan.

In respect of other financial consulting services to be provided by HNA Group Finance to the Group under the Financial Services Agreement, the Company estimates that the total financial consulting fees (including all the financial services fees payable by the Group to HNA Finance Group for other financial services rendered by HNA Finance Group under the Financial Services Agreement) payable by the Group to HNA Group Finance would not be higher than RMB2,000,000 (equivalent to approximately HK\$2,000,000) annually. This annual cap is based by reference to the actual amount payable by the Group for similar financial services and also taking into account of the growth rate of the Company's business. As one of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) is above 0.1% but lower than 2.5% and the total consideration for the provision of such financial consulting services is lower than HK\$10,000,000, the provision of the same services by HNA Group Finance to the Group needs to comply with the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established to consider the terms of the Financial Services Agreement (in relation to the provision of the deposit services only), the related annual caps and First Shanghai Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, inter alia, the terms of the Financial Services Agreement (in relation to the provision of the deposit services only) and the related annual caps.

A circular containing, among others, further details of the Financial Services Agreement and the related annual caps, a letter from the Independent Board Committee, a letter of advice from First Shanghai Capital and the notice of EGM will be dispatched to the Shareholders as soon as practicable.

VI. GENERAL INFORMATION

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

HNA Group Finance is a non-bank financial institution established in the PRC on 10 January 1994 with a registered capital of RMB0.8 billion. HNA Group and Parent Company have made contribution of HK\$326,425,100 and 250,000,000, respectively, to the registered capital of HNA Group Finance, representing 40.8% and 31.25% respectively. China Xinhua Airlines Co., Ltd and HNA Hotel (Group) Co., Ltd hold 12.5% and 6.25% in the equity interest of HNA Group Finance respectively. The balance of the equity interests in HNA Group Finance are held by other third parties which are independent of the Company. HNA Group holds 36% of the equity interest in HNA Hotel (Group) Co., Ltd and Hainan Airlines holds 60% of China Xinhua Airlines Co., Ltd.

HNA Group Finance mainly engages in the provision of financial service, including deposit services, settlement service, loans and finance leasing service, bill acceptance and discount services, entrusted loans and entrusted investment services, company debt bonds underwriting service, financial and financing consultation and credit certification. According to HNA Group Finance's 2006 Credit Rating Report issued by Dagong Global Credit Rating Co., Ltd, HNA Group Finance's credit rating is AA+. According to the HNA Group Finance's 2006 Credit Rating Report, a credit rating is the judgement made in respect to a company's capability to pay its non-secured debt and its capability to fulfill economic contracts. The credit rating AA means the company can provide a high level of security with regard to repayment of its debt.

VII. DEFINITIONS

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

“Board”	The board of directors of the Company.
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission).
“Company”	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 PRC with limited liability.
“connected person”	shall have the meaning as defined in the Listing Rules.
“Directors”	The directors of the Company.
“EGM”	an extraordinary general meeting of the Company to be held to approve the Financial Services Agreement (in relation to the provision of the deposit services only), the related annual caps.
“Financial Services Agreement”	the financial services agreement entered into between HNA Group Finance and the Company on 8 October 2007.
“First Shanghai Capital”	第一上海融資有限公司 (First Shanghai Capital Ltd), the independent financial adviser retained in respect of the Financial Services Agreement that is subject to independent shareholders’ approval.
“Group”	the Company and its subsidiaries.
“HNA Airline”	海南航空股份有限公司 (Hainan Airlines Company Limited), a joint stock limited company incorporated in the PRC with Limited liability and one of the Promoters of the Company.

“HNA Group”	海航集團有限公司 (HNA Group Company Limited) a company established in the PRC and one of the promoters of the Company, which was previously named 海航控股 (集團) 有限公司 (HNA Holdings (Group) Company Limited) or 海南海航控股有限公司 (Hainan HNA Holdings Company Limited).
“HNA Group Finance”	HNA Group Finance Co., Ltd (海航集團財務有限公司), a company incorporated under the name of Zhongxin Group Finance Co., Ltd (中新集團財務公司) on 10 January 1994 in the PRC with limited liability and in the year 2003, HNA Group, Parent Company, China Xinhua Airlines Co., Ltd and HNA Hotel (Group) Co., Ltd acquired part of the equity interests of Zhongxin Group Finance Co., Ltd and change its name into HNA Group Finance Co., Ltd (海航集團財務有限公司).
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC.
“Independent Board Committee”	an independent committee of the Board for the purpose of reviewing the Non-exempt Continuing Connected Transactions, which comprises Mr. Xu Bailing, Mr. Xie Zhuang and Mr. Fung Ching Simon, all of whom are independent non-executive Directors.
“Independent Shareholders”	Shareholders other than Parent Company, HNA Group and Hainan Airlines.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.), a company established in the PRC and the controlling shareholder of the Company’s parent company.
“PBOC”	中國人民銀行 (People’s Bank of China).

“PRC”	People’s Republic of China.
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By Order of the Board
Hainan Meilan International Airport Company Limited
Zhang Cong
Chairman

8 October 2007

Haikou, the PRC

As at the date of this announcement, the Board comprises seven directors, Mr. Zhang Cong, Mr. Dong Zhanbin, Mr. Dong Guiguo as executive directors; Mr. Zhang Han’an as non-executive director; and Mr. Xu Bailing, Mr. Xie Zhuang and Mr. Fung Ching Simon as independent non-executive directors.

Unless otherwise defined, an exchange rate of HK\$1.00 = RMB1.00 is adopted in this announcement, for illustration purposes only.

This Announcement will be published on the website of the Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> and on the Company’s website at <http://www.mlairport.com>.