美兰机场
MEILAN AIRPORT

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 liabilities)

(Stock Code: 357)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

SUMMARY

– Total revenue was RMB391,072,000

– Revenue from the aeronautical business was RMB292,742,000

– Revenue from the non-aeronautical business was RMB98,330,000

– Net profit attributable to shareholders was RMB186,434,000

– Earnings per share was RMB39 cents

HIGHLIGHTS

– The passenger throughput recorded 8.222 million

– Aircraft movements reached 66,411

– Cargo throughput was 131,637.9 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 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 2008, together with comparative figures for 2007, which is set out below:

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 December 2008** *RMB'000*	2007 *RMB'000*
Revenue			
Aeronautical	*2*	**292,742**	251,798
Non-aeronautical	*2*	**98,330**	92,593
		391,072	344,391
Cost of services and sales	*3*	**(148,956)**	(121,767)
Gross profit		**242,116**	222,624
Selling and distribution costs	*3*	**–**	(226)
Administrative expenses	*3*	**(72,931)**	(47,202)
Other gains – net		**300**	279
Operating profit		**169,485**	175,475
Finance income		**16,963**	6,554
Finance costs		**(1,406)**	(2,969)
Finance income-net	*4*	**15,557**	3,585
Profit before income tax		**185,042**	179,060
Income tax expense	*5*	**1,418**	(40,308)
Profit for the year		**186,460**	138,752
Attributable to:			
Shareholders of the Company		**186,434**	138,777
Minority interests		**26**	(25)
		186,460	138,752
		RMB	*RMB*
Earnings per share for profit attributable to the shareholders of the Company during the year – basic and diluted	*6*	**39 cents**	29 cents
		RMB'000	*RMB'000*
Dividends	*7*	**62,580**	127,143

CONSOLIDATED BALANCE SHEET

	Note	**31 December 2008** *RMB'000*	31 December 2007 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**156,965**	160,456
Property, plant and equipment		**995,100**	1,009,800
Investment in an associate		**30,504**	–
		1,182,569	1,170,256
Current assets			
Inventories		**106**	49
Trade receivables	*8*	**109,236**	123,320
Other receivables and prepayments		**15,811**	12,362
Time deposits		**162,000**	167,401
Cash and cash equivalents		**507,339**	363,188
		794,492	666,320
Total assets		**1,977,061**	1,836,576
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,100,250**	1,100,250
Other reserves	*9*	**160,204**	143,383
Retained earnings			
– Proposed final dividend		**62,580**	35,449
– Others		**520,627**	411,827
		1,843,661	1,690,909
Minority interests		**601**	575
Total equity		**1,844,262**	1,691,484

	Note	**31 December 2008** *RMB'000*	31 December 2007 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings-secured		**12,000**	16,000
Deferred income tax liabilities		**9,775**	11,193
		21,775	27,193
Current liabilities			
Trade and other payables	*10*	**67,768**	67,579
Current income tax liabilities		**39,256**	41,320
Borrowings-secured		**4,000**	9,000
		111,024	117,899
Total liabilities		**132,799**	145,092
Total equity and liabilities		**1,977,061**	1,836,576
Net current assets		**683,468**	548,421
Total assets less current liabilities		**1,866,037**	1,718,677

Notes:

1. BASIS OF PREPARATION

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

(i) Amendment and interpretations to existing standards effective in 2008 but not relevant for the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement';
- IFRIC – Int 11, 'IFRS 2 – Group and treasury share transactions';
- IFRIC– Int 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction';
- IFRIC – Int 12, 'Service concession arrangements'.

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

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009);

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009);

- IFRS 1 (Amendment), 'First time adoption of IFRS and IAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009);

- IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information';

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009);

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009;

- IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009);

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009;

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the balance sheet date', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting' which are not addressed above;

- IFRS 3 (Revised), 'Business combinations' (effective from 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 People's Republic of China (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 2008. The Group also operates within one geographical segment because its revenues are primarily generated from its assets located in the PRC. Accordingly, no geographical segment information is presented.

Analysis of revenues by category	**2008** *RMB'000*	2007 *RMB'000*
Aeronautical:		
Passenger charges	**116,157**	91,540
Aircraft movement fees and related charges	**42,948**	41,099
Airport fee*	**96,567**	88,411
Ground handling services income	**37,070**	30,748
	292,742	251,798
Non-aeronautical:		
Franchise fee	**35,043**	24,158
Rental	**15,336**	17,273
Freight	**13,005**	9,665
Advertising	**9,425**	14,035
Car parking	**5,960**	4,939
VIP room	**9,645**	5,426
Retailing	**–**	8,057
Others	**9,916**	9,040
	98,330	92,593
Total revenues	**391,072**	344,391

* Airports operating in the PRC are entitled to a refund of airport fee collected from passengers at a percentage determined by General Administration of Civil Aviation of China ("CAAC"). The refund rate was 50% prior to 31 December 2007. According to the approval document (Ju Fa Ming Dian [2008] No. 4589) issued by CAAC on 8 December 2008, with effect from 1 January 2008, the refund rate for the airport fee collected in 2008 was adjusted to 48%. As of the date of this report, the refund rate for the airport fee collected from 2009 and onwards has yet to be determined.

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:

	2008	2007
	RMB'000	*RMB'000*
Airport and logistic composite services fee	**28,426**	26,742
Business tax and levies	**10,942**	10,758
Refund of business tax and levies	**–**	(11,756)
Depreciation of property, plant and equipment	**48,377**	48,564
Amortisation of land use rights	**3,491**	3,254
Employee benefit expenses	**49,954**	43,421
Other taxes	**6,222**	6,105
Auditors' remuneration	**1,726**	2,420
Traveling expenses	**7,733**	4,838
Consulting fees	**3,399**	2,610
Loss on disposal of property, plant and equipment	**93**	534
Impairment charge of trade receivables	**14,179**	–
Utilities	**15,779**	16,529
Repairs and maintenance	**10,506**	5,525

4. FINANCE INCOME – NET

	2008	2007
	RMB'000	*RMB'000*
Finance income – bank interest	**16,963**	5,656
Finance income – others	**–**	898
Finance income	**16,963**	6,554
Interest on bank borrowings	**(1,406)**	(2,969)
Finance income – net	**15,557**	3,585

There was no interest capitalised for the years ended 31 December 2008 and 2007.

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 (2007: Nil). Taxation in the income statement represents provision for the PRC corporate income tax.

	2008	2007
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**–**	39,120
Deferred income tax	**(1,418)**	1,188
Income tax expense	**(1,418)**	40,308

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:

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation	**185,042**	179,060
Tax calculated at a domestic rate applicable to profits in the Hainan Province	**33,308**	26,859
Effect of tax holiday	**(34,757)**	(26,932)
Effect of change in tax rate *(Note (a))*	**–**	906
Effect of change in tax holiday *(Note (b))*	**–**	39,402
Tax losses not recognised	**9**	73
Utilisation of previously unrecognised tax losses	**(128)**	–
Expenses not deductible for tax purposes	**150**	–
Tax charge	**(1,418)**	40,308

Note (a)

Effective from 1 January 2008, the Company shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the PRC (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 to 25% in a 5-year period from 2008 to 2012.

Note (b)

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

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.

	2008	2007
Profit attributable to shareholders of the Company *(RMB'000)*	**186,434**	138,777
Weighted average number of ordinary shares in issue *(thousands)*	**473,213**	473,213
Basic earnings per share *(RMB per share)*	**39 cents**	29 cents

– Diluted

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 2008 and 2007.

7. DIVIDENDS

	2008 ***RMB'000***	2007 *RMB'000*
No dividend declared for 2008 interim (2007 interim, paid, of HKD 20 cents per share)	**–**	91,694
2008 final, proposed, of HKD 15 cents per share (2007 final, of HKD 8 cents per share)	**62,580**	35,449
	62,580	127,143

At a meeting held on 25 March 2009, the Board proposed a final dividend of HKD15 cents per share for the year ended 31 December 2008, totalling HKD70,982,000 (equivalent to approximately RMB62,580,000). 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 2009.

According to the New CIT Law and the detailed implementation regulations, foreign corporate shareholders are subject to a 10% withholding tax ('WHT") for the dividend repatriated by the Company starting from January 1, 2008. According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where the Company declares dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT. For dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign corporate shareholders.

8. TRADE RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables from third parties *(Note (a))*	**40,645**	35,453
Less: provision for impairment of receivables *(Note (c))*	**(14,471)**	(439)
	26,174	35,014
Trade receivables from related parties *(Note (b))*	**73,484**	61,114
Airport fee receivable *(Note (d))*	**9,578**	27,192
	109,236	123,320

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 2008, the ageing analysis of gross trade receivables from third parties is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**30,140**	23,006
91 – 180 days	**6,224**	8,888
181 – 365 days	**3,884**	2,464
Over 365 days	**397**	1,095
	40,645	35,453

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 mainly ranging from 1 to 3 months.

As at 31 December 2008, trade receivables of RMB14,471,000 (2007: RMB439,000) are impaired. The amount of the provision is RMB14,471,000 as at 31 December 2008 (2007: RMB439,000). The individually impaired receivables mainly relate to certain airline companies, which are in unexpected economic situation. The ageing of these receivables is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**5,966**	–
91 – 180 days	**6,224**	–
181 – 365 days	**1,884**	–
Over 365 days	**397**	439
	14,471	439

As at 31 December 2008, no trade receivables from third parties (2007: RMB12,008,000) are past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2008	2007
	RMB'000	*RMB'000*
91 – 180 days	**–**	8,888
181 – 365 days	**–**	2,464
Over 365 days	**–**	656
	–	12,008

(b) As at 31 December 2008, the ageing analysis of gross trade receivables from related parties is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**62,321**	50,109
91 – 180 days	**3,258**	4,923
181 – 365 days	**5,737**	4,024
Over 365 days	**2,168**	2,058
	73,484	61,114

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 mainly ranging from 1 to 3 months.

As at 31 December 2008, trade receivables from related parties of RMB9,642,000 (2007: RMB11,005,000) are past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2008	2007
	RMB'000	*RMB'000*
91 – 180 days	**2,788**	4,923
181 – 365 days	**4,686**	4,024
Over 365 days	**2,168**	2,058
	9,642	11,005

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

	RMB'000
Balance as at 1 January 2007	2,425
Receivables written-off during the year as uncollectible	(1,986)
Balance as at 31 December 2007	439
Balance as at 1 January 2008	439
Provision for receivable impairment	14,179
Receivables written-off during the year as uncollectible	(147)
Balance as at 31 December 2008	14,471

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

(d) As at 31 December 2008, the carrying amount and aging analysis of the airport fee receivable are as follows:

	2008 Carrying amount	2007 Carrying amount
	RMB'000	*RMB'000*
0 – 90 days	**9,578**	27,192

The carrying amount of the airport fee receivable approximate their fair values.

(e) The carrying amounts of the trade receivables are denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
RMB	**103,970**	117,069
USD	**5,266**	6,251
	109,236	123,320

9. OTHER RESERVE

	Revaluation surplus	**Statutory reserves** *(Note)*	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2007	36,481	113,047	149,528
Revaluation – gross	(19,445)	–	(19,445)
Effect of income tax	1,016	–	1,016
Depreciation transfer	(511)	–	(511)
Transfer from retained earnings	–	12,795	12,795
Balance at 31 December 2007	17,541	125,842	143,383
Depreciation transfer	(2,051)	–	(2,051)
Transfer from retained earnings	–	18,872	18,872
Balance at 31 December 2008	15,490	144,714	160,204

Note:

Pursuant to the revised "The Company Law of the People's Republic of China" effective from 1 January 2006 and a circular issued by the Ministry of Finance (Cai Qi Han [2006] No.67), when distributing the net profit of each year, the Company shall set aside 10% of its profit after taxation (based on the Company's local statutory financial statements) for the statutory reserves. These reserves cannot be used for the purposes other than those for which they are created and are not distributable as cash dividend.

10. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**2,594**	3,376
Other payables	**54,635**	53,939
Deposits received	**6,013**	882
Due to related parties	**4,526**	9,382
	67,768	67,579

As at 31 December 2008, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**4,314**	9,391
91 – 180 days	**186**	502
181 – 365 days	**639**	1,751
Over 365 days	**1,981**	860
	7,120	12,504

BUSINESS REVIEW

Overview of Aeronautical Business

In 2008, in response to the changing domestic and overseas market environment, the Group stuck to the strategy of "focusing on aviation market" and took initiative measures to fully enhance marketing by differential promoting means, such as encouraging airlines to open direct aviation routes to Haikou, introducing China United Airlines to open regular domestic routes between Haikou and other cities, and soliciting a number of domestic airlines to open new routes or add more flights on the original routes. In respect of international aviation routes, due to the impact of financial crisis, the tourist charter flights booked by Russian, South Korean and Japanese airlines decreased significantly throughout the year. However, the Group had adjusted our strategy in due course and successfully introduced Airasia Airline to launch a direct route between Haikou and Kuala Lumpur, which effectively offset the drop in the passenger throughput resulting from the decrease of charter flights booked by Russian, South Korean and Japanese airlines and achieved a modest growth in passenger throughput and aircraft movements on international routes.

Aviation traffic throughput for 2008 and the comparison figures for the last year are set out below:

	2008	2007	**Change *(%)***
Aircraft movement	**66,411**	60,579	9.6
In which: Domestic	**63,206**	57,381	10.2
Hong Kong/Macau	**1,697**	1,810	-6.2
International	**1,508**	1,388	8.6
Passenger throughput (Headcount in ten thousand)	**822.2**	726.5	13.2
In which: Domestic	**787.2**	692.7	13.6
Hong Kong/Macau	**16.1**	17.3	-6.9
International	**18.9**	16.5	14.5
Cargo throughput (Tons)	**131,637.9**	111,451.9	18.1
In which: Domestic	**126,948.9**	106,742.9	18.9
Hong Kong/Macau	**2,043**	2,243.8	-8.9
International	**2,646**	2,465.2	7.3

The Group's revenue from aviation business for 2008 was RMB292,742,000, representing an increase of 16.26% over last year. Details of which are as follows:

	Amount *(RMB'000)*	**Change over last year** *(%)*
Passenger charges	116,157	27
Aircraft movement fees and related charges	42,948	4
Airport fees	96,567	9
Ground handling service fees	37,070	21
Total revenue from aeronautical businesses	292,742	16

Overview of Non-Aeronautical Business

In 2008, the Group leveraged on its geographical advantage as aviation transportation hub to offset the impact of the natural disaster and the financial storm. 2008 saw the breakthrough in non-aeronautical business thanks to the Group's great efforts in enhancing the market development advocacy for new projects, exploring new revenue drivers and expanding its freight and VIP service businesses. In 2008, the non-aeronautical business recorded a revenue of RMB98,330,000, representing an increase of 6% in comparison with that of last year. Cargo throughput hit a record high of 130,000 tons, representing an increase of over 18% over last year.

	Amount *(RMB'000)*	**Change over last year** *(%)*
Retailing	–	-100
Franchise fee	35,043	45
Rental	15,336	-11
Freight	13,005	35
Advertising	9,425	-33
Car parking	5,960	21
VIP service	9,645	78
Others	9,916	10
Total revenue from non-aeronautical businesses	98,330	6

Franchise Fee

For the year ended 31 December 2008, the Group recorded franchise fees of RMB35,043,000, representing an increase of 45% over last year, as the Group outsourced all of its retailing and advertising businesses during the year of 2008 and received the franchise fees, which resulted in substantial increase in franchise fees.

Freight

In 2008, the Group enhanced its management structure in a timely manner to establish the cargo business as its core non-aeronautical business, and made full efforts to facilitate expansion of the business. For the year ended 31 December 2008, income from cargo business was RMB13,005,000, representing an increase of 35% over last year, hence the business became a core non-aeronautical business in the future development of Meilan Airport.

VIP Service Revenue

In 2008, the Group achieved encouraging results by enhancing the development of VIP service business and exploring new revenue drivers. For the year ended 31 December 2008, income from VIP service was RMB9,645,000, representing an increase of 78% over last year, hence the business became another core non-aeronautical business of Meilan Airport.

FINANCIAL REVIEW

Asset Analysis

As at 31 December 2008, the total assets of the Group amounted to RMB1,977,061,000, representing an increase of 8% over last year.

Cost Analysis

In 2008, total operating costs of the Group were RMB148,956,000, representing an increase of RMB27,189,000 (or 22.3%) in comparison with that of last year. Administrative expenses were RMB72,931,000, representing an increase of RMB25,729,000 (or 54.5%) over last year. The increase in annual operating costs is mainly due to the increase in impairment charge of trade receivable, repair and maintenance expenses, staff costs and relevant costs resulting from the growth of business.

Cash Flow

For the year ended 31 December 2008, the Group's net cash inflow from operating activities was RMB231,296,000, representing a decrease of 15.2% over last year. This was mainly due to an increase in the gross trade receivable. During the year, the Group's net cash outflow from investing activities was RMB44,463,000, which was mainly due to the capital contribution to an associate.

Pledge of the Group's Assets

As at 31 December 2008, the Group had no pledge on assets.

Gearing Ratio

As at 31 December 2008, total current assets of the Group were approximately RMB794,492,000, total assets were approximately RMB1,977,061,000, total current liabilities were approximately RMB111,024,000 and total liabilities were approximately RMB132,799,000. The gearing ratio (total liabilities/total assets) of the Group was 6.7%, representing a decrease of 1.2% over last year. The main reason was the repayment of long-term borrowings in the amount of RMB9,000,000 and the payment of construction expenses for the Terminal Expansion Phase II in the amount of RMB28,630,000.

Foreign Exchange Exposure

The fluctuation in the RMB exchange rate may have an impact on foreign exchange gains/losses on translation of US dollar-denominated cash and cash equivalents and trade receivables. The Group's businesses are principally denominated 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. 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 2008, 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 2008, neither the Group nor the Company had any significant contingent liability.

Purchase, Sale or Redemption of the Shares

As at 31 December 2008, neither the Group nor the Company had purchased, sold or redeemed any of the Shares.

Employment, Training and Development

As at 31 December 2008, the Group had a total of 676 employees, representing a decrease of 84 employees over last year. The decrease was mainly attributable to the optimization of our management structure by streamlining the organization and workforce of the Group during the second half of 2008. Total staff costs accounted for approximately 13% of total turnover, representing an increase of 15% over last year. The main reason for the increase of staff costs was the company increased the staff wages by the end of 2007. 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 2008, the contribution for the pension amounted to approximately RMB4,516,000 (2007: RMB4,196,000).

Other Information

In 2008, 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.

Outlook

In 2008, despite the impact from the changing external operation environment and pressure due to the weak aviation market, the Group managed to maintain steady growth in our transportation production business targets. However, in the second half of 2008, the severe impact of the global financial crisis on the domestic real economies began to reveal, which will likely impose direct impact on our production and operation. Looking forward to the next year, the impact of financial crisis on real economy would be more apparent, and will become the major factor affecting our production and operation. Meanwhile, a series of measures unveiled by the PRC government to boost domestic demand will effectively help the national economy to shake off the impact of the financial crisis, thus propelling domestic economy to bounce back soon. The Group shall stick to its profit-oriented, market-driven and reform-based strategy. Leveraging on our precise judgement on the situation of China's macro-economy and the development trend of the civil aviation sector, the Group will actively seek for policy and capital support from the government. At the same time, we will adhere to the all-around and multiple-channel market development strategy, and further expedite our management structure optimization. With these measures, we aim to establish a management model that meets the requirements of scientific development and to enforce our capability to withstand market risk, so as to achieve sustainable, harmonized and sound development of Meilan Airport and reward all of our shareholders with good results.

Adjusting our aviation market development strategy in response to market changes

In 2008, in light of the complex and changing aviation market, the Group actively adjusted its market development strategy and achieved remarkable results. In 2009, taking advantage of the encouraging policies issued by the local government for development of aviation market, the Group will strive to increase the attractiveness of Haikou aviation market and explore more new aviation routes. The Group will also strengthen our coordination with local municipal and provincial governments and, backed with the support of government, promote the development of Haikou tourism industry, which will in return boost the development of aviation market. We will continue to seek for effective cooperation ways for charter flights, and will ally with travel agencies and airlines to offer charter flight service. To solve the long-dated problem of Hainan tourism market downturn in summer, the Group will enhance our promotion activities on the airlines and increase government grants. We believe all of these efforts will further improve the operation performance of Meilan Airport.

Enforcing budget control and seeking for various preferential treatments

In 2008, the Group fully implemented budget optimization in both administration management and operation. This resulted in remarkable achievements in cost control. In 2009, the Company will further enforce its budget control to reduce costs, and enhance its incentive system and integrate resources to increase its profitability. Furthermore, while making proper arrangement for the refund of the airport construction fees, the Company will capture the opportunity, where the government is advocating for cooperation between banks and enterprises in order to boost domestic demand and promote economic growth, to apply for various preferential treatments to create a favourable external environment for the development of the Company.

Accelerating management transformation and enhancing management structure optimization

Following the outsourcing of airport travel agency business and retail sales of duty-free goods, in 2008, the Group has successfully outsourced the advertising and cabin and terminal building cleaning business, further optimizing its business process and business organization. In 2009, the Group will accelerate the transformation of its management model, facilitate the outsourcing of various non-core businesses, so as to enhance our core competitive strengths and establish a management mechanism that will promote our development and ensure sustainable profitability. At the same time, we will, in light of the actual situation of the enterprise, enhance appraisal and disposition of employees who are not competent for their jobs, and take measures to streamline our workforce and reduce labor cost, with an aim to optimize our business process and employees' quality structure and improve our efficiency in human resources management.

Establishing service brand with an on-going effort to improve service quality

In 2008, the Group successfully passed the re-assessment for an international hygienic airport, provided quality services to achieve the success of Bo'ao Forum, Olympic Torch Relay and many other major events, and provided safe, quality and efficient services for domestic and foreign political leaders and people from various social circles, winning wide good reputation. In 2009, the Group will actively participate in the appraisal for World Best Airport. To win this prize, we will regulate our services to improve our service quality, provide training to enhance our service awareness and skills via multiple channels, and introduce the advanced service models at home and abroad to establish an integrated mechanism for promoting airport service quality.

SUPPLEMENTARY INFORMATION

Final Dividend

The Board has passed the resolution to recommend the payment of a final dividend on or before 27 July 2009 (Monday) of HK15 cents per share (before tax) (the "2008 Final Dividend"), on the annual general meeting to be held on 25 May 2009 (Monday) (the "Annual General Meeting") to shareholders of the Company whose names appear on the Company's Register of Members on 25 April 2009 (Saturday). The 2008 Final Dividend is subject to the approval at the coming Annual General Meeting of the Company.

The Company's Register of Members will be closed from 25 April 2009 (Saturday) to 25 May 2009 (Monday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the Annual General Meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 24 April 2009 (Friday) for completion of the registration of the relevant transfer.

Code on Corporate Governance

The Company is committed to comply with all the rules prescribed by China Securities Regulatory Commission and the Stock Exchange of Hong Kong Limited, as well as requirements of other regulatory bodies. The Company has adopted a code on corporate governance practices on terms no less exacting than the standard of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code on Corporate Governance") which came into effect in January 2005. During the year ended 31 December 2008, the Company had complied with the Code on Corporate Governance 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 audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationships with external auditors, the Company's financial reporting, the internal control and risk management system, and there were no disagreement by the audit committee or the external auditors on the accounting policies adopted by the Company. The audit committee of the Company has reviewed the annual results for the year ended 31 December 2008.

Directors' Securities Transactions

The Company has adopted a code for securities transactions by the 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 to the Listing Rules. Having made specific enquiry of the directors of the Company (the "Directors"), all of the Directors have complied with the required standard set out in the Model Code 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 2008 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 websites of the Stock Exchange and the Company in due course.

As at the date of this announcement, there are eleven directors on the Board. They are: Mr. Zhao Yahui, Mr. Dong Zhanbin, Mr. Bai Yan as executive directors; Mr. Hu Wentai, 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
Zhao Yahui
Chairman

Haikou, China, the PRC
25 March 2009