海南美蘭國際機場股份有限公司
Hainan Meilan International Airport Company Limited*

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

(Stock Code: 357)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL SUMMARY

– Total revenue was RMB344,391,000

– Revenue from the aeronautical business was RMB251,798,000

– Revenue from the non-aeronautical business was RMB92,593,000

– Net profit attributable to shareholders was RMB138,777,000

– Earnings per share was RMB29 cents

– Earnings per share decreased by RMB0.083 due to the changes in Corporate Income Tax holiday.

BUSINESS SUMMARY

– The passenger throughput recorded 7.265 million

– Transportation Cargo movements was 56,872

– Cargo throughput was 111,451.9 tons.

* *for identification purpose only*

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 2007, together with comparative figures for 2006, which is set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2007	2006
	Note	***RMB'000***	*RMB'000*
Revenue			
Aeronautical		**251,798**	230,756
Non-aeronautical		**92,593**	103,619
	2	**344,391**	334,375
Cost of services and sales	*3*	**(121,767)**	(137,535)
Gross profit		**222,624**	196,840
Selling and distribution costs	*3*	**(226)**	(2,731)
Administrative expenses	*3*	**(47,202)**	(61,528)
Other gains-net		**279**	257
Operating profit		**175,475**	132,838
Finance income		**6,554**	4,111
Finance costs		**(2,969)**	(3,873)
Finance income-net	*4*	**3,585**	238
Profit before income tax		**179,060**	133,076
Income tax expense	*5*	**(40,308)**	(10,098)
Profit for the year		**138,752**	122,978
Attributable to:			
Shareholders of the Company		**138,777**	122,976
Minority interest		**(25)**	2
		138,752	122,978
		RMB	*RMB*
Earnings per share for profit attributable to the shareholders of the Company during the year			
– basic and diluted	*6*	**29 cents**	26 cents
		RMB'000	*RMB'000*
Dividends	*7*	**127,143**	–

CONSOLIDATED BALANCE SHEET

	Note	**31 December 2007** *RMB'000*	31 December 2006 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**160,456**	163,710
Property, plant and equipment		**1,009,800**	1,089,832
		1,170,256	1,253,542
Current assets			
Inventories		**49**	3,716
Trade receivables	*8*	**123,320**	193,813
Other receivables and prepayments		**12,362**	11,322
Time deposits		**167,401**	85,918
Cash and cash equivalents		**363,188**	322,040
		666,320	616,809
Total assets		**1,836,576**	1,870,351
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,100,250**	1,100,250
Other reserves		**143,383**	149,528
Retained earnings		**447,276**	412,477
		1,690,909	1,662,255
Minority interest		**575**	600
Total equity		**1,691,484**	1,662,855

	Note	**31 December 2007** *RMB'000*	31 December 2006 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings-secured		**16,000**	25,000
Deferred income tax liabilities		**11,193**	11,021
Deferred income		**–**	8,459
		27,193	44,480
Current liabilities			
Trade and other payables	*9*	**67,579**	134,907
Current income tax liabilities		**41,320**	109
Borrowings-secured		**9,000**	28,000
		117,899	163,016
Total liabilities		**145,092**	207,496
Total equity and liabilities		**1,836,576**	1,870,351
Net current assets		**548,421**	453,793
Total assets less current liabilities		**1,718,677**	1,707,335

Notes:

1. Basis of preparation

The consolidated financial statements 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) Standard and interpretation effective in 2007

- IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

- IFRIC – Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(ii) Interpretations to existing standards effective in 2007 but not relevant for the Group's operations

The following interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC – Int 7, "Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies";

- IFRIC – Int 8, "Scope of IFRS 2";

- IFRIC – Int 9, "Re-assessment of embedded derivatives".

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

The following standard, interpretations and amendment to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted it:

- IFRS 8, "Operating segments" (effective from 1 January 2009).
- IFRIC – Int 12, "Service concession arrangements" (effective from 1 January 2008).
- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009).

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

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but are not relevant for the Group's operations:

- IFRIC – Int 11, "IFRS 2 – Group and treasury share transactions" (effective for accounting periods beginning on or after 1 March 2007).
- IFRIC – Int 13, "Customer loyalty programmes" (effective from 1 July 2008).
- IFRIC – Int 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).
- IAS 32 and IAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009).
- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009).
- IFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

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 operations of an airport and are subject to similar business risks, no segment income statement has been prepared by the Group for the year ended 31 December 2007. The Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC. Accordingly, no geographical segment information is presented.

Analysis of revenues by category	**2007**	2006
	RMB'000	*RMB'000*
Aeronautical:		
Passenger charges	**91,540**	89,005
Aircraft movement fees and related charges	**41,099**	41,044
Airport fee	**88,411**	80,564
Ground handling services income	**30,748**	20,143
	251,798	230,756
Non-aeronautical:		
Retailing	**8,057**	9,509
Franchise fee	**24,158**	27,769
Rental	**17,273**	17,942
Tourism	**–**	20,485
Freight	**9,665**	–
Advertising	**14,035**	12,008
Car parking	**4,939**	5,101
Others	**14,466**	10,805
	92,593	103,619
Total revenues	**344,391**	334,375

3. Expenses by nature

Expenses/(income) included in cost of services and sales of goods, selling and distribution costs and administrative expenses are analysed as follows:

	2007	2006
	RMB'000	*RMB'000*
Cost of goods and services	**34,741**	44,933
Business tax and levies	**10,758**	12,285
Refund of business tax and levies *(Note)*	**(11,756)**	–
Depreciation of property, plant and equipment	**48,564**	43,157
Amortisation of land use rights	**3,254**	3,111
Employee benefit expense	**43,421**	35,761
Other taxes	**6,105**	5,975
Auditor remuneration	**2,420**	2,333
Traveling expenses	**4,838**	4,576
Consulting fees	**–**	9,030
Operating lease rentals – building	**–**	255
Amortisation of deferred income	**–**	(778)
Loss on disposal of property, plant and equipment	**534**	16
Impairment charge of trade receivables	**–**	177
Utilities and power	**16,529**	17,172
Repair and maintenance	**5,525**	5,347
Other expenses	**4,262**	18,444

Note: Pursuant to an approval document issued by Haikou Local Tax Bureau Meilan Branch on 21 December 2007, as the refund of airport fee is not subject to business tax, the Company was entitled to a refund of business tax and levies levied on airport fee for the period from January 2002 to March 2007, amounting to RMB11,756,000.

4. Finance income – net

	2007	2006
	RMB'000	*RMB'000*
Finance income – bank interest	**5,656**	4,111
Finance income – others	**898**	–
Finance income	**6,554**	4,111
Interest on bank loans	**(2,969)**	(5,449)
Less: interest capitalised	**–**	1,576
Finance cost	**(2,969)**	(3,873)
Finance income – net	**3,585**	238

There was no interest capitalised for the year ended 31 December 2007. The capitalisation rate of borrowings was 6.39% for the year ended 31 December 2006.

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 (2006: Nil). Taxation in the income statement represents provision for the PRC corporate income tax.

	2007	2006
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**39,120**	10,339
Deferred income tax	**1,188**	(241)
Income tax expense	**40,308**	10,098

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation	**179,060**	133,076
Tax calculated at a domestic rate applicable to profits in the Hainan Province	**26,859**	19,961
Effect of tax holidays	**(26,932)**	(10,001)
Effect of change in tax rate *(Note (a))*	**906**	–
Effect of change in tax holiday *(Note (b))*	**39,402**	–
Tax losses for which no deferred income tax asset was recognised	**73**	57
Expenses not deductible for tax purposes	**–**	81
Tax charge	**40,308**	10,098

Note (a)

The weighted average applicable tax rate was 15% (2006: 15%). Effective from 1 January 2008, the Company shall determine and pay the Corporate Income Tax (hereinafter "CIT") in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the New CIT Law") as approved by the National People's Congress on 16 March 2007. Under the New CIT Law, the corporate income tax rate applicable to the Company will be gradually increased from 15% to 25% in a 5-year period from 2008 to 2012.

Note (b)

Pursuant to the approval document (Qiong Shan Guo Shui Han [2002] No.11) issued by Hainan Qiongshan State Tax Bureau in 2002, the Company was entitled to the exemption of CIT from 2000 to 2004, and 50% deduction of CIT from 2005 to 2009 (the "Original CIT Holiday").

Pursuant to the approval document (Hai Guo Shui Han [2008] No.13) issued by Haikou State Tax Bureau on 2 February 2008, the CIT holiday of the Company was revised. Under the revised CIT holiday (the "Revised CIT Holiday"), the Company was entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. In view of changes in tax holiday, the Company was required to pay the exempted CIT for the years from 2001 to 2003 and was entitled to a refund of CIT for the years from 2005 to 2006.

6. Earnings per share

– Basic

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

	2007	2006
Profit attributable to shareholders of the Company *(RMB'000)*	**138,777**	122,976
Weighted average number of ordinary shares in issue *(thousands)*	**473,213**	473,213
Basic earnings per share *(RMB per share)*	**29 cents**	26 cents

– Diluted

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2007 and 2006.

7. Dividends

	2007	2006
	RMB'000	*RMB'000*
Interim, paid, of HKD20 cents (2006: no dividend proposed) per share *(Note (a))*	**91,694**	–
Proposed final dividend of HKD8 cents (2006: no dividend proposed) per share *(Note (b))*	**35,449**	–
	127,143	–

Note (a)

At an Extraordinary General Meeting held on 15 October 2007, an interim dividend was declared of HKD20 cents per share, totalling HKD94,642,600 (equivalent to RMB91,694,000).

Note (b)

At a meeting held on 31 March 2008, the directors of the Company recommended a final dividend of HKD8 cents per share for the year ended 31 December 2007, totalling approximately HKD37,857,000 (equivalent to RMB35,449,000). This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

8. Trade receivables

	2007	2006
	RMB'000	*RMB'000*
Trade receivables from third parties *(Note (a))*	**35,453**	28,229
Less: provision for impairment of receivables	**(439)**	(2,425)
	35,014	25,804
Trade receivables from related parties *(Notes (b))*	**61,114**	87,445
Airport fee receivable *(Note (c))*	**27,192**	80,564
	123,320	193,813

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables. The Group does not hold any collateral as security.

(a) As at 31 December 2007, the ageing analysis of trade receivables from third parties is as follows:

	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**23,006**	21,934
91 – 180 days	**8,888**	3,643
181 – 365 days	**2,464**	301
Over 365 days	**1,095**	2,351
	35,453	28,229

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

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

As at 31 December 2007, trade receivables of RMB439,000 (2006: RMB2,425,000) were impaired. The amount of the provision was RMB439,000 (2006: RMB2,425,000). The individually impaired receivables mainly relate to certain doubtful debtors. The ageing of these receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
181 – 365 days	**–**	104
Over 365 days	**439**	2,321
	439	2,425

As at 31 December 2007, trade receivables of RMB12,008,000 (2006: RMB3,870,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
91 – 180 days	**8,888**	3,643
181 – 365 days	**2,464**	197
Over 365 days	**656**	30
	12,008	3,870

Movements on the provision for impairment of trade receivables are as follows:

	RMB'000
Balance as at 1 January 2006	2,248
Provision for receivable impairment	177
Balance as at 31 December 2006	2,425
Balance as at 1 January 2007	2,425
Receivable written-off during the year as uncollectible	(1,986)
Balance as at 31 December 2007	439

The creation of provision for impaired receivables has been included in administrative expenses in the income statement.

The other classes within trade receivables do not contain impaired assets.

(b) As at 31 December 2007, the ageing analysis of trade receivables from related parties is as follows:

	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**50,109**	46,176
91 – 180 days	**4,923**	17,972
181 – 365 days	**4,024**	12,993
Over 365 days	**2,058**	10,304
	61,114	87,445

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

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

As at 31 December 2007, trade receivables from related parties of RMB11,005,000 (2006: RMB41,269,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
91 – 180 days	**4,923**	17,972
181 – 365 days	**4,024**	12,993
Over 365 days	**2,058**	10,304
	11,005	41,269

(c) As at 31 December 2007, the original amount, fair value and ageing analysis of the airport fee receivable are as follows:

	2007		2006	
	Original amount	**Fair value**	Original amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
0 – 90 days	**27,192**	**27,192**	22,281	22,036
91 – 180 days	**–**	**–**	15,995	15,819
181 – 365 days	**–**	**–**	43,185	42,709
	27,192	**27,192**	81,461	80,564

The fair values as at 31 December 2006 are based on cash flow, discounted using an effective deposit rate of 2.25% per annum.

(d) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007	2006
	RMB'000	*RMB'000*
RMB	**117,069**	191,945
USD	**6,251**	1,868
	123,320	193,813

9. Trade and other payables

	2007	2006
	RMB'000	*RMB'000*
Trade payables	**3,376**	5,146
Other payables	**53,939**	108,544
Deposits received	**882**	1,391
Due to related parties	**9,382**	19,826
	67,579	134,907

As at 31 December 2007, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) is as follows:

	2007	2006
	RMB'000	*RMB'000*
0 – 90 days	**9,391**	16,868
91 – 180 days	**502**	2,803
181 – 365 days	**1,751**	3,352
Over 365 days	**860**	1,243
	12,504	24,266

BUSINESS REVIEW

Overview of Aeronautical Business

In 2007, by actively adjusting its strategy and stabilising the development of its principal aeronautical business, the Group had strongly implemented the "Leaping Out and Inviting To Come" market development strategy. It had expanded the attractiveness of the aeronautical and tourism market of Haikou, strengthened the communication and co-ordination with local government, and by leveraging the support from the government, it had turnaround the disadvantage position of Haikou tourism market of being side-lined. By gradually developing the tourism industry, it had facilitated the development of its aeronautical market. The innovative market development approach and rationalized service protection workflow, coupled with the actual conditions of Hainan aeronautical market, had helped to formulate a more competitive market strategy focusing in attracting low-cost airlines; and thereby effectively compensating and suppressing the diffluent impact brought about by Sanya Phoenix International Airport and Guangdong-Hainan Railway and result an overall increase in its production operation during this year.

Optimistic Exploitation of International Routes

Since the opening up of Hainan's aviation rights, in regard to the opening of international and regional aviation routes, the Group had always been devoted in conducting effective discussions with various international airlines and had openly established the intentions to co-operate. In 2007, the growth trend of both the international and regional aviation routes of Hainan Meilan International Airport remained strong. During the year, for the first time, the Group had successfully introduced Russian Trans-continental Airline, to open charter flights between Moscow and Haikou. As of today, we already have 11 domestic and foreign airlines that have opened 12 international/regional aviation routes departing from/arriving at Hainan Meilan International Airport. Those routes cover the cities like Moscow, Hong Kong, Macau, Seoul, Singapore, Bangkok, Kuala Lumpur, Osaka, Pusan, Fukuoka, Tokyo, and the route between Tokyo and Haikou is a new route opened by Japan Airlines in 2007.

In 2007, the Group had successfully host the Asian New Aviation Route Conference whereby Haikou had become the first city in China to host this aviation route conference at international level. Leveraging on this, the Group had enhanced its communications with international airlines and had demonstrated sound Group image and escalated our international awareness. Attract more foreign airlines to open aviation routes to Haikou.

Aviation traffic throughput for 2007 and the comparison figures for last year are set out below:

	2007	2006	**Change** %
Aircraft movement	**60,579**	61,738	-1.9%
In which: Domestic	**57,381**	58,905	-2.6%
Hong Kong/Macau	**1,810**	1,646	10.0%
International	**1,388**	1,187	16.9%
Transportation cargo movements	**56,872**	54,219	4.9%
Passenger Throughput (Headcount in ten thousands)	**726.5**	666.8	9.0%
In which: Domestic	**692.7**	639.7	8.3%
Hong Kong/Macau	**17.3**	13.1	32.1%
International	**16.5**	14.0	17.9%
Cargo Throughput (Tons)	**111,451.9**	97,641.3	14.1%
In which: Domestic	**106,742.9**	93,775.2	13.8%
Hong Kong/Macau	**2,243.8**	1,614.6	39.0%
International	**2,465.2**	2,251.5	9.5%

The number of international flights had increased significantly which is mainly because of the opening up of the Third, Fourth and Fifth Aviation Rights and the strong policy support by both the Civil Aviation Administration of China and the Hainan Provincial Government. At the same time, the Group had adequately adjusted its market development strategy and actively participating in the development of international aviation route activities. The Group's revenue from aviation business for 2007 was RMB251,798,000, representing an increase of 9.1% over last year. Details of which are as follows:

	Amount *(RMB'000)*	**Change over last year** *(%)*
Passenger charges	91,540	2.8
Aircraft movement fees and related charges	41,099	0.1
Airport fees	88,411	9.7
Ground handling service fees	30,748	52.6
Total revenue from aeronautical businesses	251,798	9.1

Overview of Non-Aeronautical Business

In 2007, in line with the concept of "operating resources utilisation in line with market demand and future development", the Company actively explored the operating model for non-aeronautical business and had established and optimised its business development model to suit the development requirements of the airport. By actively promoting business outsourcing, stable results were achieved in the non-aeronautical business. The non-aeronautical revenue was RMB92,593,000, representing an decrease of 10.6% over last year. The main reason is that the airport travel agency has implemented the special permission management at the end of 2006 and retail of duty-free products has implemented the special permission management in the second half of 2007, thus the income statistical standards has changed. However, the advertising revenues, the new additional freight and the commercial operation of VIP Lounge all have achieved encouraging results. Details of which are as follows:

	Amount *(RMB'000)*	**Change over last year** *(%)*
Retailing	8,057	-15.3%
Franchise fee	24,158	-13.0%
Rental	17,273	-3.7%
Freight	9,665	N/A
Advertising	14,035	16.9%
Car parking	4,939	-3.2%
Others	14,466	33.9%
Total revenue from non-aeronautical businesses	92,593	-10.6%

Advertising Business

In 2007, the Group advertising revenue remains steady growth. For the year ended 31 December 2007, revenue from advertising business reached RMB14,035,000, representing an increase of approximately 16.9% over 2006, creates a highly new record of history again.

Cargo Revenue

In March 2007, the Group took back the cargo business and ran it all by itself, which resulted in the freight concession income decreased but the cargo revenue increased. For the year ended 31 December 2007, income from cargo revenue was RMB9,665,000, become a pillar of Meilan Airport's non-aeronautical business but the freight concession income in the concessionaire services revenue reduced RMB5,000,000 compared to the same period.

VIP service Revenue

In 2007, the Group increased the market development advocacy of the passengers' source for the VIP lounge, and achieved encouraging results. For the year ended 31 December 2007, income from VIP service was RMB5,426,000, representing an increase of 187.3% over last year, become additional highlight in non-aeronautical revenues of Meilan Airport in 2007.

FINANCIAL REVIEW

Asset Analysis

As at 31 December 2007, the total assets of the Group amounted to RMB1,836,576,000, representing a decrease of 1.8% over last year.

Cost Analysis

In 2007, total operating costs of the Group were RMB121,767,000, representing a decrease of RMB15,768,000 or dropped by 11.5% in comparison with that last year. Administrative expenses were RMB47,202,000, representing a decrease of RMB14,326,000 or dropped by 23.3% in comparison with that last year.

The main reason for the decrease in annual operating costs is the refund of business tax and levies on airport fee by the tax authorities and the reinforcement on cost control by the Group. The main reason for the decrease in administrative expenses is the termination of the technical services under the Copenhagen agreement which has reduced the technical service fee.

Cash Flow

For the year ended 31 December 2007, the Group's net cash inflow from operating activities was RMB272,696,000, representing a increase of 56.8% over last year. This was mainly due to the recovery of companies operating and the collection of accounts receivable. During the year, the Group's net cash outflow for investing activities was RMB111,854,000, which was mainly due to the increase of time deposits.

Pledge of the Group's Assets

The Group pledged its rights to revenues, including the rights of the airport fee to secure a long-term bank loan of RMB25,000,000 from China Development Bank.

Gearing Ratio

As at 31 December 2007, current assets of the Group were approximately RMB666,320,000, total assets were approximately RMB1,836,576,000, current liabilities were approximately RMB117,899,000 and total liabilities were approximately RMB145,092,000. The gearing ratio (total liabilities/total assets) of the Group was 7.9%, representing a decrease of 3.2% over last year. The main reason was the repayment of bank loan. The reduces of principal resulted in a total debt reduction.

Foreign Exchange Exposure

The Group's businesses are principally conducted in RMB, except that limited aeronautical revenues are in US dollars. Dividends to shareholders holding H Shares are declared and paid in Hong Kong dollars. As at 31 December 2007, if RMB had weakened/strengthened by 10% against the US dollars with all other variables held constant, post-tax profit for the year would have been RMB754,000 (2006: RMB166,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated cash and cash equivalent, trade receivables. Given the fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on the Group's results of operations, the Group has not entered into any forward rate contract to hedge its exposure of foreign exchange risk.

Financial Instruments

As at 31 December 2007, financial instruments of the Group mainly comprised bank loans, cash and bank deposits. The purpose of those financial instruments is to finance the Group's operations. Besides, the Group had other financial instruments in relation to daily operations, such as accounts receivable and accounts payable.

Contingent Liability

As at 31 December 2007, the Group or the Company did not have any significant contingent liability.

Employment, Training and Development

As at 31 December 2007, the Group had a total of 760 employees, representing an increase of 84 employees over last year. The increase was mainly attributable to the resumption of the operation of Haikou Airport Cargo Centre to the Company, the employees of which were hired by the Group. Total staff costs accounted for approximately 12.6% of total turnover, representing an increase of 21.4% over last year. The main reason for the increase of staff cost was due to the increase in staff and the staff wages. The Group determined its training schemes for the year based on the needs of the positions of its employees, in order to provide technical training for its staff and raise the staff's quality. 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 subsidiaries have participated in the employee retirement scheme operated by the relevant local government of the PRC. The PRC 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 2007, the contribution for the pension amounted to approximately RMB4,196,000 (2006: RMB4,000,000).

Income Tax

On 16 March 2007, the National People's Congress of the People's Republic of China approved the Corporate Income Tax Law of the People's Republic of China ("the New CIT Law"), which will take effect from 1 January 2008. Pursuant to the New CIT Law, the corporate income tax rate applicable to the Company will be gradually increased from 15% to 25% in a 5-year period from 2008 to 2012, namely 18% applicable in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and the years thereafter.

Pursuant to the approval document (Qiong Shan Guo Shui Han [2002] No.11) issued by Hainan Qiongshan State Tax Bureau in 2002, the Company was entitled to the exemption of CIT from 2000 to 2004, and 50% deduction of CIT from 2005 to 2009 (the "Original CIT Holiday").

Pursuant to the approval document (Hai Guo Shui Han [2008] No.13) issued by Haikou State Tax Bureau on 2 February 2008, the CIT holiday of the Company was revised. Under the revised CIT holiday (the "Revised CIT Holiday"), the Company was entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013.

In view of changes in tax holiday, the Company was required to pay the exempted CIT totalling RMB63,679,000 for the years from 2001 to 2003 and was entitled to a refund of CIT amounting to RMB19,865,000 for the years from 2005 to 2006. Under the revised CIT holiday, the applicable CIT rates to the Company from 2008 to 2013 will be 0%, 10%, 11%, 12%, 12.5% and 12.5% respectively. Comparing to the CIT rates under the original CIT holiday, which were 9%, 10%, 22%, 24%, 25% and 25% respectively, the Company will save its future income tax expenses.

Other Information

In 2007, the Group had no material change in other information in relation to those matters set out in paragraph 32 of Appendix 16 in the Listing Rules.

FUTURE OUTLOOK

Although in 2007, the Group withstood the fierce competitive pressure of the aviation market and had achieved steady growth in its transportation production business targets. Looking forward to the next year, the Group shall rationalize budget management comprehensively, speed up the transformation from being operation-oriented into management-oriented. At the same time, our Group also enhanced its measures in increasing income and decreasing expenditure, strived for developing both the domestic and international aviation markets and achieved low-cost operation and professional business running. We aim at establishing sound international brand image and to strive for escalating the international awareness and influence of Meilan Airport, and devoting ourselves in delivering much better operating results to our shareholders.

Leveraging on excellent external environments in expanding our development in aviation market

In 2007, the domestic aviation market competitive severely. In developing aviation routes, we actively provided source of customer market analyses for airlines and assisted them in developing their aviation routes. We also put a lot of efforts in introducing low-cost airlines in opening more routes for the airport, promoted the development of the aviation market. In 2008, the Group will leverage on the breakthrough of the “bottleneck” situation for the aviation rights in Hainan, continuing to have in-depth development in both its domestic and foreign aviation markets. We will take advantage of the opportunities brought by the large-scale promotion activities of Hainan Province in celebrating its 20th anniversary of establishment of Hainan province and strengthening its tourism industry as well as both the domestic and foreign media promotion of Meilan Airport, to attract more tourists visited Hainan, and to increase the market share of Meilan airport.

Changing our cost-saving mentality and implement budgetary control

In 2007, the Group adopted strict cost control towards those less significant aspects of operation and had fully implemented budget optimization. This had resulted remarkable achievements in cost control. In 2008, the Company will promote the “profit oriented” budgetary management model in full force and peg the interests and rewards of individuals with that of the production cost of the Company, diligently encouraging adopting proactive attitude of our staff in cost savings, for the purposes of reduce operating costs effectively.

Establishing service brand name and continue to improve service quality

Since our Group's establishment, it has adopted a principle of "Sincere, friendly, accurate and beautiful" for its service business. In 2007, the Group received many awards in terms of its airport management, safety and service quality. In 2008, The Group will continue to maintain a high quality of service, and we shall devote ourselves in enhancing service management, speeding up the innovation of service items and solidifying our achievement as an international hygienic airport, and actively participating in various international competitions, striving for escalating our international awareness and influence of Meilan Airport.

People-oriented and optimization of human resources

In 2007, in order to unify our responsibilities, authorities and rights, the Company optimized its internal organization structure. During this year, the Group had also improved the treatment for our production and technical positions, which in turn, further improved staff satisfaction, stimulated and improved management efficiency and work results of the Group directly. In 2008, the Group will continue to reinforce on-job business training of our staff to improve the staff quality and service standards. At the same time, the Group will recruit more qualified professionals to get ready for the continuing development of Meilan Airport.

SUPPLEMENTARY INFORMATION

Final Dividends

The Board has passed the resolution to recommend the payment of a final dividend on or before 27 June 2008 (Friday) of HKD8 cents per share totalling HKD37,857,000, equivalent to RMB35,449,000, during the Annual General Meeting held on 30 May 2008 (Friday) to shareholders of the Company whose names appear on the Company's Register of Members on 1 May 2008 (Thursday).

The Company's Register of Members will be closed from 1 May 2008 (Thursday) to 30 May 2008 (Friday) (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 4:30 p.m. on 30 April 2008 (Wednesday) for completion of the registration of the relevant transfer.

Purchase, Sale of Redemption of Shares of Company

As at 31 December 2007, neither the Group nor the Company had purchased, sold or redeemed any of the Company's shares.

Code on Corporate Governance Report

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 2007, 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 annual report and results for the year ended 31 December 2007, and to 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 2007 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 2007. 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 enquiries to 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 will be published on the website of the Stock Exchange at www.hkex.com.hk. as well as the Company's website www.mlairport.com. The 2007 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, there are eleven directors on the Board. They are: Mr. Zhang Cong, Mr. Dong Zhanbin, Mr. Dong Guiguo, Mr. Bai Yan as executive directors; Mr. Zhang Han'an, Mr. Joseph Chan, Mr. Yan Xiang as non-executive directors; and Mr. Xu Bailing, Mr. Xie Zhuang, Mr. Fung Ching Simon and Mr. George F Meng as independent non-executive directors.

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

Haikou, China, the PRC
31 March 2008