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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)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcements of the Company dated 2 March 2007 and 8 October 2007.

The Company entered into the New Hong Kong Airlines Agreement under which the Company has agreed to provide airport ground services to Hong Kong Airlines, including agency services, administrative supervision, passenger services, ramp services, field operation services, cargo and mail processing, facilities support services and security safeguard services for the period from 28 November 2009 to 27 November 2012.

The Company also entered into the New Hainan Airlines Agreement under which the Company has agreed to provide flights of Hainan Airlines with cargo mail and luggage services, including container equipment management services, luggage services, cargo and mail services, uploading and loading services and land transportation services to Hainan Airlines and its subsidiaries for the period from 1 January 2010 to 31 December 2010.

As certain percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the Non-exempt Continuing Connected Transactions with Hong Kong Airlines on an annual basis more than 0.1% but less than 2.5%, the same transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, and are exempt from the independent shareholders' approval requirements.

As certain percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the Non-exempt Continuing Connected Transactions to with Hainan Airlines are each more than 2.5%, the same transactions are subject to the reporting, announcement and independent shareholders' approval requirements set out in Rules 14A.45 to 14A.48 of the Listing Rules.

\* *For identification purpose only*

The Independent Board Committee has been established to consider the terms of the New Hainan Airlines Agreement and the applicable New Annual Caps and First Shanghai 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 under the New Hainan Airlines Agreement and the applicable New Annual Caps.

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

## **I. NON-EXEMPT CONTINUING CONNECTED TRANSACTION EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT**

### *The New Hong Kong Airlines Agreement*

1. Date: 30 October 2009
2. Parties: The Company  
Hong Kong Airlines
3. Services: The Company has agreed to provide airport ground services to Hong Kong Airlines between the time of flight's arrival and departure, including agency service, administrative supervision, passenger service, ramp service, field operation service, cargo and mail processing, facilities support service and security safeguard service.
4. Service Fees: Various charge standards are primarily determined by relevant applicable regulation of the CAAC and the standards agreed in the New Hong Kong Airlines Agreement.
5. Payment: The Company will issue an invoice indicating services rendered and relevant fees incurred on a monthly basis to Hong Kong Airlines. The service fees shall be paid within thirty (30) days of receiving the invoice. An overdue fine calculable from the due date will be charged at the rate of 0.5% per day to Hong Kong Airlines.
6. Term: The New Hong Kong Airlines Agreement is for a term of three (3) years commencing on 28 November 2009 and ending on 27 November 2012. This agreement will automatically renew for successive one (1) year terms, unless either party shall have given written notice of its intention to terminate.

The Company will re-comply with the requirements set out in Chapter 14A of the Listing Rules upon renewal of the New Hong Kong Airlines Agreement.

7. Dispute Resolution: All disputes arising out of the New Hong Kong Airlines Agreement will be submitted to the competent People's Court in Haikou for settlement in accordance with juridical proceedings.

## **II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

### *The New Hainan Airlines Agreement*

1. Date: 30 October 2009
2. Parties: The Company  
Hainan Airlines
3. Services: The Company has agreed to provide flights of Hainan Airlines with cargo mail and luggage services, including container equipment management services, luggage services, cargo and mail services, uploading and loading services and land transportation services to Hainan Airlines and its subsidiaries.

According to the New Hainan Airlines Agreement, Hainan Airlines will not enjoy the preferential charges for the cargo mail and luggage services rendered by the Company<sup>1</sup>. Also Hainan Airlines will not provide the cargo packing services to the customers of the Company<sup>2</sup>.

Hainan Airlines has agreed to sell packing materials to the Company at a price not exceeding the fair market price and the Company will provide packing services to its customers.

4. Fees: Various charge standards are primarily determined by relevant applicable regulation of the CAAC and the standards agreed in the New Hainan Airlines Agreement.
5. Payment : The Company will issue an invoice indicating services rendered and relevant fees incurred on a monthly basis to Hainan Airlines. The fees shall be paid within forty five (45) days of receiving the invoice.

6. Term: A term commencing from the effective from 1 January 2010 to 31 December 2010.

*Note 1:* A preferential 50% discount on the said services is enjoyed by Hainan Airlines under the Old Hainan Airlines Agreement, the details of which have been disclosed in the announcement made by the Company on 8 October 2007.

*Note 2:* The Company is planning to expand its business to cover packing services from January 1 2010. The Company will purchase packing materials from Hainan Airlines.

### III REASONS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. The Company provides services such as air tickets sales, security checks and boarding process management to a variety of airlines. The Non-exempt Continuing Connected Transactions contemplated in this announcement are entered into because they are necessary for and are beneficial to the Company. The Board believes that the establishment of long-term cooperation relationship with these companies 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.

### IV. ANNUAL CAP OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### (i) Historical Figures

The following table shows the actual transaction amount in respect of those transactions between the Company and the relevant contracting parties for the two years ended 31 December 2008 and the year ending 31 December 2009:

	Year ended 31 December		Year ending
	2007	2008	31 December
			2009
			(Expected
			Transaction
			Amount <sup>1</sup> )
			(“RMB”)
(a)1. Airport Ground Service Agreement With Hong Kong Airlines	2,477,000 <sup>2</sup>	2,359,000 <sup>2</sup>	2,700,000 <sup>2</sup>
(a)2. Cargo Mail and Luggage Service Agreement with Hainan Airlines	N/A	4,705,000 <sup>2</sup>	4,600,000 <sup>2</sup>

*Note 1:* The expected transaction amount for the year 2009 of the Non-exempt Continuing Connected Transactions contemplated in the announcement is calculated based on the actual figure for the first half of the year 2009 i.e. the expected transaction amount for the year 2009 = the actual transaction amount for the first half of year 2009 x 2. The transaction amounts for the nine months ended on 30 September 2009 were RMB1,820,000 and RMB3,080,000 under the Old Hong Kong Airlines Agreement and the Old Hainan Airlines Agreement.

*Note 2:* The original annual caps for the three years ending on 31 December 2009 under the Old Hong Kong Airlines Agreement and the air ticket sales agency agreement were RMB2,900,000, RMB3,200,000 and RMB3,550,000, respectively. There will be no separate air ticket sales agency agreement between the Company and Hong Kong Airlines under current arrangement. The original annual caps for the two years ending on 31 December 2009 under the Old Hainan Airlines Agreement were RMB5,000,000 and RMB5,500,000, respectively. The Old Hainan Airlines Agreement is for a term of two years. The outbreak of the global financial crisis in the year of 2008 has a serious impact on airlines, and the transaction amounts for the years 2008 and 2009 were affected negatively accordingly.

**(ii) New Annual Caps**

The Board has considered and proposed that the following caps be set for the annual volumes of the relevant transactions for the period from 1 January 2010 to 31 December 2012:

	<b>2010</b>	<b>2011</b> (“RMB”)	<b>2012</b>
(a)1. the New Hong Kong Airlines Agreement	2,970,000	3,267,000	3,594,000
(a)2. the New Hainan Airlines Agreement	10,120,000 <sup>1</sup>	N/A	N/A
	(for cargo mail and luggage services)		
	31,900,000 <sup>2</sup>	N/A	N/A
	(for packing materials purchase)		

*Note 1:* The New Hainan Airlines Agreement is for a term of one (1) year ending on 31 December 2010. Therefore, only the annual cap for the year 2010 is provided.

*Note 2:* The Company will purchase packing materials from Hainan Airlines and provide packing services to its customers of the Company in accordance with the packing requirements provided by relevant airlines companies.

### **(iii) Basis of New Annual Caps**

The above annual caps for airport ground services and cargo mail and luggage services have been determined on the basis of estimated volume of services required by Hong Kong Airlines and Hainan Airlines with reference to historical transaction value with them and the potential growth in demand generally in the market for such services with reference to contractual service fees.

The followings set out the basic factors taken into account by the Board for the New Annual Caps:

- (a)1. Terms and conditions under the New Hong Kong Airlines Agreement are basically the same with the Old Hong Kong Airlines Agreement. The proposed caps for Item (a)(1) for the year 2010, 2011 and 2012 are determined with reference to the actual and estimated transaction amounts for the three years ending 2009 with an annual growth rate of approximately 10%. The Company considers that given the continuous upswing in the global economy and the steady growth of the flights of Hong Kong Airlines into Mailan Airport, the above mentioned new caps are reasonable.
- (a)2. The Company offers the same cargo mail and luggage services to Hainan Airlines as those under the Old Hainan Airlines Agreement in 2007. The cap estimated under Item (a)(2) is determined with reference to or taking into account of the actual transaction and estimated amounts for the two years ending 2009 with an annual growth rate of 10% and the termination of the preferential service charges previously given to Hainan Airlines. As to the New Annual Caps for the purchase of packing materials by the Company from Hainan Airlines under the New Hainan Airlines Agreement, it is estimated based on the sales income of Hainan Airlines for the sales of packing materials to its relevant customers with an annual grow rate of 10%. The actual sales income for the year 2007 and 2008 were RMB23,532,000 and RMB24,532,000 and estimated amount for the year 2009 is RMB29,000,000 based on the actual amount of RMB14,500,000 for the first half of 2009.

## **V. COMPLIANCE WITH THE LISTING RULES**

Hainan Airlines, being a promoter of the Company, is a connected person of the Company under the Listing Rules. Accordingly, transactions between the Company and Hainan Airlines constitute connected transactions of the Company under the Listing Rules and are subject to the reporting and announcement requirements and independent shareholders' approval set out in Rules 14A.45 to 14A.48 of the Listing Rules. Grand China Airlines, a company which holds 48.62% equity interests in Hainan Airlines, is also directly or indirectly interested so as to exercise or control the exercise of 45% of the voting power at general meeting of Hong Kong Airlines. Therefore, Hong Kong Airlines is an associate (as defined in the Listing Rules) of Hainan Airlines and a connected person of the Company.

As each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Non-Exempt Continuing Connected Transactions with Hong Kong Airlines is on an annual basis more than 0.1% but less than 2.5%, the same transactions are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, and are exempt from the independent shareholders' approval requirements.

In relation to the New Hainan Airlines Agreement, the applicable percentage ratios computed pursuant to Rule 14.04(9) of the Listing Rules are less than 2.5%. However, such transactions, when aggregated with the relevant connected transactions with Hainan Airlines in the preceding twelve months, including the ground service transactions and terminal lease transactions, constitutes Non-Exempt Continuing Connected Transactions and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the Company's announcements dated 8 October 2007 and 16 October 2008 for further detailed information.

The Directors (excluding the independent non-executive Directors who will provide their advise to the Independent Shareholders in the circular to be despatched by the Company) are satisfied that (i) the terms and conditions of the Non-Exempt Continuing Connected Transactions contemplated in this announcement have been negotiated on arms' length basis and are on normal commercial terms; (ii) such transactions will be conducted in the ordinary and usual course of business of the Company; (iii) the annual caps for the year 2010, 2011 and 2012 are reasonable and (iv) terms of the same transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Entering into the Non-Exempt Continuing Connected Transaction has facilitated and will continue to facilitate the operation and growth of the Group's business.

The Independent Board Committee has been formed to consider the terms of the New Hainan Airlines Agreement, the applicable New Annual Caps and First Shanghai 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 under the New Hainan Airlines Agreement and the applicable New Annual Caps.

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

The Company will seek the approval of the Independent Shareholders at the EGM for the Hainan Airlines Agreement and the applicable New Annual Caps above that:

- (a) The aggregate annual volume of the transactions under the New Hainan Airlines Agreement shall not exceed the applicable New Annual Caps;
- (b) (i) The New Hainan Airlines Agreement 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 New Hainan Airlines Agreement and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.



The Company will comply with Rules 14A.36 to 14A.38 and Rule 14A.45 of the Listing Rules in respect of the transactions under the New Hainan Airlines Agreement.

## **VII. EXTRAORDINARY GENERAL MEETING**

The EGM will be held for consideration and approval of the Non-Exempt Continuing Connected Transactions under the New Hainan Airlines Agreement and the applicable New Annual Caps. A circular containing, among other things, further details of the New Hainan Airlines Agreement, a letter from the Independent Board Committee, a letter of advice from First Shanghai and a notice for the EGM to approve the aforesaid will be dispatched to the Shareholders as soon as practicable.

## **VIII. 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. Hainan Airlines is principally engaged in airline operation business. Hong Kong Airlines is an aviation enterprise engaged in the operation of international flights and freights.

## **IX. DEFINITIONS**

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

“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
“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 New Annual Caps in relation to the New Hainan Airlines Agreement



“First Shanghai”	第一上海融資有限公司 (First Shanghai Capital Limited), the independent financial adviser retained in respect of the Nonexempt Continuing Connected Transaction that are subject to independent shareholders’ approval
“Grand China Airlines”	大新華航空有限公司 (Grand China Airlines Company Limited)
“Group”	the Company and its subsidiaries
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Airlines”	Hong Kong Airlines Limited (香港航空有限公司)
“Independent Board Committee”	an independent committee of the Board for the purpose of reviewing the Non-exempt Continuing Connected Transaction, 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 of the Company, HNA Group Company Limited and Hainan Airlines
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Meilan Airport”	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport) located in Haikou City, Hainan Province, PRC
“New Annual Caps”	the proposed annual caps in respect of the Non-exempt Continuing Connected Transactions set out in Paragraph IV(ii) of this announcement
“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 Paragraphs I and II of this announcement

“New Hainan Airlines Agreement”	the mail cargo and luggage service agreement entered into between the Company and Hainan Airlines on 30 October 2009
“New Hong Kong Airlines Agreement”	the ground service agreement entered into between the Company and Hong Kong Airlines on 30 October 2009
“Old Hainan Airlines Agreement”	the mail cargo and luggage service agreement entered into between the Company and Hainan Airlines on 8 October 2007 and will expire on 31 December 2009
“Old Hong Kong Airlines Agreement”	the airport ground service agreement entered into between the Company and Hong Kong Airlines on 2 March 2007 and will expire on 27 November 2009
“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, Parent Company, the Hainan Airlines, China Southern Airlines and the HNA Group
“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

By the order of the Board  
**Hainan Meilan International Airport Company Limited**  
**Zhao Yahui**  
*Chairman and Executive Director*

30 October 2009  
Haikou, The PRC

*Note: As at the date of this announcement, there are eleven directors on the Board. The Board comprises of three executive directors, namely Mr. Zhao Yahui, Mr. Liang Jun and Ms. Xing Xihong, and four non-executive directors, namely Mr. Hu Wentai, Mr. Zhang Han’an, Mr. Joseph Chan and Mr. Yan Xiang, and four independent non-executive directors, namely Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng.*