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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 NEW CONCESSION AGREEMENT

On 25 May 2010, the Company and HNA China Duty Free entered into the New Concession Agreement to renew the term of the Concession Agreement pursuant to which the Company shall continue to grant HNA China Duty Free the Exclusive Right for a term of one year commencing from 1 June 2010 to 31 May 2011.

HNA Group, being a promoter of the Company, constitutes a connected person of the Company under the Listing Rules. As HNA Group holds 50% equity interests in HNA China Duty Free, HNA China Duty Free is an associate (as defined in the Listing Rules) of HNA Group and is a connected person of the Company. Accordingly, the New Concession Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the New Concession Agreement are less than 2.5%, the New Concession 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.

BACKGROUND

Reference is made to the announcement of the Company dated 25 June 2007 in relation to the Concession Agreement.

The Concession Agreement has a term of three years commencing from 22 June 2007 to 21 June 2010. On 25 May 2010, the Company and HNA China Duty Free entered into the New Concession Agreement, pursuant to which the Company shall continue to grant HNA China Duty Free the Exclusive Right for a term of one year commencing from 1 June 2010 to 31 May 2011 subject to the terms and conditions provided therein.

NEW CONCESSION AGREEMENT

1. **Date:** 25 May 2010
2. **Parties:** The Company
HNA China Duty Free
3. **Subject:** In 2004, the Company granted DFS, an independent third party of the Company, the exclusive right to engage in retail service in Meilan Airport. DFS has issued its written consent to the Company and HNA China Duty Free for the granting of the Exclusive Right by the Company to HNA China Duty Free. Subject to such conditional consent, the Company has granted HNA China Duty Free the Exclusive Right.
4. **Term:** The New Concession Agreement is for a term of one year commencing from 1 June 2010 to 31 May 2011.
5. **Price and Payment:** A deposit of RMB500,000 (equivalent to approximately HK\$567,500) shall be paid by the HNA China Duty Free to the Company within 5 days upon signing of the New Concession Agreement as guarantee for the performance of the obligation of HNA China Duty Free under the New Concession Agreement. Such deposit shall be returned to HNA China Duty Free without interest upon the expiration of the New Concession Agreement if it shall fully comply with the terms and conditions of the New Concession Agreement.

The monthly fees payable by HNA China Duty Free to the Company under the New Concession Agreement are calculated based on the number of outbound International and Regional Passengers. For the details of the calculation method, please refer to the section headed “Annual Cap” in this announcement.

Before the 5th day of each calendar month, the Company shall provide an invoice to HNA China Duty Free for the previous monthly fee. HNA China Duty Free shall, within 10 business days upon receiving such invoice, confirm the amount therein and make payments to the Company. In case HNA China Duty Free fails to make the payment on time, a daily delay penalty, which amounts to the overdue amount multiplied by 150% of the relevant interest rate published by the People's Bank of China shall become payable by HNA China Duty Free.

6. Termination:

The Company and DFS (and/or its subsidiary where applicable) may terminate the New Concession Agreement under the circumstances provided therein, including the circumstances where HNA China Duty Free engages in business or activities which are not provided for in the New Concession Agreement without the Company's approval. If there is an event of default by the Company, HNA China Duty Free shall grant a thirty-day period (which may be extended) to the Company for remedial actions. If the Company does not remedy its breach within such period, HNA China Duty Free may provide a three months' written notice to terminate the New Concession Agreement

ANNUAL CAP

The Directors expect that the maximum aggregate value of the New Concession Agreement for the two years ending 31 December 2011 ("**Annual Cap**") shall not exceed RMB3,529,500 (equivalent to approximately HK\$4,005,982.5) and RMB1,515,400 (equivalent to approximately HK\$1,719,979), respectively.

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

	Number of the Outbound International and Regional Passengers <i>(note 1)</i>	Maximum Fee payable by HNA China Duty Free <i>(RMB)</i>
For the five months ending 31 May 2010	64,808 <i>(note 2)</i>	64,808 x 22.05 <i>(note 4)</i> = 1,429,016.40
For the seven months ending 31 December 2010	90,732 <i>(note 2)</i>	90,732 x 23.15 <i>(note 5)</i> = 2,100,445.80
For the year ending 31 December 2011	157,095 <i>(note 3)</i>	157,095 x 5/12 x 23.15 <i>(note 5)</i> = 1,515,306.40

Notes:

1. It is estimated that the annual growth rate of the International and Regional Passengers will be around 1% for the following years, and the number of the outbound International and Regional Passengers amounts to half of the total number of International and Regional Passengers. The numbers of outbound International and Regional Passengers for the year 2010 and the year 2011 shall be calculated on this basis.
2. The total number of International and Regional Passengers for the year 2009 was approximately 308,000. Based on this, the Company estimates that there will be approximately 155,540 outbound International and Regional Passengers for the year 2010.
3. Based on the estimation that there will be approximately 155,540 outbound International and Regional Passengers for the year 2010, the Company estimates that there will be approximately 157,095 outbound International and Regional Passengers for the year 2011.
4. The fee rate for each International and Regional Passenger for the five months ending 31 May 2010 is set at RMB22.05, which was determined in the Concession Agreement as the fee rate for each outbound International and Regional Passenger shall increase by 5% annually from the year 2008.
5. The fee rate for each International and Regional Passenger for the year ending 31 May 2011 is set at RMB23.15, which was determined after arm's length negotiation adopting the same mechanism in the Concession Agreement that the fee rate for each outbound International and Regional Passenger shall increase by 5% annually from the year 2008.

REASONS FOR ENTERING THE NEW CONCESSION AGREEMENT

The Company would like to concentrate on its core business relating to the airport operation. HNA China Duty Free is a retail service provider which can carry out retail activities involving duty free commodities and taxable commodities, and the New Concession Agreement may continue the business relationship between the Company and HNA China Duty Free and provide the Company with stable profits and lower its operating risks.

The Directors (including the independent non-executive Directors) are of the view that the Concession 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 IMPLICATIONS

HNA Group, being a promoter of the Company, constitutes a connected person of the Company under the Listing Rules. As HNA Group holds 50% equity interests in HNA China Duty Free, HNA China Duty Free is an associate (as defined in the Listing Rules) of HNA Group and is a connected person of the Company. Accordingly, the New Concession Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the New Concession Agreement are less than 2.5%, the New Concession 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 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 China Duty Free is an enterprise engaged in the operation and sales of duty free and other taxable commodities as permitted by the General Administration of Customs of the PRC.

DFS is a member of the DFS Group which is one of the world's largest luxury retailers with a special focus on the international traveller. It currently operates airport shops, downtown gallerias and other stores in fourteen countries throughout Asia and the Pacific region. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, DFS and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

“Board”	board of Directors.
“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.
“Concession Agreement”	the concession agreement entered into between the Company and HNA China Duty Free on 22 June 2007.
“DFS”	DFS Hong Kong Limited, previously known as Duty Free Shopping Hong Kong Limited.
“Directors”	directors of the Company.
“Exclusive Right”	the exclusive right to engage in retail sale of duty free commodities and other agreed commodities (including taxable commodities) to outbound International and Regional Passengers at Meilan Airport.
“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 China Duty Free”	海南海航中免免稅品有限公司 (Hainan HNA China Duty Free Merchandise Co. Ltd), a company incorporated in the PRC.

“Hong Kong”	Hong Kong Special Administrative Region of the PRC.
“International and Regional Passengers”	persons who take international flights and regional flights at or through Meilan Airport. The region here refers to Hong Kong and the Macau Special Administration Region of 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 海口美蘭國際機場 (Haikou Meilan International Airport) located in Haikou City, Hainan Province, PRC.
“New Concession Agreement”	the concession agreement entered into between the Company and HNA China Duty Free on 25 May 2010.
“PRC”	People’s Republic of China.
“RMB”	Renminbi, the lawful currency of the PRC.
“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
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