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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hainan Meilan Airport Company Limited, you should at once hand this circular and the accompanying confirmation slip and form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INDEPENDENT FINANCIAL ADVISER

GD Guangdong Securities Limited

A letter from the Independent Board Committee is set out on page 14 to 15 of this Circular.

A letter from GDS, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 16 to 25 of this Circular.

A notice convening the extraordinary general meeting of Hainan Meilan International Airport Company Limited (the "Company") to be held at 9:00 a.m. on 28 July 2006 in the conference room of the Company on 3rd Floor, Meilan Airport Complex at Haikou City, Hainan Province, the People's Republic of China (the "PRC") is set out on page 31 to 32 of this Circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, as soon as possible in any event not later than 24 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

8 June 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Announcement”	the announcement made by the Company on 18 May 2006 in relation to, inter alia, the Non-Exempt Continuing Connected Transaction
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“China Southern Airlines”	中國南方航空股份有限公司 (China Southern Airlines Company Limited), a joint stock limited company incorporated in the PRC and listed on the Stock Exchange
“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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held on 28 July 2006 to approve the non-exempt Continuing Connected Transactions, the New Annual Caps and to ratify and confirm the Tentative Arrangement
“Group”	the Company and its subsidiaries as of the date of this Circular
“GDS” or “Independent Financial Adviser”	Guangdong Securities Limited, the independent financial adviser retained by the Company in respect of the Non-exempt Continuing Connected Transactions that are subject to Independent Shareholders’ approval
“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\$” or “HK dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“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

DEFINITIONS

“Hainan Airlines Terminal Lease”	the agreement between Hainan Airlines and the Company in relation to the leasing of certain premises at the Meilan Airport dated 17 May 2006
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board for the purpose of reviewing the Non-exempt Continuing Connected Transactions, 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, Hainan Airlines and HNA Group
“IPO”	the initial public offering of the Company’s Shares in 2002
“Latest Practicable Date”	1 June 2006, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein.
“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 for years 2006, 2007 and 2008 as set out in Paragraph 4 of the letter from the Board in this Circular
“Non-Exempt Continuing Connected Transactions”	the transactions contemplated under the Hainan Airlines Terminal Lease, the Southern Airline Terminal Lease and the Tentative Arrangement
“Old Hainan Airlines Terminal Lease”	the agreement between Hainan Airlines and the Company in relation to the leasing of certain premises at the Meilan Airport dated 26 August 2005
“Old Southern Airlines Terminal Lease”	the agreement between China Southern Airlines and the Company in relation to the leasing of certain premises at the Meilan Airport, which has expired on 31 December 2004

DEFINITIONS

“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan Airport Co. Ltd.), a limited liability company established in the PRC and is the controlling shareholder of the Company
“PRC”	the People’s Republic of China. Except where the context requires, references in this Circular to the PRC or China do not apply to Hong Kong, Macau or Taiwan
“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 HNA Group
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the shares of the Company
“Southern Airlines Terminal Lease”	the agreement between China Southern Airlines and the Company in relation to the leasing of certain premises at the Meilan Airport dated 17 May 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tentative Arrangement”	The leasing arrangement between the Company and China Southern Airlines for the period between 31 December 2004 and 31 March 2006

LETTER FROM THE BOARD



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)

Executive Directors:

Zhang Cong
Wang Zhen
Huang Qiu
Gunnar Moller

Registered office:

Meilan Airport Complex
Haikou City
Hainan Province, PRC

Non-executive Directors:

Zhang Han'an
Kjeld Binger

Principal place of business in

Hong Kong:

Unit B, 7/F
No. 2 Austin Avenue
Tsimshatsui, Kowloon Hong Kong

Independent Non-executive Directors:

Xu Bailing
Fung Ching Simon
Xie Zhuang

8 June 2006

To the Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

1. INTRODUCTION

On 18 May 2006, the Board announced that the Company has entered into the Hainan Airlines Lease and Southern Airlines Lease with Hainan Airlines and China Southern Airlines, respectively. These Non-exempt Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

The primary purposes of this Circular are (i) to provide you with information on the Non-exempt Continuing Connected Transactions and the New Annual Caps; (ii) to set out the letter of advice from GDS to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Non-exempt Continuing Connected Transactions and the New Annual Caps; (iii) to set out the recommendation and opinion of the Independent Board Committee after taking into consideration of the letter from GDS; and (iv) to give you notice of the extraordinary general meeting to consider and, if thought fit, to approve the Non-exempt Continuing Connected Transactions and the New Annual Caps.

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(a) The Hainan Airlines Terminal Lease

Date of Agreement: 17 May 2006

Parties: The Company, as lessor
Hainan Airlines, as lessee

Purpose: Hainan Airlines is a company engaged in passenger airline business. Pursuant to the agreement, the Company will lease office and commercial areas and premises of the airport terminal to Hainan Airlines for the airline's business operation at the Meilan Airport. The areas leased by Hainan Airlines have a total area of approximately 2,394 sq. m. and will include check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal

Payment terms: (i) during the first year, the monthly rental payable by Hainan Airlines under the Hainan Airlines Terminal Lease (exclusive of utilities charges and management fees) is RMB706,740, which is equivalent to RMB8,480,880 per year

(ii) for each subsequent year, the Parties may review the monthly rental, provided that the amount of monthly rental will not increase by more than 5% compared to the monthly rental payable in the previous year

LETTER FROM THE BOARD

The monthly rental under this transaction is determined by the floor area and nature of the facilities and premises leased by Hainan Airlines. The rates of monthly rental are determined with reference to the prevailing local market rates for different types of facilities and premises, and are applicable to all other customers of the Company, including Southern Airlines and independent third parties

Term: a term of three years commencing from 1 January 2006 and ending on 31 December 2008

Conditions: the Hainan Airlines Terminal Lease will come into effect after the Company receiving the approval from its independent shareholders and thereby be in the position to confirm all applicable requirements under the Listing Rules are complied with.

Relationship between Hainan Airlines and the Company

Hainan Airlines is one of the promoters of the Company and is therefore a connected person of the Company within the meaning of R14A.11 of the Listing Rules.

Background and reasons for entering into the Hainan Airlines Terminal Lease

The Company had been leasing certain commercial premises at the Meilan Airport to Hainan Airlines under the Old Hainan Airlines Terminal Lease dated 26 August 2005, the terms of which were approved by the independent shareholders of the Company on 4 November 2005. Under the Old Hainan Airlines Terminal Lease, Hainan Airlines leased a total area of 2,161 sq. m. at the Meilan Airport from the Company for a monthly rent of RMB 558,300. The term of Old Hainan Airlines Terminal Lease is for a period of 3 years, commencing from 1 January 2005 and ending on 31 December 2007. The approved annual cap for the Old Hainan Airlines Terminal Lease was RMB 6,699,600.

Due to Hainan Airlines' need for additional floor area for its operations at the Meilan Airport, the Company and Hainan Airlines have agreed to increase the floor area leased and the rent. The Hainan Airlines Terminal Lease amends and restates the terms which were in the Old Hainan Airlines Terminal Lease.

LETTER FROM THE BOARD

(b) Southern Airlines Terminal Lease

Date of Agreement: 17 May 2006

Parties: The Company, as lessor
China Southern Airlines, as lessee

Purpose: China Southern Airlines is a company engaged in passenger airline business. Pursuant to the agreement, the Company will lease office and commercial areas and premises of the airport terminal to China Southern Airlines for the airline's business operation at the Meilan Airport. The areas leased by China Southern Airlines have a total area of approximately 1,355.6 sq. m. and will include check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal

Payment terms: (i) during the first year, the monthly rental payable by China Southern Airlines under the Southern Airlines Terminal Lease (exclusive of utilities charges and management fees) is RMB585,419, which is equivalent to RMB7,025,028 per year

(ii) for each subsequent year, the Parties may review the monthly rental, provided that the amount of monthly rental will not increase by more than 5% compared to the monthly rental payable in the previous year

The monthly rental under this Transaction is determined by the floor area and nature of the facilities and premises leased by China Southern Airlines. The rates of monthly rental are determined with reference to the prevailing local market rates for different types of facilities and premises, and are applicable to all other customers of the Company, including Hainan Airlines and independent third parties

Term: a term of three years commencing from 1 April 2006 and ending on 31 March 2009

LETTER FROM THE BOARD

Conditions: the Southern Airlines Terminal Lease will come into effect after the Company receiving the approval from its independent shareholders and thereby be in the position to confirm all applicable requirements under the Listing Rules are complied with.

Relationship between China Southern Airlines and the Company

China Southern Airlines is one of the promoters of the Company and is therefore a connected person of the Company within the meaning of R14A.11 of the Listing Rules.

Background and reasons for entering into the Southern Airlines Terminal Lease

The Company had been leasing, in its ordinary course of business, certain commercial premises at the Meilan Airport to China Southern Airlines under the Old Southern Airlines Terminal Lease. Such lease constitutes a continuing connected transaction for the Company under the Listing Rules. At the IPO of the Company in 2002, the Company sought and obtained from the Stock Exchange waiver in relation to, among others, such lease with China Southern Airlines, which expired on 31 December 2004. The approved cap under the waiver was RMB7,000,000 per year.

Immediately before the expiry of the Old Southern Airlines Terminal Lease, the Company had begun successive and extensive negotiations with China Southern Airlines on the terms of renewal of the lease. For reasons that are not within the control of the Company, little progress was made during the negotiations. Due to the nature of the transaction, it was not commercially viable to terminate the lease arrangement pending the outcome of the negotiations. As a result, for the period from 1 January 2005 to 31 March 2006, the Company had been leasing such premises to China Southern Airlines under the Tentative Arrangement, the terms of which were substantially similar to those of the expired lease, subject to the Company reaching final agreement with China Southern Airlines and the ratification of such terms by the Independent Shareholders. During that period, the Company has been leasing a total floor area of approximately 1,171 sq. m. at a monthly rent of RMB495,500 to China Southern Airlines.

LETTER FROM THE BOARD

The Tentative Arrangement with China Southern Airlines constitutes a non-exempt connected transaction and should have complied with the relevant reporting, disclosure and approval requirements of the Listing Rules as necessary for the transaction under R14A.35 of the Listing Rules. The Board has noted such non-compliance with the Listing Rules. However, it is satisfied that (i) the lease to China Southern Airlines in the said period was conducted in the ordinary and usual course of business of the Company, (ii) the terms of the Tentative Arrangement arrangement were on arms length basis and were on normal commercial terms, and (iii) having considered the circumstances and the commercial interests of the Company, the Tentative Arrangement was fair and reasonable and in the interests of the shareholders of the Company as a whole. Details of the Tentative Arrangement have been reported in the annual report of the Company for the year ended 31 December 2005 and disclosed in the announcement dated 18 May 2006. The Board will seek the ratification of such arrangement by the independent shareholders of the Company, in order to fulfill the requirement under R14A.35 of the Listing Rules.

The Company confirms that there is no unresolved dispute between China Southern Airlines and itself in respect of the Tentative Arrangement.

3. HISTORICAL FIGURES

The following table sets forth the total sums paid in respect of the continuing connected transactions between the Company and the relevant contractual parties in the past three years ended 31 December 2005.

	Years ended 31 December			3 months ended
	2003	2004	2005	31 March
	(RMB)	(RMB)	(RMB)	2006 (RMB)
(a) Lease of premises at the Meilan Airport to Hainan Airlines	5,831,000	5,839,000	6,699,600	2,120,220
(b) Lease of premises at the Meilan Airport to China Southern Airlines	5,906,000	6,294,000	5,946,000	1,485,000

Apart from the numbers under the column of “3 months ended 31 March 2006”, the above historical figures have been audited and contained in the relevant annual reports of the Company.

LETTER FROM THE BOARD

4. NEW ANNUAL CAPS

In the Announcement, the annual caps for the Non-Exempt Continuing Connected Transactions were expressed in respect of each of the three successive years in their respective terms. By way of clarification, set out below are the proposed caps to be set for the volumes of the Non-Exempt Continuing Connected Transactions for the period as specified:

	Years ended 31 December			3 months ended
	2006	2007	2008	31 March
	(RMB)	(RMB)	(RMB)	2009 (RMB)
(a) Hainan Airlines Terminal Lease	8,481,000	8,905,000	9,350,000	N/A
(b) Southern Airlines Terminal Lease	6,754,000	7,376,000	7,745,000	1,937,000

5. BASIS OF THE CAPS

The new annual caps proposed for each of (a) the Hainan Airlines Terminal Lease and (b) the Southern Airlines Terminal Lease are determined as agreed on the basis of the historical figures set out above, the amount of rent and 5% ceiling for annual rental adjustment provided in each of the agreements.

6. REASONS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions have been and will be conducted in the ordinary and usual course of business of the Company. These transactions will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company. Due to the long-term relationship with Hainan Airlines and China Southern Airlines, the Board considers it beneficial to the Company to continue to enter into the Non-exempt Continuing Connected Transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

7. INDEPENDENT SHAREHOLDERS' APPROVAL AND COMPLIANCE WITH LISTING RULES

In relation to the Hainan Airlines Terminal Lease, the applicable percentage ratios computed pursuant to R14.04(9) of Listing Rules for such transaction are more than 2.5% but the annual consideration is less than HK\$10,000,000. However, when such transaction is aggregated with the other transactions between Hainan Airlines and the Company in the preceding twelve months, the Hainan Airlines Terminal Lease constitutes a Non-Exempt Continuing Connected Transaction and is subject to the reporting, announcement and independent shareholders approval under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In relation to the Southern Airlines Terminal Lease, the applicable percentage ratios computed pursuant to R14.04(9) of Listing Rules for such transaction are less than 2.5%. However, when such transaction is aggregated with the airport ground services provided by the Company to China Southern Airlines and its associates Xiamen Airlines in the preceding twelve months, the Southern Airlines Terminal Lease constitutes a Non-Exempt Continuing Connected Transaction and is subject to the reporting, announcement and independent shareholders approval under Chapter 14A of the Listing Rules.

The Company will seek independent shareholders' approval by way of poll of the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease and the new annual caps relating to each of the above Non-Exempt Continuing Connected Transactions.

8. EXTRAORDINARY GENERAL MEETING

Set out on page 31 to 32 of this Circular is a notice convening an extraordinary general meeting to be held at 9:00 a.m. on 28 July 2006 in the conference room of the Company on 3rd Floor, Meilan Airport Complex, Haikou City, Hainan Province, the PRC. At the EGM, ordinary resolutions will be proposed to consider and, if thought fit, to approve the Non-exempt Continuing Connected Transactions, the New Annual Caps and to ratify and confirm the Tentative Arrangement.

Each of Hainan Airlines and HNA Group and their respective associates who holds, directly and indirectly, 9.38% and 20.62% voting rights at a general meeting of the Company, respectively, and are interested in the Hainan Airlines Terminal Lease, will abstain from voting at the extraordinary general meeting in relation thereof pursuant to the Listing Rules. None of the shareholders will be required to abstain from voting in relation to the resolution to approve the Southern Airlines Terminal Lease.

A form of proxy and a copy of reply slip for use at the extraordinary general meeting are enclosed with this Circular. Whether or not Shareholders are able to attend the meeting, they are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, as soon as possible and in any event not later than 24 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

All the proposed resolutions set out in the Notice of Extraordinary General Meeting attached hereto as Appendix B will be decided by way of poll.

The Company will publish an announcement of the results of the proposed resolutions on the next business day following the EGM.

LETTER FROM THE BOARD

9. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

GDS has been appointed as the Independent Financial Adviser to advise the Company's Independent Board Committee in respect of the terms of the Non-exempt Continuing Connected Transactions and the New Annual Caps.

The Independent Board Committee, having taken into account the advice of GDS, considers the terms of the Non-exempt Continuing Connected Transactions and the New Annual Caps be fair and reasonable, and are in so far as the Independent Shareholders are concerned, in interests of the Group. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolutions to approve the Non-exempt Continuing Connected Transactions and the New Caps at the EGM.

10. PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 73 of the Company's Articles of Association, a resolution put to the vote of a general meeting of the Shareholders shall be decided on a show of hands unless a poll is (before or after any vote by a show of hands) demanded:

- (i) by the chairman of the meeting;
- (ii) at least two Shareholders with voting rights or their proxies; or
- (iii) one or several Shareholders (including proxies) holding totally or separately 10 percent or more of the shares carrying the right to vote at the meeting.

In accordance with Rule 13.39(4) of Listing Rules, the chairman of the extraordinary general meeting will demand a poll in relation to the proposed ordinary resolutions for approving the Non-exempt Continuing Connected Transactions, the New Annual Caps at the EGM.

11. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 to 15 of this Circular which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the Non-exempt Continuing Connected Transactions and the New Annual Caps.

LETTER FROM THE BOARD

Your attention is also drawn to the letter from GDS set out on page 16 to 25 of this Circular, which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the New Annual Caps as well as the principal factors and reasons considered by it in concluding its advice.

12. COMPOSITION OF THE BOARD

As at the date of this circular, there are nine (9) Directors on the Board, consisting of four (4) Executive Directors, two (2) Non-executive Directors and three (3) Independent Non-Executive Directors. They are: Zhang Cong, Wang Zhen, Huang Qiu and Gunnar Moller as Executive Directors; Zhang Han'an and Kjeld Binger as Non-executive Directors; and Xu Bailing, Xie Zhuang and Fung Ching Simon as Independent Non-Executive Directors.

Yours faithfully,

By order of the Board

Hainan Meilan International Airport Company Limited

Zhang Cong

Chairman of the Board

Hainan PRC, 8 June 2006

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

8 June 2006

To the Independent Shareholders

Dear Sirs or Madams,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the Circular dated 8 June 2006 issued by the Company to its Independent Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context other wise requires.

On 18 May 2006, the Board announced that the Company has entered into the Hainan Airlines Lease and Southern Airlines Lease in respect of certain Non-exempt Continuing Connected Transactions.

These connected transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The terms and the reasons for the Non-exempt Continuing Connected Transactions and the New Annual Caps are summarised in the Letter from the Board set out on page 4 to 13 of the Circular.

The Independent Board Committee was formed on 21 March 2006 to make a recommendation to the Independent Shareholders as to whether, in its view, the terms, of the Non-exempt Continuing Connected Transactions and the New Annual Caps are fair and reasonable and in the interests of the Company insofar as the Independent Shareholders are concerned.

GDS has been appointed as Independent Financial Adviser to advise the Independent Board Committee on the fairness and reasonableness of the Non-exempt Continuing Connected Transactions and the New Annual Caps from a financial perspective.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Non-Exempted Continuing Connected Transactions, the New Annual Caps and the Advice of GDS in relation thereto as set out on page 16 to 25 of the Circular, we are of the opinion that the terms of the such agreements are normal commercial terms and are fair and reasonable and in the interests of the Company and its Independent Shareholders taken as a whole. We therefore recommend the Independent Shareholders to vote in favour of the Non-Exempted Continuing Connected Transactions. Your attention is drawn to the letter from the Board and the letter from the Independent Financial Adviser set out in the Circular.

Yours faithfully,

Independent Board Committee

Xu Bailing

Independent non-executive director

Xie Zhuang

Independent non-executive director

Fung Ching Simon

Independent non-executive director

LETTER FROM GUANGDONG SECURITIES

The following is the text of a letter from GDS for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreements, the Non-exempt Continuing Connected Transactions and the New Annual Caps:

 **Guangdong Securities Limited**

Units 2505-06 25/F Low Block
Grand Millennium Plaza
181 Queen's Road
Central
Hong Kong

8 June 2006

To the Independent Board Committee and the Independent Shareholders of
Hainan Meilan International Airport Company Limited

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions in accordance with, the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease entered into between the Company and Hainan Airlines, and the Company and China Southern Airlines respectively (the “Agreements”), as to whether the terms of the Agreements contemplated therein and the new annual caps (the “New Annual Caps”) are fair and reasonable and entering into the Non-Exempt Continuing Connected Transactions is in the interests of the Company and its Shareholders so far as the Shareholders are concerned; details of which are contained in the letter from the Board in the circular issued to the Shareholders dated 8 June 2006 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

The Board announces that the Company has entered into the Non-Exempt Continuing Connected Transactions with Hainan Airlines and China Southern Airlines respectively.

LETTER FROM GUANGDONG SECURITIES

On 17 May 2006, the Company entered into the Hainan Airlines Terminal Lease with Hainan Airlines whereby the Company agreed to lease an area of approximately 2,394 sq. m. and 19 airport counters at Meilan Airport to Hainan Airlines for a term of three years commencing from 1 January 2006 and ending on 31 December 2008. The Hainan Airlines Terminal Lease was entered into by the parties to amend and restate the terms of the Old Hainan Airlines Terminal Lease, which were approved by the independent shareholders of the Company on 4 November 2005.

On 17 May 2006, the Company entered into the Southern Airlines Terminal Lease with China Southern Airlines whereby the Company agreed to lease an area of approximately 1,355.6 sq. m. and 18 airport counters at the Meilan Airport to China Southern Airlines for a term of three years commencing from 1 April 2006 and ending on 31 March 2009. The Company had been leasing certain premises at the Meilan Airport to China Southern Airlines under the Old Southern Airlines Terminal Lease, which expired at the end of 2004. For the period from 1 January 2005 to 31 March 2006, the Company had tentatively been leasing such premises to China Southern Airlines on terms substantially similar to those of the Old Southern Airlines Terminal Lease, subject to the Company reaching final agreement with China Southern Airlines on the terms of the new lease and the ratification of such terms by the Independent Shareholders.

The Independent Board Committee, comprising Mr. Xu Bailing, Mr. Xie Zhuang and Mr. Fung Ching, Simon, all of whom are independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Non-Exempt Continuing Connected Transaction are fair and reasonable so far as the Independent Shareholders are concerned and whether entering into the Agreements are in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Company, its Directors and management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, its Directors and management. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of the Company, its Directors and management as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and management, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM.

LETTER FROM GUANGDONG SECURITIES

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management in connection with the transactions and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Agreements. Relevant information and documents, included, among other things, the Agreements, the Old Hainan Airlines Terminal Lease, the prospectus of the Company dated 6 November 2002 and the annual report of the Group for the year ended 31 December 2005. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the Non-Exempt Continuing Connected Transactions. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company or its subsidiaries or associated companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Non-Exempt Continuing Connected Transactions. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders relating to the fairness and reasonableness of the terms of the Non-Exempt Continuing Connected Transactions, we have taken into consideration, inter alia, the following principal factors and reasons:

A. Hainan Airlines Terminal Lease

I. Background and reasons for entering into the Hainan Airlines Terminal Lease

The Company had been leasing certain commercial premises at the Meilan Airport to Hainan Airlines under the Old Hainan Airlines Terminal Lease dated 26 August 2005, the terms of which were approved by the independent shareholders of the Company on 4 November 2005. Under the Old Hainan Airlines Terminal Lease, Hainan Airlines leased a total area of 2,161 sq. m. and 10 airport counters at the Meilan Airport from the Company for a monthly rent of RMB 558,300. The term of the Old Hainan Airlines Terminal Lease is for a period of 3 years, commencing from 1 January 2005 and ending on 31 December 2007. The approved annual cap for the Old Hainan Airlines Terminal Lease was RMB 6,699,600.

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Due to the need from Hainan Airlines for additional floor area of its operations at the Meilan Airport, the Company and Hainan Airlines have agreed to increase the leased floor area and the corresponding changes to the rental. The Hainan Airlines Terminal Lease was entered into by the parties to amend and restate the terms of the Old Hainan Airlines Terminal Lease.

II. Principal terms of the Hainan Airlines Terminal Lease

Pursuant to the Hainan Airlines Terminal Lease, the Company has been leasing the office and commercial areas and premises and airport counters to Hainan Airlines, a company engaged principally in passenger airline business, for the operations by Hainan Airlines at the Meilan Airport. The areas and premises comprise office spaces, airport counters, cargo warehouse, service workshop and other premises at the terminal at the Meilan Airport with an aggregated floor area of approximately 2,394 sq.m. and 19 airport counters. Charges for the rentals are set at different rates depending on the function and usage of those premises. For the first year, the monthly rental payable by Hainan Airlines under the Hainan Airlines Terminal Lease (exclusive of utilities charges and management fees) is RMB706,740 which is equivalent to RMB8,480,880 per year. For each subsequent year, the parties involved may review the monthly rental, provided that the amount of the monthly rental will not be increased by more than 5% compared to the monthly rental payable in the previous year. The Hainan Airlines Terminal Lease is for a term of three years commencing from 1 January 2006 and ending on 31 December 2008. Such rental is payable by Hainan Airlines in arrears before the tenth day of each calendar month.

We have reviewed the terminal lease agreements between the Company and independent third parties, which we, together with the management of the Company considered as representative terminal lease agreements for the period from 2002 to March 2006 in respect of the leasing of office and commercial premises and note that the major terms (e.g. rental, settlement terms, termination clauses, etc.) of these terminal lease agreements are materially the same with the Hainan Airlines Terminal Lease and note that Hainan Airlines obtained no more favourable terms under the Hainan Airlines Terminal Lease with the Company than the other independent third parties would obtain under similar leasing arrangements with the Company. In addition, we have compared the terms of the Hainan Airlines Terminal Lease with the terms of the Old Hainan Airlines Terminal Lease and note that, save as the rental area and number of counters leased, the terms of the Hainan Airlines Terminal Lease are

LETTER FROM GUANGDONG SECURITIES

materially the same as the Old Hainan Airlines Terminal Lease. Commencing from 1 January 2006, the Company has been leasing to Hainan Airlines extra approximately 233 sq.m. of office and commercial premises and 9 more counters compared to the rental area and counters occupied by Hainan Airlines during 1 January 2005 to 31 December 2005 and such increase in rental area is correspondingly reflected in the increase of rental charge of the Hainan Airlines Terminal Lease. Therefore, we concur with the Directors' view that the office and commercial premises leased to Hainan Airlines are on normal commercial terms and the charge rates are determined on arm's length basis. We are of the opinion that the terms of the Hainan Airlines Terminal Lease are fair and reasonable so far as the Company as a whole and the Shareholders are concerned and entering into the Hainan Airlines Terminal Lease is in the interests of the Company and the Shareholders as a whole.

B. Southern Airlines Terminal Lease

I. Background and reasons for entering into the Southern Airlines Terminal Lease

The Company had been leasing, in its ordinary course of business, office and commercial areas and premises and airport counters at the Meilan Airport to China Southern Airlines under the Old Southern Airlines Terminal Lease. At the initial public offering of the Company in 2002, the Company sought and obtained from the Stock Exchange waiver in relation to, among others, such lease with China Southern Airlines, which expired on 31 December 2004. The approved cap under the waiver was RMB 7,000,000 per year.

Immediately before the expiry of the Old Southern Airlines Terminal Lease, the Company had begun successive and extensive negotiations with China Southern Airlines on the terms of renewal of the lease. For reasons that are not within the control of the Company, little progress was made during the negotiations. Due to the nature of the transaction, it was not commercially viable to terminate the lease arrangement pending the outcome of the negotiations. As a result, for the period from 1 January 2005 to 31 March 2006, the Company had been leasing such areas and premises to China Southern Airlines tentatively on terms that were substantially similar to those of the expired lease, subject to the Company reaching final agreement with China Southern Airlines and the ratification of such terms by the Independent Shareholders. During that period, the Company leased a total floor area of approximately 1,171 sq.m. and 13 counters at a monthly rent of RMB 495,500 to China Southern Airlines.

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The Tentative Arrangement with China Southern Airlines constitutes a non-exempt connected transaction and should have complied with the relevant reporting, disclosure and approval requirements of the Listing Rules as necessary for the transaction under rule 14A.35 of the Listing Rules. The Board has noted such non-compliance with the Listing Rules. However, it is satisfied that (i) the lease to China Southern Airlines in the said period was conducted in the ordinary and usual course of business of the Company, (ii) terms of the Tentative Arrangement were on arms length basis and were on normal commercial terms, and (iii) having considered the circumstances and the commercial interests of the Company, the Tentative Arrangement was fair and reasonable and in the interests of the Company and Shareholders as a whole. Details of the Tentative Arrangement have been reported in the annual report of the Company for the year ended 31 December 2005 and are disclosed in the Announcement. The Board will seek the ratification of the Tentative Arrangement by the Independent Shareholders, in order to fulfill the requirement under rule 14A.35 of the Listing Rules.

The Company confirms that there is no unresolved dispute between China Southern Airlines and the Company in respect of the Tentative Arrangement.

II. Principal terms of the Southern Airlines Terminal Lease

Pursuant to the Southern Airlines Terminal Lease, the Company has been leasing the office and commercial areas and premises and airport counters of the airport terminal at the Meilan Airport to China Southern Airlines, a company engaged principally in passenger airline business, for the operations by China Southern Airlines at the Meilan Airport. The areas and premises which comprise office spaces, airport counters and other premises leased by China Southern Airlines have a total area of approximately 1,355.6 sq.m. and 18 airport counters and will include check-in, points, office, cargo warehouse, service workshop and other premises at the airport terminal. For the first year from 1 April 2006 to 31 March 2007, the monthly rental payable by China Southern Airlines under the Southern Airlines Terminal Lease (exclusive of utilities charges and management fees) is RMB585,419 which is equivalent to RMB7,025,028 per year. For each subsequent year, the parties involved may review the monthly rental provided that the amount of monthly rental will not be increased by more than 5% compared to the monthly rental payable in the previous year. The Southern Airlines Terminal Lease is for a term of three years commencing from 1 April 2006 and ending on 31 March 2009. Such rental is payable by China Southern Airlines in arrears before the tenth day of each calendar month.

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We have reviewed the terminal lease agreements between the Company and independent third parties, which we, together with the management of the Company considered as representative terminal lease agreements for the period from 2002 to March 2006 in respect of the leasing of office and commercial premises and note that the major terms (e.g. rental, settlement terms, termination clauses, etc.) of these terminal lease agreements are materially the same with the Southern Airlines Terminal Lease and note that China Southern Airlines obtained no more favourable terms under the Southern Airlines Terminal Lease with the Company than the other independent third parties would obtain under similar leasing arrangements with the Company. Commencing from 1 April 2006, the Company has been leasing to China Southern Airlines extra approximately 184.6 sq.m. of office and commercial premises and 5 more airport counters compared to the rental area and counters occupied by China Southern Airlines during 1 January 2005 to 31 March 2006 and such increase in rental area is correspondingly reflected in the increase of rental charge of the Southern Airlines Terminal Lease. Therefore, we concur with the Directors' view that the office and commercial premises leased to China Southern Airlines are on normal commercial terms and the charge rates are determined on arm's length basis. We are of the opinion that the terms of the Southern Airlines Terminal Lease are fair and reasonable so far as the Company as a whole and the Shareholders are concerned and entering into the Southern Airlines Terminal Lease is in the interests of the Company and the Shareholders as a whole.

BASES OF THE NEW ANNUAL CAPS

Details of the New Annual Caps are stated in the letter from the Board. For our assessment on the reasonableness of the New Annual Caps, among others, we focus on (1) the fairness and reasonableness of the terms of the Agreements which have been analyzed in the section under "Non-Exempt Continuing Connected Transactions" above; and (2) whether the bases of the New Annual Caps as stipulated in the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease are in line with the premises occupied by the Hainan Airlines and China Southern Airlines. We elaborate as follows:

A. Annual caps under the Hainan Airlines Terminal Lease

As stated in the letter from the Board, the proposed annual caps of the Hainan Airlines Terminal Lease are as follows:

Financial year ending	RMB
31 December 2006	8,481,000
31 December 2007	8,905,000
31 December 2008	9,350,000

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As stated in the letter from the Board, the sums for the three years ended 31 December 2005 and the 3 months period ended 31 March 2006 for leases of the office and commercial premises and airport counters at Meilan Airport are as follows:

Financial year ended	<i>RMB</i>
31 December 2003	5,831,000
31 December 2004	5,839,000
31 December 2005	6,699,600
Period ended	<i>RMB</i>
3 months ended 31 March 2006	2,120,220

We note that the proposed new annual caps for the Hainan Airlines Terminal Lease for the year ending 31 December 2006 is set to an amount of approximately 27% increase as compared with the historical annual rental charge under the Old Hainan Airlines Terminal Lease for the year ended 31 December 2005. We note that such increase is mainly due to the increase of rental areas which involved the leasing of additional office and commercial premises of 233 sq.m. and the leasing of additional 9 airport counters, of which the total additional monthly rent is RMB90,000 for the increased airport counter. We also note that there is a 5% increase in the annual cap thereafter for the years ending 31 December 2007 and 31 December 2008. As discussed with the Company, such 5% increase is set for the flexibility purpose in the case that there may be annual rental adjustment in future with 5% ceiling as provided the Hainan Airlines Terminal Lease. In this regard, we consider that the proposed annual caps relating the Hainan Airlines Terminal Lease for each of three years ending 31 December 2008 is fair and reasonable so far as the Company as a whole and the Shareholders are concerned.

B. Annual caps under the Southern Airlines Terminal Lease

As stated in the letter from the Board, the proposed annual caps of the Southern Airlines Terminal Lease are as follows:

Year ending	<i>RMB</i>
31 December 2006	6,754,000
31 December 2007	7,376,000
31 December 2008	7,745,000

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Period ended	<i>RMB</i>
3 months ended 31 March 2009	1,937,000

As stated in the letter from the Board, the sums for the three years ended 31 December 2005 and the 3 months period ended 31 March 2006 for leases of office and commercial premises and airport counters at Meilan Airport in accordance with the Old Southern Airlines Terminal Lease for the years 2003 and 2004 and similar terms of the expired Old Southern Airlines Terminal Lease for the year 2005 and 3 months ended 31 March 2006 are as follows:

Financial year ended	<i>RMB</i>
31 December 2003	5,906,000
31 December 2004	6,294,000
31 December 2005	5,946,000

Period ended	<i>RMB</i>
3 months ended 31 March 2006	1,485,000

We note that the proposed new annual caps for the Southern Airlines Terminal Lease for the financial year ending 31 December 2006 is set to an amount of approximately 7% increase as compared with the historical annual rental charge of RMB6,294,000 for the year ended 31 December 2004 under the Old Southern Airlines Terminal Lease and approximately 14% increase as compared with the historical annual rental charge of RMB5,946,000 for the year ended 31 December 2005 under the similar terms of the expired Old Southern Airlines Terminal Lease. We note that the increase compared to the year ended 31 December 2005 is mainly due to the increase of rental areas which involved the leasing of additional office and commercial premises of approximately 184 sq.m. and the leasing of additional 5 airport counters, of which the total additional monthly rent is RMB45,000 for the increased airport counters. We also note that there is an approximately 9% increase in annual cap thereafter for the financial year ending 31 December 2007 and there is a 5% increase in the annual cap thereafter for the financial year ending 31 December 2008. As discussed with the Company, the 9% increase in annual cap for the financial year ending 2007 is mainly due to: (i) for flexibility purpose in the case that there may be annual rental adjustment in future with 5% ceiling as provided in the Southern Airlines Terminal Lease and (ii) less rental areas were

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leased by China Southern Airlines for the 3 months period from 1 January 2006 to 31 March 2006. We also note that there is a 5% increase in the annual cap thereafter for the year ending 31 December 2008 compared to the year ending 31 December 2007. Such 5% increment is set for the flexibility purpose in the case that there may be annual rental adjustment in future with 5% ceiling as provided in the Southern Airlines Terminal Lease. The cap thereafter for the 3 months period ending 31 March 2009 is the same as the cap for the respective period for the year 2008. In this regard, we consider that the proposed annual caps relating the Southern Airlines Terminal Lease for each of three successive financial year ending 31 December 2008 and the 3 months period ending 31 March 2009 is fair and reasonable so far as the Company as a whole and the Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into the Non-Exempt Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole, and that the terms of the Non-Exempt Continuing Connected Transactions and the New Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the ordinary resolutions approving the Non-Exempt Continuing Connected Transactions and the New Annual Caps at the EGM.

Yours faithfully,

For and on behalf of

GUANGDONG SECURITIES LIMITED

Jimmy Chan

C. K. Poon

Authorized signatories

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interest and short positions in the shares in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provision of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following are details of the persons (other than a director, supervisors or chief executive of the Company) who has an interest or short position in the shares (including options) or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Long Position in Shares

Name of Shareholders	Capacity	Nature of interest	Number of shares	Percentage of class share/issued share capital
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial owner	Corporate	237,500,000 domestic shares	96.43/50.20
Copenhagen Airport A/S (Note 2)	Beneficial owner	Corporate	94,643,000 H shares	41.71/20.00
Deutsche Bank Aktiengesellschaft (Note 3)	Beneficial owner	Corporate	18,319,000 H Shares	8.07/3.87
QVT Financial GP LLC	Beneficial owner	Corporate	13,135,000 H Shares	5.79/2.78
QVT Financial LP (Note 4)	Beneficial owner	Corporate	13,135,000 H Shares	5.79/2.78
Templeton Asset Management Limited	Beneficial owner	Corporate	11,700,000 H Shares	5.16/2.47
Utilico Emerging Markets Utilities Limited (Note 5)	Beneficial owner	Corporate	11,629,000 H Shares	5.12/2.46

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and the controlling shareholder of the Company. The Shares held by it in the Company are domestic shares.
2. Copenhagen Airport A/S is a public company owned by Danish government and other private and institutional investors in and outside Denmark, and the shares of which are listed on the Copenhagen Stock Exchange.
3. Deutsche Bank Aktiengesellschaft is a company listed on the Deutsche Boerse and the New York Stock Exchange.
4. QVT Financial LP is the controlling shareholder of QVT Financial GP LLC thereby deemed to be a substantial shareholder in the shares of the Company.
5. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and in Bermuda.

Short Position in Shares

According to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, there was no other person who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company or in any options in respect of such capital.

4. ARRANGEMENT AFFECTING DIRECTORS**As at the Latest Practicable Date:**

- (a) None of the Directors is interested, directly, in any assets which have, since the date to which the latest published audited accounts of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date as entered into by any member of the Group and which is significant in relation to the business of the Group.

- (c) None of the Directors and his/her associates had any competing interests that would be required to be disclosed under Rule 8.10 of the Listing Rules if he was a controlling shareholder.
- (d) As at the Latest Practicable Date, each of Directors including the independent non-executive directors and supervisors has entered into a service contract with the Company for a term of three years, renewable upon re-election. Each of the independent non-executive Directors receives a basic remuneration of RMB80,000 per year, each of the non-executive Directors (other the independent Directors) receives a basic remuneration of RMB50,000 per year, and each of the executive Directors receives a basic remuneration of RMB70,000 per year.

Save for the above, no service contract (excluding contract expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)) is entered into between the Directors, the supervisors, and the Company or any of its subsidiaries.

5. EXPERT

The following is the qualification of the expert who has given its opinion or advice which is contained in this Circular:

Name	Qualification
GDS	a licensed corporation under the SFO and engaged in types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities

- (a) GDS has confirmed that it is not beneficially interested in the share capital of any member of the Group and has no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) GDS has given and has not withdrawn its written consent to the issue of this Circular with inclusion of its opinion and the reference to its name included herein in the form and context in which it appears.
- (c) The letter from GDS in relation to the Non-Exempt Continuing Connected Transactions is given as of the date of this circular for incorporation herein.

6. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the Group's financial and trading position of the Company since 31 December, 2005, the date to which the latest published audited consolidated accounts of the Group were made up.

7. MISCELLANEOUS

- (a) The company secretary of the Company is Bai Yan. The chief financial controller of the company is Huang Qiu, who is a PRC qualified accountant.
- (b) The registered address of the Company is at Meilan Airport Complex, Haikou City, Hainan Province, PRC.
- (c) The H Share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Service Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the offices of Lovells at 23/F, Cheung Kong Center, 2 Queen's Road, Central, Hong Kong up to and including 28 July 2006:

- (a) the Hainan Terminal Lease;
- (b) the Southern Airlines Lease;
- (c) the letter from GDS to the Independent Board Committee, the text of which is set out on page 16 to 25 of this Circular;
- (d) the written consent of GDS as referred to in the section headed "Expert" in this appendix; and
- (e) the letter from the Independent Board Committee, the text of which is set out on page 14 to 15 of this Circular.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Extraordinary General Meeting**”) of the shareholders of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 9:00 a.m. on 28 July 2006 (Friday) in the conference room of the Company on 3rd Floor, Meilan Airport Complex, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”) for the purpose of considering as Non-exempt Continuing Connected Transactions and the New Annual Caps and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

1. “**THAT** the Hainan Airlines Terminal Lease dated 17 May 2006 entered into between the Company and Hainan Airlines and the Non-Exempt Continuing Connected Transaction contemplated thereunder be and are hereby approved, ratified and confirmed.”
2. “**THAT** the Southern Airlines Terminal Lease dated 17 May 2006 entered into between the Company and China Southern Airlines and the Non-Exempt Continuing Connected Transaction contemplated thereunder be and are hereby approved, ratified and confirmed.”
3. “**THAT** the Tentative Arrangement between the Company and China Southern Airlines be and are hereby approved, ratified and confirmed.”
4. “**THAT** the proposed annual caps of each of the Non-Exempt Continuing Connected Transactions as set out in the circular of Company dated 8 June 2006 (“**New Annual Caps**”) be and are hereby approved, ratified and confirmed.”

By order of the Board

Hainan Meilan International Airport Company Limited

Bai Yan

Company Secretary

Hainan PRC 8 June 2006

* *For identification purpose only*

Notes:

- (A) Holders of the Company's H Shares whose names appear on the Company's Register of Members which is maintained by Computershare Hong Kong Investor Services Limited at the close of business on 26 June 2006 (Monday) are entitled to attend and vote at the Extraordinary General Meeting.
- (B) Holders of H Shares, who intend to attend the Extraordinary General Meeting, must complete and return the written replies for attending the Extraordinary General Meeting to the Office of the Company Secretary no later than 7 July 2006 (Friday).

Shareholders can deliver the written replies by hand, by post or by facsimile.

Details of the Office of the Company Secretary are as follows:

Meilan Airport Complex
Haikou City
Hainan Province
PRC
Tel: (86-898) 6575 1159
Fax: (86-898) 6575 1882

- (C) Each holder of H Shares who has the right to attend and vote at the Extraordinary General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Extraordinary General Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. Instrument appointing a proxy of any holder of H Shares (being a body corporate) must be affixed with the corporate seal of such holder of H Shares or duly signed by the chairman of its board of directors or by its authorised attorney. For holders of H Shares, the power of attorney or other documents of authorisation and proxy forms must be delivered to Computershare Hong Kong Investor Services Limited no less than 24 hours before the time appointed for the holding of the Extraordinary General Meeting in order for such documents to be valid.
- (D) The Company's Register of Members will be closed from 27 June 2006 (Tuesday) to 28 July 2006 (Friday) (both days inclusive), during which time no transfer of shares will be effected. Transferees of H Shares who wish to attend the Extraordinary General Meeting referred to above must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4 p.m. on 26 June 2006 (Monday) for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company.

Computershare Hong Kong Investor Services Limited's address is as follows:

Shop 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

- (E) The Extraordinary General Meeting is expected to last not more than one day. Shareholders or proxies attending the Extraordinary General Meeting are responsible for their own transportation and accommodation expenses.