海 南 美 蘭 國 際 機 場 股 份 有 限 公 司

Hainan Meilan International Airport Company Limited *

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

(Stock Code: 357)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

Financial Highlights

– Total revenues were RMB334,844,000

Revenue from the aeronautical business was RMB248,364,000

Revenue from the non-aeronautical business was RMB86,480,000

– Net profit attributable to shareholders was RMB151,844,000

– Earnings per share was RMB0.32

Business Highlights

– 11 international/regional airlines were established under the opening of aviation rights in Hainan Province

– Retail business of shopping arcade transferred to DFS on franchise basis

– The construction of Phase II new terminal building was completed and commissioned operation in January 2006

RESULTS

The Board of Directors (the "Board") of Hainan Meilan International Airport Company Limited (the "Company" or "Meilan Airport") is pleased to announce the audited consolidated financial information of the Company and its subsidiaries (the "Group") prepared and presented in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2005, together with comparative figures for 2004, as below:

1. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2005	2004
	Notes	***RMB'000***	*RMB'000*
Revenues			
Aeronautical		**248,364**	259,753
Non-aeronautical		**86,480**	100,272
	3	**334,844**	360,025
Business tax and levies		**(11,628)**	(13,932)
Cost of services and sale of goods		**(99,140)**	(106,267)
Gross profit		**224,076**	239,826
Selling and distribution costs		**(2,927)**	(2,977)
Administrative expenses		**(62,172)**	(56,069)
Other gains		**180**	37
Profit from operations		**159,157**	180,817
Interest income	5	**4,494**	4,849
Profit before income tax		**163,651**	185,666
Income tax expense	6	**(12,237)**	(33)
Profit for the year		**151,414**	185,633
Attributable to:			
Equity holders of the Company		**151,844**	185,677
Minority interests		**(430)**	(44)
		151,414	185,633
		RMB	*RMB*
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	7	**32 cents**	39 cents
– diluted		**Not applicable**	Not applicable

		RMB'000	*RMB'000*
Proposed final dividends	*8*	**–**	84,232

2. CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2005	2004
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Land use right		**166,821**	170,131
Property, plant and equipment		**1,014,279**	860,120
Goodwill		**–**	3,485
		1,181,100	1,033,736
Current assets			
Inventories, at cost		**2,750**	3,874
Trade receivables, net	*9*	**189,674**	164,416
Other receivables and prepayments		**12,592**	10,504
Due from related parties		**1,275**	9,831
Time deposits		**84,468**	101,614
Cash and cash equivalents		**245,408**	379,976
		536,167	670,215
Total assets		**1,717,267**	1,703,951

	As at 31 December	
	2005	2004
	RMB'000	*RMB'000*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**473,213**	473,213
Share premium	**627,037**	627,037
Revaluation surplus	**36,481**	36,481
Statutory reserves	**100,742**	78,464
Retained earnings		
– Proposed dividends	**–**	35,018
– Others	**301,807**	211,990
	1,539,280	1,462,203
Minority interests	**598**	1,028
Total equity	**1,539,878**	1,463,231

LIABILITIES

Non-current liabilities			
Borrowings – secured		**53,000**	103,000
Deferred income tax liabilities		**11,262**	11,503
		64,262	114,503
Current liabilities			
Trade and other payables	*10*	**59,905**	101,212
Current income tax liabilities		**3,222**	5
Borrowings – secured		**50,000**	25,000
		113,127	126,217
Total liabilities		**177,389**	240,720
Total equity and liabilities		**1,717,267**	1,703,951
Net current assets		**423,040**	543,998
Total assets less current liabilities		**1,604,140**	1,577,734

Notes:

1. Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The adoption of new/revised IFRS

In 2005, the Group adopted the new/revised IFRSs below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment

IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment property
IFRS 2	Share-based Payments
IFRS 3	Business Combinations
IFRIC-Int1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC-Int2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC Amendment to SIC-12	Scope of SIC-12 Consolidation – Special Purpose Entities

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 32 ,33, 39, 40, IFRIC-Int 1, 2 and IFRIC Amendment to SIC-12 did not result in substantial changes to the Group's accounting policies. In summary:

– IAS 1 has affected the presentation of minority interests and other disclosures.

– IAS 2, 8, 10, 16, 17, 24, 27, 28, 31, 32, 33, 39, 40, IFRIC-Int 1, 2 and IFRIC Amendment to SIC-12 had no material effect on the Group's policies.

– IAS 21 had no material effect on the Group's policy. All the Group entities have the same functional currency as their measurement currency.

IFRS 2 had no material effect on the Group's policy. All the Group activities have not undertaken any share-based payment transaction.

The adoption of IFRS 3, IAS 36 and IAS 38 resulted in a change in the accounting policy for goodwill. Until 31 December 2004 goodwill and negative goodwill were:

– Amortised on a straight line basis over a period of 10 years;

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3, IAS 36 and IAS 38:

– The Group ceased amortisation of goodwill and negative goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill and negative goodwill;

– From 1 January 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment while negative goodwill was derecognised at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings.

– Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

– An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The following new/revised Standards or Interpretations have been issued but are not yet effective. The Group has not early adopted these and expect the adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC-Int 3	Emission Rights
IFRIC-Int 4	Determining whether an Arrangement contains A Lease
IFRIC-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC-Int7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC-Int 8	Scope of IFRS 2
IFRIC-Int 9	Reassesment of Embedded Derivatives

3. Revenue

	2005	2004
	RMB'000	*RMB'000*
Aeronautical:		
Passenger charges	**95,366**	101,819
Aircraft movement fees and related charges	**42,262**	42,222
Airport fee	**85,327**	90,176
Ground handling services income	**25,409**	25,536
	248,364	259,753
Non-aeronautical:		
Retailing	**10,160**	21,788
Franchise fee	**15,980**	13,992
Rental	**16,469**	19,307
Tourism	**19,457**	22,165
Advertising	**9,157**	8,247
Car parking	**5,327**	5,072
Others	**9,930**	9,701
	86,480	100,272
Total revenues	**334,844**	360,025

4. Expenses by nature

Expenses included in cost of services and sale of goods, selling and distribution costs and administrative expenses are analysed as follows:

	2005 *RMB'000*	2004 *RMB'000*
Cost of goods and services	**41,977**	44,835
Depreciation of property, plant and equipment	**31,359**	34,582
Amortisation of land use right	**3,310**	2,409
Employee benefit expense	**33,891**	33,364
Amortisation of goodwill	**–**	376
Impairment of goodwill	**3,650**	–
Other taxes	**4,881**	4,903
Auditors' remuneration	**2,384**	2,121
Consulting fee	**4,587**	6,012
Operating lease rentals – building	**509**	509
Loss on disposal of property, plant and equipment	**67**	452
Impairment/(reversal of impairment) of trade receivables	**33**	(2,176)

5. Interest expense

	2005 *RMB'000*	2004 *RMB'000*
Interest on bank loans		
– not wholly repayable within five years	**7,586**	7,496
Less: interest capitalised	**(7,586)**	(7,496)
	–	–

6. Income tax expense

Hong Kong profits tax has not been provided as the Group had no estimated assessable profits arising in Hong Kong during the period (2004: Nil). Taxation in the income statement represents provision for PRC enterprise income tax.

	2005 *RMB'000*	2004 *RMB'000*
Current income tax		
– outside Hong Kong	**12,478**	33
Deferred income tax	**(241)**	–
Income tax expense	**12,237**	33

The difference between the annual taxation charge in the consolidated income statement and the amount which would result from applying the enacted tax rate to consolidated profit before taxation can be reconciled as follows:

	2005	2004
	RMB'000	*RMB'000*
Profit before taxation	**163,651**	185,666
Tax calculated at a domestic rate applicable to profits in the Hainan Province	**24,548**	27,850
Effect of tax holidays	**(13,397)**	(28,231)
Tax loss not recognised	**114**	108
Investment income not subject to income tax	**–**	(28)
Expenses not deductible for tax purpose	**972**	334
Income tax expense	**12,237**	33

Under PRC income tax law, the entities within the Group are subject to enterprise income tax of 15% (2004: 15%) on the taxable income as reported in their statutory financial statements which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

Pursuant to the approval documents issued by Hainan Qiongshan State Tax Bureau, the Company has been granted full exemption from enterprise income tax from 2000 to 2004 and a 50% reduction from 2005 to 2009.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
Profit attributable to equity holders of the Company *(RMB'000)*	**151,844**	185,677
Weighted average number of ordinary shares in issue *(thousands)*	**473,213**	473,213
Basic earnings per share *(RMB per share)*	**32 cents**	39 cents

No diluted earnings per share is presented as there were no potential dilutine ordinary shares outstanding during the year ended 31 December 2005 and 2004.

8. Dividends

	2005	2004
	RMB'000	*RMB'000*
Interim, paid, of RMB8.4 cents (2004: RMB10.4 cents) per share	**39,749**	49,214
Final, proposed, Nil (2004: RMB7.4 cents) per share	**–**	35,018
	39,749	84,232

At the Board of Directors' meeting held on 21 March 2006, the Directors of the Company declared that there will be no further dividend payout for the year ended 31 December 2005.

9 Trade receivables, net

	2005	2004
	RMB'000	*RMB'000*
Trade receivables from third parties	**29,466**	32,172
Less: provision for impairment of receivables	**(2,248)**	(2,215)
	27,218	29,957
Trade receivables from related parties	**49,255**	105,419
Airport fee receivable	**113,201**	29,040
	189,674	164,416

As at 31 December 2005, the ageing analysis of the trade receivables from third parties was as follows:

	2005	2004
	RMB'000	*RMB'000*
0 – 90 days	**20,437**	22,375
91 – 180 days	**3,363**	5,906
181 – 365 days	**2,530**	972
Over 365 days	**888**	704
	27,218	29,957

The carrying amounts of trade receivables from third parties approximate their fair value.

The credit terms given to trade customers are determined on individual basis with the normal credit period from 1 to 3 months.

As at 31 December 2005, the ageing analysis of the trade receivables from related parties was as follows:

	2005	2004
	RMB'000	*RMB'000*
0 – 90 days	**45,514**	53,416
91 – 180 days	**2,242**	24,461
181 – 365 days	**1,181**	25,043
Over 365 days	**318**	2,499
	49,255	105,419

The carrying amounts of trade receivables from related parties approximate their fair value.

The credit terms given to related parties are determined on an individual basis with the normal credit period from 1 to 3 months.

As at 31 December 2005, the original amount, fair value and ageing analysis of the airport fee receivable were as follows:

	2005		2004	
	Original amount	**Fair value**	Original amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
0 – 90 days	**22,124**	**21,899**	29,040	29,040
91 – 180 days	**18,914**	**18,721**	–	–
181 – 365 days	**44,289**	**43,838**	–	–
Over 365 days	**29,040**	**28,743**	–	–
	114,367	**113,201**	29,040	29,040

In accordance with the "Notice regarding Questions on Levy and Management Methods of Civil Aviation Airport Construction Fee (the "Notice")" issued jointly by General Administration of Civil Aviation of China (the "CAAC") and Ministry of Finance of the PRC (the "Ministry of Finance") on 22 July 2004, with effect from 1 September 2004, the Airport Fee would be collected together with air tickets sold by the airlines companies instead of being collected at airport directly by the Company. Based on the Notice, the Company should eventually receive the Airport Fee from the Ministry of Finance. After the change in the collection procedures in September 2004, the Company has not collected any Airport Fee because the relevant PRC authorities are still in the process of finalising the detailed procedures for the payment of the Airport Fee to the Company.

The Directors of the Company believes that such receivable will be fully recoverable in 2006. The fair value is estimated based on cash flows, discounted using an effective deposit interest rate of 2.07% per annum.

10 Trade and other payables

	2005	2004
	RMB'000	*RMB'000*
Trade payables	**2,621**	4,699
Other payables	**36,006**	52,867
Deposits received	**1,326**	1,281
Due to related parties	**19,952**	42,365
	59,905	101,212

At 31 December 2005, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) was as follows:

	2005	2004
	RMB'000	*RMB'000*
0 – 90 days	**17,054**	15,059
91 – 180 days	**859**	12,707
181 – 365 days	**484**	17,443
Over 365 days	**–**	975
	18,397	46,184

Final Dividends

In views of various issues and opportunities facing the Company, the Directors of the Company hereby declared that there will be no further dividend payout for the year ended 31 December 2005.

Closure of Register of Members

The Company's Register of Members will be closed from 25 April 2006 (Tuesday) to 24 May 2006 (Wednesday) (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the annual general meeting and qualify for entitlement to vote in the meeting. H Share shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited, located at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on 24 April, 2006 (Monday) for completion of the registration of the relevant transfer.

BUSINESS REVIEW

Overview of Aeronautical Business

In 2005, the Group's production and operation indicators were dampened for the first time over its history due to the strategic reorganizations and structural changes by the airlines, market consolidation in Hainan and a drift of passenger flows upon the commencement of the Guangdong-Hainan Railway. Therefore, to enhance the overall profitability, the Group has established various income growth and cost savings measurement.

Optimistic Exploitation of International Airlines

Since the opening of aviation rights in Hainan Province, the Group has dedicated itself to hold fruitful negotiations with several major international airlines in respect of the exploitation of international and regional routes, by which extensive cooperative intentions were reached. In 2005, Hainan Meilan International Airport delivered impressive growth in international and regional routes. Up to now, seven domestic and foreign airlines have opened eleven international regional airlines departing from or arriving at Hainan Meilan International Airport, reaching destination of Hong Kong, Macau, Seoul, Singapore, Bangkok, Kuala Lumpur, Osaka, Pusan and Fukuoka., etc. Five international airlines including Malaysia Airlines Co. Ltd., Singapore Valuair Airlines Co. Ltd., Singapore Silk Air Co. Ltd., Korea Asiana Airlines Co. Ltd., and Thailand Phuket Airlines Co. Ltd. have opened routes to and from Haikou.

In January 2005, the Group successfully obtained the hosting right of New Routes Asia Conference in 2007 by entering into an agreement with ASM International Company. Haikou will become the first city in China to host an international airline conference. The Group believes the New Routes Asia Conference will not only bring potential gain in aeronautical market of the hosting city, but also represent a valuable opportunity for the Group to promote its image and enhance international recognition. Taking advantage of organizing New Routes Asia Conference, the Group plans to lure additional opening of more routes to and from Haikou by foreign airlines through strengthening interchanges with international airlines.

Attributable to the opening of the third, fourth and fifth aviation rights and the Group's aggressive approach in exploring more international routes, the number of international airlines grew substantially. It is estimated that the Group's international flights and international passenger throughout will sustain stable growth in 2006. Under unfavourable market environment, the Group's revenue from aeronautical business for the year 2005 was RMB248,360,000, representing a decrease of 4.4% as compared to last year.

Overview of Non-Aeronautical Business

In 2005, with the help of the business development experience of Copenhagen Airports, the Company built up a business development model which includes the method of resources utilisation and management to suit the development requirement of the airport and stable achievements are made in the non-aeronautical business. The non-aeronautical business revenue was RMB86,480,000, represented a decrease of 13.8% as compared to last year. The decrease in revenue was attributable to the transfer of the retail business of a shopping arcade by the Company to Duty Free Shoppers Hong Kong Limited ("DFS") in March 2005 in return for the receipt of franchise income from DFS and the impact of the reduction in passenger and cargo throughout of Hainan Meilan International Airport.

Commercial Sales

The Group entered into a close cooperative relationship with Select Service Partner ("SSP"), a world famous catering company and DFS in the year under review in order to put into place a unified and professional commercial management of airports by gradually transforming from self operation to licensed operation. Through the entering into a contract with minimum-guaranteed rental, the Group will be assured of fixed revenue in times of falling turnover while obtaining pro rata additional revenue in times of growing turnover. Losses in association with a reduction in production output were effectively reduced by minimizing operation risks.

Tourism and Traveling

Hainan Meilan International Airport Traveling Company Limited ("Meilan Traveling") provides a wide range of services such as transportation between Hainan Airport and Haikou City, hotel reservation, air ticket sales and travel reception. It also actively organises many short tour packages. Due to a reduction in passenger and cargo throughout, turnover from tourism and traveling in 2005 was RMB19,460,000.

Car Parking

Car parking charges is another major income contributor for the Group's non-aeronautical business. The turnover in 2005 amounted to RMB5,330,000.

Advertising Business

In 2005, leverage on hosting material events, such as Boao Asia Forum in Hainan, the Group has entered into advertising contracts with Merrill Lynch (Asia Pacific) Limited and Shanghai Asiaray Advertising Limited through the deployment of more promotional resources and efforts and the building up of an extensive sales network. Over 30 reputed enterprises, including Shanghai Brawman Group (上海寶名國際集團), Boao Sofitel Hotel, Sanya Film Festival Coordination Committee (三亞電影節組織委員會) and Hainan Mobile Communication Company Limited, were introduced to take up advertising spaces in Hainan Meilan International Airport. For the year ended 31 December 2005, revenue from advertising business reached RMB9,160,000, equivalent to an approximately 11% growth over 2004.

Retail Business

Revenue of the Retail Business was RMB10,160,000 for the year ended 31 December 2005, which represented a 53% decrease over that of last year. It was attributable to the decrease of overall revenue after the transfer of the retail business of the shopping arcade by the Group to DFS in March 2005 in return for the receipt of franchise income from DFS.

Income from Franchise

For the year ended 31 December 2005, income from franchise was RMB15,980,000, representing an increase of 14% over the previous year. This was largely attributable to the outsourcing by the Group of the commercial operating of the airport terminal building to DFS in March 2005 in return for the receipt of franchise income from DFS.

FINANCIAL REVIEW

Structure of Assets

As at 31 December 2005, the total assets of the Group amounted to RMB1,717,270,000, representing an increase of 0.8 % as compared to the previous year. The increase was mainly attributable to the increase in the shareholders' equity brought by the operating results.

Cost Structure

In 2005, total operating costs of the Group were RMB99,140,000, representing a decrease of RMB7,130,000 or 6.7% over last year. The administrative expenses were RMB62,170,000, representing an increase of RMB6,100,000 or 10.9% compared to last year. The increase in annual administrative expenses was attributable to the following:

1. The logistic expenses paid by the Group to HNA Group rose by RMB1,240,000 over the previous year due to increasing crude oil prices and rising costs of other vehicle services;

2. In compliane with new International Financial Reporting Standards, net goodwill of RMB3,490,000 was written off.

Cash Flows

In 2005, the Group's net cash flows from operating activities was RMB121,560,000, representing a decrease of 33%, which was primarily because of the airport fee has not received. During the year, the Group's net cash outflows for investing activities was RMB156,360,000, which was mainly attributable to the capital injection from the Group for the expansion of the terminal building.

Pledge of the Group's Assets

The Company pledged its rights to revenues, including the rights of the airport fee to secure a long-term bank loan of RMB103,000,000 from China Development Bank.

Gearing Ratio

As at 31 December 2005, the current assets of the Group was approximately RMB536,170,000, the total assets was approximately RMB1,717,270,000, a current liability of approximately RMB113,130,000 and a total liability of approximately RMB177,390,000. The Group's gearing ratio, representing the ratio of the total bank borrowing to the total asset, was 6%, a decrease of 1.5% in comparison to that of the previous year. The main reason for the improvement was the partial repayment in the amount of RMB25,000,000 by the Group when it fell due.

Exposure to Foreign Exchange Risk

Except the purchase of certain equipment, goods and raw materials which were denominated in US Dollar, the Group's businesses were denominated in RMB. The dividends of H share of the shareholders was published in RMB and paid in HK Dollars. As at 31 December 2005, except that cash and cash equivalents of approximately RMB960,000 were dominated in HK Dollar and US Dollar, all of the Group's assets and liabilities were denominated in RMB. The fluctuation of the exchange rate of RMB to foreign currency may cause a limited impact on the Group's results of operations.

Financial Instruments

As at 31 December 2005, financial instruments of the Group were mainly comprised of bank loans, cash and bank deposits. The purpose of those financial instruments is to finance the Group's operations. Besides, the Group has other financial instruments in relation to daily operations, such as accounts receivable and accounts payable.

Contingent Liability

As at 31 December 2005, the Group or the Company did not have any significant contingent liabilities.

Purchase, Sales or Redemption of Shares

As at 31 December 2005, neither the Group nor the Company has purchased, sold or redeemed any of the Company's shares.

Employment, Training and Development

As at 31 December 2005, the Group had a total of 691 employees, representing a decrease of 23 employees over the corresponding period of 2004. This was mainly due to stringent control over the recruitment of personnel and the outsourcing of the business of the shopping arcade in the airport. Total staff costs accounted for about 10% of total turnover, representing an increased of 1.6% as compared to the previous year. The reason of the increase in cost was mainly contributed by the increase in staff welfare expenses by the Group, including the increase in social insurance premiums. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group will review the remuneration policy and its related combination on a regular basis. Performance-based bonuses and commissions may be awarded to employees.

Retirement Pension

The Company and its respective subsidiaries have participated in the employee retirement scheme operated by the relevant domestic government of the PRC. The relevant domestic government shall be responsible for the pension of the retired employees. The Group has to make contribution at a rate of 20% of the salary of the employees of permanent residence in the PRC .For the year ended 31 December 2005, the contribution for the pension was amounted to approximately RMB3,530,000 (2004: RMB2,780,000).

Other Information

The Group has no material change in other information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules in 2005.

Outlook

In 2005, the Group experienced a first decline in targeted production operation in its history under an unfavourable operating environment. Looking forward to 2006, the Group will devote greater efforts in developing domestic and international aeronautical markets through various initiatives of income growth and cost savings measurement, with an aim to enhance overall profitability for the Group and strive to achieve better operating results to shareholders.

Broaden the though of route development to build up a comprehensive Route Network

In early 2005, to resist against market adversities and tough operating environment, the Group has set up a principal business development team to formulate and implement sales and marketing strategies. Timely information supports were customized for airlines, which motivated those airlines to gradually increase their injection of transportation capacities in Hainan Meilan International Airport. In 2006, the Group will dedicate more efforts to explore the development of aviation market and broaden the though of route development to build up a comprehensive route network. In addition, the Group will devote to the new route tracing and post management tasks, with an aim to consolidate and enlarge the share of aeronautical market.

Persistent Exploration of International Routes for fostering New Sectors of Economic Growth

The Group has driven substantial growth momentums for regional and international routes by fully leveraging on the embedded opportunities arising from the opening of aviation rights in Hainan and by capitalizing on the regional and resources advantages. Hainan Meilan International Airport currently operates 11 international and regional routes. Five new international airlines, including Malaysia Air Asia, Singapore Valuair, Singapore Silk Air, Korea Asiana Airlines and Thailand Phuke Airlines, have opened routes to and from Haikou. In 2006, the Group will take advantage of the speedily growing domestic aeronautical industry by capitalizing on the external momentums of the foreign aeronautical industry in order to establish a firmer foothold in the international aeronautical market and to explore new sectors of economic growth.

Commission of Phase II Expansion

The Group has undergone a trial commission upon the completion of the phase II expansion on 31 December 2005, followed by a formal commission on 17 January 2006. The expanded new terminal building fully represented a blended mixture of a harmonic, healthy, saving and environmental design. An annual passenger throughput of 9,300,000 can be accommodated based on a total terminal building area of 99,300 m^2, a total apron area of 384,000 m^2 and 33 aprons spaces. With the completion and commission of the phase II expansion, a solidly strong foundation is set to pave for an expanded operation scale, an enhanced operation quality and an upgraded positioning as a regional aviation pivot on the part of the Group.

Implement Management Reforms and Enhance Operation Quality

In 2005, the Group put into place a more scientific and reasonable management and control mechanism by taking great leaps in insisting and deepening profound management reforms. 2006 will be a year making the Group's devoted efforts in promoting management reforms for smoother work flows and sustainable improvement in operation efficiency and service quality.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices set out in Appendix 14 and Corporate Governance Report in Appendix 23 of Listing Rules to prepare the Corporate Governance Report of the Company. The Board acknowledges the Company has complied with the Code of Corporate Governance Practices and has no departure.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors of the Company, all of the directors of the Company have complied with, for any part of the accounting period covered by this Announcement, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

AUDIT COMMITTEE

The Audit Committee has held the meeting to approve the annual results and report of the Company on 20 March, 2006.

OTHER INFORMATION

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited *(http://www.hkex.com.hk)* in due course.

ACKNOWLEDGE

I would like to thank the Board, management and all our staff for their hard work and dedication. I would also like to thank the Shareholders and partrons for their strong support to the Group.

By Order of the Board
Zhang Cong
Chairman

As at the date of this announcement, the board of directors of the Company comprises of:

Executive directors:	Zhang Cong, Wang zhen, Huang qiu, Gunnar Moller
Non-executive directors:	Zhang Han'an, Kjeld Binger
Independent non-executive directors:	Xu bailing, Xie zhuang, Fung Ching Simon

Haikou, China, 21 March 2006

This announcement can also be accessed through out Internet website at http://www.mlairport.com.