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 2006

Financial Highlights

– Total revenue was RMB334,375,000

Revenue from the aeronautical business was RMB230,756,000

Revenue from the non-aeronautical business was RMB103,619,000

– Net profit attributable to shareholders was RMB122,976,000

– Earnings per share was RMB0.26

Business Highlights

– The passenger throughput recorded 6.668 million

– The international flights recorded continuing increase

* *for identification purpose only*

RESULTS

The Board of Directors ("the Board") of Hainan Meilan International Airport Company Limited ("the Company") 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 2006, together with comparative figures for 2005, which is set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2006	2005
	Note	***RMB'000***	*RMB'000*
Revenue			
Aeronautical		**230,756**	248,364
Non-aeronautical		**103,619**	86,480
	2	**334,375**	334,844
Business tax and levies		**(12,285)**	(11,628)
Cost of services and sales	3	**(125,250)**	(99,140)
Gross profit		**196,840**	224,076
Selling and distribution costs	3	**(2,731)**	(2,927)
Administrative expenses	3	**(61,528)**	(62,172)
Other gains – net		**257**	180
Operating profit		**132,838**	159,157
Finance income		**4,111**	4,494
Finance costs		**(3,873)**	–
Finance income-net	4	**238**	4,494

Profit before income tax		**133,076**	163,651
Income tax expense	*5*	**(10,098)**	(12,237)
Profit for the year		**122,978**	151,414
Attributable to:			
Equity holders of the Company		**122,976**	151,844
Minority interests		**2**	(430)
		122,978	151,414
		RMB	*RMB*
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted	*6*	**26 cents**	32 cents
		RMB'000	*RMB'000*
Dividends	*7*	**–**	39,750

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2006	2005
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**163,710**	166,821
Property, plant and equipment		**1,089,832**	1,014,279
		1,253,542	1,181,100

Current assets			
Inventories		**3,716**	2,750
Trade receivables	*8*	**193,813**	189,674
Other receivables and prepayments		**11,266**	12,592
Due from related parties		**56**	1,275
Time deposits		**85,918**	84,468
Cash and cash equivalents		**322,040**	245,408
		616,809	536,167
Total assets		**1,870,351**	1,717,267
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**1,100,250**	1,100,250
Other reserves		**149,528**	137,223
Retained earnings		**412,477**	301,806
		1,662,255	1,539,279
Minority interests		**600**	598
Total equity		**1,662,855**	1,539,877
LIABILITIES			
Non-current liabilities			
Borrowings-secured		**25,000**	53,000
Deferred income tax liabilities		**11,021**	11,262
Deferred income		**8,459**	–
		44,480	64,262

Current liabilities			
Trade and other payables	*9*	**134,907**	59,906
Current income tax liabilities		**109**	3,222
Borrowings-secured		**28,000**	50,000
		163,016	113,128
Total liabilities		**207,496**	177,390
Total equity and liabilities		**1,870,351**	1,717,267
Net current assets		**453,793**	423,039
Total assets less current liabilities		**1,707,335**	1,604,139

Notes:

1. **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.

(i) ***Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations***

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;
- IAS 21 Amendment – New Investment in a Foreign Operation;
- IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

- IAS 39 Amendment – The Fair Value Option;

- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts;

- IFRS 1 Amendment – First-time Adoption of International Financial Reporting Standards and IFRS 6 Amendment, Exploration for and Evaluation of Mineral Resources;

- IFRS 6, Exploration for and Evaluation of Mineral Resources;

- IFRIC-Int 4, Determining whether an Arrangement contains a Lease;

- IFRIC-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

- IFRIC-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(ii) Standard, amendment and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standard, amendment and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 November 2006 or later periods that the Group has not early adopted:

- IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosure (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analyses to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analyses to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007;

- IFRIC-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's accounts.

(iii) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group's operations:

- IFRIC-Int 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC-Int 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional Currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a Currency of a hyperinflationary economy as its functional Currency, IFRIC-Int 7 is not relevant to the Group's operations; and

- IFRIC-Int 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. As the Group has no transactions involving the issuance of equity instruments, IFRIC-Int 8 is not relevant to the Group's operations; and

- IFRIC-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, IFRIC-Int 9 is not relevant to the Group's operations.

2. Revenue and segment information

The Group conducts its business within one business segment – the business of operating an airport and provision of related services in the PRC. As the products and services provided by the Group are all related to the operation of an airport and subject to similar business risks, no segment income statement has been prepared by the Group for the year ended 31 December 2006. The Group also operates within one geographical segment because its revenues are primarily generated and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

	2006	2005
Analysis of revenue by category	***RMB'000***	*RMB'000*
Aeronautical:		
Passenger charges	**89,005**	95,366
Aircraft movement fees and related charges	**41,044**	42,262
Airport fee	**80,564**	85,327
Ground handling services income	**20,143**	25,409
	230,756	248,364
Non-aeronautical:		
Retailing	**9,509**	10,160
Franchise fee	**27,769**	15,980
Rental	**17,942**	16,469
Tourism	**20,485**	19,457
Advertising	**12,008**	9,157
Car parking	**5,101**	5,327
Others	**10,805**	9,930
	103,619	86,480
Total revenue	**334,375**	334,844

3. Expenses by nature

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

	2006	2005
	RMB'000	*RMB'000*
Cost of goods and services	**44,933**	41,977
Depreciation of property, plant and equipment	**43,157**	31,359
Amortisation of land use rights	**3,111**	3,310
Employee benefit expense	**35,761**	33,891
Impairment of goodwill	**–**	3,650
Other taxes	**5,975**	4,881
Auditors remuneration	**2,333**	2,384
Consulting fee	**9,030**	4,587
Operating lease rentals – building	**255**	509
Amortisation of deferred income	**(778)**	–
Loss on disposal of property, plant and equipment	**16**	67
Impairment charge of trade receivables	**177**	33
Utilities and power	**17,172**	11,204
Repair and maintenance	**5,347**	6,690

4. Finance income – net

	2006	2005
	RMB'000	*RMB'000*
Interest on bank loans	**(5,449)**	(7,586)
Less: interest capitalised	**1,576**	7,586
Finance cost	**(3,873)**	–
Finance income – bank interest	**4,111**	4,494
	238	4,494

5. **Income tax expense**

Hong Kong profits tax has not been provided for as the Group had no estimated assessable profits arising in Hong Kong during the year (2005: Nil). Taxation in the income statement represents provision for the PRC enterprise income tax.

	2006	2005
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**10,339**	12,478
Deferred income tax	**(241)**	(241)
Income tax expense	**10,098**	12,237

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:

	2006	2005
	RMB'000	*RMB'000*
Profit before taxation	**133,076**	163,651
Tax calculated at a domestic rate applicable to profits in the Hainan Province	**19,961**	24,548
Effect of tax holidays	**(10,001)**	(13,397)
Tax loss not recognised	**57**	114
Expenses not deductible for tax purpose	**81**	972
Income tax expense	**10,098**	12,237

Under the PRC income tax law, the entities within the Group are subject to enterprise income tax of 15% (2005: 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.

6. Earnings per share

– Basic 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.

	2006	2005
Profit attributable to equity holders of the Company *(RMB'000)*	**122,976**	151,844
Weighted average number of ordinary shares in issue *(thousands)*	**473,213**	473,213
Basic earnings per share *(RMB per share)*	**26 cents**	32 cents

– Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there was no potential dilutive ordinary share outstanding during the years ended 31 December 2006 and 2005.

7. Dividends

	2006	2005
	RMB'000	*RMB'000*
No interim dividend in 2006 (2005: RMB8.4 cents per share)	**–**	39,750
No final dividend proposed in 2006 (2005: no final dividend proposed)	**–**	–
	–	39,750

At the Board's meeting held on 10 April 2007, the Directors proposed no final dividend payout for the year ended 31 December 2006.

8. Trade receivables

	2006	2005
	RMB'000	*RMB'000*
Trade receivables from third parties *(Note (a))*	**28,229**	29,466
Less: provision for impairment of receivables	**(2,425)**	(2,248)
	25,804	27,218
Trade receivables from related parties *(Note (b))*	**87,445**	49,255
Airport fee receivable *(Note (c))*	**80,564**	113,201
	193,813	189,674

(a) As at 31 December 2006, the ageing analysis of the trade receivables from third parties was as follows:

	2006	2005
	RMB'000	*RMB'000*
0 – 90 days	**22,064**	20,469
91 – 180 days	**3,643**	3,377
181 – 365 days	**171**	2,530
Over 365 days	**2,351**	3,090
	28,229	29,466

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.

(b) As at 31 December 2006, the ageing analysis of the trade receivables from related parties was as follows:

	2006	2005
	RMB'000	*RMB'000*
0 – 90 days	**46,176**	45,514
91 – 180 days	**17,972**	2,242
181 – 365 days	**12,993**	1,181
Over 365 days	**10,304**	318
	87,445	49,255

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.

(c) As at 31 December 2006, the original amount, fair value and ageing analysis of the airport fee receivable were as follows:

	2006		2005	
	Original amount	**Fair value**	Original amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
0 – 90 days	**22,281**	**22,036**	22,124	21,899
91 – 180 days	**15,995**	**15,819**	18,914	18,721
181 – 365 days	**43,185**	**42,709**	44,289	43,838
Over 365 days	**–**	**–**	29,040	28,743
	81,461	**80,564**	114,367	113,201

The fair values are based on cash flows, discounted using an effective deposit interest rate of 2.25% per annum.

9. Trade and other payables

	2006	2005
	RMB'000	*RMB'000*
Trade payables	**5,146**	2,621
Other payables	**108,544**	36,007
Deposits received	**1,391**	1,326
Due to related parties	**19,826**	19,952
	134,907	59,906

As at 31 December 2006, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) was as follows:

	2006	2005
	RMB'000	*RMB'000*
0 – 90 days	**16,868**	17,054
91 – 180 days	**2,803**	859
181 – 365 days	**3,352**	484
Over 365 days	**1,243**	–
	24,266	18,397

BUSINESS REVIEW

Overview of Aeronautical Business

In 2006, the Group's production and operation indicators decreased due to the strategic restructuring and structural adjustment of airlines, reformation of the Hainan tourism market, as well as the diffluent effect on passenger flow arising from the commencement of operation of the Guangdong-Hainan Railway.

Particulars of Commencement of New International Routes

Capitalising on the opening of aviation rights in Hainan Province, the passenger throughput of both international and regional routes of Hainan Meilan International Airport continued to grow steadily in 2006. During the year, the Group successfully introduced the first foreign low-cost airline, Tiger Airways Pte Ltd. from Singapore, to operate a daily flight between Haikou and Singapore. In the meantime, Hong Kong Dragon Airlines Limited, also successfully operated the first "Hong Kong – Haikou – Sanya – Hong Kong" route, representing a breakthrough in the midway division policy of aviation rights. Currently, there are 11 domestic and foreign airlines operating 9 international/regional routes covering places such as Hong Kong, Macau, Singapore, Thailand, Malaysia, Korea and Japan departing from/arriving at Hainan Meilan International Airport.

Zealous Introduction of Low-cost Airlines

In 2006, the boom of domestic low-cost airlines was attributable to the opening of aviation rights and the flourishing growth of tourism. The Group promptly activated the research project of "Introducing Low-Cost Airlines" as an endeavour to attract these airlines to establish external depots in Haikou. At present, domestic and foreign low-cost airlines such as Spring Airlines, East Star Airlines, OKAIR and Tiger Airways Pte Ltd. from Singapore are operating routes to and from Haikou with satisfactory track record.

From 25 to 27 March 2007, the Group successfully organized the forum of Regional New Route Asia 2007 Forum. Haikou was the first city in China to organise the meeting of international routes. Taking advantage of such valuable opportunity, the Group aggressively promoted the policy of the release of aviation rights of Hainan, the subsidy measures of the routes in Hainan, together with the abundancy of travel resources in Hainan, which aroused the interests of the airlines in the Asia Pacific and Europe regions. The Group believed that the success of the forum could further promote the progress of the release of the aviation rights in Hainan province. It will not only enhance the reputation of the Hainan Meilan International Airport, but also attract more airlines to open routes to Haikou.

It is estimated that the Group's international flights and international passenger throughput will sustain stable growths in 2007. Under the influence of market environment, the Group's revenue from aviation business for 2006 was RMB230,756,000, representing a decrease of 7.1% as compared to last year.

Overview of Non-Aeronautical Business

In 2006, with the help of the advanced business development experience of foreign airports, the Group established and optimised its business development model which incorporated the concept of "operating resources utilisation in line with market demand and future development" to suit the development requirement of the airport. By actively promoting business outsourcing, stable development was achieved in the non-aeronautical business. The non-aeronautical revenue was RMB103,619,000, representing an increase of 19.8% as compared to last year. The main reason is that, as a result of the inauguration of Terminal Expansion Phase II, the business of Duty Free Shoppers Hong Kong Limited ("DFS") has been fully commenced with the expansion of commercial areas, which recorded an increase in the franchise income from the DFS.

Commercial Development

In 2006, the cooperation between the Group and the world famous catering company Select Service Partner ("SSP") and DFS was ready to operate with full force. The transformation of the Group from self-operation to franchise operation has completed and put into place a unified and professional commercial management of airports. Through entering into a contract with minimum-guaranteed rental, the Group was assured of fixed revenue in times of falling turnover while obtaining pro rata additional revenue in times of growing turnover. As such, operation risks were minimised by effectively curbing losses in association with reduction in production output.

Tourism and Travelling

Hainan Meilan International Airport Traveling Company Limited ("Meilan Travelling") provides a wide range of services such as transport between Hainan Meilan International Airport and Haikou City, hotel reservation, air ticket sales and travel reception. It also actively organises more and more short tour packages. Due to a reduction in passenger and cargo throughput, the Company outsourced its tourism and travelling business to Luckyway International Travel Service Co., Ltd. ("Luckyway Travelling") in 2006 to ensure stable income of the Group. In addition to the licence fee payable by Luckyway Travelling, the Group received additional income from a pro rata share of its operating profit. In 2006, the Group's revenue from tourism was RMB20,485,000 million, and RMB583,000 of which was franchise fee paid by Luckyway Traveling.

Car Parking

Car parking charges is another income contributor for the Group's non-aviation business. The turnover in 2006 amounted to RMB5,101,000.

Advertising Business

In 2006, leveraging on hosting significant events such as Boao Asia Forum and Forum on Agricultural Cooperation between Mainland and Taiwan in Hainan, the Group entered into advertising contracts with more than 30 clients such as Merrill Lynch (Asia Pacific) Limited, Shanghai Brawman Group and PetroChina Company Limited through the deployment of more promotional resources and efforts and the building up of an extensive sales network. For the year ended 31 December 2006, revenue from advertising business reached RMB12,008,000, equivalent to an approximately 31.1% growth over 2005.

Retail Business

Revenue from retail business was RMB9,509,000 for the year ended 31 December 2006, which represented a 6.4% decrease over that of last year. The main reason is that the domestic duty free shop was outsourced to DFS since April, 2005, and the Company obtained franchise income from DFS. For the first three months of 2005, retail income comprised revenue from both domestic and international duty free shops. For the period from April 2005 to December 2006, retail income only represented the revenue from international duty free shop.

Franchise Revenue

For the year ended 31 December 2006, income from franchise was RMB27,769,000, representing an increase of 73.8% over the previous year. The main reason is that, as a result of the inauguration of Terminal Expansion Phase II, the business of DFS has been fully commenced with the expansion of commercial areas, which recorded an increase in the franchise income from DFS.

FINANCIAL REVIEW

Structure of Assets

As at 31 December 2006, the total assets of the Group amounted to RMB1,870,351,000, representing an increase of 8.9% as compared to last year. The increase was mainly attributable to the increase in the shareholders' equity due to the operating results in 2006.

Cost Structure

In 2006, total operating costs of the Group were RMB125,250,000, representing an increase of RMB26,110,000 or 26.3% over last year. The main reason was that, as a result of the inauguration of Terminal Expansion Phase II, the depreciation expenses increased accordingly. The administrative expenses were RMB61,528,000, representing a decrease of RMB644,000 or 1% as compared to last year.

Cash Flow

For the year ended 31 December 2006, the Group's net cash flow from operating activities was RMB173,860,000, representing an increase of 43%, which was primarily due to the airport construction fee of RMB113,000,000 received for the period between September 2004 and December 2005. During the year, the Group's net cash outflow for investing activities was RMB47,230,000, 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 Group pledged its rights to revenues, including the rights of the airport construction management fee, to secure a long-term bank loan of RMB53,000,000 from China Development Bank.

Gearing Ratio

As at 31 December 2006, the current assets of the Group was approximately RMB616,809,000, the total assets was approximately RMB1,870,351,000, the current liability was approximately RMB163,016,000 and the total liability was approximately RMB207,496,000. As at 31 December 2006, the ratio between total liabilities and total assets of the Group was 11.1% (31 December 2005: 10.3%).

Exposure to Foreign Exchange Risk

Except the purchase of certain equipment and services which was denominated in US Dollar, the Group's businesses were denominated in RMB. The dividends of H shares of the shareholders was declared in RMB and paid in HK Dollar. As at 31 December 2006, except that cash and cash equivalents of approximately RMB750,000 were denominated 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.

Contingent Liability

As at 31 December 2006, the Group or the Company did not have any significant contingent liabilities.

Employment, Training and Development

As at 31 December 2006, the Group had a total of 676 employees, representing a decrease of 15 employees as compared to last year. This was mainly due to the refinement of corporate structure and the optimisation of employees. Total staff costs accounted for approximately 11% of total turnover, representing an increase of 5.5% as compared to last year. The reason for the increase in cost was mainly due to the cost arising from the promotion of employees. 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 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 with permanent residence in the PRC. For the year ended 31 December 2006, the contribution for the pension amounted to approximately RMB4,000,000 (2005: RMB3,530,000).

Other Information

Save as discussed above, in 2006, the Group had no material change in other information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

FUTURE OUTLOOK

In 2006, the Group experienced a slight decline in operation target following the downward trend in 2005 as the operating environment remained unfavourable. Nonetheless, looking forward to 2007, the Group will ultilize its resources to fully develop the domestic and international aviation markets and carry on our strategies of strengthening comprehensive budget management as well as promoting income growth and cost control. Pursuing cost-effective and professional operation, the Group strives to accelerate the transformation from being operation-oriented into management-oriented so as to increase the Group's overall profitability and achieve better operating results for the shareholders.

Enrich measures for domestic and international routes development to increase market share

In 2006, the growth trend of international and regional aeronautical transportation volume was satisfactory while the competition in domestic aviation market became more severe when compared with 2005. The Group timely underwent restructuring and established a principal business development and corporate reformation office, which paid regular visits to airlines and sent them with latest analysis reports of the aviation market. With reference to the advanced management experience of foreign airports, the Group introduced low-cost domestic and international airlines with a view to push forward the expansion of the aeronautical market. In 2007, the Group will endeavour to devise new measures to develop its share in the aeronautical market. The Group will actively promote Hainan Island's tourism, in particular, Haikou travelling and the Hainan Meilan International Airport to mass media in domestic and international markets, and build up a comprehensive route network. Effort will also be placed on the exploration of new source of visitors from the cities with existing routes to Hainan, maintaining high level of security and service quality, so as to enlarge its share in the aeronautical market.

Strengthen budget management comprehensively to reduce operation cost

In 2006, while ensuring safe operation, the Group implemented strict cost control through the embarkment of technology innovation and enhancement of equipment maintenance capability, which resulted in remarkable effects on cost control. In 2007, the Group will carry forward the budget management towards those less significant aspects of operation cost so as to fully enhance cost control measures. Through the introduction of innovative technology, promotion of self-initiative of research and development, technology uplifting and maintenance, as well as the strengthening of cost control research, it is expected that operation cost will be reduced.

Accelerate management transformation and actively subcontract business

In 2006, in accordance with its operation philosophy of "operational resources utilization in line with market demand and future development, while non-operational units concentrate on production", the Group accelerated its transformation from the role of direct operation to management. The Group successfully outsourced the travelling business to Luckyway Travelling. In 2007, the Group will carry on with the subcontracting policy for more stable revenue growth and operation efficiency maximization in accordance with our operation philosophy.

Continually intensify human resources reform to support corporate development

In 2007, adhering to a people-oriented ideology, the Group will offer opportunities for its employees to utilize their talents. Employing innovative ideas towards the development and management of human resources, the Group will promote a full-scale system reform on its organizational structure, management selection and remuneration and welfare packages. The Group will also enhance on-the-job training to strengthen business qualities of senior management, fully develop talents of our staff, promote technological advancement and develop professional technicians, so as to push forward the corporate development.

SUPPLEMENTARY INFORMATION

Final Dividends

The Directors of the Company hereby proposed that there will be no final dividend payout for the year ended 31 December 2006.

Purchase, Sale or Redemption of Shares of the Company

As at 31 December 2006, neither the Group nor the Company had purchased, sold or redeemed any of the Company's shares.

Code on Corporate Governance Practices

The Company is committed to comply with all the rules prescribed by China Securities Regulatory Commission and the Hong Kong Stock Exchange, as well as requirements of other regulatory bodies. During the year ended 31 December 2006, the Company had complied with the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules which came into effect in January 2005 and met with all governance and disclosure requirements. The Company will strive for continuously enhancing its corporate governance standard and transparency to shareholders.

Audit Committee

The Company established an Audit Committee comprising the three independent non-executive Directors to review and supervise the Group's financial reporting process and internal control.

An Audit Committee meeting was held to review the Group's 2006 annual report and results, and provide advice and recommendations to the Board.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial information for the year ended 31 December 2006. 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.

Code for Securities Transactions by Directors

The Company has adopted a code for securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, all of the Directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction during the time of the accounting period.

Publication of Annual Results and Annual Report

This results announcement is published on the website of the Stock Exchange at www.hkex.com.hk. as well as the Company's website www.mlairport.com. The 2006 annual report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the website of the Stock Exchange in due course.

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

Executive directors:	Zhang Cong, Dong Zhanbin, Dong Guiguo, Gunnar Moller
Non-executive directors:	Zhang Han'an
Independent non-executive directors:	Xu Bailing, Xie Zhuang, Fung Ching Simon

By Order of the Board
Hainan Meilan International Airport Company Limited
Zhang Cong
Chairman

Haikou, China, the PRC

10 April 2007