



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 2004

Financial Highlights

- Total revenues were RMB360,025,000
 - Revenue from the aeronautical business was RMB259,753,000
 - Revenue from the non-aeronautical business was RMB100,272,000
- Profit attributable to shareholders was RMB185,677,000
- Earnings per share was RMB39 cents
- Proposed final dividend per share is RMB7.4 cents

Highlights

- Turnover and profit attributable to shareholders increased due to the increase in traffic volume
- Passenger throughput exceeded 7,000,000 in 2004
- Completion of main structure of Phase II terminal building expansion

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 (collectively, the "Group") prepared and presented in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2004, together with comparative figures for 2003, as below:

1. CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Revenues			
Aeronautical		259,753	214,839
Non-aeronautical		100,272	93,094
		<hr/>	<hr/>
Business tax and levies	2	360,025	307,933
Cost of services and sale of goods		(13,932)	(6,932)
		<hr/>	<hr/>
Gross profit		(106,267)	(90,328)
Selling and distribution costs		239,826	210,673
Administrative expenses		(2,977)	(1,616)
Investment income		(56,069)	(52,959)
Other gains		–	3,670
		37	585
		<hr/>	<hr/>
Profit from operations	3	180,817	160,353
Interest income		4,849	5,930
Interest expense	4	–	(11,720)
		<hr/>	<hr/>
Profit before taxation		185,666	154,563
Taxation	5	(33)	(160)
		<hr/>	<hr/>
Profit after taxation		185,633	154,403
Minority interests		44	(1,795)
		<hr/>	<hr/>
Profit attributable to shareholders		185,677	152,608
		<hr/> <hr/>	<hr/> <hr/>
Dividends	6	84,232	80,446
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (<i>RMB</i>)	7	39 cents	32 cents
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2. CONSOLIDATED BALANCE SHEET

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	860,119	717,464
Prepaid leases	170,131	168,301
Goodwill	3,650	4,063
Negative goodwill	(164)	(202)
	<hr/>	<hr/>
	1,033,736	889,626
	<hr/>	<hr/>

Current assets		
Inventories, at cost	3,874	2,853
Trade receivables, net	164,416	109,349
Other receivables and prepayments	10,504	9,660
Due from related parties	9,831	15,504
Held-to-maturity investments	–	90,000
Time deposits	101,614	80,000
Cash and cash equivalents	379,976	413,704
	<u>670,215</u>	<u>721,070</u>
Total assets	<u>1,703,951</u>	<u>1,610,696</u>
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>

EQUITY AND LIABILITIES

Shareholders' equity		
Ordinary shares	473,213	473,213
Share premium	627,037	627,037
Revaluation surplus	36,481	36,481
Statutory reserves	78,464	53,096
Retained earnings	211,990	135,913
Proposed dividends	35,018	67,669
	<u>1,462,203</u>	<u>1,393,409</u>
Total shareholders' equity	<u>1,462,203</u>	<u>1,393,409</u>
Minority interests	<u>1,028</u>	<u>1,072</u>
LIABILITIES		
Non-current liabilities		
Long-term bank loans	103,000	128,000
Deferred tax liabilities	11,503	11,503
	<u>114,503</u>	<u>139,503</u>
Current liabilities		
Trade and other payables	101,212	75,674
Income tax payable	5	1,038
Current portion of long-term bank loans	25,000	–
	<u>126,217</u>	<u>76,712</u>
Total liabilities	<u>240,720</u>	<u>216,215</u>
Total equity and liabilities	<u>1,703,951</u>	<u>1,610,696</u>

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

The Group adopted IFRS 3 "Business Combinations", International Accounting Standard ("IAS") 36 "Impairment of Assets" and IAS 38 "Intangible Assets" for acquisition with agreement dated on or after 31 March 2004. In accordance with IFRS 3, goodwill arising from acquisition with agreement dated on or after 31 March 2004 will be tested annually for impairment and carried at cost less accumulated impairment losses. As there is no acquisition with agreement dated on or after 31 March 2004 for the Group, the adoption of these IASs carried no impact on these financial statements. There is also no impact from adopting the IFRS 3 on opening retained earning as at 1 January 2004.

2. Revenues

Analysis of revenue (By category)	2004 RMB'000	2003 <i>RMB'000</i>
Aeronautical:		
Passenger charges	101,819	84,620
Aircraft movement fees and related charges	42,222	38,297
Airport fee	90,176	71,668
Ground handling services income	25,536	20,254
	259,753	214,839
Non-aeronautical:		
Retailing	21,788	11,450
Franchise fee	13,992	24,493
Rental	19,307	15,964
Tourism	22,165	21,977
Advertising	8,247	6,192
Car parking	5,072	2,963
Management fee	–	2,472
Others	9,701	7,583
	100,272	93,094
Total revenues	360,025	307,933

3. Profit from operations

The following items have been included in arriving at profit from operations:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Cost of goods sold	11,366	5,929
Depreciation of property, plant and equipment	34,582	31,313
Amortisation of prepaid leases	2,409	3,731
Loss on disposal of property, plant and equipment	452	674
Repairs and maintenance expenditure on property, plant and equipment	6,702	4,365
Amortisation of goodwill (included in cost of services and sale of goods)	413	69
Amortisation of negative goodwill (included in other gains)	(37)	(37)
Operating lease rentals		
– buildings	509	509
Trade receivables		
– (reversal)/impairment charge for bad and doubtful debts	(2,716)	1,876
Staff costs	33,364	29,176
Auditors' remuneration	2,121	2,603
	<u> </u>	<u> </u>

4. Interest expenses

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Interest on bank loans		
– wholly repayable within five years	–	12,812
– not wholly repayable within five years	7,496	484
	<u> </u>	<u> </u>
	7,496	13,296
<i>Less: interest capitalised</i>	(7,496)	(1,576)
	<u> </u>	<u> </u>
	–	11,720
	<u> </u>	<u> </u>

5. Taxation

Enterprise income tax

Hong Kong profits tax has not been provided as the Group had no estimated assessable profits arising in Hong Kong during the year (2003: Nil).

Taxation in the income statement represents provision for PRC enterprise income tax.

Under PRC income tax law, the entities within the Group are subject to enterprise income tax of 15% (2003: 15%) on the taxable income as reported in their statutory accounts which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

Pursuant to the approval documents issued by Hainan Qionghang 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.

Except for the tax losses of Hainan Meilan International Airport Advertising Co., Ltd. and Hainan Meilan Duty Free Shop Limited attributable to the Group as at 31 December 2004 of approximately RMB821,000 (2003: RMB438,000) and RMB1,464,000 (2003: RMB1,103,000), respectively, there are no other material deductible temporary differences for which deferred tax assets were not recognised.

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:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Profit before taxation	<u>185,666</u>	<u>154,563</u>
Tax calculated at a tax rate of 15% (2003: 15%)	27,850	23,184
Effect of tax holidays	(28,231)	(26,198)
Effect of current year losses of subsidiaries	108	106
Investment income not subject to income tax	(28)	(81)
Expenses not deductible for tax purposes	<u>334</u>	<u>3,149</u>
Tax charge	<u>33</u>	<u>160</u>

Business taxes

The Group is subject to business taxes on its service revenues at the following rates:

Aeronautical revenues	3% of service revenue
Non-aeronautical revenues	5% of rental income, advertising income, car parking fee income and repairs and maintenance service income

Value-Added Tax ("VAT")

VAT is levied at general rate of 4% on the selling price of goods and services.

6. Dividends

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Interim, paid, of RMB10.3 cents (2003: RMB2.7 cents) per ordinary share	49,214	12,777
Final, proposed, of RMB7.4 cents (2003: RMB14.3 cents) per ordinary share	<u>35,018</u>	<u>67,669</u>
	<u>84,232</u>	<u>80,446</u>

At the Board of Directors' meeting held on 22 March 2005, the directors of the Company proposed a final dividend of RMB7.4 cents per ordinary share. This dividend payable will be accounted for in shareholders' equity as an appropriation of retained earnings for the year ending 31 December 2005.

7. Earnings per share

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

	2004	2003
Profit attributable to shareholders (<i>RMB'000</i>)	185,677	152,608
Weighted average number of ordinary shares in issue (<i>thousands</i>)	473,213	473,213
Basic earnings per share (<i>RMB per share</i>)	<u>39 cents</u>	<u>32 cents</u>

No diluted earnings per share is presented as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2004 and 2003.

FINAL DIVIDENDS

The Board has passed the resolution to recommend the payment of a final dividend on or before Tuesday, 28 June 2005 of RMB7.4 cents per share totaling RMB35,018,000 during the Annual General Meeting held on Tuesday, 10 May 2005 to shareholders of the Company whose names appear on the Company's Register of Members on Saturday, 9 April 2005.

During the year 2004, the Company's profit after taxation determined under the PRC accounting standards amounted to RMB168,530,000, and the profit after taxation determined under IFRS amounted to RMB186,888,000. Pursuant to the stipulations of the Articles of Association of the Company, the Company's dividend distribution for the relevant accounting year should be based on the lower of the profit after taxation determined under the aforesaid two accounting standards. In this regard, the dividend payment for the year 2004 will be based on the profit after taxation determined under the PRC accounting standards.

The Company's Register of Members will be closed from Saturday, 9 April 2005 to Monday, 9 May 2005 (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 the final dividend referred to above 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 8 April 2005 for completion of the registration of the relevant transfer.

BUSINESS REVIEW

Overview of Aeronautical Business

In 2004, the Group has achieved its annual target and reached historical height since its inauguration in 1999, with the passengers throughout exceeded 7,000,000 in the first time.

Benefited from the overall increase in traffic volume in 2004, the Group's revenue from aeronautical business for the year reached RMB259,753,000, representing an increase of 20.9% as compared to last year.

International Route Development

Since Hainan Meilan International Airport was upgraded to an international airport in mid 2003, the Group aggressively discussed with international airlines to open international routes originated from Haikou. As at the end of 2004, there were already 7 local and international airlines had already opened 9 international or regional routes in total, all of which depart from or arrive at Hainan Meilan Airport, and travel to Hong Kong, Macau, Seoul, Singapore, Bangkok, Kuala Lumpur, Osaka, Pusan and Fukuoka, etc. In addition, three other international airlines including, Thailand Phuket Airlines, Malaysia Airlines and Asiana Airlines, have opened routes to and from Haikou. At the same time, the Group has discussed with international airlines, and invite them to carry out field study in Hainan Meilan Airport in order to establish a better foundation for future cooperation.

Besides, the Group successfully got the hosting right of 2007 New Route Asia Forum in September 2004. The subsidiary of ASM International Company, Routes Development Organization ("Routes"), is the organizer of The New Route Asia Forum. The headquarters of Routes is located

in Manchester, England. Routes is also the organizer of World Routes and Routes Latin America. The New Route Asia 2003 – 2005 has been held in Kuala Lumpur. The New Route Asia not only provides an opportunity for the city to generate huge awareness from aeronautical industry, but also brings considerable effects from the rest of the world. It is an excellent opportunity for the Group to promote itself through hosting New Route Asia. The Group will treasure this opportunity to enhance the communication with the international airlines and to open more international routes.

As the opening of third, fourth and fifth aviation rights, the Group explore more international routes aggressively and led to the substantial increase of international flights. The Group expects one of the growth driver of the aeronautical businesses was the international flights and international passenger throughout.

Overview of Non-Aeronautical Business

In 2004, the Company introduced the business development experience of Copenhagen Airport and established business development strategies which are suitable for the development requirements of the Company. The development strategies include resources allocation and management model, etc.. The Group attained encouraging results in respect of its non-aeronautical business. The revenue from non-aeronautical business amounted to RMB100,272,000, representing an increase of 7.7% as compared to last year.

Commercial Sales

In 2004, the Group successfully introduced international renowned brands to join the commercial operation of the Group, which included the contracts with Select Service Partner Hong Kong Limited (“SSP”) and renowned US retailer DFS (“DFS”). SSP commenced their businesses and received favourable market response. According to the terms in the contract with DFS, the Group rented the commercial area in the terminal building to DFS, in return to the basic charge is decided upon the number of departing passenger, together with a concession fee which is certain percentage of the total turnover. DFS expects to complete the design and decoration and commence operation in the mid of 2005. The successful introductions of SSP and DFS will improve food and beverages quality and retail services, and encourage the development of other non-aeronautical businesses, which are regarded as part of the new operation model of the commercial development of the civil aviation airport in the PRC.

In 2004, the Group extended its advertising and VIP services to the sector of telecommunications and the sales of vehicles, which further diversified the services of the airport to explore income sources and the possibility of an even more suitable business model for the Group. In all, the Group’s non-aeronautical business achieved favourable market efficiency and turnover amounted at RMB100,272,000.

Tourism and Traveling

Hainan Meilan Airport international Traveling Company Limited (“Meilan Traveling”) provides a wide range of services such as transportation between Hainan Meilan International Airport and downtown Haikou, hotel reservation, air ticket sales, travel reception and organizing tour packages. The turnover of 2004 amounted RMB22,165,000.

Car Parking

Car parking fees are another major income source for the Group’s non-aeronautical businesses. The turnover for 2004 amounted to RMB5,072,000.

Advertising Business

The Group also generated revenue by operating and leasing out advertising space at the airport terminal. For the year ended 31 December 2004, income from advertising was RMB8,247,000, representing an increase of 33% as compared to 2003. As Hainan Meilan International Airport begins accommodating more international flights, the number of local and international corporations who want to promote themselves through airport advertising will increase, creating a need to develop more advertising spaces and ultimately, revenue from advertising business will be further boosted in the future.

Retail

As for the year ended at December 31, 2004, the annual revenue from the retail business of the group reached RMB21,788,000, or a 90% up comparing with previous year. The main driving forces for this dramatic increase are enormous effort put into the retail market development by the Group, through research undertaken on the customer needs, “customer-oriented” operation concept, adjustment to the shop layout and merchandise structure. Moreover, the Group also expanded the retail spaces in the terminal building. The Company will terminate the domestic retail business and outsource them to DFS, the Company will therefore only operate the retail business in the international hall of the terminal building. As a result, it is estimated that the revenue from retail business will drop, while the Company will recognise other income for DFS.

Income from Concession

For the year ended at 31 December 2004, revenue from the concession was RMB13,992,000, representing a 43% drop comparing with previous year, this is mainly due to the change on the concession fee payment method of the catering company and reduction on the outsourcing fee of cargo business since 1 January 2004. As a result, the concession income from the catering business for 2004 was RMB2,070,000 and the outsourcing income from the cargo business was RMB9,900,000, representing a decrease of 2,310,000 and 8,100,000 respectively as compare to the previous year.

It is estimated that the leasing of commercial areas in the airport terminal and car parking fees will be the growth momentum of the non-aeronautical business in 2005.

FINANCIAL REVIEW

Structure of assets

As at 31 December 2004, the total assets of the Group amounted to RMB1,703,951,000, an increase of 5.8% as compared to the previous year. The increase was mainly attributable to the increase of the company reserves brought by the net profit.

Cost Structure

In 2004, the total operating costs of the Group were RMB106,267,000, representing an increase of 17.6% and RMB15,939,000 compared to last year; the management fee were RMB56,070,000, representing an increase of 5.9% and RMB3,110,000 as compared to last year. The increase in expenses was attributable to the followings:

1. The revenue from retails increased by 90% comparing to the previous year, thus the cost of goods sold increased by RMB5,437,000, 92% up comparing with previous year.

2. According to the clauses stated in the General Logistic Service Contract with HNA Group, the logistic expense for 2004 was RMB9,500,000, which increased 46% comparing with previous year.
3. The human resources cost increased by 14% or RMB4,188,000 as compare to the previous year, it is mainly due to the increase of employees as well as the additional expenditure on the housing provident fund.

Cash flow

In 2004, the Group's net cash flow from operating activities was RMB182,755,000, representing a decrease of 2%. The primary reason for the decrease was the increase on account receivables, the Group's investment cash outflow was RMB99,600,000, which was contributed by the expansion of the terminal building.

Pledge of the Group's Assets

The Group pledged its rights to revenues to secure a long-term bank loan of RMB128,000,000 from China Development Bank.

Gearing Ratio

As at 31 December 2004, the current assets of the Group was approximately RMB670,215,000, the total assets was approximately RMB1,703,951,000, the current liability was approximately RMB126,217,000 and the total liability was approximately RMB240,720,000. The Group's gearing ratio, representing the ratio of the total bank borrowing to the total asset, was 7.5%, a decrease of 0.4% in comparison to that of the previous year. The main reason for the improvement was the increase of the total assets.

Exposure to Foreign Exchange Risk

Except the purchase of certain equipment, goods and raw materials denominated in US Dollar, the Group's businesses were denominated in RMB. The dividends of H share of the shareholders was published by RMB and paid with HK Dollars. As at 31 December 2004, all of the Group's assets and liabilities are denominated in RMB, only cash and cash equivalents of approximately RMB5,187,000 was denominated in HK Dollar and US Dollar. The fluctuation of the exchange rate of RMB to foreign currency may have an impact on the Group's results.

Financial Instruments

As at 31 December 2004, 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 operation needs. Besides, the Group has other direct finance instruments in relation to daily operations, such as accounts receivable and accounts payable.

Contingent Liability

As at 31 December 2004, the Group or the Company did not have any significant contingent liabilities.

Purchase, Sales or Redemption of Shares

As at 31 December 2004, the Group or the Company has not purchased, sold or redeemed any of the Company's shares.

Employment, Training and Development

As at 31 December 2004, the Group had a total of 714 employees, representing an increase of 146 employees as compared to that of 2003. Total staff costs accounted for about 9.3% of total turnover, representing an increased of 14% as compared to the previous year. The reason of the increase in cost was mainly contributed by the increase of employees, higher percentages on the Housing Provident Fund payable by the company and the increase on the Seniority Payment etc. Employees are remunerated based on their performance, experience and prevailing industry practices, and the Group will review the remuneration policy and its related combination on a regular basis. Bonuses and commissions may be awarded to employees as incentives based on their performance.

Retirement pension

The Company and its respective subsidiaries have participated in the employee retirement scheme operated by the relevant local government of the PRC. The relevant local 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 after 1 January 2004 respectively. For the year ended 31 December 2004, the contribution for the pension was amounted to approximately RMB2,784,000 (2003: RMB2,717,000).

Use of proceeds from issue of H Shares

- Approximately an accumulated amount RMB94,380,000 was applied as payment to the parent company of the Company for the acquisition of land use rights for the construction of Phase II expansion
- Approximately an accumulated amount RMB50,070,000 was applied as cost for the expansion of the apron and terminal areas of the Hainan Meilan International Airport
- Approximately an accumulated amount RMB15,500,000 was to the construction of an international customs and inspection joint operation building for passenger and cargo transportation
- Approximately an accumulated amount RMB155,000,000 was applied to the construction of Phase II of the terminal

The remaining balance is placed with creditworthy commercial banks in the PRC.

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 2004.

Outlook

Having benefited from China's robust economic growth, the accelerated restructuring and development of the domestic aviation industry and Hainan Province's flourishing tourism, the Group achieved significant growth in operation performance as compared to the previous year. Looking ahead to 2005, the Group will implement a series of effective measures to further its progress in business expansion and to strengthen business growth, with a view to rewarding our shareholders with impressive returns.

Proactive Exploration of International Routes to Become a Quality International Airport

Benefiting from the preferential policies of the Civil Aviation Administration of China and the Hainan Provincial Government in respect of the liberalization of aviation rights in Hainan Province, Hainan Meilan International Airport has developed a total of nine international/ regional routes, together with three new international airlines and opened routes to Haikou. In 2005, Meilan Airport will continue to embrace the philosophy of “faithfulness, performance and innovation” and persist in the implementation of brand strategy to enhance the domestic route distribution and expedite international route expansion. By introducing new international airlines, exploring new international and domestic routes and providing quality services in accordance with international standards, the Group is committed to establishing a reputable international corporate image and becoming a prominent international airport brand.

Scheduled Completion of Phase II Expansion which is expected to Commence Operation by Mid-2005

By the end of 2004, the Company’s Phase II expansion plan (including new passenger terminal building and apron) had completed and had entered the installation and refurbishment stage as scheduled. It is expected to be completed all construction and put into operation by mid-2005. The timely completion of the Phase II expansion plan will establish a solid foundation for the Group to expand operation scale, enhance efficiency, satisfy the demand of an increasing number of tourists and propel future development.

Comprehensive Business Training for Improving Staff Performance

In 2004, while capturing the opportunities brought forth by the opening of the aviation industry and taking into account the increasing challenges ahead as an international airport, the Group has placed more emphasis on staff training and provided a number of diversified training courses which attained impressive achievements. Training courses included foreign languages, knowledge of the aviation industry, customs of international flights, value-added services, sales and ticketing services for international passengers and knowledge of international ports. In addition, the Group also provided harmonious work environment and organized entertainment activities to improve staff remuneration and welfare. In 2005, the Group will continue to offer diversified training in the form of language courses, technical skill training, security training and quality training so as to enhance the quality and service standards of its workforce.

Management System Reform Enhances Security and Service Quality

In 2005, the Group will further expedite management system reform, continue to introduce and learn from international advanced management model and used its experience to establish a competitive human resource management system with immense development potential, so as to enhance overall security and service quality.

OTHER INFORMATION

Audit Committee

The Audit Committee under the Board of Directors comprises three Independent Non-executive Directors and the Independent Non-executive Directors Mr. Xu Bailing is the chairman.

The Audit Committee was established in September 2002. The duties of the Audit Committee are to review the appointment of auditor, to determine the auditors’ fee, to monitor the work of external auditors and to review the financial reports of the Company and its internal financial control and reporting system.

In 2004, the Audit Committee audited the connected transaction of the Company, and made independent opinions regarding these connected transactions (including the CAP of the connected transaction during 2005 – 2007) and account receivables of the Company. The Audit Committee Meeting was held in 21 March 2005 and the committee reviewed the performance of the Group and presented opinions and recommendations to the Board of Directors.

Compliance with the Code of Best Practice

For the year ended 31 December 2004, the Company has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules.

Compliance with Model Code for Securities Transactions by Directors of Listed Issues

Most of the directors of the Company are citizens of the mainland of the PRC and are restricted in the H shares transactions by the domestic laws. Therefore, the Company does not adopt any regulation under Model Code; none of the directors of the Company are not, for any part of the accounting period contained in the annual report, in compliance with the Model Code.

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.

As at the date of this announcement, there are 9 Directors on the Board. They are: Wang Zhen, Huang Qiu and Kristian Bjerneboe as Executive Directors; Chen Wenli, Zhang Han'an and Kjeld Binger as Non-executive Directors; and Xu Bailing, Xie Zhuang and Fung Ching Simon as Independent Non-Executive Directors.

By Order of the Board
Chen Wenli
Chairman

Hainan Province,
The PRC, 22 March 2005

* *for identification purpose only*

This announcement can also be accessed through out Interest size at <http://www.mlairport.com>.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “Annual General Meeting”) of Hainan Meilan International Airport Company Limited (the “Company”) will be held at 10 May 2005 (Tuesday) at the meeting room of the Company on 3rd Floor, Meilan Airport Complex No. 6 Haikou City, Hainan Province, the People’s Republic of China (the “PRC”) to consider and, if thought fit, to pass the following resolutions:

By way of ordinary resolutions:

1. To consider and approve the working report of the Board of Directors of the Company for the year ended 31 December 2004;
2. To consider and approve the working report of the Supervisory Committee of the Company for the year ended 31 December 2004;

3. To consider and approve the audited financial statements of the Company as at and for the year ended 31 December 2004;
4. To consider and approve the final dividend distribution plan of the Company for the year ended 31 December 2004;
5. To consider and approve the re-appointment of PricewaterhouseCoopers, certified public accountants, Hong Kong and Hainan Congxin (registered accountants in the PRC (excluding Hong Kong)) as the Company's international and domestic auditors for the financial year 2005, respectively, to hold office until the conclusion of the next annual general meeting, and to determine their remuneration;
6. To consider and approve the remuneration of Directors, Supervisors and the Company's Secretary of year 2005;
7. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting.

By way of special resolutions:

8. To consider and, authorise the Board of Directors of the Company to, inter alia:

Subject to any governmental and/or regulatory approval under the applicable law, issue, allot and deal with additional H Shares of the Company (not exceeding 20 per cent of the aggregate nominal amount of the H Shares in issue as at the date of passing of the shareholders' special resolution)
9. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the share carrying the right to vote at such meeting.

By order of the Board
Bai Yan
Company Secretary

Hainan Province, the PRC
22 March 2005

Notes:

- (A) Holders of the Company's overseas listed foreign invested shares (in the form of H Shares) whose names appear on the Company's Register of Members which is maintained by Computershare Hong Kong Investor Services Limited at the close of business on 9 April 2005 (Saturday) are entitled to attend and vote at the Annual General Meeting and qualified for the redemption of 2004 final dividend.
- (B) Holders of H Shares, who intend to attend the Annual General Meeting, must complete and return the written replies for attending the Annual General Meeting to the Office of the Secretary of the Board of Directors of the Company no later than 19 April 2005 (Tuesday).

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

Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

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

- (C) Each holder of H Shares who has the right to attend and vote at the Annual General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Annual General Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing. If the instrument appointing a proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. Instrument appointing a proxy of any holder of H Shares (being a body corporate) must be affixed with the corporate seal of such holder of H Shares or duly signed by the chairman of its board of directors or by its authorised attorney. For holders of H Shares, the power of attorney or other documents of authorisation and proxy forms must be delivered to Computershare Hong Kong Investor Services Limited no less than 24 hours before the time appointed for the holding of the Annual General Meeting in order for such documents to be valid.
- (D) The Company's Register of Members will be closed from 9 April 2005 (Saturday) to 9 May 2005 (Monday) (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 the 2004 dividend of RMB0.074 per share (for Domestic shares, including tax; while for H shares, excluding tax) referred to above must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 8 April 2005 (Friday) for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company.

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

Shop 1901-1905
19th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

- (E) The 2004 final dividend will be distributed on or around 28 June 2005 (Tuesday) to those shareholders whose names registered in the Company's Register of Members on around 9 April 2005 (Saturday).
- (F) The Annual General Meeting is expected to last not more than one day. Shareholders or proxies attending the Annual General Meeting are responsible for their own transportation and accommodation expenses.