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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 357)

**CONTINUING CONNECTED TRANSACTION
OUTSOURCING AGREEMENT**

The Board announced that, on 31 August 2011, the Company has entered into the Outsourcing Agreement with Hainan Xiangfeng pursuant to which the Company shall outsource the Airport Ground Services to Hainan Xiangfeng for an initial term of one year from 1 September 2011 to 31 August 2012.

HNA Airport Group holds 22.7% equity interest of Haikou Meilan (which in turn holds more than 50% of the issued share capital of the Company) and constitutes a substantial shareholder and a connected person of the Company under the Listing Rules. As Hainan Xiangfeng is a wholly owned subsidiary of HNA Airport Group, Hainan Xiangfeng is an associate of HNA Airport Group and is a connected person of the Company. Accordingly, the Outsourcing Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Outsourcing Agreement are less than 5%, the Outsourcing Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement set out under Chapter 14A of the Listing Rules.

* For identification purposes only

Outsourcing Agreement

1. Date: 31 August 2011
2. Parties: The Company
Hainan Xiangfeng
3. Subject: The Company shall outsource the Airport Ground Services to Hainan Xiangfeng pursuant to the Outsourcing Agreement.
4. Scope of Services: The Airport Ground Services outsourced by the Company to Hainan Xiangfeng shall include the following:
 - a. customers services (such as customer inquiries, passengers guidance, luggage deposit, irregular flight services, terminal radio broadcast, etc.)
 - b. plane tickets services (such as passenger stand-by services, services in relation to sale, change, lost and return of plane tickets, etc.)
 - c. check-in services
 - d. services in relation to excess luggage (such as charge over excess luggage and sale of insurance policies)
 - e. services in relation to customer declaration for international flight
 - f. cabin weight and balance services and business information despatch services
 - g. received luggage services
 - h. first-class cabin services

5. Term: The Outsourcing Agreement is for an initial term of one year commencing from 1 September 2011 to 31 August 2012, and shall be automatically renewed for an additional year unless objected by any party to the Outsourcing Agreement.

6. Consideration: All the revenues derived from the performance of the Airport Ground Services by Hainan Xiangfeng shall be retained by the Company. In return, the Company shall pay the Service Fee on a monthly basis to Hainan Xiangfeng. The annual amount of Service Fee shall be calculated on the basis of the annual amount paid for the preceding year, taking consideration of the change of passenger throughput. The amount of the Service Fee was arrived at after arm's length negotiation between the Company and Hainan Xiangfeng.

A deposit in the amount of RMB500,000 (equivalent to approximately HK\$600,000) shall be paid by Hainan Xiangfeng to the Company within 10 business days upon signing of the Outsourcing Agreement as guarantee for the performance of its obligation under the Outsourcing Agreement. Such deposit shall be returned to Hainan Xiangfeng without interest within 10 business days upon the expiration of the Outsourcing Agreement.

7. Termination: The Company may terminate the Outsourcing Agreement under the circumstances provided therein, including where (a) Hainan Xiangfeng fails to obtain or maintain necessary licence and permission to perform the Airport Ground Services and does not make any rectification measures within 30 days after receiving relevant notice from the Company; (b) Hainan Xiangfeng does not or refuses to perform the Airport Ground Services without first giving written notice to the Company; and (c) Hainan Xiangfeng is insolvent.

Annual Caps

The Directors expect that the annual Service Fee payable to Hainan Xiangfeng for each of the three years during the term of the Outsourcing Agreement shall not exceed RMB6,140,000 (equivalent to approximately HK\$7,368,000), RMB19,600,000 (equivalent to approximately HK\$23,520,000) and RMB13,850,000 (equivalent to approximately HK\$16,620,000), respectively.

Set out below are the calculation of and the basis for the annual Service Fee during the term of the Outsourcing Agreement:

	Annual Service Fee (RMB)	Annualised Service Fee (RMB)
For the period from 1 September 2011 to 31 December 2011	6,140,000 (<i>note 1</i>)	18,420,000
For the year ending 31 December 2012	19,562,040	$18,420,000 \times (1+6.2\%) = 19,562,040$ (<i>note 2</i>)
For the period from 1 January 2013 to 31 August 2013	13,850,000	$19,562,040 \times (1+6.2\%) = 20,774,886.48$ (<i>note 2</i>)

Notes:

1. The amount of Service Fee for the period from 1 September 2011 to 31 December 2011 is expected to be RMB6,140,000 (equivalent to approximately HK\$7,368,000), which is determined after arm's length negotiation between the parties and taking into consideration of the expected labour cost and management cost, etc. that Hainan Xiangfeng would incur during its performance of its obligations under the Outsourcing Agreement during such period.
2. The expected annualised Service Fee for each of the two years ending 31 December 2013 are calculated by multiplying the expected annualised amount for the preceding year and a coefficient in relation to the expected growth rate of annual passenger throughput during each year, and it is expected that during the term of the Outsourcing Agreement, the annual passenger throughput would increase by 6.2% on a year-on-year basis.

Reasons for and Benefits of the Outsourcing Agreement

The Company would like to outsource its Airport Ground Service to adjust and focus its management resources on its airport operation to maximise the operation efficiency. The Directors believe that Hainan Xiangfeng is a competent airport ground services provider that can meet the need of the Company with a reasonable price.

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

Listing Rules Implication

HNA Airport Group holds 22.7% equity interest of Haikou Meilan (which in turn holds more than 50% of the issued share capital of the Company) and constitutes a substantial shareholder and a connected person of the Company under the Listing Rules. As Hainan Xiangfeng is a wholly owned subsidiary of HNA Airport Group, Hainan Xiangfeng is an associate of HNA Airport Group and is a connected person of the Company. Accordingly, the Outsourcing Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Outsourcing Agreement are less than 5%, the Outsourcing Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement set out under Chapter 14A of the Listing Rules.

General Information

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

Hainan Xiangfeng is a company engaged in airport ground services in the PRC.

Mr. Liang Jun, Mr. Dong Zhanbin, Ms. Xing Xihong, Mr. Hu Wentai and Mr. Zhang Han'an, being the Directors, are nominated to the Board by Haikou Meilan, and are deemed to have material interests in the transactions contemplated under the Outsourcing Agreement. Therefore, they have abstained from voting at the meeting of the Board convened for the purpose of approving such transactions. Save as disclosed above, none of the Directors has a material interest in such transactions.

Definition

“Airport Ground Services”	the airport ground services to be carried out within the terminal of Meilan Airport outsourced by the Company to Hainan Xiangfeng pursuant to the terms and conditions of the Outsourcing Agreement
“Board”	board of Directors
“Company”	Hainan Meilan International Airport Company Limited* (海南美蘭國際機場股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Directors”	directors of the Company
“Haikou Meilan”	Haikou Meilan International Airport Co., Ltd.* (海口美蘭國際機場有限責任公司), a limited liability company established in the PRC which is the controlling shareholder of the Company
“Hainan Xiangfeng”	Hainan Xiangfeng Airport Services Co., Ltd.* (海南祥鳳空港服務有限公司), a company incorporated in the PRC
“HNA Airport Group”	HNA Airport Group Co., Ltd.* (海航機場集團有限公司), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Meilan Airport”	the civil airport known as Haikou Meilan International Airport (海口美蘭國際機場) located in Haikou City, Hainan Province, PRC
“Outsourcing Agreement”	the outsourcing agreement entered into between the Company and Hainan Xiangfeng on 31 August 2011
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fee”	service fee payable by the Company to Hainan Xiangfeng subject to the terms and conditions of the Outsourcing Agreement
“Shareholders”	holders 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
Xing Zhoujin
Company Secretary

Haikou, the PRC
31 August 2011

As at the date of this announcement, there are eleven directors on the Board. They are: Mr. Liang Jun, Mr. Dong Zhanbin, Ms. Xing Xihong as executive directors; Mr. Hu Wentai, Mr. Zhang Han'an, Mr. Joseph Chan, Mr. Yan Xiang as non-executive directors; and Mr. Xu Bailing, Mr. Fung Ching Simon, Mr. George F Meng and Mr. Feng Da'an as independent non-executive directors.

In this announcement, RMB has been translated to HK\$ at the exchange rate of RMB1.00 to HK\$1.20 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.