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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

CONCESSION AGREEMENT

Subject to the conditional consent given by DFS, the Company and HNA China Duty Free entered into an agreement on 22 June 2007 pursuant to which the Company has granted HNA China Duty Free 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 for a term of three years commencing from 22 June 2007.

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. Hence, the above transaction between the Company and HNA China Duty Free constitutes a continuing connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Continuing Connected Transaction are higher than 0.1% but less than 2.5%, the Continuing Connected Transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

* *For identification purposes only*

I. CONTINUING CONNECTED TRANSACTION

A. AGREEMENT

1. **Date:** 22 June 2007
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 their execution of this agreement. Subject to such conditional consent, the Company has granted HNA China Duty Free 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 in Meilan Airport during the period from 22 June 2007 to 21 June 2010.
4. **Term:** The agreement is for a term of three years commencing from 22 June 2007 and ending on 21 June 2010.
5. **Price and Payment:** The fees payable by HNA China Duty Free to the Company under the agreement are determined by the number of outbound International and Regional Passengers. The total fee for each month shall be the number of outbound International and Regional Passengers x the rate for each passenger (RMB 20 per person for the first year). For the details of the relevant adjustments, please see the Notes to the calculation of the Annual Cap in Section III below.

Before the 5th day of each calendar month, the Company shall provide a notice for payment to HNA China Duty Free for the previous month's fee. HNA China Duty Free shall, within 10 days upon receipt of the notice, confirm the amount of the fees payable and make payments to the Company. In case of failure by HNA China Duty Free to pay on time, a delay fee shall be paid, which shall amount to the fee payable x 1.5 x current bank interest rate published by the People's Bank of China x days of delay in payment.

6. Labor Contract: The employees of the Company who have previously been engaged in such retail sale activities will be transferred to HNA China Duty Free pursuant to the terms of the agreement.

7. Termination: The Company and DFS (and/or its subsidiary where applicable) may terminate the agreement under the circumstances provided in the agreement, including HNA China Duty Free engaging in business or activities which are not provided for in the Agreement without the Company's permission, and so on. If a breach of the agreement by the Company occurs, HNA China Duty Free 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, and HNA China Duty Free decides to terminate the agreement in accordance with the provisions of the agreement, it shall provide three months' written notice of termination.

II. REASONS FOR THE CONTINUING CONNECTED TRANSACTION

The Company would like to concentrate on its core business related to the airport operation. As HNA China Duty Free is a retail service provider and can carry out retail activities involving duty free commodities and taxable commodities, the Continuing Connected Transaction can provide the Company with stable profits and lower its operating risks.

III. ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION

The Directors expect the maximum aggregate value of the agreement for the four years ending 31 December 2010 (“**Annual Cap**”) not to exceed RMB3,272,000 (equivalent to approximately HK\$3,272,000), RMB4,122,000 (equivalent to approximately HK\$4,122,000), RMB5,195,000 (equivalent to approximately HK\$5,195,000) and RMB2,579,000 (equivalent to approximately HK\$2,579,000), respectively.

Set out below is the calculation of and the basis for the Annual Cap for the four years ending 31 December 2010:

	Outbound International and Regional Passengers <i>(note 1)</i>	Annual Fee (approximate) payable by HNA China Duty Free (RMB)
For the year ending 31 December 2007	$324,000 \times 50.5\% = 163,620$ <i>(note 2)</i>	$163,620 \times 20$ <i>(note 3)</i> = 3,272,000
For the year ending 31 December 2008	$388,800 \times 50.5\% = 196,344$	$196,344 \times 21$ <i>(note 4)</i> = 4,122,000
For the year ending 31 December 2009	$466,500 \times 50.5\% = 235,583$	$235,583 \times 22.05 = 5,195,000$
For the year ending 31 December 2010	$559,800 \times 50.5\% \div 365 \times 151 = 117,000$	$117,000 \times 22.05 = 2,579,000$

Notes:

1. The annual growth rate of International and Regional Passengers is estimated to be approximately 20%. This is based on the average growth rate of International and Regional Passengers from 2003 to 2006 of approximately 20%. The number of outbound International and Regional Passengers is about 50.5% of the total number of International and Regional Passengers. The number of outbound International and Regional Passengers for the years of 2007, 2008, 2009 and 2010 will be calculated on this basis.
2. The number of International and Regional Passengers for the year 2006 is approximately 270,000. Based on this number, the Company estimates that there will be approximately 324,000 International and Regional Passengers in the year ending 31 December 2007.
3. The fee rate for each outbound International and Regional Passenger is based on the profits earned by the Company from each outbound International and Regional Passenger which is RMB 19.74 for the year 2006.
4. The rate for each International and Regional Passenger will be increased by 5% annually from the year 2008. The rate is based on the average growth rate of the Company's non-core business income for the years 2004, 2005 and 2006 with a growth rate of approximately 8%, -14% and 20% respectively.

IV. 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 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, hence, the above transaction between the Company and China Duty Free constitutes a continuing connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Continuing Connected Transaction are higher than 0.1% but less than 2.5% annually, the Continuing Connected Transaction is 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 Continuing Connected Transaction have been negotiated on arms' length basis and are on normal commercial terms; (ii) will be conducted in the ordinary and usual course of business of the Company; and (iii) terms of the Continuing Connected Transaction are fair and reasonable and in the interest of both the Company and its shareholders.

Particulars of the Continuing Connected Transaction will also be disclosed in the next annual report and accounts of the Company.

V. 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. 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 traveler. It currently operates airport shops, downtown galleries 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 connected persons of the Company.

VI. DEFINITIONS

“Board”	The board of directors of the Company.
“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.
“Continuing Connected Transaction”	The continuing connected transaction contemplated under the 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”	The directors of the Company.
“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 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 established in the PRC.
“Hong Kong”	The 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.
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“PRC”	People’s Republic of China.
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

25 June 2007

Haikou, the PRC

At the date of this announcement, there are seven Directors on the Board. They are: executive directors Mr. Zhang Cong, Mr. Dong Zhanbin, Mr. Dong Guiguo; non-executive director Mr. Zhang Han'an; and independent non-executive directors Mr. Xu Bailing, Mr. Xie Zhuang and Mr. Fung Ching, Simon.

Unless otherwise defined, an exchange rate of HK\$1.00 = RMB1.00 is adopted in this announcement, for illustration purposes only.

Please also refer to the published version of this announcement in China daily.