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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)

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS THE RENEWAL OF FINANCIAL SERVICES AGREEMENT

On 25 May 2010, the Company and HNA Group Finance entered into the Financial Services Agreement, pursuant to which HNA Group Finance has agreed to continue to provide the Group with the Deposit Services, the General Credit Services and the Other Financial Services during the term of the Financial Services Agreement subject to the terms and conditions provided therein.

HNA Group, being one of the promoters of the Company, controls approximately 60.5% of the equity interest in HNA Group Finance. As such, HNA Group Finance is an associate of HNA Group and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the Deposit Services and the Other Financial Services are both provided by HNA Group Finance and are similar in nature, they are aggregated pursuant to Rule 14A.25 of the Listing Rules.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Deposit Services and the Other Financial Services, when aggregated, exceed 2.5%, the Deposit Services and the Other Financial Services constitute non-exempt connected transactions of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Deposit Services exceed 5% but are less than 25%, the Deposit Services also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

As the General Credit Services are provided for the benefit of the Group on normal commercial terms similar to or better than those offered by independent third parties for the provision of comparable services in the PRC, and no security over the assets of the Group will be granted for the provision of the General Credit Services, such continuing connected transaction is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Financial Services Agreement, the Deposit Services and the Other Financial Services. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreement, the Deposit Services and the Other Financial Services.

A circular containing, among other things, (a) further details of the Financial Services Agreement, the Deposit Services and the Other Financial Services; (b) the recommendation of the Independent Board Committee to the Independent Shareholders; (c) the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders; and (d) the notice of the EGM, will be despatched to the Shareholders as soon as practicable.

BACKGROUND

Reference is made to the announcements of the Company dated 8 October 2007 and 6 November 2007, respectively, in relation to the Existing Financial Services Agreement.

The Existing Financial Services Agreement has a term of three years commencing from 8 October 2007 to 7 October 2010. On 25 May 2010, the Company and HNA Group Finance entered into the Financial Services Agreement, pursuant to which HNA Group Finance has agreed to continue to provide the Group with the Deposit Services, the General Credit Services and the Other Financial Services during the term of the Financial Services Agreement subject to the terms and conditions provided therein.

FINANCIAL SERVICES AGREEMENT

- 1. Date:** 25 May 2010
- 2. Parties:** The Company
HNA Group Finance
- 3. Service:** provided that HNA Group Finance could obtain 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, corporate bonds underwriting services, financial consultation, credit certification and relevant consulting and agency services, provision of guarantee and other financial services approved by CBRC.

4. Service Principle: HNA Group Finance has undertaken to adhere to the following principles 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 at the deposit interest rate issued by PBOC and shall not be lower than the benchmark deposit interest rate as issued by PBOC; (2) the interest rate for facilities provided to the Group by HNA Group Finance shall be fixed at the benchmark lending interest rate as issued by PBOC; and (3) the fees charged by HNA Group Finance for providing the Other Financial Services to the Group shall not be more than those charged by other financial institutions in the PRC for providing equivalent services.

5. Expected Interest: Based on the current interest rate issued by PBOC, it is estimated that the annual amount of interest accrued from the Deposit Services shall not be more than RMB10,125,000 (equivalent to approximately HK\$11,491,875).

The net profits before and after taxation attributable to the deposit services under the Existing Financial Services Agreement for the two financial years immediately preceding the Financial Services Agreement are set out below:

	Year ended	
	31 December	
	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profits before taxation	13,610	11,350
Net profits after taxation	13,610	10,215

6. Discretion of the Company: during the term of the Financial Services Agreement, the Group may choose to maintain the business relationship with HNA Group Finance or to obtain similar services from other financial institutions.

7. Termination: if there is any loss to the money of the Company while it is being handled by HNA Group Finance, the Company may unilaterally terminate the Financial Services Agreement.

8. Term: the Financial Services Agreement is for a term of three years commencing from the date of the Financial Services Agreement.

ANNUAL CAP

1. Deposit Services

It is provided in the Financial Services Agreement that the Group's maximum daily deposit balance with HNA Group Finance during the term of the Financial Services Agreement shall not exceed RMB450,000,000 (equivalent to approximately HK\$510,750,000). Such proposed maximum daily deposit balance was determined with reference to the historical figures and future plans of the Company in relation to the deposit services provided by HNA Group Finance to the Group under the Existing Financial Services Agreement.

2. Other Financial Services

The Other Financial Services mainly include the consulting services provided by HNA Group Finance to the Group. The Board estimated that the annual financial consulting fees payable by the Group to HNA Group Finance during the term of the Financial Services Agreement shall not exceed RMB2,000,000 (equivalent to approximately HK\$2,270,000). Such annual cap was determined after arm's length negotiation with reference to the historical figures in relation to the consulting services provided by HNA Group Finance to the Group under the Existing Financial Services Agreement.

REASONS FOR ENTERING THE FINANCIAL SERVICES AGREEMENT

It is the main business of HNA Group Finance to provide financial services to intra-group members. During the terms of the Existing Financial Services Agreement, the Group has benefited from the efficient and cost-saving services provided by HNA Group Finance. By using HNA Group Finance's system, inter-group fund settlement and transaction costs can be reduced. In addition, the fees charged by HNA Group Finance for providing the Other Financial Services to the Group shall not be more than those charged by other financial institutions in the PRC for providing equivalent services.

The Directors (including the independent non-executive Directors) are of the view that the Financial Services Agreement is on normal commercial terms and the terms of the Deposit Services and the Other Financial Services are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

RISK CONTROL MEASURES

It is provided in the Financial Services Agreement that 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.

LISTING RULES IMPLICATIONS

HNA Group, being one of the promoters of the Company, controls approximately 60.5% of the equity interest in HNA Group Finance. As such, HNA Group Finance is an associate of HNA Group and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the Deposit Services and the Other Financial Services are both provided by HNA Group Finance and are similar in nature, they are aggregated pursuant to Rule 14A.25 of the Listing Rules.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Deposit Services and the Other Financial Services, when aggregated, exceed 2.5%, the Deposit Services and the Other Financial Services constitute non-exempt connected transactions of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Deposit Services exceed 5% but are less than 25%, the Deposit Services also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

As the General Credit Services are provided for the benefit of the Group on normal commercial terms similar to or better than those offered by independent third parties for the provision of comparable services in the PRC, and no security over the assets of the Group will be granted for the provision of the General Credit Services, such continuing connected transaction is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Financial Services Agreement, the Deposit Services and the Other Financial Services. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreement, the Deposit Services and the Other Financial Services.

The EGM will be convened for the Independent Shareholders to approve the Financial Services Agreement, the Deposit Services and the Other Financial Services. Haikou Meilan, HNA Group, Hainan Airlines and their respective associates shall abstain from voting at the EGM pursuant to the requirement under the Listing Rules.

A circular containing, among other things, (a) further details of the Financial Services Agreement, the Deposit Services and the Other Financial Services; (b) the recommendation of the Independent Board Committee to the Independent Shareholders; (c) the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders; and (d) the notice of the EGM, will be despatched to the Shareholders as soon as practicable.

INFORMATION OF THE GROUP AND HNA GROUP FINANCE

The Company is principally engaged in aeronautical and non-aeronautical businesses at Meilan Airport. The business scope of the Company mainly includes the provision of transit and ground transportation services to domestic and foreign air transportation companies and transit passengers; the leasing of the aviation commercial area, business and commercial premises within the departure tower and the provision of integrated services, the construction and operation of aviation facilities within the airport and the ancillary buildings thereto, the provision of cargo storage, packing, loading and unloading and transportation services.

HNA Group Finance is a non-bank financial institution established in the PRC. Each of HNA Group and Haikou Meilan controls approximately 60.5% and 20.8% of the equity interest in HNA Group Finance respectively. China Xinhua Airlines Co., Ltd and HNA Hotel (Group) Co., Ltd hold 8.3% and 4.2% in the equity interest of HNA Group Finance, respectively. The remaining portion of the equity interest in HNA Group Finance is held by other third parties which are independent of the Company. Hainan Airlines holds 19% of the equity interest in HNA Hotel (Group) Co., Ltd and 60% of China Xinhua Airlines Co., Ltd. respectively.

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.

DEFINITION

“Board”	board of Directors
“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”	has the meaning given to it by the Listing Rules
“Deposit Services”	the deposit services to be provided by HNA Group Finance to the Group under the Financial Services Agreement
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the approval of, among other things, the Financial Services Agreement, the Deposit Services and the Other Financial Services

“Existing Financial Services Agreement”	the financial services agreement entered into between the Company and HNA Group Finance on 8 October 2007
“Financial Services Agreement”	the financial services agreement entered into between HNA Group Finance and the Company on 25 May 2010
“First Shanghai”	第一上海融資有限公司 (First Shanghai Capital Ltd), the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreement, the Deposit Services and the Other Financial Services.
“General Credit Services”	the general credit services to be provided by HNA Group Finance to the Group under the Financial Services Agreement
“Haikou Meilan”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.), a company incorporated in the PRC, being 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 limited company incorporated in the PRC and one of the Promoters of the Company
“HK\$”	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 incorporated in the PRC and one of the promoters of the Company
“HNA Group Finance”	HNA Group Finance Co., Ltd. (海航集團財務有限公司), a non-bank financial institution established in the PRC
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising Mr. Xu Bailing, Mr. Fung Ching Simon and Mr. George F Meng, all being independent non-executive Directors
“Independent Shareholders”	Shareholders other than Haikou Meilan, HNA Group, Hainan Airlines and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Financial Services”	financial services other than the Deposit Services and General Credit Services to be provided by HNA Group Finance to the Group under the Financial Services Agreement

“PBOC”	中國人民銀行 (People’s Bank of China)
“PRC”	People’s Republic of China.
“RMB”	Renminbi, the lawful currency of the PRC.
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By the order of the Board
Hainan Meilan International Airport Company Limited
Xing Zhoujin
Company Secretary

Haikou, the PRC
25 May 2010

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. Chan Nap Kee Joseph 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.

In this announcement, RMB has been translated to HK\$ at the exchange rate of RMB1.00 to HK\$1.135 for illustration purpose only. No representation is made that any amounts in HK\$ or RMB have been, could have been or could be converted at this or any other rate.

* *For identification purpose only*