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 2009

SUMMARY

– Total revenue was RMB400,721,000
– Revenue from the aeronautical business was RMB301,807,000
– Revenue from the non-aeronautical business was RMB98,914,000
– Net profit attributable to shareholders was RMB180,563,000
– Earnings per share was RMB38 cents

HIGHLIGHTS

– The passenger throughput recorded 8.391 million
– Aircraft movements reached 69,128
– Cargo throughput was 137,819.6 tons

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 2009, together with comparative figures for 2008, which is set out below:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenues			
Aeronautical	*2*	**301,807**	292,742
Non-aeronautical	*2*	**98,914**	98,330
		400,721	391,072
Cost of services and sales	*3*	**(158,482)**	(148,956)
Gross profit		**242,239**	242,116
Administrative expenses	*3*	**(62,377)**	(72,931)
Other gains – net		**260**	300
Operating profit		**180,122**	169,485
Finance income		**12,328**	16,963
Finance costs		**(1,017)**	(1,406)
Finance income – net	*4*	**11,311**	15,557
Share of loss of an associate		**(24)**	–
Profit before income tax		**191,409**	185,042
Income tax expense	*5*	**(10,848)**	1,418
Profit for the year		**180,561**	186,460
Profit attributable to:			
Shareholders of the Company		**180,563**	186,434
Minority interests		**(2)**	26
		180,561	186,460
Earnings per share for profit attributable to the shareholders of the Company during the year			
– basic and diluted	*6*	**38 cents**	39 cents
		RMB'000	*RMB'000*
Dividends	*7*	**94,643**	62,495

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**180,561**	186,460
Other comprehensive income:	**–**	–
Total comprehensive income for the year	**180,561**	186,460
Attributable to:		
Shareholders of the Company	**180,563**	186,434
Minority interests	**(2)**	26
Total comprehensive income for the year	**180,561**	186,460

CONSOLIDATED BALANCE SHEET

	Note	**31 December 2009** **RMB'000**	31 December 2008 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**153,622**	156,965
Property, plant and equipment		**959,344**	995,100
Investment in an associate		**30,875**	30,504
		1,143,841	1,182,569
Current assets			
Inventories		**11**	106
Trade receivables	*8*	**179,883**	109,236
Other receivables and prepayments		**14,229**	15,811
Current income tax recoverable		**4,864**	–
Time deposits		**160,000**	162,000
Cash and cash equivalents		**588,678**	507,339
		947,665	794,492
Total assets		**2,091,506**	1,977,061
EQUITY			
Equity attributable to the Company's shareholders			
Share capital		**1,100,250**	1,100,250
Other reserves	*9*	**177,559**	160,204
Retained earnings			
– Proposed final dividend		**94,643**	62,580
– Others		**589,672**	520,627
		1,962,124	1,843,661
Minority interests		**599**	601
Total equity		**1,962,723**	1,844,262

	Note	**31 December 2009** *RMB'000*	31 December 2008 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**8,000**	12,000
Deferred income tax liabilities		**9,666**	9,775
Deferred income - government grants		**3,000**	–
		20,666	21,775
Current liabilities			
Trade and other payables	*10*	**104,117**	67,768
Current income tax liabilities		**–**	39,256
Borrowings		**4,000**	4,000
		108,117	111,024
Total liabilities		**128,783**	132,799
Total equity and liabilities		**2,091,506**	1,977,061
Net current assets		**839,548**	683,468
Total assets less current liabilities		**1,983,389**	1,866,037

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group 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.

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new and amended IFRSs as of 1 January 2009, all of which have no impact on earnings per shares:

- IFRS 7 'Financial Instruments – Disclosures' (amendment) (effective 1 January 2009).
- IAS 1 (revised). 'Presentation of financial statements' – (effective 1 January 2009).
- IAS 23 'Borrowing costs' (2007) (effective 1 January 2009).
- IFRS 8 'Operating segments' (effective 1 January 2009).
- IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011).

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009).
- IAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009).
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale' (effective from 1 January 2010).
- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 January 2010).

2. REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker of the Group has been identified as the senior management lead by the general manager. The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports.

The management considers the Group conduct its business within one business segment - the business of operating an airport and provision of related services in the PRC and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

Analysis of revenues by category

	2009	2008
	RMB'000	*RMB'000*
Aeronautical:		
Passenger charges	**122,707**	116,157
Aircraft movement fees and related charges	**43,347**	42,948
Airport fee *(note)*	**98,025**	96,567
Ground handling services income	**37,728**	37,070
	301,807	292,742
Non-aeronautical:		
Franchise fee	**44,795**	44,468
Rental	**15,112**	15,336
Freight	**13,811**	13,005
Car parking	**5,562**	5,960
VIP room charge	**10,254**	9,645
Others	**9,380**	9,916
	98,914	98,330
Total revenues	**400,721**	391,072

Note

The charge rates of the airport fee are regulated by relevant authorities. Pursuant to the approval document (Ju Fa Ming Dian [2009] No. 2328) issued by Civil Aviation of China ("CAAC") on 17 July 2009, for the year ended 31 December 2009, the charge rates for the airport fee is 48% (2008: 48%) of total amount collected from outbound passengers when departing the airport.

3. EXPENSES BY NATURE

Expenses/(income) included in cost of services and sales and administrative expenses are analysed as follows:

	2009	2008
	RMB'000	*RMB'000*
Airport and logistic composite services fee	**31,553**	28,426
Business tax and levies	**10,880**	10,942
Depreciation of property, plant and equipment	**51,896**	48,377
Amortisation of land use rights	**3,481**	3,491
Employee benefit expenses	**63,887**	49,954
Other taxes	**6,213**	6,222
Auditors' remuneration	**2,030**	1,800
Traveling expenses	**5,472**	7,733
Consulting fees	**742**	3,399
(Reversal)/provision of impairment of trade and other receivables	**(3,524)**	14,179
Utilities	**16,052**	15,779
Repairs and maintenance	**10,414**	10,506

4. FINANCE INCOME – NET

	2009	2008
	RMB'000	*RMB'000*
Finance income – interest	**12,328**	16,963
Interest on bank borrowings	**(1,017)**	(1,406)
Finance income – net	**11,311**	15,557

There was no interest capitalised for the years ended 31 December 2009 (2008: Nil).

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year (2008: nil). Income tax expense in the income statement represents provision for the PRC corporate income tax.

	2009	2008
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**10,957**	–
Deferred income tax	**(109)**	(1,418)
Income tax expense	**10,848**	(1,418)

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

	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**191,409**	185,042
Tax calculated at a rate applicable to profits in the Hainan Province *(Note (a))*	**38,282**	33,308
Effect of tax holiday *(Note (b))*	**(19,145)**	(34,757)
Income not subject to corporate income tax *(Note (c))*	**(9,803)**	–
Tax losses not recognised	**6**	9
Utilisation of previously unrecognised tax losses	**(192)**	(128)
Expenses not deductible for tax purposes	**1,700**	150
Tax charge	**10,848**	(1,418)

Note (a)

Effective from 1 January 2008, the Company shall pay the corporate income tax ("CIT") in accordance with the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") as approved by the National People's Congress on 16 March 2007. Under the New CIT Law, the CIT rate applicable to the Company will be gradually increased to 25% in a 5-year period from 2008 to 2012. The tax rate in 2009 is 20% (2008: 18%).

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 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. With 50% reduction of CIT in 2009, the applicable tax rate for the Company in 2009 is 10% (2008:nil).

Note (c)

Pursuant to the approval document (Cai Shui [2009] No.87) issued by the Ministry of Finance on 16 June 2009, the airport fee income of the Company for the years from 2008 to 2010 is exempted from CIT.

6. EARNINGS PER SHARE

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.

	2009	2008
Profit attributable to shareholders of the Company (RMB'000)	**180,563**	186,434
Weighted average number of ordinary shares in issue (thousands)	**473,213**	473,213
Basic earnings per share (RMB per share)	**38 cents**	39 cents

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 2009 and 2008.

7. DIVIDENDS

The dividends paid in 2009 and 2008 were Hong Kong Dollars ("HKD") 70,982,000 (HKD0.15 per ordinary share) equivalent to RMB62,495,000, and HKD37,857,000 (HKD0.08 per ordinary share) equivalent to RMB33,682,000, respectively. The Directors of the Company recommend the payment of a final dividend of RMB0.2 per ordinary share, totalling RMB94,643,000. Such dividend is to be approved by the shareholders at the Annual General Meeting in 2010. These financial statements do not reflect this dividend payable.

	2009	2008
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.2 (2008: HKD0.15) per ordinary share	**94,643**	62,495

In accordance with the Corporate Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing dividends to them. Any H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). Such H-shares shareholders will receive their dividends after the deduction of corporate income tax.

8. TRADE RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables from third parties *(Note (a))*	**72,156**	74,635
Less: provision for impairment of trade receivables *(Note (c))*	**(11,520)**	(14,471)
	60,636	60,164
Trade receivables from related parties *(Note (b))*	**119,247**	49,072
	179,883	109,236

The carrying amounts of trade receivables approximate their fair values. 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.

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

(a) As at 31 December 2009, the ageing analysis of gross trade receivables from third parties is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**53,778**	61,931
91 – 180 days	**6,002**	7,802
181 – 365 days	**8,932**	4,505
Over 365 days	**3,444**	397
	72,156	74,635

As at 31 December 2009, trade receivables of RMB11,548,000 (2008: RMB26,911,000) are impaired and the amount of the provision is RMB11,520,000 (2008: RMB14,471,000). The individually impaired receivables mainly relate to certain airlines companies, which are in difficult economic situations. The ageing of these receivables is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**590**	18,753
91 – 180 days	**1,339**	5,877
181 – 365 days	**6,538**	1,884
Over 365 days	**3,081**	397
	11,548	26,911

As at 31 December 2009, certain trade receivables of RMB5,419,000 (2008: RMB2,041,000) from third parties are 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:

	2009	2008
	RMB'000	*RMB'000*
91 – 180 days	**4,662**	1,925
181 – 365 days	**394**	116
Over 365 days	**363**	–
	5,419	2,041

(b) As at 31 December 2009, the ageing analysis of gross trade receivables from related parties is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**52,249**	38,025
91 – 180 days	**25,249**	1,680
181 – 365 days	**38,777**	5,116
Over 365 days	**2,972**	4,251
	119,247	49,072

As at 31 December 2009, trade receivables from related parties of RMB65,027,000 (2008: RMB7,443,000) are past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2009	2008
	RMB'000	*RMB'000*
91 – 180 days	**24,707**	1,210
181 – 365 days	**37,348**	4,065
Over 365 days	**2,972**	2,168
	65,027	7,443

As of 25 March 2010, trade receivables from related parties totaling RMB63,211,000 has been settled.

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

	2009	2008
	RMB'000	*RMB'000*
Balance as at 1 January	**14,471**	439
Provision for receivable impairment	**85**	14,179
Receivables written-off as uncollectible	**–**	(147)
Provision reversed as receivables collected	**(3,036)**	–
Balance as at 31 December	**11,520**	14,471

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

(d) The carrying amounts of trade receivables are mainly denominated in RMB currencies:

9. OTHER RESERVES

	Revaluation surplus	**Statutory reserves** *(Note)*	**Other**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2008	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
Balance at 1 January 2009	15,490	144,714	–	160,204
Depreciation transfer	(2,051)	–	–	(2,051)
Transfer upon disposal of property, plant and equipments	(87)	–	–	(87)
Transfer from retained earnings	–	19,098	–	19,098
Share of reserve of an associate	–	–	395	395
Balance at 31 December 2009	13,352	163,812	395	177,559

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 can't 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

	2009 *RMB'000*	2008 *RMB'000*
Trade payables	**4,095**	2,594
Other payables	**91,133**	54,635
Deposits received	**6,003**	6,013
Due to related parties	**2,886**	4,526
	104,117	67,768

As at 31 December 2009, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) are as follows:

	2009 *RMB'000*	2008 *RMB'000*
0 -90 days	**2,314**	4,314
91-180 days	**731**	186
181-365 days	**1,123**	639
Over 365 days	**2,813**	1,981
	6,981	7,120

11. COMMITMENTS

(a) Capital commitments

Capital expenditure at the end of the year but not yet incurred is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Buildings and improvements		
Contracted but not provided for	**863**	7,512

(b) Operating lease commitments – where the Group is the lessor

The future aggregate minimum lease receivables under non-cancellable operating leases for buildings are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Not later than 1 year	**14,657**	14,566
Later than 1 year and not later than 5 years	**4,666**	17,106
	19,323	31,672

BUSINESS REVIEW

Aeronautical Business Overview

In 2009, in response to the changing domestic and overseas market environment, the Group actively formulated marketing solutions for various markets, and seized market development opportunities by adopting differential promotion means, such as encouraging airlines to open direct routes to Haikou, successfully introducing Jetstar Asia Airways to open regular routes between Singapore and Haikou, and soliciting more domestic airlines to open new routes or increase the number of flights. In respect of international aviation routes, affected by the global epidemic of the H1N1 influenza, the tourist charter flights booked by Russian, South Korean and Japanese airlines decreased significantly throughout the year. Nonetheless, the Group had adjusted its strategy and introduced Jetstar Asia Airways to launch a route between Singapore and Haikou, which has partly offset the drop in the international passenger throughput resulting from the decrease of charter flights booked by Russian, South Korean and Japanese airlines.

Aviation traffic throughput for 2009 and comparison figures for the previous year are set out below:

	2009	2008	Change (%)
Aircraft movement	**69,128**	66,411	4.09
In which: Domestic	**66,386**	63,206	5.03
Hong Kong/Macau/Taiwan	**1,452**	1,697	-14.44
International	**1,290**	1,508	-14.46
Passenger throughput (Headcount in ten thousand)	**839.1**	822.2	2.06
In which: Domestic	**808.3**	787.2	2.68
Hong Kong/Macau/Taiwan	**15.6**	16.1	-3.11
International	**15.2**	18.9	-19.58
Cargo throughput (Tons)	**137,819.6**	131,637.9	4.70
In which: Domestic	**134,069.8**	126,948.9	5.61
Hong Kong/Macau/Taiwan	**1,867.5**	2,043	-8.59
International	**1,882.3**	2,646	-28.86

The Group's revenue from aeronautical business for 2009 was RMB301,807,000, representing an increase of 3.10% over last year. Details of which are as follows:

	Amount *(RMB'000)*	**Change over last year** *(%)*
Passenger charges	122,707	5.64
Aircraft movement fees and related charges	43,347	0.93
Airport fees	98,025	1.51
Ground handling service fees	37,728	1.78
Total revenue from aeronautical business	**301,807**	**3.10**

So far as the directors of the Company are aware, the airport fee levy shall cease after 31 December 2010. For the year ended 31 December 2009, the Company received 48% of the collected airport fee of the Hainan Meilan International Airport according to the notice of the related government authorities. The Company will pay due attention to any adjustment of policies related to the airport fee and will update the shareholders by announcement promptly for any changes on the latest development.

Non-Aeronautical Business Overview

In 2009, the Group leveraged on its geographical advantage as an aviation transportation hub to mitigate the impact of the economic crisis. 2009 saw the increase 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 business. In 2009, the non-aeronautical business recorded a revenue of RMB98,914,000, representing an increase of 0.59% in comparison with that of the previous year.

	Amount *(RMB'000)*	**Change over last year** *(%)*
Franchise fee	44,795	0.74
Rental	15,112	-1.46
Freight	13,811	6.20
Car parking	5,562	-6.68
VIP room charge	10,254	6.31
Others	9,380	-5.41
Total revenue from non-aeronautical businesses	**98,914**	**0.59**

Franchise Fee

For the year ended 31 December 2009, the Group recorded franchise fees of RMB44,795,000, a slight increase compare to the previous year.

Freight

In 2009, 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 2009, income from cargo business was RMB13,811,000, representing an increase of 6.20% over last year, maintaining a high growth rate.

VIP room charge

In 2009, the Group achieved encouraging results by enhancing the development of VIP room service business and exploring new revenue drivers. The VIP room charge achieved steady rise. For the year ended 31 December 2009, income from VIP room service was RMB10,254,000, representing an increase of 6.31% over last year.

FINANCIAL REVIEW

Asset Analysis

As at 31 December 2009, total assets of the Group amounted to RMB2,091,506,000, representing an increase of 5.79% over the previous year, in which RMB947,665,000 current assets and RMB1,143,841,000, non-current asset. The increase in asset was mainly due to the increase of trade receivable, cash and cash equivalents.

Cost Analysis

In 2009, total costs of service and sales of the Group were RMB158,482,000, representing an increase of RMB9,526,000 (or 6.40%) in comparison with that of last year, which is mainly due to the increase in development cost of the aviation market. Administrative expenses were RMB62,377,000, representing a decrease of RMB10,554,000 (or 14.47%) over last year, which is mainly due to the decrease in the provision for impairment of trade receivables.

Cash Flow

For the year ended 31 December 2009, the Group's net cash inflow from operating activities was RMB149,165,000, representing a decrease of 35.51% over last year. This was mainly due to the payment of RMB55,077,000 income tax. During the year, the Group's net cash outflow from financing activities was RMB66,495,000, which mainly represented the payment of 2008 final dividends.

Pledge of the Group's Assets

As at 31 December 2009, the Group had no pledge on assets.

Gearing Ratio

As at 31 December 2009, total current assets of the Group were approximately RMB947,665,000, total assets were approximately RMB2,091,506,000, total current liabilities were approximately RMB108,117,000 and total liabilities were approximately RMB128,783,000. The gearing ratio (total liabilities/total assets) of the Group was 6.16%, representing a decrease of 0.56% over last year. The main reason was the repayment of bank borrowings, which reduced total liabilities, and increase in total assets.

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 H shareholders are declared in RMB 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 operation, the Group has not entered into any forward rate contract to hedge its exposure of foreign exchange risk.

Financial Instruments

As at 31 December 2009, financial instruments of the Group mainly comprised bank borrowings, 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 receivables excluding prepayment and payables excluding statutory liabilities.

Contingent Liabilities

As at 31 December 2009, neither the Group nor the Company had any significant contingent liabilities.

Purchase, Sale or Redemption of Shares

As at 31 December 2009, neither the Group nor the Company had purchased, sold or redeemed any of the Shares.

Employment, Training and Development

As at 31 December 2009, the Group had a total of 594 employees, representing a decrease of 82 employees over last year. The decrease was mainly attributable to the outsourcing of our related operations and optimization of our management structure. Total staff costs accounted for approximately 16% of total turnover (total income), representing an increase of 3% over last year. The main reason for the increase of staff costs was the increase of staff benefits. 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 upgrade the staff's quality. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group will review the remuneration policy and related packages 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 the rate of 20% of the salary of its employees with permanent residence in the PRC. For the year ended 31 December 2009, the contribution for the pension amounted to approximately RMB3,564,000 (2008: RMB4,516,000).

Other Information

In 2009, 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 2010, as the effect of the financial crisis is fading out, it is hoped that the economic environment in Europe, Japan and the U.S. will start to turnaround, and the country's economy will see continous upward movement leveraging on its retrieval which started in 2009. As the full effect of the RMB1.18 trillion stimulating plan being seen in 2010, it is expected that domestic demand in the PRC will continue to grow. We expect the operating environment in the industry will have improvements and the production level in the aviation market will start to revive under such marco-economic measures taken by the central government in China's aviation market. In the meantime, as the proposal of establishing Hainan as an "International Tourism Island" has been approved by the Chinese government, we believe this program will foster a new round of construction boom in Hainan, and this will benefit the region's aviation industry by bringing in new opportunities. However, in view of the financial crisis and the uncertainties to global economic development, the upward moving and volatile oil price trend, and the uncertain development prospect of the H1N1 flu epidemic, the Group is facing both challenges and opportunities ahead in 2010. Riding on the preferential measures under the central government's plan of building Hainan as an international tourism island, the Group firmly sticks to its focus in efficiency, its market-oriented policy, its direction of reform and actively pursues for the government supports on policies and funding. We will also insist on a comprehensive and multi-channel market development strategy and strengthen the structural reform of our management, so as to build a management model in line with our scientific development and to enhance our ability to encounter market risks. Besides, the Group will speed up the pace of our corporate expansion by exploring merger and acquisition or other restructuring opportunities. All these are aiming to achieve the healthy and rapid development of Meilan Airport and to pursue satisfactory results for our shareholders.

Strengthening market development to capture the "International Tourism Island" opportunity

In 2009, the Group's effort in exploring the aviation market has seen rewarding results, and the three main operating indicators continue to move upward. In the year of 2010, the Group has taken moves to strengthen the coordination with local government to fully capitalize on the encouraging policies under the "International Tourism Island" program. Such moves include enhancing attractiveness of the aviation market in Haikou and actively introducing airlines to build their bases there, with an aim to expand the capacity and open new routes in the Haikou market. On the other hand, we will continue to seek for effective cooperation for charter flights, and will ally with travel agencies and airlines to offer charter flight service. As the "International Tourism Island" program has been upgraded to a national strategy, we will ride on this opportunity by putting more efforts in exploring new international flight routes and introducing more foreign airlines to open up new routes that make transfer flight in Haikou to other cities all over the countries, in a bid to build Meilan Airport as the southern gateway of China.

Seeking for preferential treatments and cost saving

In 2009, one of our focuses was to study the national preferential policies' criteria and strive to be benefited from the supporting policies and funding from the government, so as to create a good external environment for our corporate development. We have fully implemented budget optimization in both our management and operation, and resulted in remarkable achievements. In 2010, 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 favorable external environment for the development of the Company.

Accelerating management transformation and enhancing management structure optimization

In 2009, following the outsourcing of airport advertiseing business, as well as cabin and terminal building cleaning business, the Group has successfully outsourced car parking business and set up a freight forwarding joint venture with independent operations, so as to further optimize our business process and organization structure. In 2010, the Group will, in addition to speeding up outsourcing of various non-aeronautical businesses, accelerate the transformation of its management model and explore the feasibility of outsourcing its aeronautical business, foster reformation of our operation model, endeavor to bring breakthrough to the airport management ecology in the region, 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 focus on our employees' training, 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 resource management.

Providing innovative services with an on-going effort to improve service quality

In 2009, the Group, together with Sanya Phoenix International Airport, jointly introduced various services with special characteristics like the "Free Traveling in Hainan (海南任我行)" program. The effect of this program was satisfactory and won public recognition. In 2009, we received several awards for our management, safety and quality of service. Besides, in a bid to participate in the World's Best Airport Service Award or Best Improvement Award organized by the Airports Council International (ACI) and to apply for admission to the Airport Service Quality (ASQ) program, we have been actively reforming our operating systems. For the year of 2010, we will continue to build our service system, participate in the appraisal of the World Best Airport campaign, introduce advanced service models and experience at home and abroad, accelerate the replacement and reformation of service hardware, strengthen our service awareness, improve servicing skills and service quality, so as 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 2 August 2010 (Monday) of RMB20 cents per share (before tax) (the "2009 Final Dividend"), on the annual general meeting to be held on 31 May 2010 (Monday) (the "Annual General Meeting") to shareholders of the Company whose names appear on the Company's Register of Members on 1 May 2010 (Saturday). The 2009 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 1 May 2010 (Saturday) to 31 May 2010 (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 Room 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 2010 (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 2009, 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 2009.

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 2009 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. Liang Jun, Ms. Xing Xihong 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 2010