

## Chairman's Statement



**Successfully granted  
the international  
airport status is an  
important  
milestone of the  
Group.**

To all shareholders,

2003 was an important year for the brand building of Meilan Airport, by taking a leap from its nationwide status into the international arena and establishing its global presence.

During the year under review, our staff had jointly fought against Severe Acute Respiratory Syndrome ("SARS") and improved the Group's overall competitiveness. We completed our corporate restructuring, and refined our staff remuneration and benefits schemes. We were fully committed to internationalising our business operation, strengthening the fundamental business management of our airport and had completed the core construction works of the initial stage of our phase II airport expansion plan. The primary construction of the extended apron areas was completed adding 10 aircraft parking spaces to alleviate the problem of insufficient aircraft parking space in Meilan Airport. Leveraging on the acquisition of the international airport status, the Group has been aggressively liaising with various airlines from neighboring countries to open and operate flights to and from Haikou.

In 2003, Hainan Meilan International Airport was nominated for the "Best Emerging Airport – Asia" award (of the category of annual cargo throughput below 0.5 million tonnes) organized by the "Cargonews Asia" magazine – a testimony of its effective brand building strategies. Hainan Meilan International Airport ranked number one again in "2003 Passenger Evaluation of Civil Aviation Survey" conducted by Civil Aviation Association of China in the group of airports with a capacity of 4-8 million passengers throughput, and was cited by the Civil Aviation Association of China.

## RESULTS

In 2003, the Group's turnover reached RMB 307.93 million, representing an increase of 8.6% over that of the previous year. Revenue from the aeronautical business increased by 2.5% over that of the previous year reaching RMB 214.84 million. Revenue from non-aeronautical business amounted to RMB93.09 million, representing an encouraging growth of 26% as compared to the corresponding period last year. Net profit attributable to shareholders amounted to RMB152.61 million, representing a slight decline of 4.7% over that of the previous year.



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## OPERATIONS REVIEW

Although the outbreak of SARS brought forth adverse impacts to the business and operations, the Group had managed to meet its annual target successfully. In respect of aeronautical business, total aircraft movements reached 53,356 (excluding nontransportation aircraft movements of 10,780) for the year, representing an increase of 0.89% over that of the previous year. Passenger throughput reached 6.03 million, representing an increase of 7.68% over that of the previous year, and it was the first time that the Group has exceeded the level of 6 million passenger throughput since the commencement of its operation. Cargo throughput reached 81,401.9 tonnes, which was increased by 6.4% over that of the previous year. During the international summit Annual Boao Forum for Asia (BOA) held between 31 October and 3 November 2003 in Boao, Hainan Province, the Group's impeccable airport and ancillary services provided for the summit had received tremendous recognition and praise from the honorable domestic and international guests of the summit.

## OUTLOOK

Although 2003 was hindered by the outbreak of SARS, China still maintains its economic growth momentum and the further development of tourism in Hainan Province is also encouraging. The Group is the direct beneficiary of the aforesaid growth perspective. With the accelerating restructuring and development of the domestic aviation industry in the PRC, the Group will capitalize on such golden opportunity to further grow and develop its business.

Looking ahead for 2004, the Group is confident that the implementation of a series of the Company's formulated business policies and the adoption of certain effective internal measures will further consolidate the overall business of the Group so as to generate better results of its diverse businesses and reward shareholders with encouraging returns.

## PHASE II EXPANSION PLAN

At the end of 2003, the Group's phase II expansion plan commenced construction. According to the plan, the core construction of the expansion is expected to be completed by the end of 2004 and ready for the installation and refurbishment stage. The phase II expansion plan is the Group's solution for satisfying the increasing passenger throughput by further expanding its operation space and service capacity. It will lay a sturdy foundation for rapid development in the coming few years at the airport.



## CAPITALIZE ON THE OPPORTUNITIES OF THE DEVELOPMENT OF AVIATION INDUSTRY, EXPLORE INTERNATIONAL ROUTES AND ENDEAVOR TO BECOME A QUALITY INTERNATIONAL AIRPORT

The promulgation and release of certain governmental policies in respect of the opening of the Hainan aviation industry to foreign airlines by the Civil Aviation Administration of China and the Hainan Provincial Government, respectively, in 2003 and early 2004 have laid encouraging foundation for the further development of Hainan Meilan International Airport's international business. (For details of the relevant governmental policies, please refer to the relevant announcements made by the Company on 11 August 2003 and 4 March 2004, respectively). In 2004, it is expected that several new international and domestic routes would be opened to Haikou. The Group will endeavor to take the opportunity to attract more customers and develop the passenger market as well as strengthen its business promotion for international flights. In addition, the

Group will improve the security and service standards of the airport by operating and managing its facilities in accordance with international standards, refining the existing logistic system and providing comprehensive and value-added services to its customers. All of the foregoing efforts will help build the Group's market image and enable Hainan Meilan International Airport to realize its goal as a quality and renowned international airport in the near future.

### SOLIDIFY THE BRAND BUILDING

In 2003, the Group won a number of recognitions and accreditations which demonstrated the success and effectiveness of its brand building efforts. In 2004, leveraged on its airport management expertise benefited from the investment and management involvement of Copenhagen Airport, the Company will further enhance its managerial standards, solidify its brand building and capitalize on the opportunities from the reform of the PRC aviation industry. The Group has been actively seeking mergers and acquisitions opportunities with other domestic airports and advancing towards its goal of becoming a regional airport management operator.

### FULL-FLEDGED BUSINESS TRAINING FOR UPGRADING HUMAN RESOURCES

In 2003, in the wake of the opening of the aviation industry in Hainan Province and the increasing challenges ahead as an international airport, the Group has placed more emphasis on staff training, especially in areas such as English language proficiency, knowledge of the opening of the aviation industry, customs of international flights, value-added services, sales and ticketing services for international passengers, and knowledge of international ports, etc. In 2004, the Group will continue its staff training so as to enhance the quality and service standards of its workforce to meet the challenges ahead.

### APPRECIATION

The management believes that the Group is well positioned to take advantage of the abovementioned development opportunities and capitalize on its strength to achieve promising results and generate promising returns for its shareholders.

On behalf of the Board and the management of Meilan Airport, I would like to express my gratitude to our business partners, customers and shareholders for their continuous support and vote of confidence. Besides, I also thank our staff for their devotion. Let us work together to achieve better results and our goal of becoming a regional airport management company.

**Chen Wenli**

*Chairman*

Hainan Province, the PRC

29 March 2004

