
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult our 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 International Airport Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents 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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS ADJUSTMENT OF ANNUAL CAPS FOR THE TRANSACTIONS WITH HAINAN AIRLINES APPOINTMENT OF DIRECTORS AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS



FIRST SHANGHAI CAPITAL LIMITED

A letter from the Independent Board Committee is set out on page 22 of this Circular.

A letter from First Shanghai Capital Ltd., the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 38 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 16 December 2008 in the meeting room of the Company on 3rd Floor, Meilan Airport Complex at No. 6 Haikou City, Hainan Province, the People's Republic of China (the "PRC") is set out on pages 46 to 51 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, and in both cases 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 desire.

30 October 2008

* For identification purpose only

CONTENTS

	<i>Pages</i>
Definitions	1-5
Letter from the Board	6-21
Letter from the Independent Board Committee	22
Letter from Independent Financial Adviser	23-38
Appendix – General Information	39-45
Notice of the EGM	46-51

DEFINITIONS

For the purposes of this circular, capitalized terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“Agreements”	the agreements referred to in section II of the Letter from the Board in this circular
“Annual Caps”	the proposed annual caps in respect of the Non-exempt Continuing Connected Transactions set out in section II and section III of the Letter from the Board in this circular
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“CAAC”	中國民用航空總局 (General Administration of Civil Aviation of China), also known as Civil Aviation Administration of China
“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
“connected person”	shall have the meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to approve the Non-exempt Continuing Connected Transactions and the relevant Annual Caps that set out in section II and section III of the Letter from the Board in this circular and the proposed appointment of directors and the amendments to the articles of association of the Company
“First Shanghai Capital”	第一上海融資有限公司 (First Shanghai Capital Ltd.), the independent financial adviser retained in respect of the Non-exempt Continuing Connected Transactions and the relevant Annual Caps that are subject to Independent Shareholders’ approval under the Listing Rules

DEFINITIONS

“Franchise Agreement”	the agreement between the Company and Luckyway Travelling dated 16 October 2008, pursuant to which the Company has granted Luckyway Travelling a franchise to provide tourism and travelling services at Meilan Airport
“Group”	the Company and its subsidiaries
“Haikou Meilan”	海口美蘭機場有限責任公司 (Haikou Meilan Airport Company Limited), a limited liability company established in the PRC, and is the controlling shareholder of the Company
“Hainan Airlines”	海南航空股份有限公司 (Hainan Airlines Company Limited), a joint stock company incorporated in the PRC with Limited liability and one of the Promoters of the Company
“Hainan Airlines Terminal Lease”	the agreement between Hainan Airlines and the Company in relation to the leasing of certain premises and facilities at the Meilan Airport dated 16 October 2008
“Hainan Information System”	海南航空信息系統有限公司, (Hainan HNA Information System Company Limited), a limited liability company established in PRC and is indirectly owned as to 70% by HNA Group
“Henghe Property Management”	海南海航恒禾物業管理有限公司 (Hainan HNA Henghe Property Management Company Limited), a limited liability company established in the PRC and is a wholly-owned subsidiary of HNA Group Zhiye
“Henghe Property Management Agreements”	The four agreements entered into between the Company and Henghe Property Management relating to the cleaning service in phase I and II of Meilan Airport Terminal, luggage cart management and passenger cabins cleaning service and property management service in the freight transportation zone dated on 16 October 2008
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“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 Group Zhiye”	海航置業控股(集團)有限公司(HNA Group Zhiye Holding (Group) Co., Ltd.), a limited liability company established in the PRC and is directly owned as to 87.43% by HNA Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation plan”	The Implementation Plan for the Civil Airport Fee Reform (民用機場收費改革實施方案) jointly issued by CAAC and National Development and Reform Committee on 28 December 2007, which provides, among others, the guideline for the fee standards of civil airport
“Independent Board Committee”	an independent committee of the Board for the purpose of reviewing the Non-exempt Continuing Connected Transactions and the relevant Annual Caps that are subject to the Independent Shareholders’ approval, which comprises Mr. Xu Bailing, Mr. Xie Zhuang and Mr. George F Meng, all of whom are independent non-executive Directors
“Independent Shareholders”	Shareholders other than Haikou Meilan, HNA Group and Hainan Airlines for Hainan Airlines Terminal Lease and the adjusted Annual Caps set out in section III of the Letter from the Board in this circular and Shareholders of the Company for Southern Airlines Terminal Lease
“Information System Management Agreement”	the agreement between Hainan Information System and the Company in relation to computer information system management dated 16 October 2008
“Latest Practicable Date”	the Date of 28 October 2008, the latest practicable date before the printing of the Circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Luckyway Travelling”	幸運國際旅行社有限公司 (Luckyway International Travel Service Co., Ltd.), a limited liability company established in the PRC and is indirectly owned as to 100% by HNA Group
“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
“Non-exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions which are and will continually to be entered into between the Company and the relevant connected parties set out in section II of the Letter from the Board in this circular
“Old Franchise Agreement”	the agreement between the Company and Luckyway Travelling dated 22 September 2006, pursuant to which the Company has granted Luckyway Travelling a franchise to provide tourism and travelling services at Meilan Airport
“Old Hainan Airlines Terminal Lease”	the agreement between Hainan Airlines and the Company Terminal Lease in relation to the leasing of certain premises at the Meilan Airport dated 17 May 2006
“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 17 May 2006
“Old Information System Management Agreement”	the agreement between Hainan Information System and the company in relation to computer information system management dated 17 May 2006, which will expire on 31 December 2008
“PRC”	People’s Republic of China
“Promoters”	the parties to a promoters’ agreement dated 20 December, 2000 in relation to the promotion and incorporation of the Company including, inter alia, Haikou Meilan, Hainan Airlines, China Southern Airlines and HNA Group

DEFINITIONS

“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 16 October 2008
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the shares of the Company
“Sq.m”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Unless otherwise defined, an exchange rate of HK\$1.00 = RMB0.8765 is adopted in this circular, for illustration purposes only.

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
Dong Zhanbin
Dong Guiguo
Bai Yan

Non-executive Director:

Zhang Han'an
Joseph Chan
Yan Xiang

Independent Non-executive Directors:

Xu Bailing
Fung Ching Simon
Xie Zhuang
George F Meng

Registered Office:

Meilan Airport Complex
Haikou City
Hainan Province, PRC

*Principal Place of Business
in Hong Kong:*

28/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wan Chai, Hong Kong

30 October 2008

To the Shareholders

Dear Sir/Madam,

I. GENERAL BACKGROUND INFORMATION

Reference is made to the announcements of renewal of continuing connected transactions and adjustment of annual caps for the transactions with Hainan Airlines of the Company dated 16 October 2008 and the announcement of resignation and nomination of directors and proposed amendments to the articles of association of the Company dated 14 October 2008.

* For identification purpose only

LETTER FROM THE BOARD

The Company has been engaging in certain transactions with connected persons and their respective associates during the Company's ordinary course of business, which constitute continuing connected transactions for the Company under the Listing Rules. Some of these non-exempt continuing connected transactions entered into by the Company in the year 2006 will expire on 31 December 2008 and the Board has conducted a review of the Non-exempt Continuing Connected Transactions as to the Agreements and Annual Caps in section II and section III of the Letter from the Board in this circular.

Due to work reallocation, Mr. Zhang Cong has applied for resignation from his positions as executive director and chairman of the Company, and Mr. Dong Guiguo has applied for resignation from his positions as executive directors and chief financial officer of the Company. Mr. Zhao Yahui and Mr. Hu Wentai have been nominated as candidates for election as the executive director and the non executive director of the Company, respectively. Moreover, in consideration of the Company's actual situation, the Board proposes to amend certain articles of the articles of association of the Company.

The Independent Board Committee has been formed to consider the terms of the Agreements and the relevant Annual Caps, and First Shanghai Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, inter alia, the terms of the Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval and the relevant Annual Caps in section II and section III of the Letter from the Board in this circular.

This circular gives you further information in relation to the Non-exempt Continuing Connected Transactions, the relevant Annual Caps, the proposed appointment of new directors and amendments to the articles of association of the Company and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the relevant Annual Caps and gives the Shareholders the notice of the EGM and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTIONS

(I) Renewal of Non-exempt Continuing Connected Transactions subject to the Independent Shareholders' approval requirements for the years of 2009 to 2011

Part one: The Hainan Airlines Terminal Lease

A. General terms

1. Date: 16 October 2008
2. Parties: The Company, as lessor
Hainan Airlines, as lessee
3. Subject: Pursuant to the Hainan Airlines Terminal Lease, 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 1,438 sq.m. and will include check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal.
4. Price and Payment: The monthly rental payable by Hainan Airlines under the Hainan Airlines Terminal Lease (exclusive of utilities charges and management fees) is RMB570,800 (equivalent to approximately HK\$651,200).

The monthly rental under the Hainan Airlines Terminal Lease 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 China Southern Airlines and independent third parties.

LETTER FROM THE BOARD

5. Term: three years commencing from 1 March 2008 and ending on 31 December 2010. The terms and conditions of the Hainan Airlines Terminals Lease will trace back to 1 March 2008, as a result of the Implementation Plan coming into effect. On 28 December 2007, CAAC and National Development and Reform Committee jointly issued the Implementation Plan, which became effective from 1 March 2008. The Implementation Plan provides, among others, the relevant adjusted fee guideline for relevant aeronautical and non-aeronautical business for civil airports in the PRC in comparison with the original fee standards. The Hainan Airlines Terminal Lease was entered into according to the provisions of the Implementation Plan. The reason for tracing the Hainan Airlines Terminal Lease back to 1 March 2008 was that the Implementation Plan came into effect on 1 March 2008. The Hainan Airlines Terminal Lease will supersede the Old Hainan Airlines Terminal Lease as of 1 March 2008, subject to the Independent Shareholder's approval. The Directors estimate that due to the adjustments of relevant fee standards contained in the Implementation Plan, the monthly rental fee under the Hainan Airlines Terminal Lease will be reduced from RMB686,300 (equivalent to approximately HK\$783,000) to RMB570,800 (equivalent to approximately HK\$651,200) in comparison with that under the Old Hainan Airlines Terminal Lease for the period from 1 March 2008 to 31 December 2008. According to Old Hainan Airlines Terminal Lease, for the years of 2007 and 2008, the parties to the Old Hainan Airlines Terminal Lease may review the monthly rental, provided that the monthly rental will not increase by more than 5% compared to the monthly rental payable in the previous year. The excess rental payment made under the Old Hainan Airlines Terminal Lease will be used for the settlement of the rent which is due to the Company under the Hainan Airlines Terminal Lease according to the Hainan Airlines Terminal Lease.

LETTER FROM THE BOARD

6. Conditions: The Hainan Airlines Terminal Lease will come into effect after the Company confirms that it will be able to comply with all applicable requirements under the Listing Rules including the obtaining of the relevant Independent Shareholders' approval.

B. 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 17 May 2006, the terms of which were approved by the Independent Shareholders on 28 July 2006. The term of Old Hainan Airlines Terminal Lease is for a period of 3 years, commencing from 17 May 2006 and ending on 31 December 2008.

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. The entering into of the Hainan Airlines Terminal Lease is necessary for Hainan Airlines to conduct relevant business at the Meilan Airport and is beneficial to the Company.

The Board believes that the establishment of long-term cooperation relationship with Hainan Airlines will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and is of commercial benefit to the Company and the Group as a whole.

Part two: Southern Airlines Terminal Lease

A: General terms

1. Date : 16 October 2008
2. Parties: The Company, as lessor
China Southern Airlines, as lessee

LETTER FROM THE BOARD

3. Subject: Pursuant to the Southern Airlines Terminal Lease, 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 1,357 sq.m. and will include check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal.
4. Price and Payment: The monthly rental payable by China Southern Airlines under the Southern Airlines Terminal Lease (exclusive of utilities charges) is approximately RMB437,120 (equivalent to approximately HK\$498,700), which is equivalent to RMB5,245,500 (equivalent to approximately HK\$5,984,600) per year.

The monthly rental under the Southern Airlines Terminal Lease 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.

LETTER FROM THE BOARD

5. Term: three years commencing from 1 March 2008 and ending on 31 December 2010. The terms and conditions of the Hainan Airlines Terminal Lease will trace back to 1 March 2008, as a result of the Implementation Plan coming into effect. On 28 December 2007, CAAC and National Development and Reform Committee jointly issued the Implementation Plan, which became effective from 1 March 2008. The Implementation Plan provides, among others, the relevant adjusted fee guideline for civil airports in the PRC in comparison with the original fee standards. The Southern Airlines Terminal Lease was entered into according to the provisions of the Implementation Plan. The reason for tracing the Southern Airlines Terminal Lease back to 1 March 2008 was that the Implementation Plan came into effect on 1 March 2008. The Southern Airlines Terminal Lease will supersede the Old Southern Airlines Terminal Lease from 1 March 2008, subject to the Independent Shareholder's approval. The Directors estimate that due to the adjustments of relevant fee standards contained in the Implementation Plan, the rental fee under the Southern Airlines Terminal Lease will be reduced by approximately RMB1,536,000 (equivalent to approximately HK\$1,752,400) in comparison with that under the Old Southern Airlines Terminal Lease for the period from 1 March 2008 to 31 December 2008. According to Old Southern Airlines Terminal Lease, for the years of 2007 and 2008, the parties to the Old Southern Airlines Terminal Lease may review the monthly rental, provided that the monthly rental will not increase by more than 5% compared to the monthly rental payable in the previous year. The excess rental payment made under the Old Southern Airlines Terminal Lease will be used for the settlement of the rental which is due to the Company according to the Southern Airlines Terminal Lease.

LETTER FROM THE BOARD

6. Conditions: The Southern Airlines Terminal Lease will come into effect after the Company receives the approval from its Independent Shareholders and thereby be able to confirm all applicable requirements under the Listing Rules are complied with.

B. 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.

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. The entering into of the Southern Airlines Terminal Lease is necessary for China Southern Airlines to conduct relevant business at the Meilan Airport and is beneficial to the Company.

The Board believes that the establishment of long-term cooperation relationship with China Southern Airlines will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and is of commercial benefit to the Company and the Group as a whole.

C. Annual caps of the continuing connected transactions

(a) Historical Figures

Hainan Airlines and China Southern Airlines paid to the Company the following sums for the two years ending 31 December 2007 and eight months for the year 2008, for leases of certain commercial premises at the Meilan Airport:

	Years ended 31 December		The eight months
	2006	2007	of 2008
	(RMB)	(RMB)	
Hainan Airlines Terminal Lease	8,137,000	8,235,000	5,490,000
			<i>Note 1</i>
Southern Airlines Terminal Lease	6,725,000	7,030,000	4,726,000
			<i>Note 1</i>

LETTER FROM THE BOARD

Note 1: The historical figures for the eight months of 2008 were determined according to monthly rent under the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease, which are approximately RMB686,300 (equivalent to approximately HK\$783,000) and RMB590,800 (equivalent to approximately HK\$674,000), respectively.

(b) Annual Caps for the Non-exempt Continuing Connected Transactions

The relevant annual caps in relation to the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease for the three years ending 31 December 2008 were RMB8,481,000 (equivalent to approximately HK\$9,676,000), RMB8,905,000 (equivalent to approximately HK\$10,159,700) and RMB9,350,000 (equivalent to approximately HK\$10,667,400) for Hainan Airlines and RMB7,025,000 (equivalent to approximately HK\$8,014,800), RMB7,376,000 (equivalent to approximately HK\$8,415,300) and RMB7,745,000 (equivalent to approximately HK\$8,836,300) for China Southern Airlines. The Board has adjusted the Annual Caps in relation to the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease, taking into account the fee adjustments specified in the Implementation Plan.

The Board proposes that the following Annual Caps be set for the annual volume of each of Hainan Airlines Terminal Lease and Southern Airlines Terminal Lease for the three years ending 31 December 2011:

	Year 2008	Year 2009	Year 2010
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Hainan Airlines Terminal Lease	7,287,000	7,302,000	7,302,000
	<i>Note 1</i>		
Southern Airlines Terminal Lease	5,553,000	5,245,500	5,245,500
	<i>Note 1</i>		

The difference between the figures for the year 2008 and that for the years of 2009 and 2010 is mainly attributed to the actual transaction amount under the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease for the first two months of 2008 are different from the monthly rent specified in the two agreements date 16 October 2008.

LETTER FROM THE BOARD

Basis of the Annual Caps

The Annual Caps proposed for each of (A) the Hainan Airlines Terminal Lease and (B) the Southern Airlines Terminal Lease are determined according to the fixed rent amount provided in each of the agreements.

D. Compliance with the listing rules

China Southern Airlines and Hainan Airlines are Promoters. Accordingly, each of China Southern Airlines and Hainan Airlines is a connected person of the Company under the Listing Rules, and transactions between the Company and these connected persons constitute continuing connected transactions of the Company under the 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 less than 2.5%. However, when such transaction is aggregated with the other transactions with Hainan Airlines in relation to the airport ground service agreement and the cargo, mail and luggage service agreement dated 1 October 2007 and 8 October 2007, respectively in the preceding twelve months, the above transaction 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. Please refer to the announcement of the Company dated 8 October 2007 for details of the airport ground service agreement and the cargo, mail and luggage service agreement with Hainan Airlines.

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 to China Southern Airlines and its associate, Xiamen Airlines Company Limited in the preceding twelve months, the above transaction 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. Please refer to the announcement of the Company dated 8 October 2007 for details of the airport ground services agreements with China Southern Airlines and its associate, Xiamen Airlines Company Limited, respectively.

LETTER FROM THE BOARD

The following Shareholders of the Company will be required to abstain from voting in relation to the resolution to approve the Hainan Airlines Terminal Lease and the relevant Annual Caps in section II and section III of the Letter from the Board in this circular: HNA Group, Hainan Airlines and Haikou Meilan. None of the Shareholders will be required to abstain from voting in relation to the resolution to approve the Southern Airlines Terminal Lease and relevant Annual Caps. To the best knowledge of the Directors, China Souther Airlines and its associates do not have any equity interest in the Company.

The Independent Board Committee has been formed to consider the terms of the Agreements and the relevant Annual Caps, and First Shanghai Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, inter alia, the terms of the Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval requirements under the Listing Rules and the relevant Annual Caps.

III. ADJUSTMENT OF THE ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS WITH HAINAN AIRLINES

Reference is made to the announcement of the Company dated 8 October 2007.

The Company entered into the airport ground services agreement and the cargo mail and luggage service agreement with Hainan Airlines on 1 October 2007 and 8 October 2007 respectively, which will expire on 31 December 2010 and 31 December 2009, respectively. The original annual caps for the airport ground services with Hainan Airlines as set out in the announcement for the three years ending on 31 December 2010 were RMB66,500,000 (equivalent to approximately HK\$75,869,900), RMB72,500,000 (equivalent to approximately HK\$82,715,300) and RMB79,000,000 (equivalent to approximately HK\$90,131,200), respectively. The original annual caps for cargo mail and luggage service agreement with Hainan Airlines as set out in the announcement for the two years ending on 31 December 2009 were RMB3,633,000 (equivalent to approximately HK\$4,144,900) and RMB4,033,000 (equivalent to approximately HK\$4,601,300), respectively.

The original proposed caps for the airport ground services with Hainan Airlines for the year 2008, 2009 and 2010 are estimated by the Company according to the estimation of the passengers' annual growth rate of approximately 8% made by the independent air traffic consultants appointed by the Company at the time of the Company's initial public offering in the year 2002 and the increase in the number of large-scale planes which use Meilan Airport with an annual growth rate of 3.3%. Based on the aforesaid data, the Company believes that it is reasonable to calculate the annual caps based on an approximately 10% growth rate.

LETTER FROM THE BOARD

The caps proposed for the airport ground services with Hainan Airlines are determined with reference to estimation of an annual growth rate of 10% for the cargo transportation made by the independent air traffic consultants appointed by the Company at the time of the Company's initial public offering in the year 2002.

Due to the significant increase of the passenger amount of Meilan Airport for the first half year of 2008, the monthly average growth rate of the transaction amount between the Company and Hainan Airlines under the airport ground services agreement was approximately 39.12% and the actual transaction amount is approximately RMB47,534,000 (equivalent to approximately HK\$54,231,600) for the first half year of 2008, which accounts for approximately 71% of the original annual caps. The monthly average growth rate of the transaction amount between the Company and Hainan Airlines under the cargo mail and luggage service agreement is approximately 43.82% and the actual transaction amount is approximately RMB2,438,000 (equivalent to approximately HK\$2,781,500) for the first half year of 2008, which accounts for approximately 67% of the original annual caps.

The Board proposes to adjust the original annual caps to RMB99,130,000 (equivalent to approximately HK\$113,097,500), RMB109,043,000 (equivalent to approximately HK\$124,407,300) and RMB119,948,000 (equivalent to approximately HK\$136,848,900) for the three years ending 31 December 2010 for the airport ground services agreement between the Company and Hainan Airlines dated 1 October 2007. Such Annual Caps are calculated based on the actual transaction amount for the first half year of 2008 and an average growth rate of 10% of the passenger amount for each month which conforms to the approximate average annual growth rate of passengers through Meilan Airport for the two years of 2006 and 2007.

The Board proposes to adjust the original annual caps to RMB5,000,000 (equivalent to approximately HK\$5,704,500) and RMB5,500,000 (equivalent to approximately HK\$6,275,000) for the two years ending 31 December 2009 for the cargo mail and luggage service agreement between the Company and Hainan Airlines dated 8 October 2007. Such Annual Caps are calculated based on the actual transaction amount for the first half year of 2008 and an average growth rate of 10% of the cargo mail and luggage service for each month which conforms to the approximate average annual growth rate of passengers through Meilan Airport for the two years of 2006 and 2007.

LETTER FROM THE BOARD

IV. PROPOSED APPOINTMENT OF NEW DIRECTORS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(I) Proposed appointment of new directors

The Board proposes:

- (1) to appoint Mr. Zhao Yahui as an executive director of the Company for a term of three years with effect from the date of the EGM; and
- (2) to appoint Mr. Hu Wentai as a non-executive director of the Company for a term of three years with effect from the date of the EGM.

Information of the new directors proposed to be appointed at the EGM are set out in the notice of extraordinary general meeting in this circular.

(II) Proposed amendments to article 80, article 93 and article 94 of the articles of association of the company

The Board proposes to amend article 80 of the articles of association of the Company from “The shareholders’ meeting shall be convened and presided over by the chairman of the board. If the chairman of the board is unable to attend the meeting, the meeting shall be convened and presided over by a director designated by the chairman. In the circumstance of the failure to designate a director to preside over the meeting, the shareholders attending the meeting shall elect the chairman of the meeting. If due to any reason, the shareholders are unable to designate the chairman of the meeting, the shareholder (including his proxies) who attends the meeting and holds the largest voting power shall act as the chairman of the meeting.” to “The shareholders’ meeting shall be convened by the board, and presided over by the chairman of the board. If the chairman of the board is unable or fails to perform such duty, the vice-chairman of the board shall perform such duty. If the vice chairman is unable or fails to perform such duty, the meeting shall be presided over by a director designated by more than half of the directors. In the circumstance of the failure to designate a director to preside over the meeting, the shareholders attending the meeting may elect the chairman to preside over the meeting. If due to any reason, the shareholders are unable to elect the chairman of the meeting, the shareholder (including his proxies) who attends the meeting and holds the largest voting power shall act as the chairman of the meeting. If the board is unable or fails to perform its duty of convening the shareholders’ meeting, the board of supervisors shall convene and preside over such meetings promptly. If the board of supervisors is not able to convene and preside over such meetings, the shareholder(s) alone or in aggregate holding 1/10 or more for 90 days consecutively of the shares may convene and preside over such meetings on their own initiative.”

LETTER FROM THE BOARD

The Board proposes to amend article 93 of the articles of Association of the Company from “The board of the company shall comprise eleven directors, including one chairman and four independent non-executive directors.” to “The board of the company shall comprise eleven directors, including one chairman and one vice-chairman. The board shall comprise 1/2 or more external directors, who do not hold any position within the company, and 1/3 or more independent non-executive directors, who are independent from the shareholders of the company and do not hold any position within the company.”

The Board proposes to amend article 94 of the articles of association of the Company from “The chairman shall be elected or dismissed by more than half of all directors. The chairman shall serve for a term of three years and may be reelected. The chairman and directors may concurrently serve as the general manager, deputy general manager or other senior management (except for supervisor).” to “The chairman and vice-chairman shall be elected or dismissed by more than half of all directors. The chairman and vice-chairman shall serve for a term of three years and may be reelected. The chairman, vice-chairman and directors may concurrently serve as the general manager, deputy general manager or other senior management (except for supervisor).”

The Company will seek the approval of Shareholders for the proposed appointment of directors by ordinary resolution and the amendments to the articles of association of the Company by special resolution.

V. INDEPENDENT SHAREHOLDERS’ APPROVAL AND COMPLIANCE WITH LISTING RULES

The Company will seek the approval of the Independent Shareholders at the EGM for the Agreements and the relevant Annual Caps in relation to the Non-exempt Continuing Connected Transactions set out in the section II of the Letter from the Board in this circular.

The Company will also seek the approval of the Independent Shareholders at the EGM for the adjustment of the Annual Caps set out in the section III of the Letter from the Board in the circular.

The Company will comply with Rules 14A.36 to 14A.38 and Rule 14A.45 of the Listing Rules in respect of the Non-exempt Continuing Connected Transactions.

LETTER FROM THE BOARD

VI. EXTRAORDINARY GENERAL MEETING

Set out on pages 46 to 51 of this circular is a notice convening an EGM to be held at held at 9:00 a.m. on 16 December 2008 (Tuesday) in the meeting room of the Company on the 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 relevant Annual Caps in section II and section III of the Letter from the Board in this circular and the appointment of new directors. Special resolution will be proposed for the amendments to the relevant clauses of the articles of association of the Company. As at the Latest Practicable Date, each of Haikou Meilan, Hainan Airlines and HNA Group which holds, directly and indirectly, 50.19%, 1.12% and 0.74% voting rights at a general meeting of the Company respectively and has controls over the voting right in respect of their shares, and is interested in the Non-exempt Continuing Connected Transactions in relation to the Hainan Airlines Terminal Lease and the adjustment of the relevant annual caps relating to the airport ground service agreement and the cargo mail and luggage service agreement, will abstain from voting at the EGM for aforesaid resolutions pursuant to the Listing Rules. Other than the Haikou Meilan, Hainan Airlines and HNA Group, there is no other Shareholder who has a material interest in the Non-exempt Continuing Transactions.

VII. PROCEDURES FOR DEMANDING A POLL

Pursuant to article 73 of the articles of association of the Company, at any general meeting resolutions put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded:

- (i) the chairman of the meeting;
- (ii) at least two shareholders with voting rights or their proxies; or
- (iii) any shareholder or shareholders (including proxies) holding separately or in aggregate 10 percent or more of the shares carrying the right to vote at the meeting.

In accordance with Rule 13.39(4), any vote of shareholders taken at a general meeting to approve the connected transactions pursuant to Chapter 14A must be taken on a poll.

VIII. GENERAL INFORMATION

The Company is principally engaged in the management and operation of aeronautical and non-aeronautical businesses at Meilan Airport in Hainan Province, PRC. Hainan Airlines and China Southern Airlines are principally engaged in airline operation business.

LETTER FROM THE BOARD

IX. RECOMMENDATION

The Board, including the Independent Board Committee, is of the opinion that the terms of the Non-exempt Continuing Connected Transactions and the relevant Annual Caps are fair and reasonable so far as the Company is concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends that the Independent Shareholders vote in favour of the resolutions set out in the notice of the EGM for approval of the Non-exempt Continuing Connected Transactions and the Annual Caps. The Board is also of the opinion that the appointment of new directors and amendments to the articles of association of the Company, are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board also recommends that the Shareholders vote in favor of the relevant resolutions to be proposed at the EGM. The proposed amendments to the articles of association are subject to approval by the Shareholders of the Company by way of special resolution at the EGM.

X. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the Non-exempt Continuing Connected Transactions and the relevant Annual Caps, and the letter from the Independent Financial Adviser containing among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the relevant Annual Caps, both of which are set out on pages 22 and 23 respectively of this circular. None of the members of the Independent Board Committee has any material interest relating to the Non-exempt Continuing Connected Transactions and the relevant Annual Caps.

Your attention is also drawn to the additional information set out in the appendices to this Circular. A form of proxy and a copy of reply slip for use at the EGM are enclosed with this Circular.

XI. COMPOSITION OF THE BOARD

As at the date of this Circular, there are 11 Directors on the Board. They are: Zhang Cong, Chairman, Mr. Dong Zhanbin, Mr. Dong Guiguo, Mr. Bo Yan as executive directors; Mr. Zhang Han'an, Mr. Joseph Chan, Mr. Yan Xiang as non-executive directors; and Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng 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, 30 October 2008

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)

30 October 2008

To the Shareholders

Dear Sir/Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS ADJUSTMENT OF ANNUAL CAPS FOR THE TRANSACTIONS WITH HAINAN AIRLINES

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval and the relevant Annual Caps, details of which are set out in the letter from the Board in this circular to the Shareholders. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this circular.

First Shanghai Capital Ltd. has been appointed to advise us regarding the Non-exempt Continuing Connected Transactions and the relevant Annual Caps that are subject to the Independent Shareholders' approval. We wish to draw your attention to the letter from First Shanghai Capital Ltd. which contains advice to us in relation to the Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval and the relevant Annual Caps, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to this Circular.

Having taken into account the advice of, and the principal factors and reasons considered by First Shanghai Capital Ltd. in relation thereto as stated in its letter, we consider the terms and conditions of the Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval, the relevant Annual Caps and Agreements to be fair and reasonable so far as the interests of the Independent Shareholders are concerned. We therefore recommend you to vote in favour of the Non-exempt Continuing Connected Transactions that are subject to the Independent Shareholders' approval and the relevant Annual Caps.

Yours faithfully,

Independent Board Committee

Xu Bailing

Independent

non-executive director

Xie Zhuang

Independent

non-executive director

George F Meng

Independent

non-executive director

* For identification purpose only

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from First Shanghai Capital setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the renewal of Continuing Connected Transactions pursuant to the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease; and (ii) the proposed adjustment of annual caps for the transactions contemplated under the airport ground services agreement and cargo mail and luggage services agreement for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

30 October 2008

*To the Independent Board Committee and
the Independent Shareholders*

Hainan Meilan International Airport Company Limited
Meilan Airport Complex
Haikou City
Hainan Province
The PRC
Postal Code: 571126

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS ADJUSTMENT OF ANNUAL CAPS FOR THE TRANSACTIONS WITH HAINAN AIRLINES

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with respect to (i) the renewal of the non-exempt continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease (collectively the “**Proposed Terminal Leases**”), including the new annual caps proposed for each of the Proposed Terminal Leases (the “**New Annual Caps**”); and (ii) the proposed adjustment of the annual caps for the transactions

LETTER FROM INDEPENDENT FINANCIAL ADVISER

contemplated under the airport ground services agreement and the cargo mail and luggage services agreement dated 1 October 2007 and 8 October 2007 respectively (collectively the “**Hainan Airlines Agreements**”) entered into between the Company and Hainan Airlines (the “**Hainan Airlines Transactions**”), details of which are set out in the “Letter from the Board” in the circular issued to the Shareholders dated 30 October 2008 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

At the extraordinary general meeting of the Company held on 28 July 2006, the Independent Shareholders and/or the Shareholders (as the case may be) approved the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease (collectively the “**Old Terminal Leases**”), the relevant annual caps under the Old Hainan Airlines Terminal Lease for the three years ending 31 December 2008 and the relevant annual caps under the Old Southern Airlines Terminal Lease for the three years ending 31 March 2009. As the Group will continue to carry out the Continuing Connected Transactions for the next three years commencing from 1 March 2008 to 31 December 2010, the Board proposed to seek for the Independent Shareholders’ approval of those transactions during the said period.

At the extraordinary general meeting of the Company held on 28 December 2007, the Independent Shareholders and/or the Shareholders (as the case may be) approved (i) the continuing connected transactions contemplated under the airport ground services agreement dated 1 October 2007 and the relevant annual caps for the three years ending 31 December 2010; and (ii) the continuing connected transactions contemplated under the cargo mail and luggage services agreement dated 8 October 2007 and the relevant annual caps for the period from 8 October 2007 to 31 December 2009. Due to the rapid business growth of the Group and the unexpected increase in passenger throughput, the existing annual caps for the Hainan Airlines Transactions (the “**Existing Annual Caps**”) may not be able to satisfy the Group’s requirements for the coming few years. The Board therefore also proposed to adjust the Existing Annual Caps to the revised annual caps (the “**Revised Annual Caps**”) for the three years ending 31 December 2010 and for the two years ending 31 December 2009 respectively.

Hainan Airlines and China Southern Airlines are the Promoters. Accordingly, each of Hainan Airlines and China Southern Airlines is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions between the Company and those connected persons constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and independent shareholders’ approval requirements set out in Rules 14A.45 to 14A.47 and 14A.66 of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In relation to the Hainan Airlines Terminal Lease, the applicable percentage ratios computed pursuant to Rule 14.04(9) of Listing Rules for such transaction are less than 2.5%. However, when such transaction is aggregated with the other transactions with Hainan Airlines in relation to the Hainan Airlines Agreements in the preceding twelve months, the above transaction 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.

In relation to the Southern Airlines Terminal Lease, the applicable percentage ratios computed pursuant to Rule 14.04(9) of Listing Rules for such transaction are less than 2.5%. However, when such transaction is aggregated with the airport ground services provided to China Southern Airlines and its associate, Xiamen Airlines Company Limited in the preceding twelve months, the above transaction 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 following Shareholders will be required to abstain from voting in relation to the resolution to approve the Hainan Airlines Terminal Lease and the relevant Annual Caps: HNA Group, Hainan Airlines and Haikou Meilan. None of the Shareholders will be required to abstain from voting in relation to the resolution to approve the Southern Airlines Terminal Lease and the relevant annual caps. To the best knowledge of the Directors, China Southern Airlines and its associates do not have any shareholding interest in the Company.

The Independent Board Committee, comprising three out of the four independent non-executive Directors, namely Mr. Xu Bailing, Mr. Xie Zhuang and Mr. George F. Meng has been formed to consider and advise the Independent Shareholders in respect of (i) the renewal of the Continuing Connected Transactions contemplated under the Proposed Terminal Leases (comprising the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease and the New Annual Caps; and (ii) the Revised Annual Caps for the Hainan Airlines Transactions contemplated under the Hainan Airlines Agreements (comprising the airport ground services agreement and cargo mail and luggage services agreement) entered into between the Company and Hainan Airlines. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to (i) whether the Proposed Terminal Leases (comprising the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease) are entered into in the ordinary and usual course of business of the Group, and the terms thereof and the New Annual Caps for the three years commencing from 1 March 2008 and ending on 31 December 2010 are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Revised Annual Caps for Hainan Airlines Transactions contemplated under the Hainan Airlines Agreements (comprising the airport ground services agreement and cargo mail and luggage services agreement) entered into between the Company and Hainan Airlines are fair and reasonable so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote at the forthcoming EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true and accurate and, unless otherwise stated, complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the “Letter from the Board” of the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular to provide a reasonable basis of our opinions. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and its Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation relating to the proposed New Annual Caps and the terms of the Continuing Connected Transactions pursuant to the Proposed Terminal Leases, and also the Revised Annual Caps for Hainan Airlines Transactions, we have taken into consideration, inter alia, the following principal factors and reasons:

I. Renewal of continuing connected transactions

Background of the Group

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Background of the connected persons as contracting parties under the Proposed Terminal Leases

Hainan Airlines and China Southern Airlines are principally engaged in airline operation business.

Reasons for the Continuing Connected Transactions

The Company had been leasing certain commercial premises at the Meilan Airport to Hainan Airlines and China Southern Airlines under the respective Old Terminal Leases, the terms of which were approved by the then Independent Shareholders on 28 July 2006. The term of Old Hainan Airlines Terminal Lease and Old Southern Airlines Terminal Lease is for a period of three years, commencing from 17 May 2006 and ending on 31 December 2008 and 31 March 2009 respectively. As mentioned in the “Letter from the Board” of the Circular, the Continuing Connected Transactions are entered into because they are necessary for and beneficial to the Company. The Board believes that the establishment of long-term cooperation relationship with these companies will stabilize the Group’s operation, ensure a broad stream of revenue source and a relatively stable profits rate and is of the commercial benefits to the Company and the Group as a whole.

The Directors (including the independent non-executive Directors) are satisfied that (i) the terms and conditions of the Continuing Connected Transactions have been negotiated on an arm’s length basis and are on normal commercial terms; (ii) such transactions will be conducted in the ordinary and usual course of business of the Group; and (iii) the terms of the same transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The entering into of the Continuing Connected Transactions has facilitated and will continue to facilitate the operation and growth of the Group’s business.

We noted that the Group has been operating the Meilan Airport, the main gateway to the Hainan Island, Hainan Province, the PRC since May 1999, and has basically been experiencing a smooth operation and satisfactory growth in terms of aircraft movement, passenger throughput and cargo throughput since then. In the course of the Group’s history of business development, the business co-operation relationship between the Group and each of Hainan Airlines, China Southern Airlines and its associates has been well established since its commencement of operations in 1999.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Given that there is a long history of cooperation between the Group and each of Hainan Airlines, China Southern Airlines and its associates, the Continuing Connected Transactions are consistent with the Group's established relationship with each of them. In order for the Group to continue to maintain the mutual and well-established relationship with each of Hainan Airlines, China Southern Airlines, Haikou Meilan, HNA Group and its associates, it is important that the Group is able to accommodate stable revenue sources or operational support from each of them. We believe that the New Annual Caps are therefore necessary to facilitate this and is in the interest of the Group and fair and reasonable to the Shareholders as a whole.

A. Hainan Airlines Terminal Lease

Background of the lease

The Company has been leasing certain offices, commercial areas and premises at the Meilan Airport to Hainan Airlines under the Old Hainan Airlines Terminal Lease dated 17 May 2006, the terms of which were approved by the then independent shareholders of the Company on 28 July 2006. Under the Old Hainan Airlines Terminal Lease, the Company agreed to lease a total area of approximately 2,394 sq.m. and 19 airport counters at the Meilan Airport to Hainan Airlines for a term of three years, commencing from 1 January 2006 and ending on 31 December 2008. The approved annual caps for the Old Hainan Airlines Terminal Lease were RMB8,481,000, RMB8,905,000 and RMB9,350,000 respectively for each of the three years ending 31 December 2008.

The underlying non-exempt continuing connected transaction being the subject of the Hainan Airlines Terminal Lease is significant to Hainan Airlines in operating its passenger transportation business at the Meilan Airport, the home base airport of Hainan Airlines. In addition, Hainan Airlines is the largest airline customer of the Meilan Airport. Any disruption to Hainan Airlines' terminal arrangements will have a consequential adverse impact on the business operations and revenues of the Group as the operator of the Meilan Airport. As such, the Group intends to continue the relevant transactions after 31 December 2008, the Company and Hainan Airlines have agreed to adjust the annual rental according to the fee guideline set in the Implementation Plan effective from 1 March 2008. The Hainan Airlines Terminal Lease will be entered into by the parties to modify and restate the terms of the Old Hainan Airlines Terminal Lease.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Principal terms of the Hainan Airlines Terminal Lease

The Company has been leasing the office and commercial areas and premises and airport counters to Hainan Airlines for its operations at the Meilan Airport. Pursuant to the Hainan Airlines Terminal Lease, the areas leased by Hainan Airlines have an aggregated floor area of approximately 1,438 sq.m., including check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal. Both parties agreed that the amount of monthly rental will be kept at a constant rate, that is RMB570,800 (equivalent to approximately HK\$651,200), for each of the three years commencing from 1 March 2008 and ending on 31 December 2010. As a result, the terms and conditions of Hainan Airlines Terminal Lease will trace back to 1 March 2008. The monthly rental under the Hainan Airlines Terminal Lease 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 China Southern Airlines and independent third parties.

B. Southern Airlines Terminal Lease

Background of the lease

The Company has 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 dated 17 May 2006, the terms of which were approved by the then independent shareholders of the Company on 28 July 2006. Under the Old Southern Airlines Terminal Lease, the Company agreed to lease a total area of approximately 1,355.6 sq.m. and 18 airport counters (including check-in points, office, cargo warehouse, service workshop and other premises) at the Meilan Airport terminal to China Southern Airlines for a term of three years, commencing from 1 April 2006 and ending on 31 March 2009. The approved annual caps for the Old Southern Airlines Terminal Lease were RMB6,754,000, RMB7,376,000, RMB7,745,000 and RMB1,937,000 respectively for each of the three years ending 31 December 2008 and the three months ending 31 March 2009.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Similarly, the annual rental under the Southern Airlines Terminal Lease is adjusted according to the fee guideline set in the Implementation Plan effective from 1 March 2008. The Southern Airlines Terminal Lease will be entered into by both parties to modify and restate the terms of the Old Southern Airlines Terminal Lease.

Principal terms of 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 for its operations at the Meilan Airport. Pursuant to the Southern Airlines Terminal Lease, the areas leased by China Southern Airlines have an aggregated floor area of approximately 1,357 square metres, including check-in points, office, cargo warehouse, service workshop and other premises at the airport terminal. Both parties agreed that the amount of rental will be kept at a constant rate, that is RMB437,120 (equivalent to approximately HK\$498,700) per month, for the three years commencing from 1 March 2008 and ending on 31 December 2010. The monthly rental under the Southern Airlines Terminal Lease 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.

We have reviewed samples of other similar terminal lease agreements entered into between the Company and independent third parties in respect of the leasing of office and commercial premises and note that (i) the major terms (e.g. rental, settlement terms, termination clauses, etc.) in these samples of similar terminal lease agreements are materially the same as the Proposed Terminal Leases; and (ii) Hainan Airlines and China Southern Airlines have obtained no more favourable terms under the Proposed Terminal Leases with the Company than what other independent third parties would obtain under similar leasing arrangements with the Company. In addition, we have compared the terms of the Proposed Terminal Leases with the terms of the Old Terminal Leases and note that, save as the rental area and number of counters

LETTER FROM INDEPENDENT FINANCIAL ADVISER

leased, the terms of the Proposed Terminal Leases are materially the same as the Old Terminal Leases. Therefore, we concur with the Directors' view that the office and commercial premises leased to each of Hainan Airlines and China Southern Airlines are on normal commercial terms and the charge rates are determined on arm's length basis and according to the relevant fee standards fixed by CAAC effective from 1 March 2008. We are of the view that the terms of the Proposed Terminal Leases are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Proposed Terminal Leases is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Historical figures

The following table shows the actual transaction amount in respect of the transactions contemplated under the Old Terminal Leases between the Company and the relevant contractual parties in the past two years ended 31 December 2007 and the expected transaction amount for the year ending 31 December 2008:

Transactions under	Year ended/ending 31 December				
	2006	2007	Increase/ (decrease) from 2006	Expected transaction amount for 2008 <i>(Note)</i>	Increase/ (decrease) from 2007
	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	%
A. Old Hainan Airlines					
Terminal Lease	8,137	8,235	1.2	7,081	(14.0)
B. Old Southern Airlines					
Terminal Lease	6,725	7,030	4.5	5,553	(21.0)

Note: The expected transaction amount of the Continuing Connected Transactions for the full year of 2008 has been estimated based on the monthly rental of RMB686,300 and RMB590,800 under the Old Hainan Airlines Terminal Lease and the Old Southern Airlines Terminal Lease respectively for the first two months of 2008, and the monthly rental of RMB570,800 and RMB437,120 under the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease respectively for the rest of the year.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As shown in the above table, the expected transaction amounts under the Old Terminal Leases dropped considerably for the year 2008 mainly due to the adjustment of the charge standards set by CAAC starting from 1 March 2008 which places upper limit on the applicable pricing rate for the aeronautical business operations of civilian airport. Details of which are disclosed under the sub-paragraph headed “Basis for determination of the New Annual Caps” below of this letter.

New Annual Caps

The Board has considered and proposed that the following caps be set for the relevant transactions above for the three years commencing from 1 March 2008 and ending on 31 December 2010:

Transactions under	Actual transaction amount for 2007 <i>RMB'000</i>	For the year ending 31 December					
		2008 <i>RMB'000</i>	Increase/ (decrease) from 2007		Increase/ (decrease) from 2008		Increase/ (decrease) from 2009 %
			2009 % <i>RMB'000</i>	2010 % <i>RMB'000</i>	2010	2009	
A. Hainan Airlines Terminal Lease	8,235	7,287	(11.5)	7,302	0.2	7,302	0.0
B. Southern Airlines Terminal Lease	7,030	5,553	(21.0)	5,246	(5.5)	5,246	0.0

Basis for determination of the New Annual Caps

On 28 December 2007, CAAC and National Development and Reform Committee jointly issued the Implementation Plan, which became effective from 1 March 2008. The Implementation Plan provides, among others, the relevant adjusted fee guideline for relevant aeronautical and non-aeronautical business for civil airports in the PRC in comparison with the original fee standards. The above New Annual Caps are determined based on the monthly rent as stated under the Proposed Terminal Leases which were entered into according to the provisions of the Implementation Plan. The monthly rentals under the Hainan Airlines

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Terminal Lease and the Southern Airlines Terminal Lease are determined by the floor area and nature of the facilities and premises leased by Hainan Airlines and China Southern Airlines. The rates of monthly rental are also agreed on 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, China Southern Airlines and independent third parties. Therefore, we consider that the New Annual Caps are appropriate, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. The revised annual caps

Background of the Hainan Airlines Transactions

(a) Airport ground services to Hainan Airlines

The Company had been providing customary airport ground services including landing facilities, basic ground handling service, passenger and baggage services and other related services to Hainan Airlines and its subsidiaries. The various service charge rates are primarily determined by relevant regulations of the CAAC applicable to all domestic airlines including independent third parties. At the extraordinary general meeting of the Company held on 28 December 2007, the then Independent Shareholders and/or the Shareholders (as the case may be) approved the continuing connected transactions contemplated under the airport ground services agreement dated 1 October 2007 and the relevant annual caps for the three years ending 31 December 2010.

(b) Cargo mail and luggage services to Hainan Airlines

On 8 October 2007, the Company entered into the cargo mail and luggage services agreement with Hainan Airlines, pursuant to which the Company agreed to provide flights of Hainan Airlines with cargo mail and luggage services, including container equipment management service, luggage service, cargo and mail service, uploading and loading service and land transportation service to Hainan Airlines and its subsidiaries. Hainan Airlines has no cargo centre at Meilan Airport and therefore it needs to entrust a third party to process its cargo or lease relevant assets from the Company for operation. The Company has its own cargo centre, but the business conducted by its cargo centre is comparatively small if without the business income

LETTER FROM INDEPENDENT FINANCIAL ADVISER

arising from the rent paid by Hainan Airlines. In addition, in an event of failure of obtaining the business to process Hainan Airlines' cargo operations, the Company's business income in respect of cargo processing operations would be adversely affected. In order to establish a long-term cooperation relationship with Hainan Airlines and maintain it as one of the Company's major customers, the Company had given a 50% discount of the cargo mail and luggage services rendered to Hainan Airlines by the Company. At the extraordinary general meeting of the Company held on 28 December 2007, the then Independent Shareholders and/or the Shareholders (as the case may be) approved the continuing connected transactions contemplated under the cargo mail and luggage services agreement dated 8 October 2007 and the relevant annual caps for the period from 8 October 2007 to 31 December 2009.

Reasons for and revision of the Existing Annual Caps

The Company has closely monitored the performance of the Hainan Airlines Transactions. However, due to the rapid business growth of the Group and the unexpected increase in passenger throughput during the first half of 2008, the Directors consider that the Existing Annual Caps may possibly be insufficient for the Group's requirements for the coming few years and therefore proposed the Revised Annual Caps for the Hainan Airlines Transactions contemplated under (1) the airport ground services agreement for the three years ending 31 December 2010 and (2) the cargo mail and luggage services agreement for the two years ending 31 December 2009 in order to cater for the Group's future demand.

The approved caps for the continuing connected transactions contemplated under the airport ground services agreement dated 1 October 2007 for the year 2008, 2009 and 2010 were calculated by the Company according to the estimation of passenger growth rate of approximately 8% annually made by the independent air traffic consultants appointed by the Company at the time of the Company's initial public offer in the year 2002 and the growth rate of 3.3% annually for the number of large-scale planes which use Meilan Airport, based on which the Company calculated the annual caps on an approximately 9.0% growth rate per annum. On the other hand, the approved annual caps for the continuing connected transactions contemplated under the cargo mail and luggage services agreement were determined with reference to estimation of growth rate of 10% annually (after allowing 50% discount of the cargo mail and luggage services rendered to Hainan Airlines by the Company) for the cargo transportation made by Booz Allen Hamilton at the time of the Company's initial public offer in the year 2002.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

However, with reference to the interim report of the Company for the six months ended 30 June 2008 (the “**Interim Report 2008**”), the Directors reported that total passenger and cargo throughput at Meilan Airport amounted to 4,414,300 passengers and 74,072 tons respectively during the six months ended 30 June 2008, representing respective increase of approximately 22.86% and 22.74% as compared to that for the corresponding period of last year; while aircraft movement (mainly transport movement) amounted to 34,998, representing an increase of 14.26% as compared to that for the corresponding period of last year. Based on the aforesaid data, we concur with the Directors’ view that the Existing Annual Caps may not be sufficient for the Group’s requirements for the coming few years and have to be modified by the Revised Annual Caps.

Actual transaction amounts for the Hainan Airlines Transactions of (1) provision of airport ground services to Hainan Airlines and (2) provision of cargo mail and luggage services to Hainan Airlines for the first half of 2008 and the Existing Annual Caps are set out as follows:

Transactions	Actual transaction amounts for the six months ended 30 June 2008 <i>RMB' 000</i>	Existing Annual Caps for the year ending 31 December				
		2008	2009	Increase/ (decrease) from 2008	2010	Increase/ (decrease) from 2009
		<i>RMB' 000</i>	<i>RMB' 000</i>	%	<i>RMB' 000</i>	%
(1) Airport ground services to Hainan Airlines	47,534	66,500	72,500	9.0	79,000	9.0
(2) Cargo mail and luggage services to Hainan Airlines	2,438	3,633	4,033	11.0	N/A	N/A

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As we noted from the above table, the actual transaction amounts for the provision of airport ground services and cargo mail and luggage services to Hainan Airlines in the first half of 2008 represented approximately 70% of the respective existing annual cap for 2008. Therefore, the Board has considered and proposed to revise the caps of the relevant transactions above for the same period from 1 January 2008 to 31 December 2010. The revised annual caps for 2008 are basically determined by doubling the actual amount incurred in the six months ended 30 June 2008. The subsequent revised annual caps for 2009 and 2010 represent an annual growth rate of 10.0%. Details of which are tabulated as follows:

Transactions	Actual transaction amounts for the six months ended 30 June 2008 <i>RMB' 000</i>	Revised Annual Caps for the year ending 31 December				
				Increase/ (decrease)	Increase/ (decrease)	
		2008 <i>RMB' 000</i>	2009 <i>RMB' 000</i>	from 2008 %	2010 <i>RMB' 000</i>	from 2009 %
(1) Airport ground services to Hainan Airlines	47,534	99,130	109,043	10.0	119,948	10.0
(2) Cargo mail and luggage services to Hainan Airlines	2,438	5,000	5,500	10.0	N/A	N/A

Basis for determination of the Revised Annual Caps

For the purpose of making further analysis for the basis for determination of the Revised Annual Caps apart from the facts and figures presented in the Interim Report 2008 as mentioned in the previous section, we have also noted the following statistical information in the PRC as extracted from the website of 中華人民共和國國家統計局 (The National Bureau of Statistics of China) for determining the annual growth rate of 10.0% implied by the Revised Annual Caps:

- the real gross domestic products (the “GDP”) growth rate of the PRC for the year 2007 and the first three quarters of 2008 had increased by approximately 11.9% and 9.9% respectively when compared to that in 2006 and the corresponding first three quarters of 2007;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- the GDP of Hainan Province, the PRC in the year 2007 and the first half year of 2008 amounted to approximately RMB122.96 billion and 70.77 billion, representing respective increases of approximately 14.5% and 10.5% when compared to that in 2006 and the corresponding first half of 2007;
- the consumer price index of the PRC for the nine months ended 30 September 2008 rose by approximately 7.0% when compared to that of the corresponding period in 2007; and
- tourism in Hainan Province, the PRC had been growing rapidly over the past years, it recorded over 18.5 million tourists visiting Hainan Province and bringing gross revenue of approximately RMB17.1 billion in 2007, representing respective increases of approximately 15.0% and 21.2% over that in 2006. Of the total number of tourists in 2007, the number of overseas and domestic tourists accounted for approximately 753,100 and 17.7 million persons, representing respective increases of approximately 22.1% and 14.7% over that in 2006.

Based on the above statistical figures and information, we are of the view that the annual growth of 10.0% implied by the Revised Annual Caps is prudent, appropriate, fair and reasonable due to the rapid economic growth of and increase in tourism in Hainan Province, the PRC. Moreover, the Directors believe that the aeronautical business of the Company has been developing rapidly and is expected to experience steadier growth in 2008 and thereafter.

In light of the above, we consider that the basis for determination of the New Annual Caps and the Revised Annual Caps is prudent, appropriate, fair and reasonable so far as the Company and the Shareholders, including the Independent Shareholders, are concerned.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the renewal of the Continuing Connected Transactions (including the New Annual Caps) contemplated under the Proposed Terminal Leases (comprising the Hainan Airlines Terminal Lease and the Southern Airlines Terminal Lease) is conducted in the ordinary and usual course of business of the Company, in the interests of the Company and the Shareholders as a whole and the terms thereof are on normal commercial terms; and (ii) the Revised Annual Caps for the Hainan Airlines Transactions contemplated under the Hainan Airlines Agreements (comprising the airport ground services agreement and the cargo mail and luggage services agreement) entered into between the Company and Hainan Airlines, are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the forthcoming EGM to approve (i) the Continuing Connected Transactions (including the New Annual Caps) contemplated under the Proposed Terminal Leases; and (ii) the Revised Annual Caps for the Hainan Airlines Transactions contemplated under the Hainan Airlines Agreements entered into between the Company and Hainan Airlines.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Eric Lee

Deputy Managing Director

1. 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 INTERESTS**(a) Director's interest and short position**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would be 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules; or would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO.

None of the Directors and their respective associates (as defined in Listing Rules) has any interest in a business, which competes or may compete with the businesses of the Company or any other conflict of interests which any such person has or may have with the Company.

None of the Directors has any material interest, directly or indirectly, in any asset which, since 31 December 2007, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries which can not be terminated by the Group within one (1) year without the payment of compensation other than statutory compensation.

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this Circular.

Mr. Joseph Chan, a non-executive Director, is a director of Oriental Patron Financial Services Group Limited. The shareholding of the Oriental Patron Financial Services Group Limited in the Company is disclosed in paragraph 3 of this section. Save as disclosed above, as at the Latest Practicable Date, no director or proposed director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to any of the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”); or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

Long position in shares

Domestic shares

Name of Shareholders	Type of Interest	Number of shares	Percentage of domestic share	Percentage of issued share capital
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial	237,500,000	96.43%	50.19%

H shares

Name of Shareholders	Type of Interest	Number of shares	Percentage of H share	Percentage of issued share capital
Zhang Gaobo (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Zhang Zhiping (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Oriental Patron Financial Services Group Limited (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Oriental Patron Resources Investment Limited (<i>Note 2</i>)	Beneficial	94,643,000 (L)	41.71%	20.00%
Oriental Patron Financial Group Limited (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
UBS AG (<i>Note 3</i>)	Beneficial and controlled corporate interest	29,483,400 (L) 413,000 (S)	12.99% 0.18%	6.23% 0.09%
ChinaRock Capital Management Limited (<i>Note 4</i>)	Investment manager	16,220,000 (L)	7.15%	3.43%
Farallon Capital Management, L.L.C. (<i>Note 4</i>)	Investment manager	16,220,000 (L)	7.15%	3.43%
Utilico Emerging Markets Utilities Limited (<i>Note 5</i>)	Investment manager	11,629,000 (L)	5.12%	2.46%

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.

2. Zhang Gaobo holds 49.19% interests in Oriental Patron Financial Group Limited. Zhang Zhiping holds 49.92% interests in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited holds 95% interests in Oriental Patron Financial Services Group Limited, which in turn holds 100% interests in Oriental Patron Resources Investment Limited.
3. Among the 29,483,400 shares of the Company, as a beneficial owner, UBS AG holds 623,714 shares and is deemed to have equity interest in the 28,859,686 shares (UBS AG wholly owns UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd, UBS Global Asset Management (Hong Kong) Ltd and UBS Securities LLC., and those companies beneficially own 16,827,686 shares, 4,414,000 shares, 6,377,000 shares and 413,000 shares in the Company, respectively). In addition, UBS AG is deemed to hold the short position of 413,000 shares in the Company (UBS AG wholly owns UBS Securities LLC, which beneficially owns 413,000 shares in the Company).
4. As investment advisors, ChinaRock Capital Management Limited and Farallon Capital Management L.L.C. are deemed to hold the equity interests of 16,220,000 shares in the Company (ChinaRock Capital Management Limited and Farallon Capital Management L.L.C. hold 100% interests in Farallon Capital Offshore Investors II, L.P., Tincum Partners, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Institutional Partners II, L.P., Farrallon Capital Institutional Partners, L.P., Farallon Capital Partners, L.P. and Farallon Capital Offshore Investors, Inc., and those companies beneficially own 2,343,100 shares, 2,176,100 shares, 190,500 shares, 120,400 shares, 91,800 shares, 3,457,500 shares and 7,840,600 shares in the Company, respectively).
5. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.
- 6 (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at the Latest Practicable Date so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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 carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

4. INTERESTS OF INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser did not have any direct or indirect interest in assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2007, the date to which the latest audited financial statements of the Group were made up.

6. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. CONSENT AND EXPERT

The following are the qualifications of the professional advisers who have given opinion or advice, which is contained in this circular:

Name	Qualification
First Shanghai Capital Ltd.	A licenced corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO.

First Shanghai Capital Ltd. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, First Shanghai Capital Ltd. is not beneficially interested in the share capital of any member of the Group nor does it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor does it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up 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.

8. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Bai Yan, a member of the Institute of Chartered Secretaries. Mr. Bai Yan graduated from the Economics Department of Northwestern University. From July 1997 to March 2002, he worked in the Securities Department of Hainan Airlines. In October 2000, Mr. Bai was assigned to assist in the establishment of the Company, the related restructuring, H share issue and listing process matters.
- (b) The qualified accountant of the Company is Mr. Fung Ching Simon. Mr. Fung graduated from the Queensland University of Technology, Australia and obtained a bachelor's degree in Accountancy. Mr. Fung is a Hong Kong resident. He is a senior member of the Australia Society of Institute of Certified Public Accountants and an associate member of the Hong Kong Society of Institute of Certified Public Accountants.
- (c) The registered address of the Company is at Meilan Airport Complex, Haikou City Hainan Province, PRC.
- (d) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular and form of proxy shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road Wan Chai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the articles of association of the Company;

- (b) the agreements of the Non-exempt Continuing Connected Transactions, the Old Hainan Airlines Terminal Lease, the Old Southern Airlines Terminal Lease, the airport ground service agreement and the cargo mail and luggage service agreement entered into between the Company, Hainan Airlines and China Southern Airlines;
- (c) the letter from First Shanghai Capital Ltd. to the Independent Board Committee, the text of which is set out on pages 23 to 38 of this circular;
- (d) the written consent from First Shanghai Capital Ltd. as referred to in the section headed “Expert” in this appendix;
- (e) the letter from the Independent Board Committee to the Independent Shareholders as set out on page 22 in this Circular; and
- (f) The annual report of the Company for the three years ended 31 December 2007 and the interim report of the Company for the six months ended 30 June 2008.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS ANNUAL CAPS FOR THE TRANSACTIONS WITH HAINAN AIRLINES

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Hainan Meilan International Airport Company Limited (the “**Company**”) will be held at 9:00 a.m. on 16 December 2008 (Tuesday) in the meeting room of the Company on the 3rd Floor, Meilan Airport Complex, Haikou City, Hainan Province, the People’s Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following resolutions:

By way of ordinary resolution:

- (a) the Hainan Airlines terminal lease agreement dated October 16, 2008 entered into between the Company and Hainan Airlines Company Limited (“**Hainan Airlines**”) and the non-exempt continuing connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”) contemplated thereunder and applicable Annual Caps for each of the three financial years ending 31 December 2011 be and are hereby approved;
- (b) the Southern Airlines terminal lease agreement dated October 16, 2008 entered into between the Company and China Southern Airlines Company Limited and the non-exempt continuing connected transactions (as defined in the Listing Rules) contemplated thereunder and applicable Annual Caps for each of the three financial years ending 31 December 2011 be and are hereby approved;
- (c) the adjustment of the original annual caps to RMB99,130,000, RMB109,043,000 and RMB119,948,000 for the three years ending 31 December 2010 for the airport ground services agreement between the Company and Hainan Airlines dated 1 October 2007 be and are hereby approved;

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the adjustment of the original annual caps to RMB5,000,000 and RMB5,500,000 for the two years ending 31 December 2009 for the cargo mail and luggage service agreement between the Company and Hainan Airlines dated 8 October 2007 be and are hereby approved;
- (e) the appointment of Mr. Zhao Yahui as an executive director of the Company for a term of three years with effect from the date of the EGM be and are hereby approved. The requisite particulars of Mr. Zhao Yahui that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out below in Note H.
- (f) the appointment of Mr. Hu Wentai as a non-executive director of the Company for a term of three years with effect from the date of the EGM be and are hereby approved. The requisite particulars of Mr. Hu Wentai that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out below in Note I.

By way of special resolution:

- (g) the following amendments to articles 80, 93 and 94 of the articles of association of the Company be and are hereby approved:

Article 80 “The shareholders’ meeting shall be convened by the board, and presided over by the chairman of the board. If the chairman of the board is unable or fails to perform such duty, the vice-chairman of the board shall perform such duty. If the vice chairman is unable or fails to perform such duty, the meeting shall be presided over by a director designated by more than half of the directors. In the circumstance of the failure to designate a director to preside over the meeting, the shareholders attending the meeting may elect the chairman to preside over the meeting. If due to any reason, the shareholders are unable to elect the chairman of the meeting, the shareholder (including his proxies) who attends the meeting and holds the largest voting power shall act as the chairman of the meeting. If the board is unable or fails to perform its duty of convening the shareholders’ meeting, the board of supervisors shall convene and preside over such meetings promptly. If the board of supervisors is not able to convene and preside over such meetings, the shareholder(s) alone or in aggregate holding 1/10 or more of the shares for 90 days consecutively may convene and preside over such meetings on their own initiative.”

Article 93 “The board of the company shall comprise eleven directors, including one chairman and one vice-chairman. The board shall comprise 1/2 or more external directors, who do not hold any position within the company, and 1/3 or more independent non-executive directors, who are independent from the shareholders of the company and do not hold any position within the company.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

Article 94 “The chairman and vice-chairman shall be elected or dismissed by more than half of all directors. The chairman and vice-chairman shall serve for a term of three years and may be reelected. The chairman, vice-chairman and directors may concurrently serve as the general manager, deputy general manager or other senior management (except for supervisor).”

By Order of the Board

Hainan Meilan International Airport Company Limited

Bai Yan

Company Secretary

Hainan, the PRC

30 October 2008

Notes:

- (A) The H share register of the Company will be closed from 15 November 2008 (Saturday) to 16 December 2008 (Tuesday) (both days inclusive), during which no transfer of H shares will be effected. Holders of the H shares of the Company whose names appear on the Company’s register of members at the close of business on 14 November 2008 (Friday) are entitled to attend and vote at the EGM (or any adjournment thereof).

In order to be entitled to attend and vote at the EGM (or any adjournment thereof), share transfer documents should be lodged with the Company’s H shares share registrar not later than 4:30 p.m. on 14 November 2008 (Friday).

The address of the Company’s H shares share registrar is as follows:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

- (B) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete and return the reply slips for attending the EGM to the Secretary Office to the board of directors of the Company not later than 20 days before the date of the EGM. i.e. on or before 25 November 2008 (Tuesday).

Holders of H shares and domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Details of the Secretary Office to the board of directors of the Company are as follows:

Meilan Airport Complex
Haikou City
Hainan Province
PRC

Tel: (86-898) 6576 2009

Fax: (86-898) 6576 2010

- (C) Each holder of H shares who has the right to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. 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. The 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.
- (D) For holders of H shares of the Company, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a certified copy of that power of attorney or other authority (such certification to be made by a notary public), must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (E) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Note (C) also applies to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to Secretary Office to the board of directors of the Company, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (F) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of the holder of legal person shares attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person shares appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of legal person shares and duly signed by its legal representative.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (G) Set out below is the procedure by which shareholders of the Company and the chairman of any shareholders' meeting of the Company may demand a poll pursuant to the articles of association of the Company:

“At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is required in accordance with the Listing Rules or is demanded before or after any vote by show of hands by:

- (i) the chairman of the meeting;
- (ii) at least two shareholders with voting rights or their proxies; or
- (iii) any shareholder or shareholders (including proxies) holding separately or in aggregate 10 percent or more of the shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the shareholders' meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand.”

- (H) Mr. Zhao Yahui (趙亞輝), aged 59, graduated from Air Force No. 2 Aviation University in 1969, majoring in aviation. Mr. Zhao has extensive experience in the area of airport management. Ever since he joined HNA Group Company Limited in December 1992, Mr. Zhao had worked as the standing deputy general manager of department of aviation matters and the general manager of flight department of Hainan Airlines Company Limited, the standing deputy general manager of Shanxi Airlines Company Limited, the deputy general manager of Yangtze River Express Delivery Aviation Company Limited, the general manager of supervisory department of HNA Group Company Limited, the chairman and the chief executive officer of Sanya Phoenix International Airport Company Limited and the standing executive vice president of HNA Airport Group Company Limited. He currently holds the positions of chairman of Sanya Phoenix International Airport Company Limited.

Save as disclosed above, Mr. Zhao Yahui has not any relationships with any directors, supervisors, senior management of the Company or substantial shareholders or controlling shareholders of the Company, nor does he has any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), nor does he holds any directorships in any listed public companies in the last three years. There is no information which is discloseable pursuant to Rules 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. There is no other matter that needs to be brought to the attention of the shareholders of the Company.

The term of service for Mr. Zhao Yahui will be for three years commencing from the date on which approval by the shareholders of the Company at the EGM is obtained. The amount of the emoluments of Mr. Zhao Yahui is RMB70,000 for each year, respectively. The Company will determine the bonus for the relevant directors accordingly to status of the Company's operation, provided that such bonus shall not exceed the limitation of 2% of the Company's net profits for each year audited by an international accounting firm.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (I) Mr. Hu Wentai (胡文泰), aged 53, graduated from Logistics Institute of the P.L.A. Navy in 1979. Mr. Hu has extensive experience in the area of airport management and project construction. Ever since he joined HNA Group Company Limited in June 2000, Mr. Hu has worked as the general manager of Hainan Henghe Property Management Company Limited, the executive vice president of Haikou Meilan Airport Company Limited, the chief operating officer of the Company, the chairman of Haikou New City Area Construction Development Company Limited, the deputy general manager of Beijing HNA Realty Group Company Limited, and the vice general manager of the Company.

Save as disclosed above, Mr. Hu Wentai has not any relationships with any directors, supervisors, senior management of the Company or substantial shareholders or controlling shareholders of the Company, nor does he has any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), nor does he holds any directorships in any listed public companies in the last three years. There is no information which is discloseable pursuant to Rules 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. There is no other matter that needs to be brought to the attention of the shareholders of the Company.

The term of service for Mr. Hu Wentai will be for three years commencing from the date on which approval by the shareholders of the Company at the EGM is obtained. The amount of the emoluments of Mr. Hu Wentai is RMB50,000 for each year, respectively. The Company will determine the bonus for the relevant directors accordingly to status of the Company's operation, provided that such bonus shall not exceed the limitation of 2% of the Company's net profits for each year audited by an international accounting firm.

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

BOOK CLOSURE NOTICE

The H share register of the Company will be closed from 15 November 2008 (Saturday) to 16 December 2008 (Tuesday) (both days inclusive), during which period no transfer of H shares will be effected.

In order to be entitled to attend and vote at the EGM (or any adjournment thereof) on 16 December 2008 (Tuesday), share transfer documents should be lodged with the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 November 2008 (Friday).

As at the date of this notice, the Board comprises eleven directors, Mr. Zhang Cong, Mr. Dong Zhanbin, Mr. Dong Guiguo, Mr. Bo Yan as executive directors; Mr. Zhang Han'an, Mr. Joseph Chan, Mr. Yan Xiang as non-executive directors; and Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng as independent non-executive directors.