

October 28, 2011

Ministry of National Development of Hungary
H-1440 Budapest, P.O.B 1, Budapest, Hungary

To: Dr. Tamas Fellegi,
Minister

Dear Honourable Dr. Tamas Fellegi,

Thank you for your letter dated 4th of October, 2011, and we appreciate your concern regarding the progress of the Malev Project.

This Project was initiated during the official visit by the honourable Hungarian Prime Minister to HNA Group. It was the intention of HNA Group to co-operate with Magyar Toketarsaag Private Company Limited ("MTT") and the Hungarian State, to serve the increasing Demand of Chinese tourists in Europe.

It has been envisaged from the beginning that the success of such a business venture will require all three parties to use their joint efforts, so the work team comprised members of all three parties. Our commitment to the Project was evident from the beginning: the airline professionals were deployed in Budapest from June 6th, Rolan Berger and Mr. Martin Gauss, the former CEO of Malev, were hired to prepare the business plan, and DLA Piper was hired as legal consultant for the project, at your Ministry's strong recommendation. All of these incurred significant costs for us.

I believe the joint team worked very hard to deliver the initial business plan and to work through the issues in the set up of this new company, but it was unfortunate that we saw delays in the process. Such delays were partly because of the various restraints imposed on us, such as:

1. We are not allowed to approach any Malev employees.
2. There was delay in providing information upon our requests, with some information incomplete.
3. We cannot approach the lessors of the Malev fleet, and consequently are not able to confirm any intentions to renew the lease agreements or the associated costs.
4. We cannot contact other suppliers of Malev, such as the airport, the ground handling company, etc.
5. We were told different versions about the procurement of AOC, but no formal documents were provided to verify the feasibility of such plans, nor were we provided formal documents about the AOC target company and/or the AOC application documents;

Also, we were informed that the various support from the State, which were expressly stated in the MOU and agreed upon, became invalid because of EU's restrictions.

The above restrictions and attitudes severely impaired our ability to obtain accurate information. With no employees, fleet or license could be secured, no reliable business plan

could be produced, and the risks involved in the project increased greatly, with the core costs components could not be calculated. From the perspective as an investor, our ability to make decisions was compromised.

In spite of the above, we endeavored to deliver our promise, and the work team prepared a business plan utilizing all the materials they had. However, as you know, this business plan positioned the new Malev as a low cost carrier in East Europe, but our partner, and ourselves, hoped to see more Chinese elements in the new Malev, and make Budapest a getaway for Hainan Airlines to Europe. As a result, that business plan was not approved by our partner and HNA Group, and we undertook the review of the business plan.

During our review, we realized that the assumptions regarding the growth of revenue in the future lacked objective basis, and were too optimistic in the original business plan. The new company may not be able to break even after three years, but continue to make losses. On the other hand, if we operate the new company according to our initial vision, which is to make Budapest a getaway to Europe, we need to operate a lot of scheduled flights from China to Budapest using wide-body aircrafts, and lay the route network from Budapest to all the main cities in Europe, in the hope of attracting passengers. But the reality is that there are not enough passengers to sustain such routes, and these routes are among the worst loss making routes for Malev. Such operations will require hundreds of millions of Euros to fund each year. As an airline, we think that we could not achieve the expected synergies under the original business plan; and as investors, Mr. Demjan and myself both believe that the huge cost and risks for making Budapest a European Getaway is unbearable.

Because of the above reasons, which are out of any parties' control, I regret to inform you that we will not further participate in the restructure of new Malev. Thank you for your support during the process of this Project. Under your leadership, your team, including Mr. Tamás Kocsis and other project team members from the government, has demonstrated admirable professionalism during the process. It was our pleasure to work with them and to forge a profound friendship. So, please allow me to express my sincere gratitude towards yourself and your team. Also HNA group and I will welcome you to visit your old friend in China at your convenience.

HNA Group will continue to value the China-Hungary flight route, and provide quality air services to the people of both countries, and facilitate the friendly contacts between our two States.

I wish you health and success.

Yours faithfully,

Adam Tan
Director
HNA Group Co., Ltd.