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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)**

**NEW CONTINUING CONNECTED TRANSACTIONS WITH  
HENGHE PROPERTY MANAGEMENT  
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
NEW ANNUAL CAPS FOR THE TRANSACTIONS WITH  
HAINAN AIRLINES**

Reference is made to the announcements of the Company dated 17 May 2006, 22 September 2006 and 8 October 2007, respectively.

On 16 October 2008, the Company entered into the Henghe Property Management Agreements with Henghe Property Management in relation to the provision of certain cleaning service and property management service to the Company for a term of three years commencing on 1 January 2009 and ending on 31 December 2011.

On 16 October 2008, the Company entered into the Information System Management Agreement with Hainan Information System in relation to the management of the computer information system of the Company for a term of three years commencing on 1 January 2009 and ending on 31 December 2011. Hainan Information System has provided the management of the computer information system of the Company under the Old Information System Management Agreement, which will expire on 31 December 2008.

\* For identification purposes only

On 16 October 2008, the Company entered into the Franchise Agreement with Luckyway Travelling in relation to the franchise to Luckyway Travelling by the Company to provide tourism and travelling services at Meilan Airport for a term of three years commencing on 1 January 2009 and ending on 31 December 2011. Luckyway has provided tourism and travelling service at Meilan Airport under the Old Franchise Agreement, which will expire on 31 December 2008.

On 16 October 2008, the Company entered into the Hainan Airlines Terminal Lease with Hainan Airlines whereby the Company agreed to lease certain premises and facilities at Meilan Airport to Hainan Airlines for a term from 1 March 2008 to 31 December 2010. Subject to the Independent Shareholders' approval at the EGM, the Company and Hainan Airlines have agreed that the terms and conditions of the Hainan Airlines Terminal Lease will trace back to 1 March 2008 due to the Implementation Plan coming into effect. The Company had been leasing certain premises and facilities at the Meilan Airport to Hainan Airlines under the Old Hainan Airlines Terminal Lease, which will expire on 31 December 2008.

On 16 October 2008, the Company entered into the Southern Airlines Terminal Lease with China Southern Airlines whereby the Company agreed to lease certain premises and facilities at the Meilan Airport to China Southern Airlines for a term from 1 March 2008 to 31 December 2010. Subject to the Independent Shareholders' approval at the EGM, the Company and China Southern Airlines have agreed that the terms and conditions of the Hainan Airlines Terminals Lease will trace back to 1 March 2008 due to the Implementation Plan coming into effect. The Company had been leasing certain premises and facilities at the Meilan Airport to China Southern Airlines under the Old Southern Airlines Terminal Lease, which will expire at 31 March 2009.

The applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Information System Management Agreement and the Franchise Agreement and the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Henghe Property Management Agreements (calculated in aggregation) are more than 0.1% but less than 2.5% and therefore, the transactions contemplated thereunder constitutes Non-exempt Continuing Connected Transactions subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

In relation to the Hainan Airlines Terminal Lease, the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules are less than 2.5%. However, the transaction contemplated thereunder, when aggregated with the relevant connected transactions with Hainan Airlines in relation to the airport ground service agreement and the cargo, mail and luggage service agreement dated 1 October 2007 and 8 October 2007, respectively in the preceding twelve months, constitutes a Non-exempt Continuing Connected Transaction that is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

In relation to the Southern Airlines Terminal Lease, the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for such transaction are less than 2.5%. However, the transaction contemplated thereunder, when aggregated with the airport ground services provided to China Southern Airlines and its associate, Xiamen Airlines Company Limited, in the preceding twelve months, constitutes a Non-exempt Continuing Connected Transaction that is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules.

The Independent Board Committee has been established to consider the terms of the relevant Agreements and the 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 Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval and the applicable Annual Caps.

A circular containing, among others, further details of the Non-exempt Continuing Connected Transactions and the Annual Caps, a letter from the Independent Board Committee, a letter of advice from First Shanghai Capital and a notice of EGM will be dispatched to the Shareholders as soon as practicable.

## **I. GENERAL BACKGROUND INFORMATION**

Reference is made to the announcements of the Company dated 17 May 2006, 22 September 2006 and 8 October 2007, respectively.

The Company has been engaging in certain transactions with connected persons and their respective associates during the Company's ordinary course of business, which constitute continuing connected transactions for the Company under the Listing Rules. Some of these non-exempt continuing connected transactions entered into by the Company in the year 2006 will expire on 31 December 2008 and the Board has conducted a review of the Non-exempt Continuing Connected Transactions as to the Agreements and Annual Caps to be proposed for the Non-exempt Continuing Connected Transactions.

Announcement is hereby made for compliance with the relevant provisions under the Listing Rules in respect of the Non-exempt Continuing Connected Transactions.

## **II. CONTINUING CONNECTED TRANSACTIONS**

### **(I) New non-exempt continuing connected transactions exempt from the Independent Shareholders' approval requirements for the years 2009 to 2011**

On 16 October 2008, the Company entered into the Henghe Property Management Agreements with Henghe Property Management in relation to the provision of certain cleaning service and property management service by Henghe Property Management to the Company, the key terms of which are summarized as follows:

#### ***A. Agreement relating to cleaning service in phase I of Meilan Airport Terminal***

1. **Date:** 16 October 2008
2. **Parties:** The Company  
Henghe Property Management
3. **Subject:** Henghe Property Management has agreed to provide cleaning service in Phase I of Meilan Airport Terminal. The Company entered into a relevant agreement with a third party of the Company before entering into the agreement with Henghe Property Management for the cleaning service in Phase I of Meilan Airport Terminal. Terms and conditions are basically the same with that entered into between the Company and that third party.
4. **Term:** Three years commencing from 1 January 2009 to 31 December 2011

5. **Price and Payment:** The fee payable by the Company to Henghe Property Management is determined on the basis of passenger throughput. The monthly payment shall be calculated by multiplying the passenger throughput during that month and the rate for each passenger, which is RMB0.18.

Before the 5th business day of each calendar month, the Company shall issue a notice to inform Henghe Property Management the passenger throughput for the previous month. Henghe Property Management shall, within 3 business days upon receipt of the notice, provide bill of cleaning service for the previous month to the Company. The Company shall make the payment by way of bank transfer within 5 business days upon receiving such bill. In case of failure by the Company to pay on time, Henghe Property Management is entitled to claim the fee payable plus interest based on the interest rate of current account published during the corresponding period of time by the People's Bank of China.

6. **Termination:** The Company may terminate the agreement under the circumstances provided in the agreement, including Henghe Property Management ceasing to provide cleaning service according to the agreement for one calendar day without giving written notice to the Company. The Company may at the same time deduct 10% from the annual service fee under the agreement as penalty. Henghe Property Management may terminate the contract in the event of default on the part of the Company, after: a. giving notice to the Company; b. allowing for 30 calendar days, which is extendable, for the Company to rectify the default; and c. giving 3 months' notice to the Company after failure by the Company to rectify the default within the time allowed for rectification. Henghe Property Management may also terminate the Agreement if the Company fails to make monthly payment consecutively for three months, and claim 10% of the annual service fee as penalty.

***B. Agreement relating to cleaning service in phase II of Meilan Airport Terminal***

1. **Date:** 16 October 2008
2. **Parties:** The Company  
Henghe Property Management
3. **Subject:** Henghe Property Management has agreed to provide cleaning service in Phase II of Meilan Airport Terminal. The total area in relation to cleaning service in phase II of Meilan Airport Terminal under this agreement was approximately 28,760 sq.m.
4. **Term:** Three years commencing from 1 January 2009 to 31 December 2011
5. **Price and Payment:** The monthly fee payable by the Company to Henghe Property Management is approximately RMB80,000 (equivalent to approximately HK\$91,270), and the annual payment shall be approximately RMB960,000 (equivalent to approximately HK\$1,095,260). Such fee is determined with reference to the total area under the agreement, the nature of services rendered by Henghe Property Management and the local market rate.

Before the 5th day of each calendar month, Henghe Property Management shall issue the bill of cleaning service for the previous month to the Company. The Company shall make the payment for the previous month before the 10th day of each calendar month. In case of a failure by the Company to make payment on time, Henghe Property Management is entitled to claim against the Company a penalty at a daily rate of 0.03% of the monthly payable fee.

**C. *Agreement relating to luggage cart management and passenger cabins cleaning service***

1. **Date:** 16 October 2008
2. **Parties:** The Company  
Henghe Property Management
3. **Subject:** Henghe Property Management has agreed to provide:  
a. luggage cart management service, which includes providing to and retrieve carts from passengers, storage and maintenance; and b. passenger cabins cleaning service.
4. **Term:** Three years commencing from 1 January 2009 to 31 December 2011
5. **Price and Payment:** The fee payable by the Company to Henghe Property Management is determined on the basis of passenger throughput. The monthly payment shall be calculated by multiplying the passenger throughput during that month and the rate for each passenger, which is RMB0.214.

Before the 5th business day of each calendar month, the Company shall issue a notice to inform Henghe Property Management the passenger throughput for the previous month. Henghe Property Management shall, within 3 business days upon receipt of the notice, provide the bill of luggage cart management service and passenger cabin cleaning service for the previous month to the Company. The Company shall make the payment by way of bank transfer within 5 business days upon receiving such bill. In case of failure by the Company to pay on time, Henghe Property Management is entitled to claim the fee payable plus interest based on the interest rate of current account published during the corresponding period of time by the People's Bank of China.

6. **Assets involved:** The Company shall provide certain premises, including office at the Meilan Airport, to Henghe Property Management for the provision of the relevant service under this agreement by Henghe Property Management. These premises include the rooms for office use, restrooms and warehouse for the storage of items relating to the cleaning services under the Henghe Management Agreements. The Company shall also dispose some supporting equipment to Henghe Property Management, in order to facilitate the provision of the relevant service by Henghe Property Management, including the air conditioners and electric vacuum cleaners, etc., at a total consideration of approximately RMB41,000 (equivalent to approximately HK\$46,700). The original purchase value of these assets were approximately RMB59,000 (equivalent to approximately HK\$67,300).
7. **Termination:** The Company may terminate the agreement under the circumstances provided in the agreement including Henghe Property Management ceasing to provide cleaning service according to the agreement for one calendar day without given written notice to the Company. The Company may at the same time deduct 10% from the annual service fee under the agreement as penalty. Henghe Property Management may terminate the contract in the event of default on the part of the Company, after a. giving notice to the Company; b. allowing for 30 calendar days, which is extendable, for the Company to rectify the default; and c. giving 3 months' notice to the Company after failure by the Company to rectify the default within the time allowed for rectification. Henghe Property Management may also terminate the Agreement if the Company fails to make monthly payment consecutively for three months, and claim 10% of the annual service fee as penalty.



***D. Agreement relating to property management service in the freight transportation zone***

1. **Date:** 16 October 2008
2. **Parties:** The Company  
Henghe Property Management
3. **Subject:** Henghe Property Management has agreed to provide property management service, including cleaning and maintenance service and security service, in the freight transportation zone which has a total area of 5,983 square meters to the Company.
4. **Term:** Three years commencing from 1 January 2009 to 31 December 2011
5. **Price and Payment:** The annual fee payable by the Company to Henghe Property Management is approximately RMB480,890 (equivalent to approximately HK\$548,640). The month fee payable by the Company is approximately RMB40,080 (equivalent to approximately HK\$45,700) which is determined according to the various fee standards specified in the agreement including the fee standards for the property management services and the fee standards for property daily maintenance services.

Before the 5th day of each calendar month, the Company shall provide a record of the management situation in the freight transportation zone. Henghe Property Management shall confirm the record before the 10th day of each calendar month and use it as basis for claiming fees. In case the Company does not make payment on time, Henghe Property Management is entitled to claim against the Company a penalty at a rate of 0.5% of the outstanding payment after each and every 7 days of such failure to make payment.

***E. Reasons for the continuing connected transactions***

The Company would like to lower its operating costs relating to the airport operation. As Henghe Property Management is a property management service provider and can carry out property management activities, including the cleaning services, the Board believes that Henghe Property Management has the expertise and experience required for provision of such services and is in a better position to meet the quality standard and efficiency of costs required by the Company in respect of the relevant services, therefore, entering into the Henghe Property Management Agreements can lower the Company's operating costs and improve the standard of property management service at the Meilan Airport.

***F. Annual Caps of the continuing connected transactions***

The Directors expect the maximum aggregate value of the Henghe Property Management Agreements (calculated in aggregate) for the three years ending 31 December 2011 not to exceed approximately RMB5,401,000 (equivalent to approximately HK\$6,162,000), RMB5,792,000 (equivalent to approximately HK\$6,608,100), and RMB6,221,000 (equivalent to approximately HK\$7,097,500), respectively.

The Henghe Property Management Agreements were newly entered agreements and therefore, there were no historical figures in relation to the Henghe Property Management Agreements.

Set out below is the calculation of and the basis for the Annual Caps for the three years ending 31 December 2011:

<b>Agreements</b>	<b>Annual Cap for the year 2009</b>	<b>Annual Cap for the year 2010</b>	<b>Annual Cap for the year 2011</b>
	<i>(Note 1)</i>		
Agreement relating to cleaning service in phase I of Meilan Airport Terminal	1,782,000	1,961,000	2,157,000
Agreement relating to cleaning service in phase II of Meilan Airport Terminal	1,000,000	1,000,000	1,000,000
	<i>(Note 2)</i>		
Agreement relating to luggage cart management and passenger cabins cleaning service	2,119,000	2,331,000	2,564,000
Agreement relating to property management service in the freight transportation zone	500,000	500,000	500,000
	<i>(Note 3)</i>		
Total	<u>5,401,000</u>	<u>5,792,000</u>	<u>6,221,000</u>

*Note 1:* The annual growth rate of passengers for the three years ending 31 December 2011 is estimated to be approximately 10%. This is based on the average growth rate of passengers from 2006 to 2008, which is approximately 10%. The passenger amount of 9,000,000 for the year 2008 is estimated based on the actual passenger amount of the first half year of 2008, which is 4,414,300.

*Note 2:* The Annual Caps for the agreement relating to cleaning service in phase II of Meilan Airport Terminal is determined with reference to the fixed annual total fee of RMB960,000 (equivalent to approximately HK\$1,095,200) as provided in such agreement.

*Note 3:* The Annual Caps for the agreement relating to property management service in the freight transportation zone is determined according to the fixed total annual fee of RMB481,000 (equivalent to approximately HK\$548,700) as provide in such agreement.

### ***G. Compliance with the Listing Rules***

HNA Group, being a Promoter of the Company, constitutes a connected person of the Company under the Listing Rules. As HNA Group directly holds 87.43% equity interests in HNA Group Zhiye and HNA Group Zhiye holds 100% equity interests in Henghe Property Management, Henghe Property Management is an associate of HNA Group and therefore a connected person of the Company. Hence, the above transactions between the Company and Henghe Property Management constitute continuing connected transactions of the Company under the Listing Rules.

As certain applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules with respect to the Henghe Property Management Agreements (calculated in aggregation) are higher than 0.1% but less than 2.5% annually, the continuing connected transactions under the Henghe Property Management Agreements are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Directors (including the independent non-executive Directors) are satisfied that (i) the terms and conditions of the Henghe Property Management Agreements have been negotiated on arms' length basis and are on normal commercial terms; (ii) the Annual Caps for the three years ending 31 December 2011 are reasonable; (iii) the transactions under the Henghe Property Management Agreements will be conducted in the ordinary and usual course of business of the Company; and (iv) the terms of the the Henghe Property Management Agreements are fair and reasonable and in the interests of both the Company and its Shareholders as a whole.

## **(II) Renewal of Non-exempt Continuing Connected Transactions exempt from the independent shareholders' approval requirements for the years 2009 to 2011**

### ***Part one: Franchise Agreement***

#### ***A. General terms***

Date: 16 October 2008

Parties: The Company, as the franchisor  
Luckyway Travelling, as the franchisee

**Subject:** the Company has agreed to grant Luckyway Travelling a franchise to provide tourism and travelling services at Meilan Airport.

**Term:** Three years commencing from 1 January 2009 and ending on 31 December 2011

**Price and Payment:** The Company will charge Luckyway Travelling the following fees:

- (a) a franchise fee, of which the formula for the calculation is set out in the following:

Franchise fee = RMB4,700,000 x (the amount of passengers through Meilan Airport of that year/ the amount of passengers through Meilan Airport for the year 2008) + RMB200,000 x N.

RMB4,700,000 (equivalent to approximately HK\$5,362,200) is the benchmark for the calculation of the franchise fee.

“N” means the number of the starting year in comparison with the year of 2008, i.e., for the year 2009, N = 1 and for the year 2010, N = 2, etc.;

- (b) 50% of the profits earned by Luckyway Travelling from its franchise operation at Meilan Airport; and
- (c) a management fee which is equivalent to 25% of the public utilities costs paid by Luckyway Travelling in relation to its franchise operation at Meilan Airport.

Before the 5th day of each quarter of the year, the Company shall issue a notice for payment to Luckyway Travelling for the last quarter's basic fee. Luckyway Travelling shall, within 2 days upon receipt of the notice, confirm the amount of the fees payable and make payments to the Company.

For the management fee which is equivalent to 25% of the public utilities costs paid by Luckyway Travelling in relation to its franchise operation at Meilan Airport, before the 5th day of each calendar month, the Company shall issue a notice for payment to Luckyway Travelling for the previous month's management fee. Luckyway Travelling shall, within 2 days upon receipt of the notice, confirm the amount of the fees payable and make payments to the Company.

Before 30 April of the next year, Luckyway Travelling shall pay the remaining franchise fee and 50% of the profits earned by Luckyway Travelling from its franchise operation at Meilan Airport.

**Termination:**

The Company and Luckyway Travelling may terminate the Franchise Agreement under the circumstances provided therein, including Luckyway Travelling failing to pay the franchise fee under the Franchise Agreement within 60 days after receiving the bill from the Company without raising any dispute in 10 working days. If a breach of the agreement by the Company occurs, Luckyway Travelling shall grant a thirty day period to the Company to remedy such breach (a longer period shall be granted if the Company needs more time for it). If the Company does not remedy its breach within the period mentioned above, Luckyway Travelling can terminate the Franchise Agreement in accordance with the provisions therein upon three months' notice.

**B. *Reasons for entering into the franchise agreement***

Luckyway Travelling is a professional travelling service company which provides comprehensive tourism and travelling services, such as organizing travel groups, conferences, exhibitions, reserving hotels, selling air tickets, etc.. Since its establishment in 2002, it has built up a significant client base and reputation throughout the PRC, including establishing a branch in Hainan province. It also provides cross-border travel services. Based on the airline and hotel network resources held by Hainan Airlines and HNA Group, Luckyway Travelling is in a better position to provide good tourism and travelling services and an enlarged tourist base to Meilan Airport.

The Company expects the grant of the franchise of the tourism and travelling services to Luckyway Travelling would help increase passenger throughput. The franchise fee which the Company expects to receive would also provide the Company with a steady stream of income.

**C. *Annual Caps of the continuing connected transaction***

*(a) Historical figures*

For the financial year ended 31 December 2007, the total annual payment made by Luckyway Travelling to the Company for providing tourism and travelling services at Meilan Airport under the Old Franchise Agreement are approximately RMB3,813,000 (equivalent to approximately HK\$4,350,300). The above figure is audited for the financial year ended 31 December 2007. The total payment made by Luckyway Travelling to the Company for providing tourism and travelling services at Meilan Airport under the Old Franchise Agreement are approximately RMB2,873,000 (equivalent to approximately HK\$3,277,800) for the eight months of the year 2008.

*(b) Annual Caps for the continuing connected transactions*

The relevant annual caps in relation to the Old Franchise Agreement for the three years ending 31 December 2008 were RMB1,241,310 (equivalent to approximately HK\$1,416,200), RMB5,479,325 (equivalent to approximately HK\$6,251,300), and RMB5,902,935 (equivalent to approximately HK\$6,734,600), respectively.

The Directors estimate that the maximum aggregate annual amount payable by Luckyway Travelling to the Company under the Franchise Agreement to be RMB5,695,000 (equivalent to approximately HK\$6,497,400), RMB6,443,000 (equivalent to approximately HK\$7,350,800) and RMB7,248,000 (equivalent to approximately HK\$8,269,200), respectively, for each of the three years ending 31 December 2011, respectively. The growth rate of the passengers at the Meilan Airport was about 10% for the two years of 2006 and 2007.

The breakdown for the calculation of the Annual Caps in relation to the Franchise Agreement is set out below:

<b>Fees</b>	<b>Annual Cap for the year 2009 (RMB)</b>	<b>Annual Cap for the year 2010 (RMB)</b>	<b>Annual Cap for the year 2011 (RMB)</b>
Franchise fee	5,370,000 <i>(Note 1)</i>	6,087,000	6,855,700
50% profits earned by the Luckyway Travelling	319,000 <i>(Note 2)</i>	350,900	385,990
Management Fee	6,000	6,000	6,000
<b>Total</b>	<b><u>5,695,000</u></b>	<b><u>6,443,000</u></b>	<b><u>7,248,000</u></b>

*Note 1:* The franchise fee is determined according to the formula set out above.

*Note 2:* The 50% profits earned by the Luckyway Travelling was determined with reference to the historical figures for the year 2007, which is RMB491,000 (equivalent to approximately HK\$560,100). The Company believes that due to the increase of the franchise fee (as operation cost), the benchmark of which is RMB4,700,000 (equivalent to approximately HK\$5,362,200) in comparison with the franchise fee of RMB3,500,000 (equivalent to approximately HK\$3,993,200) under the Old Franchise Agreement, the profits earned by Luckyway Travelling under the Franchise Agreement will be reduced.



The Annual Caps for the three years ending 31 December 2011 are determined based on the annual growth rate of passengers for the three years ending 31 December 2011, which is estimated to be approximately 10%. The passenger amount of 9,000,000 for the year 2008 is estimated based on the actual passenger amount for the first half year of 2008, which is 4,414,300. The profits to be shared by the Company are estimated based on an annual growth rate of 10%. The Annual Caps is determined according to the aforesaid assumption and the breakdown set out above.

***D. Compliance with Listing Rules***

HNA Group, being one of the Promoters, is a connected person of the Company under the Listing Rules. HNA is indirectly interested so as to exercise or control the exercise of 100% of the voting power at general meetings of Luckyway Travelling. Accordingly, Luckway Travelling is an associate of HNA and therefore a connected person of the Company.

As certain of applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules in respect of the above continuing connected transaction under the Franchise Agreement, on an annual basis, is higher than 0.1% but less than 2.5%, it is only subject to the requirements of reporting and announcement set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the Independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

The Directors (including the independent non-executive Directors) are satisfied that (i) the terms and conditions of the Franchise Agreement have been negotiated on arms' length basis and are on normal commercial terms; (ii) the Annual Caps for the three years ending 31 December 2011 are reasonable; (iii) the transaction under the Franchise Agreement will be conducted in the ordinary and usual course of business of the Company; and (iv) the terms of such transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

***Part two: The Information System Management Agreement***

***A. General terms***

1. Date: 16 October 2008
2. Parties: The Company, as the client  
Hainan Information System, as the service provider
3. Subject: Pursuant to the Information System Management Agreement, Hainan Information System will provide services in relation to the computer information system of the Company, including the planning, design, development, implementation and management of the Company's computer information system.
4. Price and Payment: Pursuant to the Information System Management Agreement, the Company will pay Hainan Information System a monthly service fee, which varies from month to month depending on the type of services rendered by Hainan Information System. The monthly service fee comprises various charges, which are calculated by reference to a fixed monthly fee, hourly rate or premium of the total monthly service fee payable by the Company. These various charges include the fees for the provision of information platform services, system and software maintenance services and information security services, etc.  
  
Before 5th day of each month, Hainan Information System shall issue the bill for the previous month to the Company for the payment of relevant fee provided in the Information System Management Agreement.
5. Term: Three years commencing from 1 January 2009 and ending on 31 December 2011

***B. Reasons for entering into the information system management agreement***

To ensure that the Company will be able to receive information management services of a quality and standard consistent as previously received, the Company has decided to continue with the arrangement under the Information System Management Agreement.

***C. Annual Caps for the Continuing Connected Transactions***

*(a) Historical Figures*

For the two financial years ended 31 December 2007, the total annual payment made by the Company to Hainan Information System for providing information system management services under the Old Information System Management Agreement were approximately RMB1,993,000 (equivalent to approximately HK\$2,273,900) and RMB2,120,000 (equivalent to approximately HK\$2,418,800), respectively. The above figures are audited for the two financial years ended 31 December 2007. The total payment made by the Company to Hainan Information System for providing information system management service under the Old Information System Management Agreement is approximately RMB1,366,000 (equivalent to approximately HK\$1,558,500) for the eight months of the year 2008.

*(b) Annual Caps for the continuing connected transactions*

The relevant annual caps in relation to the Old Information System Management Agreement for the three years ending 31 December 2008 were RMB2,800,000 (equivalent to approximately HK\$3,194,500), 3,300,000 (equivalent to approximately HK\$3,764,900) and 3,900,000 (equivalent to approximately HK\$4,449,500), respectively. The Board has adjusted the Annual Caps according to the actual transaction amount for the year 2007 under the Old Information System Management Agreement.

The Board has considered and resolved that the following new caps be set as the Annual Caps of the Hainan Information System Management Agreement for the three years ending 31 December 2011:

	<b>Year 2009</b>	<b>Year 2010</b>	<b>Year 2011</b>
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Information System			
Management Agreement	2,566,000	2,823,000	3,106,000

#### Basis of the Annual Caps

Taking the historical figures, the existing scale of the Company's computer information system and the anticipated needs for further development, maintenance and operation of its computer information system over the next three years into account, the Annual Caps are determined according to the actual annual transaction amount of RMB2,120,000 (equivalent to approximately HK\$2,418,800) for the year 2007 with an annual growth rate of 10%, which conforms to the passenger growth rate of about 10% for the two years of 2006 and 2007 at Meilan Airport.

#### ***D. Compliance With The Listing Rules***

Hainan Information System is a non-wholly owned subsidiary of HNA Group and is therefore an associate of HNA Group. HNA Group, being one of the Promoters of the Company, is therefore a connected person of the Company within the meaning of Rule 14A.11 of the Listing Rules. As an associate of HNA Group, Hainan Information System is therefore a connected person of the Company within the meaning of R14A.11 of the Listing Rules.

In respect of the Information System Management Agreement, the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to R14.04(9) of the Listing Rules are more than 0.1% but less than 2.5% and the transaction contemplated under the Information System Management Agreement is therefore a continuing connected transaction subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the Independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

The Directors (including the independent non-executive Directors) are satisfied that (i) the terms and conditions of the Information System Management Agreement have been negotiated on arms length basis and are on normal commercial terms; (ii) the transaction under the Information System Management Agreement will be conducted in the ordinary and usual course of business of the Company; (iii) the Annual Caps for the three financial years ending 31 December 2011 are reasonable; and (iv) the terms of such transaction are fair and reasonable and in the interests of both the Company and the Shareholders of the Company as a whole.

**(III) Renewal of Non-exempt Continuing Connected Transactions subject to the Independent Shareholders' approval requirements for the years of 2009 to 2011**

*Part one: The Hainan Airlines Terminal Lease*

**A. General terms**

1. Date: 16 October 2008
2. Parties: The Company, as lessor  
Hainan Airlines, as lessee
3. Subject: Pursuant to the Hainan Airlines Terminal Lease, the Company will lease office and commercial areas and premises of the airport terminal to Hainan Airlines for the airline's business operation at the Meilan Airport. The areas leased by Hainan Airlines have a total area of approximately 1,438 sq.m. and will include check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal.
4. Price and Payment: The monthly rental payable by Hainan Airlines under the Hainan Airlines Terminal Lease (exclusive of utilities charges and management fees) is RMB570,800 (equivalent to approximately HK\$651,200).

The monthly rental under the Hainan Airlines Terminal Lease is determined by the floor area and nature of the facilities and premises leased by Hainan Airlines. The rates of monthly rental are determined with reference to the prevailing local market rates for different types of facilities and premises, and are applicable to all other customers of the Company, including China Southern Airlines and independent third parties.

5. Term: three years commencing from 1 March 2008 and ending on 31 December 2010. The terms and conditions of the Hainan Airlines Terminals Lease will trace back to 1 March 2008, as a result of the Implementation Plan coming into effect. On 28 December 2007, CAAC and National Development and Reform Committee jointly issued the Implementation Plan, which became effective from 1 March 2008. The Implementation Plan provides, among others, the relevant adjusted fee guideline for relevant aeronautical and non-aeronautical business for civil airports in the PRC in comparison with the original fee standards. The Hainan Airlines Terminal Lease was entered into according to the provisions of the Implementation Plan. The reason for tracing the Hainan Airlines Terminal Lease back to 1 March 2008 was that the Implementation Plan came into effect on 1 March 2008. The Hainan Airlines Terminal Lease will supersede the Old Hainan Airlines Terminal Lease as of 1 March 2008, subject to the Independent Shareholder's approval. The Directors estimate that due to the adjustments of relevant fee standards contained in the Implementation Plan, the monthly rental fee under the Hainan Airlines Terminal Lease will be reduced from RMB686,300 (equivalent to approximately HK\$783,000) to RMB570,800 (equivalent to approximately HK\$651,200) in comparison with that under the Old Hainan Airlines Terminal Lease for the period from 1 March 2008 to 31 December 2008. According to Old Hainan Airlines Terminal Lease, for

the years of 2007 and 2008, the parties to the Old Hainan Airlines Terminal Lease may review the monthly rental, provided that the monthly rental will not increase by more than 5% compared to the monthly rental payable in the previous year. The excess rental payment made under the Old Hainan Airlines Terminal Lease will be used for the settlement of the rent which is due to the Company under the Hainan Airlines Terminal Lease according to the Hainan Airlines Terminal Lease.

6. Conditions: The Hainan Airlines Terminal Lease will come into effect after the Company confirms that it will be able to comply with all applicable requirements under the Listing Rules including the obtaining of the relevant Independent Shareholders' approval.

***B. Reasons for entering into the Hainan Airlines Terminal Lease***

The Company had been leasing certain commercial premises at the Meilan Airport to Hainan Airlines under the Old Hainan Airlines Terminal Lease dated 17 May 2006, the terms of which were approved by the Independent Shareholders on 28 July 2006. The term of Old Hainan Airlines Terminal Lease is for a period of 3 years, commencing from 17 May 2006 and ending on 31 December 2008.

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. The entering into of the Hainan Airlines Terminal Lease is necessary for Hainan Airlines to conduct relevant business at the Meilan Airport and is beneficial to the Company.

The Board believes that the establishment of long-term cooperation relationship with Hainan Airlines will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and is of commercial benefit to the Company and the Group as a whole.

***Part two: Southern Airlines Terminal Lease***

***A: General terms***

1. Date : 16 October 2008
2. Parties: The Company, as lessor  
China Southern Airlines, as lessee
3. Subject: Pursuant to the Southern Airlines Terminal Lease, the Company will lease office and commercial areas and premises of the airport terminal to China Southern Airlines for the airline's business operation at the Meilan Airport. The areas leased by China Southern Airlines have a total area of approximately 1,357 sq.m. and will include check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal.
4. Price and Payment: The monthly rental payable by China Southern Airlines under the Southern Airlines Terminal Lease (exclusive of utilities charges) is approximately RMB437,120 (equivalent to approximately HK\$498,700), which is equivalent to RMB5,245,500 (equivalent to approximately HK\$5,984,600) per year.

The monthly rental under the Southern Airlines Terminal Lease is determined by the floor area and nature of the facilities and premises leased by China Southern Airlines. The rates of monthly rental are determined with reference to the prevailing local market rates for different types of facilities and premises, and are applicable to all other customers of the Company, including Hainan Airlines and independent third parties.



5. Term: three years commencing from 1 March 2008 and ending on 31 December 2010. The terms and conditions of the Hainan Airlines Terminal Lease will trace back to 1 March 2008, as a result of the Implementation Plan coming into effect. On 28 December 2007, CAAC and National Development and Reform Committee jointly issued the Implementation Plan, which became effective from 1 March 2008. The Implementation Plan provides, among others, the relevant adjusted fee guideline for civil airports in the PRC in comparison with the original fee standards. The Southern Airlines Terminal Lease was entered into according to the provisions of the Implementation Plan. The reason for tracing the Southern Airlines Terminal Lease back to 1 March 2008 was that the Implementation Plan came into effect on 1 March 2008. The Southern Airlines Terminal Lease will supersede the Old Southern Airlines Terminal Lease from 1 March 2008, subject to the Independent Shareholder's approval. The Directors estimate that due to the adjustments of relevant fee standards contained in the Implementation Plan, the rental fee under the Southern Airlines Terminal Lease will be reduced by approximately RMB1,536,000 (equivalent to approximately HK\$1,752,400) in comparison with that under the Old Southern Airlines Terminal Lease for the period from 1 March 2008 to 31 December 2008. According to Old Southern Airlines Terminal Lease, for the years of 2007 and 2008, the parties to the Old Southern Airlines Terminal Lease may review the monthly rental, provided that the monthly rental will not increase by more than 5% compared to the monthly rental payable in the previous year. The excess rental payment made under the Old Southern Airlines Terminal Lease will be used for the settlement of the rental which is due to the Company according to the Southern Airlines Terminal Lease.
6. Conditions: The Southern Airlines Terminal Lease will come into effect after the Company receives the approval from its Independent Shareholders and thereby be able to confirm all applicable requirements under the Listing Rules are complied with.

**B. *Reasons for entering into the southern airlines terminal lease***

The Company had been leasing, in its ordinary course of business, certain commercial premises at the Meilan Airport to China Southern Airlines under the Old Southern Airlines Terminal Lease. Such lease constitutes a continuing connected transaction for the Company under the Listing Rules.

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. The entering into of the Southern Airlines Terminal Lease is necessary for China Southern Airlines to conduct relevant business at the Meilan Airport and is beneficial to the Company.

The Board believes that the establishment of long-term cooperation relationship with China Southern Airlines will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and is of commercial benefit to the Company and the Group as a whole.

**C. *Annual caps of the continuing connected transactions***

*(a) Historical Figures*

Hainan Airlines and China Southern Airlines paid to the Company the following sums for the two years ending 31 December 2007 and eight months for the year 2008, for leases of certain commercial premises at the Meilan Airport:

	<b>Years ended</b>		<b>The eight</b>
	<b>31 December</b>		<b>months</b>
	<b>2006</b>	<b>2007</b>	<b>of 2008</b>
	<i>(RMB)</i>	<i>(RMB)</i>	
Hainan Airlines Terminal Lease	8,137,000	8,235,000	5,490,000
			<i>Note 1</i>
Southern Airlines Terminal Lease	6,725,000	7,030,000	4,726,000
			<i>Note 1</i>

*Note 1:* The historical figures for the eight months of 2008 were determined according to monthly rent under the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease, which are approximately RMB686,300 (equivalent to approximately HK\$783,000) and RMB590,800 (equivalent to approximately HK\$674,000), respectively.

The above historical figures for the two financial year ended 31 December 2007 are audited and contained in the relevant annual and interim reports of the Company.

(b) *Annual Caps for the continuing connected transactions*

The relevant annual caps in relation to the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease for the three years ending 31 December 2008 were RMB8,481,000, 8,905,000 and 9,350,000 for Hainan Airlines and RMB7,025,000 (equivalent to approximately HK\$8,014,800), 7,376,000 (equivalent to approximately HK\$8,415,300) and 7,745,000 (equivalent to approximately HK\$8,836,300) for China Southern Airlines. The Board has adjusted the Annual Caps in relation to the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease, taking into account the fee adjustments specified in the Implementation Plan.

The Board proposes that the following Annual Caps be set for the annual volume of each of Hainan Airlines Terminal Lease and Southern Airlines Terminal Lease for the three years ending 31 December 2011:

	<b>Year 2008</b>	<b>Year 2009</b>	<b>Year 2010</b>
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Hainan Airlines Terminal Lease	7,287,000	7,302,000	7,302,000
	<i>Note 1</i>		
Southern Airlines Terminal Lease	5,553,000	5,245,500	5,245,500
	<i>Note 1</i>		

The difference between the figures for the year 2008 and that for the years of 2009 and 2010 is mainly attributed to the actual transaction amount under the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease for the first two months of 2008 are different from the monthly rent specified in the two agreements date 16 October 2008.

## Basis of the New Annual Caps

The new annual caps proposed for each of (A) the Hainan Airlines Terminal Lease and (B) the Southern Airlines Terminal Lease are determined according to the fixed rent amount provided in each of the agreements.

### ***D. Compliance with the listing rules***

China Southern Airlines and Hainan Airlines are Promoters. Accordingly, each of China Southern Airlines and Hainan Airlines is a connected person of the Company under the Listing Rules, and transactions between the Company and these connected persons constitute connected transactions of the Company under the Listing Rules.

In relation to the Hainan Airlines Terminal Lease, the applicable percentage ratios computed pursuant to R14.04(9) of Listing Rules for such transaction are less than 2.5%. However, when such transaction is aggregated with the other transactions with Hainan Airlines in relation to the airport ground service agreement and the cargo, mail and luggage service agreement dated 1 October 2007 and 8 October 2007, respectively in the preceding twelve months, the above transaction constitutes a Non-Exempt Continuing Connected Transaction and is subject to the reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 8 October 2007 for details of the airport ground service agreement and the cargo, mail and luggage service agreement with Hainan Airlines.

In relation to the Southern Airlines Terminal Lease, the applicable percentage ratios computed pursuant to R14.04(9) of Listing Rules for such transaction are less than 2.5%. However, when such transaction is aggregated with the airport ground services provided to China Southern Airlines and its associate, Xiamen Airlines Company Limited in the preceding twelve months, the above transaction constitutes a Non-Exempt Continuing Connected Transaction and is subject to the reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 8 October 2007 for details of the airport ground services agreements with China Southern Airlines and its associate, Xiamen Airlines Company Limited, respectively.

The following Shareholders of the Company will be required to abstain from voting in relation to the resolution to approve the Hainan Airlines Terminal Lease and relevant Annual Caps: HNA Group, Hainan Airlines and Haikou Meilan. None of the Shareholders will be required to abstain from voting in relation to the resolution to approve the Southern Airlines Terminal Lease and relevant Annual Caps. To the best knowledge of the Directors, China Souther Airlines and its associates do not have any equity interest in the Company

The Independent Board Committee has been formed to consider the terms of the Agreements and the 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 Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval requirements under the Listing Rules and the relevant Annual Caps.

### **III. ADJUSTMENT OF THE ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS WITH HAINAN AIRLINES**

Reference is made to the announcement of the Company dated 8 October 2007.

The Company entered into the airport ground services agreement and the cargo mail and luggage service agreement with Hainan Airlines on 1 October 2007 and 8 October 2007 respectively, which will expire on 31 December 2009. The original annual caps for the airport ground services with Hainan Airlines as set out in the announcement for the three years ending on 31 December 2010 were RMB66,500,000 (equivalent to approximately HK\$75,869,900), RMB72,500,000 (equivalent to approximately HK\$82,715,300) and RMB79,000,000 (equivalent to approximately HK\$90,131,200), respectively. The original annual caps for Cargo Mail and Luggage Service Agreement with Hainan Airlines as set out in the announcement for the two years ending on 31 December 2009 were RMB3,633,000 (equivalent to approximately HK\$4,144,900) and RMB4,033,000 (equivalent to approximately HK\$4,601,300), respectively.

The original proposed caps for the airport ground services with Hainan Airlines for the year 2008, 2009 and 2010 are estimated by the Company according to the estimation of the passengers' annual growth rate of approximately 8% made by the independent air traffic consultants appointed by the Company at the time of the Company's initial public offering in the year 2002 and the increase in the number of large-scale planes which use Meilan Airport with an annual growth rate of 3.3%. Based on the aforesaid data, the Company believes that it is reasonable to calculate the annual caps based on an approximately 10% growth rate.

The caps proposed for the airport ground services with Hainan Airlines are determined with reference to estimation of an annual growth rate of 10% for the cargo transportation made by the independent air traffic consultants appointed by the Company at the time of the Company's initial public offering in the year 2002.

Due to the significant increase of the passenger amount of Meilan Airport for the first half year of 2008, the monthly average growth rate of the transaction amount between the Company and Hainan Airlines under the airport ground services agreement was approximately 39.12% and the actual transaction amount is approximately RMB47,534,000 (equivalent to approximately HK\$54,231,600) for the first half year of 2008, which accounts for approximately 71% of the original annual caps. The monthly average growth rate of the transaction amount between the Company and Hainan Airlines under the cargo mail and luggage service agreement is approximately 43.82% and the actual transaction amount is approximately RMB2,438,000 (equivalent to approximately HK\$2,781,500) for the first half year of 2008, which accounts for approximately 67% of the original annual caps.

The Board proposes to adjust the original annual caps to RMB99,130,000 (equivalent to approximately HK\$113,097,500), RMB109,043,000 (equivalent to approximately HK\$124,407,300) and RMB119,948,000 (equivalent to approximately HK\$136,848,900) for the three years ending 31 December 2010 for the airport ground services agreement between the Company and Hainan Airlines dated 1 October 2007. Such Annual Caps are calculated based on the actual transaction amount for the first half year of 2008 and an average growth rate of 10% of the passenger amount for each month which conforms to the approximate average annual growth rate of passengers through Meilan Airport for the two years of 2006 and 2007.

The Board proposes to adjust the original annual caps to RMB5,000,000 (equivalent to approximately HK\$5,704,500) and RMB5,500,000 (equivalent to approximately HK\$6,275,000) for the two years ending 31 December 2009 for the cargo mail and luggage service agreement between the Company and Hainan Airlines dated 8 October 2007. Such Annual Caps are calculated based on the actual transaction amount for the first half year of 2008 and an average growth rate of 10% of the cargo mail and luggage service for each month which conforms to the approximate average annual growth rate of passengers through Meilan Airport for the two years of 2006 and 2007.

#### **IV. INDEPENDENT SHAREHOLDERS' APPROVAL AND COMPLIANCE WITH LISTING RULES**

The Company will seek the approval of the Independent Shareholders at the EGM for the Agreements and the relevant Annual Caps in relation to the Non-exempt Continuing Connected Transactions set out in paragraph II(III) (the "Transactions") that:

- (a) the aggregate annual volume of the Transactions shall not exceed the applicable Annual Caps;
- (b) (i) the Transactions will be entered into in the usual and ordinary course of businesses of the Group and either (A) on normal commercial terms or (B) if there is no available comparison, on terms no less favourable to the Group than terms available from independent third parties; and (ii) The Transactions will be entered into in accordance with the applicable Agreements and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company will also seek the approval of the Independent Shareholders at the EGM for the adjustment of the Annual Caps for the continuing connected transactions set out in paragraph III in the announcement.

The Company will comply with Rules 14A.36 to 14A.38 and Rule 14A.45 of the Listing Rules in respect of the Transactions.

## V. EXTRAORDINARY GENERAL MEETING

The EGM will be held for consideration and approval of the Non-exempt Continuing Connected Transactions and the Annual Caps as set out in paragraphs II(III) and III. A circular containing, among other things, further details of the relevant Agreements, a letter from the Independent Board Committee, a letter of advice from First Shanghai Capital and a notice for the EGM to approve the aforesaid 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. Henghe Property Management is principally engaged in the provision of property management and cleaning services in the PRC. Luckyway Travelling is principally engaged in the provision of tourism and travelling services in the PRC. Hainan Airlines and China Southern Airlines are principally engaged in airline operation business. Hainan Information System is a company engaged in information system management and development service.

## DEFINITIONS

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

“Agreements”	the agreements referred to in paragraph II of this announcement
“Annual Caps”	the proposed annual caps in respect of the Non-exempt Continuing Connected Transactions set out in paragraph II and paragraph III of this announcement
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“CAAC”	中國民用航空總局 (General Administration of Civil Aviation of China), also known as Civil Aviation Administration of China



“China Southern Airlines”	中國南方航空股份有限公司 (China Southern Airlines Company Limited), a joint stock limited company incorporated in the PRC and listed on the Stock Exchange
“Company”	海南美蘭國際機場股份有限公司 (Hainan Meilan International Airport Company Limited), a joint stock limited company incorporated in the PRC on 28 December 2000
“connected person”	shall have the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to approve the Non-exempt Continuing Connected Transactions and the relevant Annual Caps that set out in paragraph II(III) and paragraph III in this announcement
“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 Non-exempt Continuing Connected Transactions that are subject to Independent Shareholders’ approval under the Listing Rules
“Franchise Agreement”	the agreement between the Company and Luckyway Travelling dated 16 October 2008, pursuant to which the Company has granted Luckyway Travelling a franchise to provide tourism and travelling services at Meilan Airport
“Group”	the Company and its subsidiaries
“Haikou Meilan”	海口美蘭機場有限責任公司 (Haikou Meilan Airport Company Limited), a limited liability company established in the PRC, and is the controlling shareholder of the Company
“Hainan Airlines”	海南航空股份有限公司 (Hainan Airlines Company Limited), a joint stock company incorporated in the PRC with Limited liability and one of the Promoters of the Company

“Hainan Airlines Terminal Lease”	the agreement between Hainan Airlines and the Company in relation to the leasing of certain premises and facilities at the Meilan Airport dated 16 October 2008
“Hainan Information System”	海南航空信息系統有限公司, (Hainan HNA Information System Company Limited), a limited liability company established in PRC and is indirectly owned as to 70% by HNA Group
“Henghe Property Management”	海南海航恒禾物業管理有限公司 (Hainan HNA Henghe Property Management Company Limited), a limited liability company established in the PRC and is a wholly-owned subsidiary of HNA Group Zhiye
“Henghe Property Management Agreements”	The four agreements entered into between the Company and Henghe Property Management relating to the cleaning service in phase I and II of Meilan Airport Terminal, luggage cart management and passenger cabins cleaning service and property management service in the freight transportation zone dated on 16 October 2008
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Zhiye”	海航置業控股 (集團) 有限公司 (HNA Group Zhiye Holding (Group) Co., Ltd.), a limited liability company established in the PRC and is directly owned as to 87.43% by HNA Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation plan”	The Implementation Plan for the Civil Airport Fee Reform (民用機場收費改革實施方案) jointly issued by CAAC and National Development and Reform Committee on 28 December 2007, which provides, among others, the guideline for the fee standards of civil airport

“Independent Board Committee”	an independent committee of the Board for the purpose of reviewing the Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders’ approval, which comprises Mr. Xu Bailing, Mr. Xie Zhuang and Mr. George F Meng, all of whom are independent non-executive Directors
“Independent Shareholders”	Shareholders other than Haikou Meilan, HNA Group and Hainan Airlines for Hainan Airlines Terminal Lease and the adjusted Annual Caps set out in paragraph III in this announcement and Shareholders of the Company for Southern Airlines Terminal Lease
“Information System Management Agreement”	the agreement between Hainan Information System and the Company in relation to computer information system management dated 16 October 2008
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Luckyway Travelling”	幸運國際旅行社有限公司 (Luckyway International Travel Service Co., Ltd.), a limited liability company established in the PRC and is indirectly owned as to 100% by HNA Group
“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
“Non-exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions which are and will continually to be entered into between the Company and the relevant connected parties set out in paragraph II of this announcement
“Old Franchise Agreement”	the agreement between the Company and Luckyway Travelling dated 22 September 2006, pursuant to which the Company has granted Luckyway Travelling a franchise to provide tourism and travelling services at Meilan Airport

“Old Hainan Airlines Terminal Lease”	the agreement between Hainan Airlines and the Company Terminal Lease in relation to the leasing of certain premises at the Meilan Airport dated 17 May 2006
“Old Southern Airlines Terminal Lease”	the agreement between China Southern Airlines and the Company in relation to the leasing of certain premises at the Meilan Airport, which has expired on 17 May 2006
“Old Information System Management Agreement”	the agreement between Hainan Information System and the company in relation to computer information system management dated 17 May 2006, which will expire on 31 December 2008
“PRC”	People’s Republic of China
“Promoters”	the parties to a promoters’ agreement dated 20 December, 2000 in relation to the promotion and incorporation of the Company including, inter alia, Haikou Meilan, the Hainan Airlines, China Southern Airlines and the HNA Group
“Southern Airlines Terminal Lease”	the agreement between China Southern Airlines and the Company in relation to the leasing of certain premises at the Meilan Airport dated 16 October 2008
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the shares of the Company
“Sq.m”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

16 October 2008  
Haikou, the PRC

*As at the date of this announcement, there are eleven directors on the Board. They are: Mr. Zhang Cong, Mr. Dong Zhanbin, Mr. Dong Guiguo, Mr. Bai Yan as executive directors; Mr. Zhang Han'an, Mr. Joseph Chan, Mr. Yan Xiang as non-executive directors; and Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng as independent non-executive directors.*

*Unless otherwise defined, an exchange rate of HK\$1.00 = RMB0.8765 is adopted in this announcement, for illustration purposes only.*