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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 2011

SUMMARY

— Total revenue was RMB564,892,282

— Revenue from the aeronautical business was RMB371,560,850

— Revenue from the non-aeronautical business was RMB193,331,432

— Net profit attributable to shareholders was RMB289,778,081

— Earnings per share was RMB61 cents

HIGHLIGHTS

— The passenger throughput recorded 10.17 million

— Aircraft movements reached 83,058

— Cargo throughput was 169,339 tons

* *for identification purposes only*

RESULTS

The Board of Directors ("the Board") of Hainan Meilan International Airport Company Limited (the "Company" or "Meilan Airport"), together with its subsidiaries, (the "Group") is pleased to announce the financial position and operating results for the year ended 31 December 2011, together with the comparative figures for the corresponding period of 2010.

CONSOLIDATED INCOME STATEMENT

	Note(s)	2011 RMB	2010 RMB
Revenue	2	**564,892,282**	487,415,300
Less: Operating costs	3	**(209,714,326)**	(174,179,836)
Taxes and surcharges		**(18,414,798)**	(14,184,150)
General and administrative expenses	3	**(68,398,680)**	(63,957,780)
Add: Financial income — net	4	**9,030,708**	11,129,746
Less: Asset impairment		**(377,217)**	7,120,378
Add: Investment income	5	**25,574,988**	—
Investment income in joint ventures		**25,574,988**	—
Operating profit		**302,592,957**	253,343,658
Add: Non-operating income	5	**27,582,799**	962,247
Less: Non-operating expenses		**(647,219)**	(380,050)
Losses on disposal of non-current assets		**(612,832)**	(379,107)
Total profit		**329,528,537**	253,925,855
Less: Income tax expenses	6	**(35,287,735)**	(12,774,072)
Net profit		**294,240,802**	241,151,783
Attributable to shareholders of the Company		**289,778,081**	238,231,162
Minority interest		**4,462,721**	2,920,621
Earnings per share			
Basic and Diluted earnings per share	7	**0.61**	0.51

CONSOLIDATED BALANCE SHEET

	Note(s)	31 December 2011 RMB	31 December 2010 RMB
ASSETS			
Current assets			
Cash at bank and on hand		**366,887,159**	960,553,354
Accounts receivable	9	**145,125,372**	218,363,021
Advances to suppliers		**6,076,495**	13,355,245
Other receivables		**3,696,823**	8,325,399
Interest receivable		**1,793,832**	1,591,669
Inventories		**26,172**	25,792
Other current assets		**1,293,397**	—
Total current assets		**524,899,250**	1,202,214,480
Non-current assets			
Long-term equity investments		**1,068,164,742**	30,874,651
Fixed assets		**885,230,061**	906,753,190
Construction in progress		**—**	4,550,510
Intangible assets		**147,238,713**	150,401,902
Long-term prepaid expenses		**5,686,823**	—
Deferred tax assets		**4,421,740**	3,171,877
Other non-current assets		**219,361,200**	—
Total non-current assets		**2,330,103,279**	1,095,752,130
Total assets		**2,855,002,529**	2,297,966,610

	Note(s)	31 December 2011 RMB	31 December 2010 RMB
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Accounts payable	10	**17,575,257**	6,339,915
Advances from customers		**8,885,537**	31,444,567
Employee benefits payable		**51,683,674**	50,060,703
Taxes payable		**11,967,808**	389,550
Interest payable		**3,508,354**	14,520
Dividends payable		**666,000**	666,000
Other payables		**75,885,685**	143,629,683
Current portion of non-current liabilities		**61,858,550**	4,000,000
Total current liabilities		**232,030,865**	236,544,938
Non-current liabilities			
Long-term borrowings		**398,956,700**	4,000,000
Other non-current liabilities		**8,370,000**	5,800,000
Total non-current liabilities		**407,326,700**	9,800,000
Total liabilities		**639,357,565**	246,344,938
Shareholders' equity			
Share capital		**473,213,000**	473,213,000
Capital surplus		**699,484,654**	699,484,654
Surplus reserve		**216,748,099**	187,992,913
Undistributed profits	8	**815,766,996**	682,511,611
Total capital and reserves attributable to shareholders of the Company		**2,205,212,749**	2,043,202,178
Minority interest		**10,432,215**	8,419,494
Total shareholders' equity		**2,215,644,964**	2,051,621,672
Total liabilities and shareholders' equity		**2,855,002,529**	2,297,966,610
Net current assets		**292,868,385**	965,669,542
Total assets less current liabilities		**2,622,971,664**	2,061,421,672

Notes

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises" or "CAS").

2. REVENUES

	2011	2010
	RMB	*RMB*
Analysis of revenue (by category)		
Aeronautical:		
Passenger charges	**152,339,324**	133,273,493
Airport fee	**118,851,803**	103,196,893
Aircraft movement fees and related charges	**51,773,603**	46,726,853
Ground handling services income	**48,596,120**	41,427,163
	371,560,850	324,624,402
Non-aeronautical:		
Freight and packing	**56,452,294**	55,529,172
Franchise fee	**63,473,770**	54,968,059
Rental	**24,922,743**	16,291,885
VIP room charge	**26,023,343**	16,862,586
Car parking	**8,087,793**	7,128,447
Others	**14,371,489**	12,010,749
	193,331,432	162,790,898
Total Revenue	**564,892,282**	487,415,300

3. COST/EXPENSE BY NATURE

Operating costs, general and administrative expenses mainly include the following items:

	2011	2010
	RMB	*RMB*
Airport and logistic composite services fee	**44,633,537**	38,672,918
Depreciation of fixed assets	**56,363,210**	55,852,930
Amortisation of land use rights	**3,163,189**	3,220,381
Employee benefit expenses	**58,271,566**	52,465,434
Other taxes	**7,012,190**	6,219,612
Utilities	**19,823,535**	18,967,217
Audit fee	**1,860,240**	2,072,732
Traveling expenses	**4,371,297**	2,244,914
Packaging materials expenses	**24,249,886**	28,123,482
Repairs and maintenance	**20,062,384**	7,440,446

4. FINANCIAL INCOME — NET

	2011	2010
	RMB	*RMB*
Interest income	**7,352,348**	11,745,663
Less: interest expense arisen from bank borrowings	**(16,689,910)**	(633,930)
Exchange gains — net	**21,326,125**	142,534
Less: amortisation of financial charges	**(1,555,601)**	—
Others	**(1,402,254)**	(124,521)
Financial income — net	**9,030,708**	11,129,746

5. GAINS ON LONG-TERM INVESTMENT OF HAINAN AIRLINES AIRPORT HOLDING (GROUP) COMPANY LIMITED ("HNA AIRPORT")

Pursuant to the agreement entered into between the Company and Kingward Investment Limited ("Kingward") on 25 March 2010, the Company would acquire 24.5% equity interests in HNA Airport from Kingward. The consideration of USD145,000,000 was paid to Kingward on 28 January 2011 and the acquisition of such shares was completed. HNA Airport became an associate of the Company.

The initial investment cost to HNA Airport is less than the Company's share of the fair value of its identifiable net assets, the difference RMB26,470,103 is included in non-operating income. In the year of 2011, investment income from HNA Airport amounting to RMB25,574,988 is recognized in investment income.

6. INCOME TAX EXPENSES

	2011	2010
	RMB	*RMB*
Current income tax	**36,537,598**	13,384,649
Deferred income tax	**(1,249,863)**	(610,577)
Income tax expenses	**35,287,735**	12,774,072

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2011	2010
	RMB	*RMB*
Total profit	**329,528,537**	253,925,855
Income tax expenses calculated at applicable tax rates *(Note (a))*	**79,698,848**	55,863,689
Effect of tax incentive *(Note (b))*	**(32,551,786)**	(26,640,059)
Income not subject to tax	**(12,495,622)**	(1,763,329)
Cost and expenses not deductible for tax purposes	**662,212**	608,724
Tax losses for which no deferred tax asset was recongnised	**(25,917)**	(6,291)
Tax deduction arising from purchase of domestic equipments	**—**	(15,288,662)
Income tax expenses	**35,287,735**	12,774,072

Note (a)

According to "Measures for tax preference on investment issued by the People's Government of Hainan Province", the Company is subject to 15% income tax rate as a jointly venture.

In accordance with the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law", effective from 1 January 2008) and the relevant regulations as approved by the National People's Congress on 16 March 2007, the CIT rate applicable to the Company will be gradually increased from 15% to 25% in a 5-year period from 2008 to 2012. The tax rate in 2011 is 24% (2010: 22%).

Note (b)

Pursuant to the approval document regarding the entitlement of CIT treatment of Hainan Meilan International Airport Company Limited (Hai Guo Shui Han [2008] No. 13) issued by Haikou State Tax Bureau on 2 February 2008, the Company was entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. Therefore, the applicable tax rate for the Company in 2011 is 12% (2010: 11%).

7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the consolidated profit attributable to holders of ordinary shares of the parent company by the weighted average number of ordinary shares in issue.

	2011	2010
Profit attributable to ordinary shareholders of the parent company *(RMB)*	**289,778,081**	238,231,162
Weighted average number of outstanding ordinary shares of the Company (share)	**473,213,000**	473,213,000
Basic earnings per share *(RMB per share)*	**61 cents**	51 cents

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 2011 (2010: nil), diluted earnings per share equal to basic earnings per share.

8. DIVIDENDS

	2011	2010
	RMB	*RMB*
2011 Interim dividend paid of RMB0.15 per share (2010: RMB0.12 per share)	**70,981,950**	56,785,560
Proposed not to distribute 2011 final dividend (2010: RMB0.12 per share)	**—**	56,785,560

(a) An interim dividend of RMB0.15 per share (2010: RMB0.12) was paid in 2011, amounting to RMB70,981,950 (2010: RMB56,785,560).

(b) No distribution of final cash dividend in respect of the year 2011 (2010: RMB0.12 per share, representing RMB56,785,560 in aggregate) is proposed by the board of directors.

9. ACCOUNTS RECEIVABLE

	2011	2010
	RMB	*RMB*
Accounts receivable from aeronautical services	**122,708,420**	198,048,826
Accounts receivable from non-aeronautical services	**27,140,583**	24,715,368
	149,849,003	222,764,194
Less: provision for bad debts	**(4,723,631)**	(4,401,173)
	145,125,372	218,363,021

The Group's credit terms given to customers are approved on an individual basis by the management, with a normal credit period ranging from 1 to 3 months.

(a) As at 31 December 2011, the ageing analysis of accounts receivable is as follows:

	2011	2010
	RMB	*RMB*
Within 90 days	**88,419,162**	104,848,825
91 to 180 days	**10,473,887**	41,192,621
181 to 365 days	**33,044,367**	56,143,496
Over 365 days	**17,911,587**	20,579,252
	149,849,003	222,764,194

(b) Movements on the provision for bad debts of accounts receivable is as follows:

			Reductions		
	31 December 2010	**Addition**	**Reversals**	**Written off**	**31 December 2011**
	RMB				***RMB***
Provision for bad debts	4,401,173	1,485,836	(1,108,619)	(54,759)	4,723,631

10. ACCOUNTS PAYABLE

As at 31 December 2011, the ageing analysis of accounts payable is as follows:

	2011	2010
	RMB	*RMB*
Within 90 days	**12,297,551**	3,753,244
91 to 180 days	**745,955**	388,100
Over 181 days	**4,531,751**	2,198,571
	17,575,257	6,339,915

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Revenue Review

Aeronautical Business Overview

In 2011, under the auspices of the policies of the aviation industry issued by the government in Hainan, such as the Supplementary Provisions for the Implementation Rules on Opening Policy of Some of Aviation Rights in Hainan Province (海南省開放部分航權若干政策實施細則補充規定) and the Provisional Measures on Further Encouraging Operation of Air Passenger Transport in Haikou (海口市鼓勵航空客運市場開發暫行辦法), the Group grasped the opportunity brought by the construction of Hainan International Tourism Island and deployed marketing plans for different markets. Various measures and channels were also used for its aviation market expansion. As at 31 December 2011, Meilan airport has launched domestic aviation routes to 76 cities. In 2011, Meilan Airport newly launched aviation routes to four cities, namely Changzhou, Dongsheng, Sishi and Liuzhou and also successfully established aviation routes, including Haikou — Nanning — Xi'an, Haikou — Changsha — Tianjin, Haikou — Beihai/Zhanjiang, Haikou — Changsha — Erdos, Haikou — Liuzhou — Beijing, Haikou — Nanning — Changzhou, Haikou — Guilin — Linyi, Haikou — Beihai — Wuhan and Haikou — Xi'an — Xining. As such, the aviation route network of Haikou was further optimised.

As for the international aviation sector, EVA Air and China Airlines became the two new international air carriers of Meilan Airport in 2011. The international (regional) transportation volume of the Group reached a historic high and the international and regional passenger throughput reached a total of 387,800 people, representing an increase of 9.55% as compared to the corresponding period of the previous year.

Aviation traffic throughput for 2011 and comparison figures for the year 2010 are set out below:

		2011	2010	Change (%)
Aircraft movement		**83,058**	73,824	12.51
In which:	Domestic	**79,890**	70,874	12.72
	Hong Kong/Macau/Taiwan	**1,652**	1,399	18.08
	International	**1,516**	1,551	–2.26
Passenger throughput (headcount in ten thousand)		**1,016.75**	877.38	15.88
In which:	Domestic	**977.97**	841.98	16.15
	Hong Kong/Macau/Taiwan	**19.87**	16.60	19.70
	International	**18.91**	18.80	0.59
Cargo throughput (Tons)		**169,338.90**	154,124.60	9.87
In which:	Domestic	**164,736.30**	149,997.50	9.83
	Hong Kong/Macau/Taiwan	**2,508.30**	2,157.60	16.25
	International	**2,094.30**	1,969.50	6.33

The Group's revenue from aeronautical business for 2011 was RMB371,560,850, representing an increase of 14.46% over 2010. Details of which are as follows:

	Amount *(RMB)*	**Change over 2010** *(%)*
Passenger charges	152,339,324	14.31
Refund of airport construction fees	118,851,803	15.17
Aircraft movement fees and related charges	51,773,603	10.8
Ground handling service income	48,596,120	17.3
Total revenue from aeronautical business	**371,560,850**	**14.46**

According to the Notice on the Grants for Administrative and Construction Fee of three Listed Companies' Airports（關於三家上市機場管理建設費補貼問題的通知）, Circular [2011]17, issued by Civil Aviation Administration of China ("CAAC"), the validity for the airport construction cost subsidies granted to the Group has been extended to 31 December 2015. The percentage of refund of airport construction fees of the Group was approximately 48% since 2009. Based on the best estimates made by the management, the Group has recognized the income from the refund of airport construction fees during 2011 based on the refund percentage of 48%. The Group has basically received the refund amount from CAAC based on such refund percentage at the end of 2011.

Non-Aeronautical Business Overview

In 2011, the Group took full advantage of opportunities arising from the construction of Hainan International Tourism Island and widened sources of income. Driven by the continued growth in transportation volume, the Group achieved a substantial growth with its non-aeronautical business. The non-aeronautical business recorded a revenue of RMB193,331,432 during the year, representing an increase of 18.76% as compared to the same period of 2010.

	Amount *(RMB)*	**Change over 2010** *(%)*
Franchise fee	63,473,770	15.47
Rental income	24,922,743	52.98
Freight income	56,452,294	1.66
Car parking fees	8,087,793	13.46
VIP room charge	26,023,343	54.33
Others	14,371,489	19.66
Total revenue from non-aeronautical businesses	**193,331,432**	**18.76**

Rental income

The Company has strengthened its marketing capacity and business expansion. It planned and managed the leased premises based on market demand and formulated different rental packages to attract more stores and enhance the occupancy rates. In 2011, the Group recorded rental income of RMB24,922,743, representing an increase of 52.98% as compared to the same period of the previous year.

VIP room charge

In 2011, the VIP room service charge of the Group maintained fast growth momentum and amounted to RMB26,023,343, representing an increase of 54.33% as compared to the corresponding period of the previous year, which was mainly attributable to the increase of the usage of VIP room services as a result of the increase of quality and higher passenger volume as well as the increases in charges for VIP service and naming right.

Franchise income

In 2011, the franchise income of the Group amounted to RMB63,473,770, representing an increase of 15.47% as compared to the corresponding period of the previous year. The increase in the franchise income of the Group was mainly due to the increase in advertising franchise income and the increase in sales revenue as a result of the implementation of rational designs for the terminals according to the cooperation with Hainan DFS Retail Company Limited ("DFS") and Select Service Partner Hainan Company Limited ("SSP").

FINANCIAL REVIEW

Asset Analysis

As at 31 December 2011, total assets of the Group amounted to RMB2,855,002,529, in which RMB524,899,250 was current assets, representing 18.39% of the total assets, and RMB2,330,103,279 was non-current asset, representing 81.61% of the total assets. Total asset increased by 24.24% as compared with the corresponding period of 2010, which was mainly due to the increase in long-term equity investment upon the acquisition of 24.5% equity interests in HNA Airport by the Group during 2011.

Cost Analysis

In 2011, total operating costs of the Group were RMB209,714,326, representing an increase of RMB35,534,490 or 20.40% as compared with the corresponding period of 2010. The increase was mainly attributable to the increase in repair and maintenance expenses due to the needs of repair and maintenance for relevant facilities and equipment in the terminals owned by the Company after years of operation of the airport and the upgrades and renovation of various hardware facilities and equipment for the brand building of the Company, the increase in outsourcing costs as a result of inflation and increase in labour costs, as well as the increase in the costs of production for staff and raw materials along with the growth of transportation volume.

In 2011, total business tax and surcharges of the Group amounted to RMB18,414,798, representing an increase of RMB4,230,648 or 29.83% as compared with the corresponding period of 2010, which was mainly due to the increase in sales revenue of the Group.

In 2011, total administrative expenses of the Group amounted to RMB68,398,680, representing an increase of RMB4,440,900 or 6.94% as compared with the corresponding period of 2010, which was mainly due to the increase in staff costs and remuneration for management of the Group.

Cash Flow

In 2011, the Group recorded a net cash inflow from operating activities of RMB307,892,280, representing a decrease of 20.17% as compared with 2010. This was mainly because the Company paid the outstanding aircraft movement fees and ground handling service fees in 2011 which were collected on behalf of others in 2010.

In 2011, the Group's net cash outflow from investment activities was RMB1,210,826,552, which was mainly used for the payment of the acquisition of 24.5% equity interests in HNA Airport and partial payment for the purchase of assets of the terminal expansion project from Haikou Meilan International Airport Company Limited ("Parent Company").

In 2011, the Group's net cash inflow from financing activities was RMB309,401,664, which was mainly attributable to the bank borrowings of USD72,500,000 for the acquisition of 24.5% equity interests in HNA Airport.

Pledge of the Group's Assets

The Group obtained a long-term borrowing of USD72,500,000 from China Development Bank. Such borrowing was pledged by 24.5% equity interests in HNA Airport held by the Group. As at 31 December 2011, the balance of such outstanding borrowing was USD72,500,000 (equivalent to RMB456,815,250).

In addition, a long-term borrowing of RMB128,000,000 from China Development Bank by the Group was pledged by the operating income. As at 31 December 2011, the balance of such outstanding borrowing was RMB4,000,000.

Gearing Ratio

As at 31 December 2011, the current assets, total assets, current liabilities and total liabilities of the Group amounted to approximately RMB524,899,250, RMB2,855,002,529, RMB232,030,865 and RMB639,357,565 respectively. The gearing ratio (total liabilities/total assets) of the Group was 22.39%, representing an increase of 11.67% over 2010. This was mainly attributable to the increase of USD72,500,000 in bank borrowings of the Group, mainly for the financing of the acquisition of 24.5% equity interests in HNA Airport during 2011.

Foreign Exchange Exposure

The Group's businesses are principally denominated in RMB, except that limited aeronautical revenues, purchase of certain equipment and consultation fee are denominated in US dollars or HK dollars. The dividends payable to holders of H shares are denominated in RMB and paid in HK dollars. According to the arrangement for the acquisition of 24.5% equity interests in HNA Airport, the Group is obliged to repay the principal and interest of the loan of USD72,500,000 provided by China Development Bank in connection with the equity acquisition. Consequently, the fluctuation of the exchange rate of RMB against US dollars will affect the Group's financial results. The Group has not entered into any forward rate contract to hedge its exposure of foreign exchange risk.

Interest Rate Risks

The Group is obliged to repay the principal and interests of the bank borrowings of USD72,500,000 and RMB4,000,000 provided by China Development Bank. Changes in relevant Libor and interest rate adjustments by the PBOC will affect the interest expense and results of the Group.

Financial Instruments

As at 31 December 2011, 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 accounts receivable, other receivables excluding prepayment and long-term loan, accounts payable, other payables excluding statutory liabilities.

Contingent Liabilities

As at 31 December 2011, neither the Group nor the Company had any significant contingent liabilities.

Purchase, Sale or Redemption of Shares of the Company

As at 31 December 2011, neither the Group nor the Company had purchased, sold or redeemed any of the shares of the Company.

Employment, Training and Development

As at 31 December 2011, the Group had a total of 465 employees, representing a decrease of 166 employees over 2010. The decrease was mainly attributable to the outsourcing of airport ground service of the Group according to the transformation needs, the transfer of staff as well as the implementation of streamlined manpower structure. With the manpower structure remaining unchanged, the Group re-organised the posts of various departments to enhance the efficiency of human resources allocation. In 2011, total staff costs accounted for approximately 10.32% of total turnover (total income), representing a decrease of 0.45% over 2010. The main reason for the decrease of staff cost was the decrease of staff number as a result of the outsourcing of airport ground handling services as well as the increase of total turnover. The Group formulated its annual training schemes based on the needs of the positions of its employees to provide technical training for its staff and improve its staff's quality. As at 31 December 2011, a total of 133 courses under the training schemes were completed with a completion rate of 100%. 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 Plan

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 2011, the contribution for the pension amounted to approximately RMB3,864,629 (2010: RMB3,938,000).

Other Information

In 2011, the Group had no material change in other information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

Outlook

Internationally, the overall economic situation will remain complicated and challenging. The solutions for sovereignty debt crisis in European countries are still subject to uncertainty. The economic sanctions including oil embargo on Iran imposed by European countries and the United States may trigger a new round of price surges for oil and other commodities. As a result, the world economic recovery will remain slow and may even decline. The international political situation will continue to be under tensions with deteriorating situation in the Middle East and the complicated situations in Syria.

In 2012, “progress through stability” becomes the basic theme of China’s economic development. The PRC will continue to implement supportive fiscal policy and prudent monetary policy to ensure the consistency and stability of macroeconomic policy, maintain the balance between steady and rapid economic growth, economic restructuring and inflation control, and make great efforts to reduce the adverse impact of the European sovereign debt crisis on China’s economy. With the efforts to boost domestic demand, achieve economic transformation ad maintain economic growth, the economic growth rate in 2012 is expected to be relatively stable.

In contrast to the severe international situation, the building of Hainan’s International Tourism Island shows a good momentum. In 2012, Hainan targets to achieve GDP growth rate of 13%, local general budgeted income growth rate of 20% and fixed assets investment growth rate of 28%. Accordingly, Hainan will sign protocols of intent with the PRC ministial, provincial and municipal authorities for the development of its ten key projects, especially to boost the tourist industry and further improvement of transportation facilities, and eventually lay the foundation for the development of Meilan Airport in 2012. Moreover, the operation of the tax-free out-lying island store in Meilan Airport and nearly 10 million of passenger flow volume of Donghuan High Speed Rail in 2011 will also drive the revenue growth of the Group.

2012 will be full of challenges and opportunities. The Group will buckle up with the strategic development planning, promote the implementation of the transformation of income model, actively acquire external resources, effectively carry out investment and financing work, strive to realize the Company’s strategic development goals as soon as possible, actively expand aviation and non-aviation businesses and strengthen assets and fund management, so as to achieve a sustainable and healthy development of Meilan Airport and strive for better performance for the interests of all shareholders.

Capturing the opportunity for market expansion

In 2012, the Group will capture the opportunity brought by the development of Hainan’s International Tourism Island, and fully capitalize on the incentive policies for the aviation market issued by the local government, such as encouraging the development of aviation market, to enhance the promotion of the civil aviation transportation market and to introduce airlines to build their bases in Haikou with an aim to expand the capacity and improve the airline network of Haikou. The Group will also ally with travel agencies and airlines to coordinate the operations of two airports as well as the airline and railway transportations on the island. The Group will put more efforts in introducing more foreign airlines to open up new routes that make transfer flight in Haikou using the opening of the third, fourth and fifth aviation right of Hainan, with a vision to build Meilan Airport as the southern gateway of China.

Diversifying non-aeronautical revenue through coordination and plans

With the operation of airport tax-free store, the revenue pattern of the non-aeronautical business of the Group is expected to be further diversified and developed in 2012. The Group will focus on improving the management of the tax-free shopping mall based on the existing management model in the next year. The Group will also assist Hainan DFS Retail Company Limited (“DFS”), which has a business presence in the shopping mall, to adjust its development mode, streamline and further expand the development of VIP services, formulate business plans for the newly built international terminal in advance, and enhance the investment invitation for high-quality commercial projects.

Increasing profitability by raising revenue and reducing expenditure

The Group has always attached great importance to optimize its budget through cost controls in management and operations, and has achieved remarkable results. In 2011, the administrative expenses amounted to RMB68,398,680, representing an increase of RMB4,440,900 or 6.94% over 2010, and were under effective control. In 2012, the Company will further enforce its budget control to reduce costs, and enhance integrate resources to increase its profitability. Furthermore, grasping the opportunities arising from the government policy to boost domestic demand and the building of Hainan's International Tourism Island, the Company will actively apply for various preferential treatments from the favourable policies and grants of the government to create a favorable external environment for the development of the Group.

Accelerating management and business model transformation

According to the need of management transformation, the Group has outsourced the travel agency business, car parking business, daily repairs and maintenance business of certain terminal building facilities, VIP and first-class cabin service business, and established an independent joint venture cargo company in 2010 so as to promote the reform and development of freight service. In 2011, the Group also transferred the operations of ground handling service and travel agency business to enhance management specialisation. In 2012, the Group will continue to be efficiency oriented, in addition to speeding up outsourcing of various non-aeronautical businesses, it will also reform the operation models and standardize management of outsourced businesses with innovative management model and, establish supporting policy systems in order to bring breakthrough to the establishment of the regional airport management group.

Improving infrastructure construction to become a five-star airport

In 2011, the Company reached agreements with the Parent Company in respect of the asset transfer after the completion of the terminal expansion projects, including the expansion of the west gallery（西指廊）(extension to the west) and the construction of the new international terminal. In 2012, the Group will strive to achieve the infrastructure requirement of SKYTRAX five-star airport by accelerating the expansion and construction of terminal buildings to further improve the existing infrastructure and build a more comfortable airport lounge for travellers.

Strengthening Brand building and improving service qualities to international standards

Adhering to the customer-oriented principle, the Group continues to explore customised services with unique features. In 2011, the Group has carried out restructuring and reformation effectively according to the requirement of the Airport Service Quality ("ASQ") program of Airports Council International ("ACI"), and became the first airport in China to obtain the ASQ qualification certificate on 31 October 2011. Meilan Airport also actively participated in the SKYRAX star airport ranking, and was honored as the SKYTRAX Best Regional Airport (China) in March 2011. On 6 December 2011, the Group was honored as the SKYTRAX Four-Star Airport and became the ninth and second four-star airport in the world and China, respectively, which also marked Meilan Airport's turning from an excellent domestic airport to an international branded airport. In 2012, the Group will further strengthen the brand building of ASQ and SKYTRAX and strive to become a SKYTRAX five-star airport as soon as possible by speeding up the service system construction through learning from the advanced service models and experiences of major domestic and international airports, enhancing service consciousness and improving service skills and quality.

Updates of acquisitions and the issues of A Shares and corporate bonds

In early 2011, the Company completed the acquisition of 24.5% equity interests in HNA Airport from Hong Kong Kingward Investment Limited.

Affected by the debt crisis of the United States, domestic capital market in China was sluggish, which has posted obstacles to financing activities. The Company will conduct thorough research and adjust and implement its issuance plan of A shares based on the market condition.

According to the announcements of the Company dated 26 August 2011 and 19 March 2012 as well as the circular to shareholders dated 19 September 2011, the Company completed the issuance of domestic corporate bonds with aggregate principle amount of RMB800 million on 19 March 2012, in order to meet the middle to long term capital requirement of the Company, optimize the capital structure and reduce financing costs.

In addition, according to the circulars to shareholders of the Company dated 28 August 2011 and 19 September 2011, the Company agreed to acquire all the assets of international terminal project and ancillary project, the expansion project of the west gallery of the terminal and ancillary project, the customs regulatory warehouse project and ancillary project and the special garage project and ancillary project from the Parent Company, and entered into an acquisition agreement with the Parent Company in respect with the acquisition of the assets of the above projects. The customs warehouse and special garage have been completed as scheduled. The main structure of the international terminal of the new terminal was topped up on 2 October 2011. However, as recently informed by Parent Company, the construction of the project may be delayed and is now expected to be completed in October 2012. Such delay was primarily due to the Parent Company needing additional time to adjust the Project's design to meet additional requirements from the relevant customs and border inspection authorities in respect of their occupation area, and to upgrade the functions of the Project to satisfy the increase in number of international tourists, aircraft movement, passengers and cargo throughput at the Meilan Airport arising from the construction of Hainan Province as an international tourism island. In addition, the construction supervision, quotation and tendering of the expansion project of the west gallery have started and the construction works of the water and electricity supply systems and transportation system and site leveling have been completed.

SUPPLEMENTARY INFORMATION

Final Dividend

In 2012, the capital requirement of the Company is expected to be substantial, mainly used for the acquisition of assets from the Parent Company, taxation and the repayment of principal and interests of bank borrowings. Based on the current macro monetary policy of the government and the capital requirement of the Company for future development, the Board of the Company recommended not to pay a final dividend for the year 2011.

Closure of Register of Members

The Company's Register of Members will be closed from Monday, 30 April 2012 to Tuesday, 29 May 2012 (both days inclusive), during which time no transfer of shares will be registered. To be qualified to attend the annual general meeting of the Company, shareholders must deliver all the instruments of transfer, accompanied by the relevant share certificates, to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, located at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 27 April 2012 for the registration of the relevant transfer.

Code on Corporate Governance

The Company is committed to complying with all the rules prescribed by the China Securities Regulatory Commission and the Hong Kong Stock Exchange, 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 (the "Code on Corporate Governance") contained in Appendix 14 to the Listing Rules which came into effect in January 2005 and has been amended from time to time. During the year ended 31 December 2011, the Company had complied with the Code on Corporate Governance and all governance and disclosure requirements. The Company will strive to continuously enhance its corporate governance 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 2011.

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 (the "Directors") of the Company, all of the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during any time of the accounting period covered by this announcement.

Publication of Annual Results and Annual Report

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the Company's website at www.mlairport.com. The 2011 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 on or before 19 April 2012.

By Order of the Board
Hainan Meilan International Airport Company Limited
Liang Jun
Chairman

Haikou, the PRC
27 March 2012

As at the date of this announcement, there are eleven directors on the Board of the Company, including three executive directors, namely Mr. Liang Jun, Mr. Dong Zhanbin and Ms. Xing Xihong as, four non-executive directors, namely Mr. Hu Wentai, Mr. Zhang Han'an, Mr. Joseph Chan and Mr. Yan Xiang, and four independent non-executive directors, namely Mr. Xu Bailing, Mr. Fung Ching Simon, Mr. George F Meng and Mr. Feng Da'an.