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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION**

**PROPOSED ISSUE OF A SHARES IN THE PRC
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND
PROCEDURAL RULES AND SYSTEMS**

**SPECIAL DIVIDENDS
AND
RESUMPTION OF TRADING**

THE SHARE TRANSFER AGREEMENTS

The Board is pleased to announce that on 25 March 2010, the Company entered into the conditional Share Transfer Agreements with the Vendors (namely HNA Group and Kingward) respectively for the acquisition of HNA Airport Holding (Group) Company Ltd. (hereinafter referred to as "HNA Airport") at a total consideration of RMB2,199.9 million (approximately HK\$2,485 million). The terms and conditions of the Share Transfer Agreements are determined on normal commercial terms after arm's length negotiations between the parties thereto. The Directors (excluding the Independent Non-executive Directors whose views will be formed and given after taking into consideration the opinion of the independent financial adviser) are of the view that the terms and conditions of the Share Transfer Agreements are fair and reasonable, and that the entering into of the Share Transfer Agreements is in the interest of the Company and the Shareholders as a whole.

HNA Airport is principally engaged in airport investment, operation management and ground services relating to air transportation, including but not limited to owning and operating Sanya Phoenix Airport. HNA Airport, being the holding company of eight airports, is one of the major airport management groups in PRC.

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

As the applicable percentage ratios of the Acquisition pursuant to Rule 14.07 of the Listing Rules exceed 100% and HNA Group, one of the Vendors, being the promoter of the Company holding 0.74% equity interest in the Company, is a connected person of the Company, the Acquisition constitutes a very substantial acquisition and a connected transaction of the Company. The Acquisition is therefore subject to the reporting and announcement requirements and approval of the Independent Shareholders by way of poll at the EGM. HNA Group and its associates, being connected persons of the Company with material interest in the Acquisition, will abstain from voting at the EGM.

FINANCIAL ADVISER, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

GF Capital has been appointed as the financial adviser to the Company in respect of the Acquisition.

An Independent Board Committee comprising Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng, all being Independent Non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Share Transfer Agreements. Optima Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Transfer Agreements.

PROPOSED ISSUE OF A SHARES IN THE PRC

The Company intends to apply to the CSRC for the issue of up to 200,000,000 A Shares. The A Shares will be issued to the natural persons, corporations and other institutions in the PRC which have maintained A Share holders' accounts with the Shanghai Stock Exchange or Shenzhen Stock Exchange (other than those as prohibited by the applicable PRC laws and regulations and other regulatory requirements with which the Company shall comply). All of the A Shares to be issued under the A Share Issue are intended to be listed on the Shanghai Stock Exchange.

The A Share Issue is subject to (a) the approval by the Shareholders at the EGM and CSM; and (b) the approval by the CSRC and other relevant PRC authorities.

200,000,000 A Shares represent approximately 42.26% of the existing issued share capital of the Company and not more than 29.71% of the enlarged issued share capital of the Company immediately after completion of the proposed A Share Issue.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND PROCEDURAL RULES AND SYSTEMS

In light of the A Share Issue and pursuant to the statutory requirements of the applicable PRC laws and regulations, certain amendments are proposed to be made to the Articles of Association, and a set of procedural rules and systems regarding corporate meetings are proposed to be adopted. Details regarding the proposed amendments to the Articles of Association and procedural rules and systems will be set out in the circular to be dispatched to the Shareholders.

PROPOSED PAYMENT OF SPECIAL DIVIDENDS

The Board proposes payment of a special dividend of RMB0.35 (approximately HK\$0.3955) per share to the Shareholders of the Company, subject to approval by the Shareholders at the EGM and the A Share Issue being approved by the CSRC.

DISPATCH OF CIRCULAR

A circular containing, among other things, details of the Share Transfer Agreements, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, information of the proposed A Share Issue, the proposed amendments to the Articles of Association and procedural rules and systems and the proposed payment of special dividends and other information as required under the Listing Rules, together with notices of the EGM and CSMs, will be dispatched to the Shareholders as soon as practicable.

There is no assurance that the A Share Issue will proceed. Shareholders and potential investors are advised to exercise caution in dealing in the H Shares.

Dealings in the Shares on the Stock Exchange were suspended at the request of the Company with effect from 9:30 a.m. on Friday, 26 March 2010. Application has been made by the Company for the resumption of dealings in the Shares with effect from 9:30 a.m. on Wednesday, 7 April 2010.

THE KINGWARD AGREEMENT

Date:

25 March 2010 (as supplemented by a letter of exchange dated 1 April 2010)

Parties:

Purchaser: the Company

Vendor: Kingward

To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, Kingward and its ultimate beneficial owner(s) are Independent Third Party of the Company and HNA Group.

Pursuant to the Kingward Agreement, Kingward has agreed to transfer its 24.5% equity interest in HNA Airport to the Company.

THE HNA GROUP AGREEMENT

Date:

25 March 2010

Parties:

Purchaser: the Company

Vendor: HNA Group

As HNA Group is the promoter of the Company holding 0.74% equity interest in the Company, HNA Group is a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to the HNA Group Agreement, HNA Group has agreed to transfer its 30% equity interest in HNA Airport to the Company.

The Kingward Agreement and the HNA Group Agreement are not inter-conditional.

Assets to be acquired and Consideration:

- (a) Prior to the entering into of the Share Transfer Agreements, HNA Group, Worldwide and Kingward respectively own 51%, 24.5% and 24.5% of the issued share capital of HNA Airport. Pursuant to the Share Transfer Agreements, the Company will acquire 54.5% equity interests in HNA Airport, including HNA Group Sale Shares and Kingward Sale Shares, at a total consideration of RMB2,199.9 million (approximately HK\$2,485 million), including RMB1,211 million (approximately HK\$1,368.4 million) for HNA Group Sale Shares and US\$145 million (approximately RMB988.9 million or HK\$1,117,457,000) for Kingward Sale Shares.

HNA Airport was established by HNA Group, Kingward and Worldwide in 2007 with registered capital of US\$408.2 million. HNA Group holds 51% of the issued share capital of HNA Airport with the capital contribution of US\$208.20 million (approximately RMB1,429,084,800 or HK\$1,623,960,000). Kingward holds 24.5% of the issued share capital of HNA Airport with the capital contribution of US\$100,000,000 (approximately RMB625,380,800 or HK\$770,660,000).

- (b) The Consideration was determined by the Company and Vendors after arm's length negotiations and considering a number of factors, including but not limited to the valuation, growth potential and asset appreciation prospect of HNA Airport. The valuation of HNA Airport of approximately RMB4,075,645,509.32 (approximately HK\$4,605,479,425.53) as at 31 December 2009 was determined by Beijing Lixin by reference to the market value of HNA Airport using cost approach. Beijing Lixin is an Independent Third Party and not connected with the Company.

Satisfaction of Consideration:

In relation to Kingward Sale Shares:

- (a) The Company shall pay 50% of the consideration, i.e. US\$72.50 million (approximately RMB494.45 million or HK\$558,728,500), as non-refundable prepayment ("Prepayment") to Kingward on or before 15 June 2010;
- (b) The Company shall pay the remaining 50% of the consideration, i.e. US\$72.50 million (approximately RMB494.45 million or HK\$558,728,500) ("Balance") to Kingward before 20 December 2010;
- (c) The Prepayment (or/and the Balance) or any part of it paid by the Company shall not be refunded. If, after the Company has paid part or all of the consideration, Kingward commits grave breach of the Kingward Agreement on purpose and fails to make substantive remedies within 30 days from the date where Kingward receives the notice issued by the Company requesting Kingward to make remedies in regard to such breach, which results in the failure in fulfillment of objective of Kingward Agreement or in continuing performance of Kingward Agreement, the Company has the right to require Kingward to refund the paid consideration and indemnify the Company the amount calculated as follows:–

The paid consideration × the interest rate of the People's Bank of China for one year time deposit × (the days between the date of payment and the date of refunding the same) / 360

- (d) If, after the Company has paid the Prepayment, the Company fails to pay the Balance on time due to force majeure or other reasons beyond the control of the Company, the Company shall immediately notify Kingward in writing giving the reasons. With Kingward's written consent and upon the fulfillment or exemption of other conditions for transfer, Kingward will transfer 12.25% equity interest in HNA Airport to the Company, and the Prepayment will become part of the consideration. The Company will go through the formalities relating to the change of registration with the competent authorities in accordance with the agreement under the Kingward Agreement, and Kingward shall provide assistance as reasonably requested by the Company. Meanwhile, both parties shall agree on the performance of terms and conditions regarding the Balance through negotiation in good faith.

In relation to HNA Group Sale Shares:

- (a) The Company shall pay 15% of the consideration, i.e. RMB181.65 million (approximately HK\$205.26 million) to HNA Group within 10 days after the HNA Group Agreement becomes effective;
- (b) The Company shall pay the remaining 85% of the consideration, i.e. RMB1,029.35 million (approximately HK\$1,163.17 million) to HNA Group within 30 days after the completion of the share transfer;
- (c) If, after the prepayment, (i.e. 15% of the consideration) has been paid by the Company, the Company and HNA Group fail to complete the transfer of HNA Group Sale Shares on the Completion Date, HNA Group shall, besides refunding the prepayment, indemnify the Company the amount calculated as follows:–

The prepayment × the interest rate of the People's Bank of China for one year time deposit × (the days between the date of prepayment and the date of refunding the same) / 360

Source of Funding:

In relation to Kingward Sale Shares:

The Company intends to satisfy the consideration with its current funds and bank borrowings.

In relation to HNA Group Sale Shares:

The Company intends to satisfy the consideration with the proceeds from A Share Issue.

The balance of proceeds from the proposed A Share Issue (if any) will be used as the general working capital of the Company.

Conditions Precedent to the Kingward Agreement:

The Kingward Agreement will become effective upon the fulfillment of the following precedent conditions:–

- (a) all necessary resolutions have been passed by voting at the board meeting and general meeting of Kingward in order to approve the terms and conditions of the Kingward Agreement and the transactions contemplated thereunder; and
- (b) all necessary resolutions have been passed by voting at the board meeting and general meeting of the Company (including, if required by law, passed by voting (where necessary, by way of poll) by the Independent Shareholders of the Company at the EGM) in order to approve the terms and conditions of the Kingward Agreement and the transactions contemplated thereunder (Note 1).

The followings are the conditions precedent for the registration of transfer and change of the Kingward Sale Shares:

- (a) the Kingward Agreement has become effective before 17 May 2010;
- (b) the Company has received the copy of minutes of the board meeting and general meeting of Kingward, and Kingward has received the copy of minutes of the board meeting and general meeting of the Company;
- (c) the Company has received the copy of written documents issued by other shareholders of HNA Airport stating their waive of pre-emptive rights regarding the share transfer under Kingward Agreement;
- (d) prior to the settlement of share transfer, Kingward shall ensure that it has complete rights of disposal to the Kingward Sale Shares, no third party interests are created on the Kingward Sale Shares, and the Kingward Sale Shares are not subject to any third party interests, including but not limited to the charge, pledge and guarantee, and their transfer may take place in accordance with the agreed terms of the Kingward Agreement;
- (e) the parties must obtain the approval or consent necessary for the transfer of the Kingward Sale Shares from the competent government authorities (Note 2); and
- (f) Kingward has received all consideration for the transfer of the Kingward Sale Shares.

Note:

- 1. If the Company cannot obtain shareholders' approval, the Kingward Agreement will not be effective and the Company will not make any Prepayment.
- 2. In the event condition (e) above cannot be fulfilled, the parties shall negotiate in good faith for the termination of the Kingward Agreement and for the Prepayment to be refunded without interest.

Termination of the Kingward Agreement:

If, after the Company has paid part of or all of the consideration for the share transfer, the share transfer fails to be completed before the Completion Date due to certain reasons except the breach of agreement by either party, both parties shall negotiate in good faith on the termination of the Kingward Agreement and the refund of consideration paid by the Company for share transfer. The Prepayment made under the Kingward Agreement is not refundable but may be used to acquire the 12.25% equity interest in HNA Airport from Kingward. Further details are set out in sub-paragraph (d) under Satisfaction of Consideration on page 5 above.

Conditions Precedent to the HNA Group Agreement:

The HNA Group Agreement will become effective upon the fulfillment of the following precedent conditions:–

- (a) the passing by the shareholders of HNA Group at the general meeting of all the necessary resolutions to approve the HNA Group Agreement and the transactions contemplated thereunder;
- (b) the passing by way of poll by the Independent Shareholders of the Company at the EGM of all the necessary resolutions to approve the HNA Group Agreement and the transactions contemplated thereunder;
- (c) the waiving of pre-emptive rights by each shareholder of HNA Airport as to the HNA Group Sale Shares;
- (d) prior to the Completion Date, the Vendor shall ensure that there is no appropriation of funds or external guarantee by any of their connected parties in connection with the funds of HNA Airport. In the event of any frozen funds or equity of HNA Airport, the Vendor shall release the same prior to the date of HNA Group Agreement;
- (e) prior to the Completion Date, the Vendor shall ensure that they have complete rights of disposal to the HNA Group Sale Shares, no third party interests are created on the HNA Group Sale Shares, and the HNA Group Sale Shares are not subject to any third party interests, including but not limited to the charge, pledge and guarantee, and their transfer may take place in accordance with the agreed terms of the HNA Group Agreement;
- (f) the parties must obtain the approval or consent necessary for the share transfer from the competent government authorities; and
- (g) the Company obtains the official approval in connection with the A Share Issue from the relevant authority or department and A Share Issue is completed.

In the event that not all of the above precedent conditions are satisfied or fulfilled within 2 years after the passing of the resolution relating to the A Share Issue at the EGM and CSMs of the Company, the HNA Group Agreement shall be terminated automatically and neither the Company nor HNA Group shall undertake any responsibility under the HNA Group Agreement unless the Company and HNA Group agree on such other date to satisfy or fulfill the above conditions.

Termination of the HNA Group Agreement:

- (a) Upon the completion of the A Share Issue by the Company, if, for any reason, the HNA Group Agreement is terminated by any party, the Company is entitled to retain the proceeds from the A Share Issue as its general working capital.

- (b) If the A Share Issue fails to be completed or the relevant approval is not obtained, the parties may otherwise enter into a supplemental agreement in respect of the acquisition under the HNA Group Agreement. The Directors intend to purchase the HNA Group Sale Shares even if the Company does not proceed with the A Share Issue. A supplemental agreement will be entered in the event that the A Share Issue fails to complete or the official approval is not obtained.
- (c) No party shall terminate the HNA Group Agreement unilaterally unless the above precedent conditions fail to be satisfied or fulfilled.

Completion

For the purpose of acquisition of HNA Group Sale Shares, Completion shall take place upon the full payment of the consideration of RMB1,211 million (approximately HK\$1,368.4 million) or such other days as agreed by the parties involved.

For the purpose of acquisition of Kingward Sale Shares, Completion shall take place upon the fulfillment or exemption of all precedent conditions and the completion of procedures relating to the registration of transfer and change of Kingward Sale Shares, and no later than seven days after all precedent conditions have been fulfilled or exempted (in any event, no later than 27 December 2010) or such other days as agreed by the parties involved.

Upon Completion, the Company will own 54.5% equity interests in HNA Airport. HNA Airport will therefore become a subsidiary of the Company and its financial results will be consolidated into the books of the Company.

The PRC Legal Opinion

Pursuant to the legal opinion issued by the PRC Lawyer on 25 March 2010 in relation to the acquisition of the equity interests in HNA Airport by the Company, among the 51% equity interests in HNA Airport currently held by HNA Group, 37.79% equity interests are under pledge. According to the Agreement on Modification of RMB Loan Pledge Contract of China Development Bank (《國家開發銀行人民幣資金貸款質押合同變更協議》) entered into between HNA Group and China Development Bank on 26 February 2009, the subject, being the equity interest in 134,000,000 shares of Sanya Phoenix held by HNA Group, was changed to the equity interest in 1,144,119,550 shares of HNA Airport held by HNA Group (representing 37.79% of the total share capital of HNA Airport), provided as the security for the loan of RMB548 million from China Development Bank extended under the Loan Contract No.4600070302004020081 entered into between Sanya Phoenix and China Development Bank. The pledge security was approved by the Reply Regarding the Pledge of Equity Interest in HNA Airport Holding (Group) Company Ltd (《關於海航機場控股(集團)有限公司股權質押的批覆》) (Qiong Shang Wu Geng Zi No. [2009]059) issued by Hainan Provincial Department of Commerce on 24 April 2009, and confirmed by the Notice of Creation and Registration of the Equity Interest Pledge (《股權出質設立登記通知書》) ((Qiong) Gu Zhi Deng Ji She Zi No.[2009] A0900270496) issued by the Industrial and Commercial Administration Bureau of Hainan Province on 5 June 2009, hence was legally registered.

HNA Group intends to transfer its 30% equity interest in HNA Airport, including 13.21% unpledged interest and 16.79% pledged interest in HNA Airport, to the Company. The 16.79% pledged interest will be released from its pledge before completion.

The PRC Lawyer is of the opinion that, save as those stated above, none of equity interest in relation to the Acquisition is charged, distressed, frozen or otherwise restricted from transfer. The PRC Lawyer had examined the necessary legal documents of HNA Airport obtained from HNA Airport, the relevant authorities, etc. before coming into the conclusion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the view that the Acquisition will facilitate the Company's medium-long term strategy of evolving into a regional airport management company, underpin the profitability of our principal operations, expand our operation scale and enhance the Company's core competitive power, hence laying a solid foundation for the Company's sustainable development with an aim to expand the Company's business into other parts of the PRC from Hainan.

The CAAC has determined the strategic direction of national airport network based on three national airline hubs (Beijing, Shanghai and Guangzhou) and six regional airline hubs (Shenyang, Wuhan, Xi'an, Chengdu, Kunming and Urumchi). Though Meilan Airport used to be one of the ten largest airports in the PRC, it was not selected as one of the airline hubs, thus its development has been limited and impacted. In recent years, the annual traffic volume of Meilan Airport has been fluctuating between 7 million and 8 million persons. Though the operating profits remain substantially stable, Meilan Airport could hardly achieve any traffic volume growth, which is mainly due to the diversion of traffic volume by Sanya Phoenix International Airport, an airport less than 200 kilometers (straight-line land distance) away.

The Acquisition will facilitate the Company to integrate the civil airport resources in Hainan Island, and thoroughly resolve the horizontal competition issue of "one island, two airports". Upon completion of the acquisition of the equity interest in HNA Airport, the Company will indirectly control 67% of the equity interest in Sanya Phoenix Airport and benefit from the fast development of Sanya Phoenix Airport. The Acquisition will increase the Company's core competitiveness and popularity in the airport operation industry, ensure a broaden stream of revenue source and a relatively stable profitability.

Upon the Completion, the Company will also become the holding company of seven airports outside Hainan Island, including the four airports in Gansu Province, Manzhouli Airport, Yichang Sanxia Airport and Dongying Airport. In view of the geographic advantages of the seven airports and the favourable national development strategies, the future development of the regional economy will definitely enhance the profitability of the seven airports. Moreover, a large number of business travelers will become the passengers of the Company, which will make the customer structure of the Company more comprehensive and reasonable, and ensure the profitability in the future.

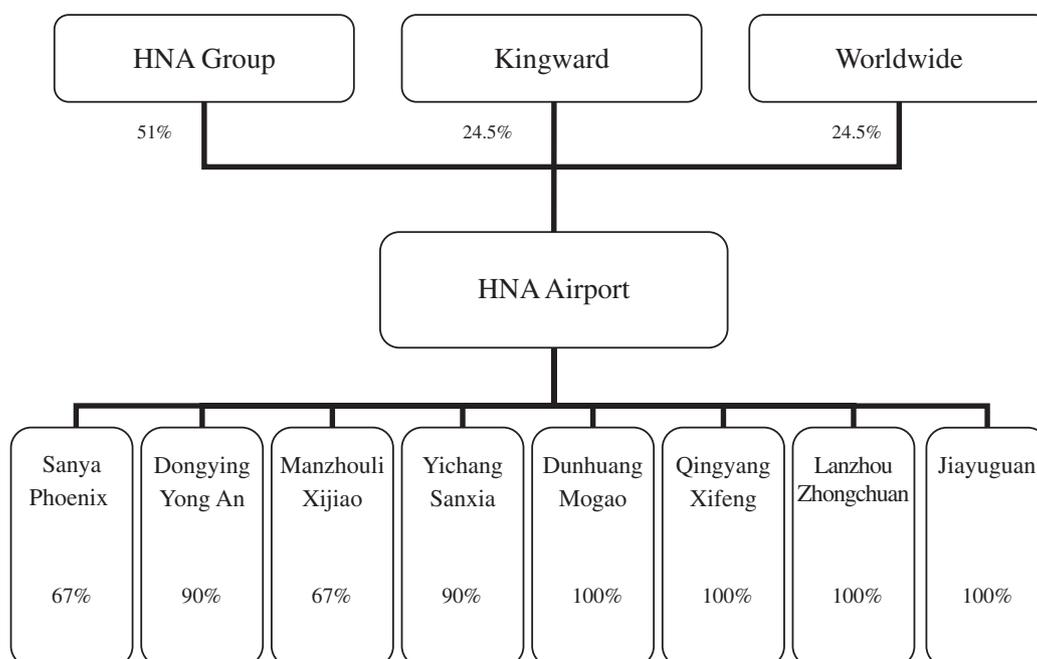
The Directors believe that the Acquisition will support the Company’s development and expansion, which is in line with the Company’s strategy of evolving into a regional airport management company and in the commercial interests of the Company. The Directors (excluding Independent Non-executive Directors whose views will be formed and given after taking into consideration the opinion of the independent financial adviser) are of the view that the terms of the Share Transfer Agreements are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON HNA AIRPORT AND ITS SUBSIDIARIES

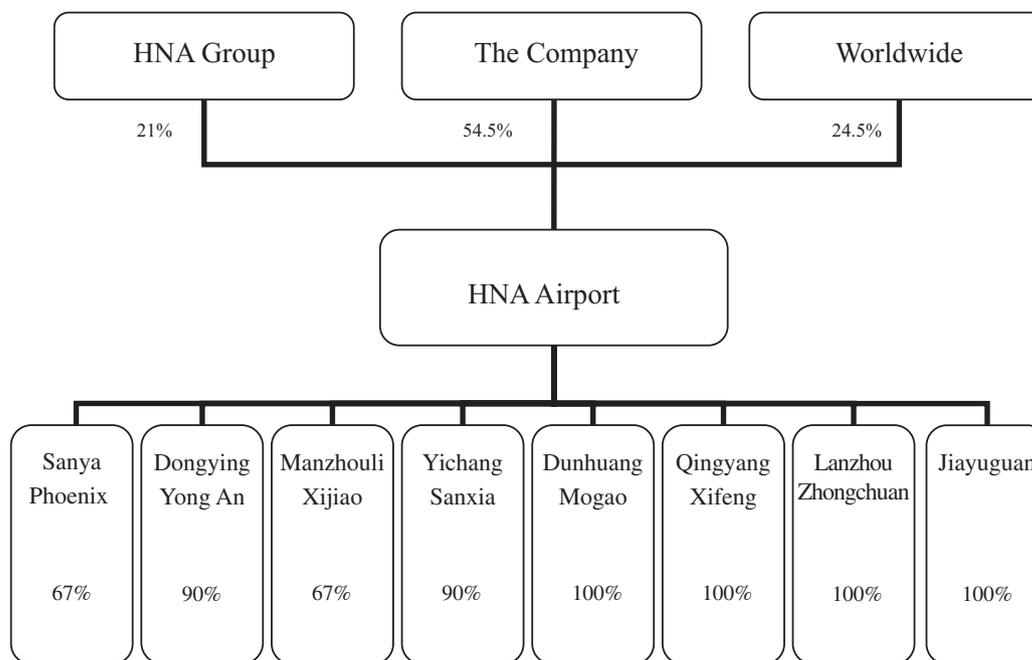
HNA Airport is a limited liability company legally established and validly existing in the PRC with a registered capital of US\$408.2 million and paid-in capital of US\$408.2 million. Its current shareholders and their respective shareholding percentages are set out below:

Name of Shareholders	Amount of Contribution (US\$'000)	Percentage of Shareholding
HNA Group Company Limited	208,200	51%
Worldwide United Limited	100,000	24.5%
Kingward Investment Limited	100,000	24.5%
Total	408,200	100%

HNA Airport is principally engaged in airport investment, operation management and ground services relating to air transportation, including owning and operating Sanya Phoenix Airport. HNA Airport, being the holding company of eight airports, is one of the major airport management groups in China. Set out below is the shareholding structure of HNA Airport before Completion:



Set out below is the shareholding structure of HNA Airport after Completion:



Set out below is the financial information of HNA Airport in recent years (based on the financial statements prepared under the International Accounting Standards):

1. Condensed Combined Balance Sheet

Items	<i>in RMB'000</i>		
	31 December 2009	31 December 2008	31 December 2007
Total assets	7,850,538	6,879,138	6,341,674
Total liabilities	3,526,086	2,560,922	2,597,087
Total shareholders' equity	4,324,452	4,318,216	3,744,587
Total equity attributable to shareholders of HNA Airport	3,546,715	3,355,058	2,804,709

2. Condensed Combined Income Statement

Items	<i>in RMB'000</i>		
	2009	2008	2007
Operating revenue	609,184	475,557	47,829
Operating profit	279,842	198,007	2,292
Net profit	196,452	210,904	43,379
Net profit attributable to shareholders of HNA Airport	191,657	187,624	43,813
Profit before taxation and extraordinary items	205,667	226,694	43,452
Profit after taxation and extraordinary items	196,452	210,904	43,379

Sanya Phoenix

Sanya Phoenix was incorporated in the PRC on 27 August 1993. As at the date of this announcement, Sanya Phoenix is owned as to 67% by the HNA Airport and as to 33% by Independent Third Parties. Sanya Phoenix operates Sanya Phoenix International Airport, which is located at 海南省三亞市 (Sanya City, Hainan Province), covering an area of 463 hectares. Sanya Phoenix International Airport's throughput of passengers reached 7.941 million in year 2009.

Dongying Yong An

Dongying Yong An was incorporated in the PRC on 29 September 2001. As at the date of this announcement, Dongying Yong An is owned as to 90% by the HNA Airport and as to 10% by Independent Third Parties. Dongying Yong An operates Dongying Yong An Airport, which is located at 山東省東營市 (Dongying City, Shandong Province), covering an area of 3,966 acres. Dongying Yong An Airport's throughput of passengers reached 75,600 in year 2009.

Manzhouli Xijiao

Manzhouli Xijiao was incorporated in the PRC on 27 September 2004. As at the date of this announcement, Manzhouli Xijiao is owned as to 67% by the HNA Airport and as to 33% by Independent Third Parties. Manzhouli Xijiao operates Manzhouli Xijiao Airport, which is located in 內蒙古自治區滿洲里市 (Manzhouli City, the Inner Mongolia Autonomous Region), covering an area of 212.2 hectares. Manzhouli Xijiao Airport's throughput of passengers reached 147,000 in year 2009.

Yichang Sanxia

Yichang Sanxia was incorporated in the PRC on 18 January 2002. As at the date of this announcement, Yichang Sanxia is owned as to 90% by the HNA Airport and as to 10% by Independent Third Parties. Yichang Sanxia operates Yichang Sanxia Airport, which is located in 湖北省宜昌市猗亭區 (Huting District, Yichang City, Hubei Province), covering an area of 3,966 acres. Yichang Sanxia Airport's throughput of passengers reached 657,500 in year 2009.

Dunhuang Mogao

Dunhuang Mogao was incorporated in the PRC on 7 December 2007. As at the date of this announcement, Dunhuang Mogao is wholly owned by the HNA Airport. Dunhuang Mogao operates Dunhuang Mogao Airport, which is located in 甘肅省敦煌市 (Dunhuang City, Gansu Province). Dunhuang Mogao Airport's throughput of passengers reached 153,000 in year 2009.

Qingyang Xifeng

Qingyang Xifeng was incorporated in the PRC on 29 November 2007. As at the date of this announcement, Qingyang Xifeng is wholly owned by the HNA Airport. Qingyang Xifeng operates Qingyang Xifeng Airport, which is located in 甘肅省慶陽市 (Qingyang City, Gansu Province). Qingyang Xifeng Airport's throughput of passengers reached 20,600 in year 2009.

Lanzhou Zhongchuan

Lanzhou Zhongchuan was incorporated in the PRC on 19 October 2007. As at the date of this announcement, Lanzhou Zhongchuan is wholly owned by the HNA Airport. Lanzhou Zhongchuan operates Lanzhou Zhongchuan Airport, which is located in 甘肅省蘭州市永登縣 (Yongdeng County, Lanzhou City, Gansu Province). Lanzhou Zhongchuan Airport's throughput of passengers reached 2.86 million in year 2009.

Jiayuguan

Jiayuguan was incorporated in the PRC on 22 October 2008. As at the date of this announcement, Jiayuguan is wholly owned by the HNA Airport. Jiayuguan operates Jiayuguan Airport, which is located in 甘肅省嘉峪關市 (Jiayuguan City, Gansu Province). Jiayuguan Airport's throughput of passengers reached 89,600 in year 2009.

INFORMATION ABOUT THE COMPANY

The Company is principally engaged in aeronautical and non-aeronautical businesses at Meilan Airport. The business scope of the Company mainly includes the provision of transit and ground transportation services to domestic and foreign air transportation companies and transit passengers; the leasing of the aviation commercial area, business and commercial premises within the departure tower and the provision of integrated services, the construction and operation of aviation facilities within the airport and the ancillary buildings thereto, the provision of cargo storage, packing, loading and unloading and transportation services.

INFORMATION ABOUT HNA GROUP

HNA Group is principally engaged in aeronautical business, investment and management of airports, investment and management of hotels and golf courses, IT services, export and import of aircrafts and aviation supplies, investment and development of energy, transportation, new technologies and new materials, and equity operation.

INFORMATION ABOUT KINGWARD

Kingward is an investment holding company, incorporated as a limited company under the Hong Kong Companies Ordinance in Hong Kong on 22 August 2007.

Kingward is an Independent Third Party.

FINANCIAL ADVISER, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

GF Capital has been appointed as the financial adviser to the Company in respect of the Acquisition.

An Independent Board Committee comprising Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng, all being Independent Non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Share Transfer Agreements. Optima Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Transfer Agreements.

PROPOSED ISSUE OF A SHARES IN THE PRC

The Company intends to apply to the CSRC for the issue of 200,000,000 A Shares. The A Shares will be issued to the natural persons, corporations and other institutions in the PRC which have maintained A Share holders' accounts with the Shanghai Stock Exchange or Shenzhen Stock Exchange (other than those as prohibited by the applicable PRC laws and regulations and other regulatory requirements with which the Company shall comply). The H Shares of the Company are currently listed on the Stock Exchange. The Company has not conducted any fund raising exercise within the 12-month period prior to the date of the Announcement.

STRUCTURE OF THE A SHARE ISSUE

The proposed structure of the A Share Issue is set out below:

- (1) Type of securities to be issued: RMB denominated ordinary shares.
- (2) Number of A Shares to be issued: 200,000,000 A Shares, representing 42.26% of the existing issued share capital of the Company and approximately 29.71% of the enlarged issued share capital of the Company immediately after completion of the proposed A Share Issue, the exact number of which shall be determined by the Board as proposed to be authorised by the Shareholders at the EGM and CSMs.
- (3) Par value: RMB1.00 each.
- (4) Rights attached to A Shares: The A Shares shall rank pari passu with the existing Domestic Shares and H Shares in all respects.
- (5) Target subscribers: Natural persons, corporations and other institutions in the PRC which have maintained A Share holders' accounts with the Shanghai Stock Exchange and Shenzhen

Stock Exchange (other than those as prohibited by the applicable PRC laws and regulations and other regulatory requirements with which the Company shall comply). It is expected that none of the Connected Persons of the parent company or the Company will subscribe for A Shares. The Company will comply with the relevant provisions of the listing rules even if such Connected Persons do subscribe for A Shares.

- (6) Proposed place of listing: All the A Shares issued pursuant to the A Share Issue are proposed to be listed on the Shanghai Stock Exchange.
- (7) Issue price and pricing process: The pricing of the A Share Issue will follow the market-driven principle. The issue price for the A Share Issue shall be determined based on the prevailing conditions of the PRC securities market at the time when the A Share Issue takes place by way of market consultation or such other methods as approved by the CSRC.
- The issue price will not be lower than 90% of the average closing price of the Company's H Shares on the Hong Kong Stock Exchange during the Price Consultation Period of the A Share Issue. (Note) The issue price for the proposed A Share Issue will be determined based on the PRC securities market conditions at the time when the A Share Issue takes place and in accordance with the applicable CSRC regulations. Thus the amount to be raised from the A Share Issue cannot be ascertained as at the date of this announcement.
- (8) Use of proceeds: The proceeds from the A Share Issue will be used to fund the Acquisition, and the balance (if any) will be used as general working capital.
- (9) Expected timetable: The application for the A Share Issue is expected to be submitted to the CSRC after the relevant resolutions have been approved at the EGM and CSMs and all necessary materials have been obtained. The A Share Issue will be completed by the end of January 2011, subject to the market conditions and the policies promulgated by the CSRC.

Note: The Price Consultation Period commences upon the publish of 《招股意向書摘要》 (“Summary of Share Offer Prospectus”) and 《發行安排及初步詢價公告》 (“Issue Arrangements and Preliminary Price Consultation Announcement”) and it takes about nine business days to determine the issue price.

REASONS FOR AND BENEFITS OF THE A SHARE ISSUE

The Directors (excluding the Independent Non-executive Directors whose views will be formed and given after taking into consideration the opinion of the independent financial adviser) believe that the A Share Issue could increase the Company's available capital for its core business, including the investment capital for the acquisition of HNA Group Sale Shares. In addition, the A Share Issue will provide the Company with an alternative channel to raise further capital and will enhance the shareholders base and enlarge the capital base of the Company. The Directors (excluding the Independent Non-executive Directors whose views will be formed and given after taking into consideration the opinion of the independent financial adviser) believe that the A Share Issue will benefit the Company and the Shareholders as a whole.

EFFECTS OF THE A SHARE ISSUE ON THE COMPANY'S SHAREHOLDING STRUCTURE

Set out below is a summary of the changes in the shareholding percentage of the Company prior to and immediately after completion of the A Share Issue based on the assumption that the entire 200,000,000 A shares will be issued under the proposed A Share Issue:

Shareholders	Immediately before the completion of the A Share Issue		Immediately after the completion of the A Share Issue	
	Number of Shares held (Shares)	Percentage of shareholding (%)	Number of Shares held (Shares)	Percentage of shareholding (%)
<i>Domestic Shares holders</i>				
Haikou Meilan International				
Airport Company Limited (Note 1)	237,500,000	50.20	237,500,000	35.28
Other Domestic Shares holders	8,800,000	1.85	8,800,000	1.31
	<u>246,300,000</u>	<u>52.05</u>	<u>246,300,000</u>	<u>36.59</u>
<i>H Shares holders</i>				
Oriental Patron Resources				
Investment Limited (Note 2)	94,343,000	19.94	94,343,000	14.01
UBS AG (Note 3)	36,192,179	7.65	36,192,179	5.38
Other H Shares holders	96,377,821	20.37	96,377,821	14.32
	<u>226,913,000</u>	<u>47.95</u>	<u>226,913,000</u>	<u>33.70</u>
A Shares holders	<u>N/A</u>	<u>N/A</u>	<u>200,000,000</u>	<u>29.71</u>
Total:	<u>473,213,000</u>	<u>100.00</u>	<u>673,213,000</u>	<u>100.00</u>

Notes:

1. Haikou Meilan International Airport Company is a company established in the PRC and is the controlling shareholder of the Company. Haikou Meilan International Airport Company will remain to be the controlling shareholder of the Company after the A Share Issue.
2. Zhang Gaobo and Zhang Zhiping are holding 49.19% and 49.92% interest, respectively, in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited is holding 95% interest in Oriental Patron Financial Services Group Limited 95%, which is in turn holding 100% interest in Oriental Patron Resources Investment Limited.
3. Among the 36,192,179 Shares, UBS AG is holding 225,000 shares as beneficial owner, holding 420,779 shares as investment manager and holding 35,546,400 as interest of corporation controlled by the substantial shareholder (UBS Fund Services (Luxemburg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd are all wholly-owned by UBS AG, and are beneficially holding 21,143,400 shares, 8,321,000 shares and 6,082,000 shares in the Company, respectively).

REGULATORY APPROVALS

It should be noted that the A Share Issue and the proposed listing of A Shares on the Shanghai Stock Exchange, upon the approval from the Shareholders at the EGM and the CSMs, is still subject to the approval by the CSRC and other relevant PRC authorities to the issue of the A Shares and the Shanghai Stock Exchange to the listing of the A Shares on the Shanghai Stock Exchange. The resolutions to be passed at the EGM and the CSMs approving the A Share Issue will be valid for a period of 12 months from the date of approval at the EGM and the CSMs.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND PROCEDURAL RULES AND SYSTEMS

In light of the A Share Issue and pursuant to the statutory requirements of the applicable PRC laws and regulations, certain amendments are proposed to be made to the Articles of Association, and a set of procedural rules and systems are adopted. Such proposed amendments to the Articles of Association and the procedural rules and systems are subject to the approval by the Shareholders at the EGM, and are conditional upon obtaining any approval, endorsement or registration as may be necessary from the relevant PRC authorities.

The proposed amendments deal with matters relating to a number of areas, including, among other things: (a) alteration of the Company's registered capital and shareholding structure; (b) restrictions on the application of the Company's capital; (c) definition and regulations on approving connected transactions (in accordance with the requirements of the CSRC); and (d) qualifications and rights of the Independent Directors. All of the above amendments are proposed to accommodate the A Share Issue and in connection with A Share Issue. Further details regarding the proposed amendments to the Articles of Association and the procedural rules and systems are set out in the circular to be dispatched to the Shareholders.

PROCEDURAL RULES AND OTHER SYSTEMS OF THE MEETINGS

Under the listing requirements of the PRC, the Company shall lay down certain procedural rules as well as other decision-making systems, some of which require approval by the Shareholders at the EGM. Ordinary and special resolutions to consider, approve and adopt the following procedural rules and systems will be proposed at the EGM: (a) the rules for Shareholders' general meetings; (b) the rules for Board meetings; (c) the rules for Supervisor Committee meetings; (d) the connected transaction decision-making system; and (e) system for setting aside funds raised for special purposes. These rules and systems are also subject to the obtaining of any approval, endorsement or registration (as applicable) from or with the relevant authorities. The procedural rules and systems will only be effective upon A Share Issue.

SPECIAL DIVIDENDS

The Board has resolved to pay a proposed special dividend of RMB0.35 (approximately HK\$0.3955) per share to the Shareholders of the Company, subject to approval by the Shareholders at the EGM and the A Share Issue being approved by the CSRC.

REASONS OF DISTRIBUTION

The Board proposed to pay the Special Dividend after reviewing the financial situation of the Company. The Board is of the opinion that, in order to emphasize a bright prospect for the Company to the investors so as to win support from the existing investors for the Acquisition and the A Share Issue and to attract potential investors, and in accordance with Rule 45 of *Measures on Administration of Initial Public Offering and Listing on the Growth Enterprise Board* "the issuer's shareholders' meeting shall make resolutions on the shares issuance, containing at least the following issues: (v) The distribution scheme of the profits carried over before the issuance", it is appropriate to declare a special dividend to the Shareholders prior to the A Share Issue.

The Company had undistributed accumulated profits of approximately RMB684,315,000 (approximately HK\$773,276,000) as at the end of 2009. The Company proposes to pay a final dividend of RMB94,642,600 (approximately HK\$106,946,100) for 2009 and the accumulated dividend payable but not yet distributed for the period from 2005 to 2009 of RMB165,624,600 (approximately HK\$187,155,800) is proposed to be paid as the special dividend prior to the A Share Issue, while the balance shall be reserved as retained profits for the benefit of the Shareholders.

EXTRAORDINARY GENERAL MEETING AND CLASS SHAREHOLDERS MEETINGS

For the purpose of approving, inter alia, the Share Transfer Agreements, the proposed A Share Issue, the proposed amendments to the Articles of Association and the proposed payment of special dividends, the EGM will be held, at which certain resolutions will be proposed, to consider and, if thought fit, approve, inter alia, the resolutions authorising the Board to deal with matters relating to the A Share Issue and the listing of A Shares on the Shanghai Stock Exchange at its sole discretion.

“Acquisition”	the proposed acquisition of 54.5% of the issued share capital of HNA Airport by the Company subject to the terms and conditions of the Share Transfer Agreements
“Articles of Association”	Articles of Association of the Company
“Associate”	the meaning ascribed thereto in the Listing Rules
“Beijing Lixin”	北京立信資產估值評估有限公司 (Beijing Lixin Assets Appraisal Company Limited*), an independent qualified valuer in the PRC
“Board”	the board of Directors
“CAAC”	Civil Aviation Administration of China
“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, 226,913,000 H Shares of which are listed on the Stock Exchange and 246,300,000 shares of which are held by the PRC shareholders including HNA Group
“Completion”	the completion of the Acquisition as contemplated in the Share Transfer Agreements
“Completion Date(s)”	the dates of completion respectively agreed under the Kingward Agreement and the HNA Group Agreement
“Connected Person”	the meaning ascribed thereto in the Listing Rules
“Consideration”	RMB2,199.9 million, being the aggregate consideration for the Acquisition
“CSM(s)”	the general meeting for each of the holders of H Shares and holders of Domestic Shares
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Shares”	the domestic shares with a nominal value of RMB1.00 each in the registered capital of the Company
“Dongying Yong An”	東營永安機場有限責任公司 (Dongying Yong An Airport Co., Ltd*), a company incorporated in the PRC

“Dunhuang Mogao”	敦煌莫高機場管理公司 (Dunhuang Mogao Airport Management Company Limited*), a company incorporated in the PRC
“EGM”	the extraordinary general meeting of the Company to be convened to approve, amongst other things, the Acquisition
“GF Capital”	GF Capital (Hong Kong) Limited, the financial adviser of the Company which is a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
“Gansu Airport Group”	甘肅機場集團有限公司 (Gansu Airport Group Company Limited*), a company incorporated in the PRC
“H Share(s)”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the registered capital of the Company which are listed on the Stock Exchange
“HNA Airport”	海航機場控股 (集團) 有限公司 (HNA Airport Holding (Group) Company Ltd*), the target company of the Share Transfer Agreements
“HNA Group”	海航集團有限公司 (HNA Group Company Limited*), a company incorporated in the PRC with limited liability, which holds 0.74% share capital of the Company and 51% share capital of HNA Airport prior to the Completion of the Acquisition
“HNA Group Agreement”	the agreement entered into between the Company (as the Purchaser) and HNA Group (as the Vendor) on 25 March 2010 in respect of the acquisition of the 30% equity interest in HNA Airport by the Company from the Vendor
“HNA Group Sale Shares”	the 30% of the issued share capital of HNA Airport held by the HNA Group and sold pursuant to the HNA Group Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee consisting of all independent non-executive Directors

“Independent Non-executive Directors”	Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng
“Independent Shareholders”	any Shareholder(s) that is(are) not required to abstain from voting at the general meeting in relation to the approval of the HNA Group Agreement under the Listing Rules
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, any third party(ies) that is (are) independent of the Company and its Connected Person (as defined in the Listing Rules)
“Jiayuguan”	嘉峪關機場管理有限公司 (Jiayuguan Airport Management Company Limited*), a company incorporated in the PRC
“Kingward”	Kingward Investment Limited, a company incorporated in Hong Kong with limited liability
“Kingward Agreement”	the agreement entered into between the Company (as the Purchaser) and Kingward (as the Vendor) on 25 March 2010 in respect of the acquisition of the 24.5% equity interest in HNA Airport by the Company from the Vendor
“Kingward Sale Shares”	the 24.5% of the issued share capital of HNA Airport held by Kingward and sold pursuant to the Kingward Agreement
“Lanzhou Zhongchuan”	蘭州中川機場管理有限公司 (Lanzhou Zhongchuan Airport Management Company Limited*), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manzhouli Xijiao”	滿洲里西郊機場有限責任公司 (Manzhouli Xijiao Airport Company Limited*), a company incorporated in the PRC
“Meilan Airport”	海南美蘭國際機場 (Hainan Meilan International Airport*), an airport located in Haikou City, Hainan Province, the PRC
“Optima Capital”	Optima Capital Limited, appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give them advice on the Share Transfer Agreements

“PRC”	the People’s Republic of China
“PRC Lawyer”	Grandall Legal Group (Shanghai), the legal adviser to the Company as to the PRC laws and an Independent Third Party
“Qingyang Xifeng”	慶陽西峰機場管理有限公司 (Qingyang Xifeng Airport Management Company Limited*), a company incorporated in the PRC
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“Sale Shares”	the 54.5% of the issued share capital of HNA Airport comprising of the HNA Group Sale Shares and Kingward Sale Shares
“Sanya Phoenix”	三亞鳳凰國際機場有限責任公司 (Sanya Phoenix International Airport Co. Limited*), a company incorporated in the PRC
“Share(s)”	the ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Share Transfer Agreements”	the HNA Group Agreement and the Kingward Agreement
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“US\$”	the lawful currency of the United States of America
“Vendor(s)”	HNA Group and Kingward or either of them
“Worldwide”	Worldwide United Limited, a company incorporated in Hong Kong with limited liability, an Independent Third Party
“Yichang Sanxia”	宜昌三峽機場有限責任公司 (Yichang Sanxia Airport Company Limited*), a company incorporated in the PRC

By the order of the Board
Hainan Meilan International Airport Company Limited
Xing Zhoujin
Company Secretary

Haikou, the PRC
6 April 2010

As at the date of this announcement, there are eleven directors on the Board. The Board comprises of three executive directors, namely Mr. Zhao Yahui, Mr. Liang Jun and Ms. Xing Xihong, and four non-executive directors, namely Mr. Hu Wentai, Mr. Zhang Han'an, Mr. Chan Nap Kee Joseph and Mr. Yan Xiang, and four independent non-executive directors, namely Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng.

In this announcement, RMB has been translated to HK\$ at the exchange rate of RMB1.00 to HK\$1.13 for illustration purpose only. No representation is made that any amounts in HK\$ or RMB have been, could have been or could be converted at this or any other rate.

** For identification purpose only*