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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

RESULTS

The Board of Directors ("the Board") of Hainan Meilan International Airport Company Limited ("the Company" or "Meilan Airport") is pleased to announce the audited consolidated financial information of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2005, which have been reviewed by the Audit Committee, together with the audited comparative figures for the corresponding period of 2004 as follows:

CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2005	2004
	Note	***RMB'000***	*RMB'000*
Revenues			
Aeronautical		**128,828**	137,043
Non-aeronautical		**45,121**	51,824
	2	**173,949**	188,867
Business tax and levies		**(6,049)**	(7,510)
Cost of services and sale of goods	*3*	**(47,744)**	(50,012)
Gross profit		**120,156**	131,345
Selling and distribution costs	*3*	**(1,688)**	(1,153)
Administrative expenses	*3*	**(33,738)**	(27,892)
Other gains		**5**	122
Profit from operations		**84,735**	102,422
Interest income		**2,423**	2,960
Interest expense	*4*	**–**	(3,727)

* *For identification purpose only*

	Note		
Profit before income tax		**87,158**	101,655
Income tax expense	*5*	**(6,760)**	(28)
Profit for the period		**80,398**	101,627
Attributable to:			
Equity holders of the Company		**80,890**	101,630
Minority interests		**(492)**	(3)
		80,398	101,627
		RMB	*RMB*
Earnings per share for profit attributable to the equity holders of the Company during the period	*7*		
– basic		**17 cents**	21 cents
– diluted		**Not applicable**	Not applicable
		RMB'000	*RMB'000*
Dividends	*6*	**39,750**	49,214

BALANCE SHEETS

	The Group		The Company	
	30 June 2005	31 December 2004	**30 June 2005**	31 December 2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS				
Non-current assets				
Land use right	**168,668**	170,131	**168,668**	170,131
Property, plant and equipment	**932,059**	860,120	**930,343**	858,321
Goodwill	**–**	3,485	**–**	–
Investments in subsidiaries	**–**	–	**18,094**	18,094
	1,100,727	1,033,736	**1,117,105**	1,046,546

Current assets				
Inventories, at cost	**2,987**	3,874	**28**	48
Trade receivables, net	**148,543**	164,416	**147,625**	163,888
Other receivables and prepayments	**9,093**	10,504	**8,322**	9,714
Due from subsidiaries	**–**	–	**5,447**	15,478
Due from related parties	**4,394**	9,831	**2,744**	9,008
Time deposits	**102,467**	101,614	**102,467**	101,614
Cash and cash equivalents	**336,670**	379,976	**327,303**	354,994
	604,154	670,215	**593,936**	654,744
Total assets	**1,704,881**	1,703,951	**1,711,041**	1,701,290

	The Group		**The Company**	
	30 June 2005	31 December 2004	**30 June 2005**	31 December 2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
EQUITY				
Capital and reserves attributable to the Company's shareholders				
Share capital	**473,213**	473,213	**473,213**	473,213
Share premium	**627,037**	627,037	**627,037**	627,037
Revaluation surplus	**36,481**	36,481	**36,481**	36,481
Statutory reserves	**78,464**	78,464	**77,904**	77,904
Retained earnings				
– Proposed dividends	**39,750**	35,018	**39,750**	35,018
– Others	**253,130**	211,990	**260,814**	215,892
	1,508,075	1,462,203	**1,515,199**	1,465,545
Minority interests	**536**	1,028	**–**	–
Total equity	**1,508,611**	1,463,231	**1,515,199**	1,465,545

LIABILITIES

Non-current liabilities				
Borrowings – secured	**78,000**	103,000	**78,000**	103,000
Deferred income tax liabilities	**11,383**	11,503	**11,383**	11,503
	89,383	114,503	**89,383**	114,503
Current liabilities				
Trade and other payables	**53,942**	101,212	**40,511**	90,757
Due to subsidiaries	**–**	–	**13,003**	5,485
Current income tax liabilities	**2,945**	5	**2,945**	–
Borrowings – secured	**50,000**	25,000	**50,000**	25,000
	106,887	126,217	**106,459**	121,242
Total liabilities	**196,270**	240,720	**195,842**	235,745
Total equity and liabilities	**1,704,881**	1,703,951	**1,711,041**	1,701,290
Net current assets	**497,267**	543,998	**487,477**	533,502
Total assets less current liabilities	**1,597,994**	1,577,734	**1,604,582**	1,580,048

Notes:

1. **Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In 2005, the Group adopted the new/revised IFRS, which were effective on 1 January 2005 and relevant to its operations. The adoption of these new/revised IFRS did not result in substantial changes to the Group's accounting policies. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2. Revenues

Analysis of revenue by category	Six months ended 30 June **2005** *RMB'000*	2004 *RMB'000*
Aeronautical:		
Passenger charges	**49,528**	53,458
Aircraft movement fees and related charges	**21,687**	22,674
Airport fee	**44,289**	46,698
Ground handling services income	**13,324**	14,213
	128,828	137,043
Non-aeronautical:		
Retailing	**7,131**	10,970
Franchise fee	**7,050**	6,603
Rental	**8,808**	9,285
Tourism	**10,384**	13,595
Advertising	**4,269**	4,144
Car parking	**2,840**	2,633
Others	**4,639**	4,594
	45,121	51,824
Total revenues	**173,949**	188,867

3. Expenses by nature

Expenses included in cost of services and sale of goods, selling and distribution costs and administrative expenses are analyzed as follows:

	Six months ended 30 June **2005** *RMB'000*	2004 *RMB'000*
Cost of goods and services	**20,904**	23,892
Depreciation of property, plant and equipment	**16,740**	16,540
Amortisation of land use right	**1,463**	1,865
Employee benefit expense	**16,231**	14,157
Amortisation of goodwill	**–**	187
Impairment of goodwill	**3,650**	–
Other taxes	**2,505**	2,535
Auditors' remuneration	**1,064**	821
Consulting fee	**1,911**	3,156
Operating lease rentals – building	**255**	255
Loss on disposal of property, plant and equipment	**55**	1
Impairment expense for trade receivables	**35**	–

4. Interest expense

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Interest on bank loans		
– wholly repayable within five years	**3,439**	3,320
– not wholly repayable within five years	**288**	407
	3,727	3,727
Less: interest capitalised	**(3,727)**	–
	–	3,727

5. Income tax expense

Hong Kong profits tax has not been provided as the Group had no estimated assessable profits arising in Hong Kong during the period (2004: Nil). Taxation in the income statement represents provision for PRC enterprise income tax.

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**6,880**	28
Deferred income tax	**(120)**	–
Income tax expense	**6,760**	28

The difference between the annual taxation charge in the consolidated income statement and the amount which would result from applying the enacted tax rate to consolidated profit before taxation can be reconciled as follows:

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Profit before taxation	**87,158**	101,655
Tax calculated at a domestic rate applicable to profits in the Hainan Province	**13,074**	15,248
Effect of tax holidays	**(6,732)**	(16,642)
Tax loss not recognised	**267**	30
Expenses not deductible for tax purpose	**151**	1,392
Income tax expense	**6,760**	28

Under PRC income tax law, the entities within the Group are subject to enterprise income tax of 15% (2004: 15%) on the taxable income as reported in their statutory accounts which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

Pursuant to the approval documents issued by Hainan Qiongshan State Tax Bureau, the Company has been granted full exemption from enterprise income tax from 2000 to 2004 and a 50% reduction from 2005 to 2009.

6. Dividends

	Six months ended 30 June	
	2005	2004
	RMB'000	*RMB'000*
Interim, proposed, of RMB 8.4 cents (for the six months ended 30 June 2004: RMB10.4 cents) per share	**39,750**	49,214

At a meeting held on 29 August 2005 the Directors declared an interim dividend of RMB8.4 cents per share for the year ending 31 December 2005. 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 2005.

7. **Earnings per share**

– Basic

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

	Six months ended 30 June	
	2005	2004
Profit attributable to equity holders of the Company *(RMB'000)*	**80,890**	101,630
Weighted average number of ordinary shares in issue (thousands)	**473,213**	473,213
Basic earnings per share *(RMB per share)*	**17 cents**	21 cents

– Diluted

No diluted earnings per share is presented as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2005 and 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Having had the consolidation of the PRC aviation transportation market in the first half of 2005, traffic volume of Hainan Meilan International Airport experienced contraction for the first time since its inauguration. Embracing the philosophy of "integrity, performance and innovation", Meilan Airport proactively adopted measures to broaden sources of income and reduce expenditure. Adhering to a market-oriented approach, the Group will step up its exploration of the aviation market on the basis of dual objectives of revenue growth and cost reduction. On the one hand, the Group endeavors to enhance domestic route distribution and expedite international route expansion by capturing opportunities arising from the opening of aviation rights. On the other hand, the Group will speed up the restructuring of internal management processes, while continuing to enhance the safety standard of its services and to scale down its cost.

For the six months ended 30 June 2005, the Group's total revenue amounted to approximately RMB173,949,000, representing a decrease of 7.9% compared to the corresponding period of last year. Net profit attributable to equity holders of the Company decreased by 20.4% from the corresponding period of last year to RMB80,890,000. Earnings per share were RMB17 cents. (Corresponding period of last year: earnings per share were RMB21 cents).

The decrease in the Group's business revenue and net profit attributable to shareholders during the first half of the year was mainly attributable to the airlines' concentrated efforts in enhancing their primary route network through the focused deployment of resources on three nationwide pivotal airports in Beijing, Shanghai and Guangzhou, which contributed to a drop in the capacity allocated to Hainan Meilan International Airport and resulted in the contraction of its traffic volume and aircraft movements. Besides, the income tax of the Company was changed from full exemption to a 50% reduction since 2005, which is another important reason of the decrease in the net profit attributable to equity holders of the Company.

BUSINESS REVIEW

1. Aeronautical business

For the six months ended 30 June 2005, accumulated passenger throughput was 3,629,000 persons, representing a decrease of 5.8% as compared to the corresponding period of last year. Aircraft movement was 35,254, representing a decrease of 1.2% as compared to the corresponding period of last year; while cargo throughput reached 52,328.8 tons, representing a decrease of 2.8% compared to the corresponding period of last year.

Revenue from the Group's aeronautical business was RMB128,828,000, representing a decrease of 6% as compared to the corresponding period of last year, which was mainly attributable to the decline in aircraft movement of 5.2% as compared to the corresponding period of last year.

Major reasons for the contraction of traffic volume and the adoption of corresponding measures

The decrease in traffic volume from the corresponding period of last year was primarily due to the strengthening of the management of airline routes and flights by the Civil Aviation Administration of China ("CAAC"), prompting airlines to enhance their primary route network through the focused deployment of resources on three nationwide pivotal airports in Beijing, Shanghai and Guangzhou. This contributed to a drop in the capacity allocated by major airlines to Haikou and resulted in the contraction of traffic volume at Hainan Meilan International Airport.

In an attempt to enhance the competitiveness of Hainan Meilan International Airport, the Group continues to step up its marketing efforts on domestic routes, establishing close relationships with airline companies to attract more flights to and from Haikou. In addition, the Group proactively expedites its international route expansion, endeavours to attract more international airlines to develop routes to and from Haikou, with the view of increasing the operation and revenue from international routes. The Group will also assist domestic airlines in applying to the CAAC for the right to operate routes from Haikou so as to provide Hainan Meilan International Airport with more room for development.

Exploration of international routes

In view of the opening of aviation rights and the rapid development of the PRC civil aviation industry in the first half of the year, the Group proactively attracted international airlines to launch routes to and from Haikou. This expedited the development of a business model compatible with that of the international civil aviation industry and established its brand as a quality international airport. All of the above efforts bore fruitful results.

As at 30 June 2005, 14 international airline companies launched routes to and from Haikou. Additional flights launched during the period included charter flights between Haikou and Bangkok (3 flights per week) launched by PB Air of Thailand in February 2005, charter flights between Kuala Lumpur and Haikou launched by Air Asia of Malaysia in March and charter flights between Singapore and Haikou launched by Silk Air of Singapore in May. It is also Air Asia's current plan to launch charter flights between Bangkok and Haikou and between Indonesia and Haikou in the second half of the year. In mid July, daily schedule flights between Hong Kong and Haikou were also launched by CR Airways of Hong Kong, further demonstrating the Group's capability in expanding its international route network.

With the view of proactively establishing new routes, the Group attended New Routes Asia Conference in Kuala Lumpur, Malaysia in March and explored opportunities for cooperation with numerous international airlines, which showed immense interest in developing the Haikou route. In addition, the Group travelled to Japan in June, to negotiate with Japanese airlines such as Japan Airlines and All Nippon Airways on route arrangements. Some airlines have already indicated their initial intention for cooperation.

In addition, representatives from Malaysian Airlines arrived at Hainan Meilan International Airport in June to conduct field studies and carried out investigations and research on the establishment of new routes. Likewise, international airlines in Russia and some Southeast Asian countries are carrying out similar investigations and researches. Meanwhile, the Group will continue to forge stronger ties with domestic airlines and discuss the feasibility of introducing extended aviation rights (positioning Haikou as a transit point to other Southeast Asian regions). Shandong Airlines has conducted research on the route between Jinan and Bangkok via Haikou and the route between Jinan and Kuala Lumpur via Haikou.

As at 30 June 2005, international aircraft movements at Hainan Meilan International Airport reached 529, representing an increase of 86.3% compared to the corresponding period of last year. Passenger throughput of international flights increased by 77.3% compared to the corresponding period of last year to 46,805 persons. While cargo throughput of international flights surged by 400.3% from the corresponding period of last year to 153.1 tons. As at 30 June 2005, Hainan Meilan International Airport had established five international routes with fixed flight schedules and one international route with an unfixed flight schedule.

Construction work of the new passenger terminal building and apron

The core construction work of the passenger terminal building and apron under Phase II expansion plan of Hainan Meilan International Airport was completed with the external wall elevated, boarding bridge installed and commissioned and internal escalators installed. Currently the interior decoration work is underway and the ancillary systems for ebb electricity, air-conditioning, electricity and water drainage are being installed and tested. The core construction work of the apron was completed and successfully passed inspection. The project has proceeded to the closeout stage of runway line drawing, cable installation and asphalting of roads for service vehicles. The expansion project of the passenger terminal building and apron is at its construction closeout stage pending inspection. The construction work is expected to be completed and inspected within this year. The building and apron may commence operation once the permit is granted by CAAC after inspection. The expansion of Hainan Meilan International Airport laid a solid foundation for the Group to expand its operation scale, enhance efficiency and propel its future development.

2. Non-aeronautical business

For the six months ended 30 June 2005, revenue from the Group's non-aeronautical business amounted to RMB45,121,000, representing a decrease of 12.9% compared to the corresponding period of last year. It was mainly attributable to the decrease in tourism transportation revenue of 23.6% as compared to the corresponding period of last year, together with a decrease of 35% in retail revenue as the operation of the shopping mall was passed to Duty Free Shoppers Hong Kong Limited ("DFS").

The Group has expedited the transformation of its existing management model on the non-aeronautical business and has established close working relationships and devised a win-win business cooperation mechanism with Select Service Partner Hong Kong Limited ("SSP") and DFS, both being internationally renowned companies. Part of the interior decoration for the project with DFS was completed and operation commenced successfully in May.

- For the first half of the year, revenue from the Group's advertising company amounted to RMB4,269,000, representing an increase of 3% from the corresponding period of last year.

- For the first half of the year, revenue from the Group's travel company accumulated to a total of RMB10,384,000, representing a decrease of 23.6% from the corresponding period of last year. It was mainly attributable to the decline in passenger throughput and the increase in the free tourism.

- For the first half of the year, revenue from the Group's carparks amounted to RMB2,840,000, representing an increase of 7.8% from the corresponding period of last year.

- For the first half of the year, revenue from the Group's rental and franchise fee amounted to RMB15,858,000, the same as the corresponding period last year. DFS commenced its formal operation since 15 March. During the two and a half months before the end of June, stores were handed over and renovated. The concession fee paid by DFS to the airport is mainly determined by the monthly minimum rate set according to the store operation and the number of tourists (departing tourists) every month. With the commencement of the operation of stores and the growth in the number of tourists, the Company will charge DFS a higher franchise fee.

3. Endeavor to build its brand reputation and enhance safety standard of its services

Hainan Meilan International Airport has obtained awards from the "Passenger Evaluation of Civil Aviation Survey" for three consecutive years. In the first half of 2005, the accreditation served as a new starting point and a new opportunity, for the Company to proactively implement its "Customer Satisfaction Project" and to take initiatives to accommodate changes in customers' demand for more personalized services as opposed to the previous uniform services. The Group will continue to adhere to its service philosophy, provide innovative services and improve services quality, so as to establish Meilan Airport's brand as a quality service provider.

Participants attending the international summit “Annual Bo’ao Forum for Asia” and members of the National People’s Congress and National Committee of the Chinese People’s Political Consultative Conference of Hainan Province attending conferences held in Beijing in the first half of the year were provided with secure, efficient and quality ancillary services by the Group, while services provided during the Chinese New Year and the “Labour Day” golden week holiday also reached security standard, enabling the Group to win tremendous recognition and high acclaim from all parties.

4. The successful establishment of an international hygienic airport

Besides focusing on brand building for its tourist services, the Group endeavored in enhancing its corporate competitiveness, pursued a sustainable development strategy and strengthened its profile as an international hygienic airport in the first half of 2005. On 1 May 2005, Hainan Meilan International Airport successfully passed the stringent tests of World Health Organisation and became the fourth international hygienic airport in the PRC, after Shenzhen Baoan International Airport, Beijing Capital International Airport and Shanghai Pudong International Airport.

FINANCIAL REVIEW

1) Liquidity and financial resources

As at 30 June 2005, the Group’s current assets amounted to RMB604,154,000, comprising cash and cash equivalents of RMB336,670,000, time deposits of RMB102,467,000, net trade receivable of RMB148,543,000, inventories at cost of RMB2,987,000, other receivables and prepayments of RMB9,093,000 and amounts due from related parties of RMB4,394,000.

As at 30 June 2005, the Group’s current liabilities amounted to RMB106,887,000, comprising the outstanding principal of the long-term loans granted by China Development Bank of RMB50,000,000, trade and other payables of RMB53,942,000 and current income tax liabilities of RMB2,945,000.

2) Operating costs

For the first half of 2005, the Group’s costs of services and sales of goods amounted to RMB47,744,000, representing a decrease of 4.5% as compared to the corresponding period of last year. The decrease was mainly attributable to the decrease in the revenue from duty free products and tourism transportation services, which led to the cost reduction of 32% and 21% respectively

For the first half of 2005, the Group’s administrative expenses amounted to RMB33,738,000, representing an increase of 21% from the corresponding period last year. The increase was mainly attributable to writing off net goodwill of RMB3,485,000 in compliance with new International Financial Reporting Standards.

3) Gearing ratio

As at 30 June 2005, the Group had current assets of RMB604,154,000 and total assets of RMB1,704,881,000, and the Group's current liabilities and total liabilities amounted to RMB106,887,000 and RMB196,270,000 respectively. The Group's gearing ratio (total liabilities/ total assets) was 11.5%, representing a decrease of 2.63% compared to that as at 31 December 2004, which was mainly due to the decrease in trade and other payables of RMB47,270,000 or 46.7%.

4) Pledge of the Group's assets

The Group pledged its rights to revenues to secure a long-term bank loan of RMB128,000,000 from China Development Bank.

5) The Group's share capital structure

As at 30 June 2005, the share capital of the Company was RMB473,213,000. The proposed interim dividend is RMB39,750,000.

6) Performance and prospect of substantial investments held

As at 30 June 2005, The Group or the Company did not have any significant investment.

7) Purchases, Sales or Redemption of Shares

As at 30 June 2005, the Group or the Company had not purchased, sold or redeemed any of the Company's shares.

8) Entrusted deposits and overdue fixed deposits

As at 30 June 2005, the Group or the Company did not have any entrusted deposits and overdue fixed deposits.

9) Contingent liabilities

As at 30 June 2005, the Group or the Company did not have any contingent liabilities.

10) Exposure to foreign exchange risks

Except for the purchase of certain equipment, goods and materials and the payment of consultancy fees which are denominated in US Dollar, the Group's business is mainly denominated in RMB. Dividends to shareholders holding H shares are declared in RMB and paid in Hong Kong Dollar. As at 30 June 2005, the Group's other assets and liabilities were denominated in RMB, only cash and cash equivalents of approximately RMB3,639,000 were denominated in HK Dollar and US Dollar. The Directors believe that the Group's business is not subject to any substantial foreign exchange risk. The Group was not materially affected by the appreciation of Renminbi in July.

11) Recognition of incomes and fees related to connected transactions with Southern Airlines, Hainan Airlines and HNA Group

As at the date of this report, the Group was in negotiation with China Southern Airlines Company Limited ("Southern Airlines"), its promoter shareholder (but not the Group's existing shareholder) with respect to an agreement on the leasing of commercial space at the new terminal. The Group's directors believe that income from the leasing of commercial space at the new terminal of RMB3,081,000 shall be recognized to the extent agreed by Southern Airlines for the period ended 30 June 2005.

As at 17 May 2005, the property leasing contract entered into between the Group and its major shareholder Hainan Airlines Company Limited ("Hainan Airlines") was not approved at the Extraordinary General Meeting. The Group is negotiating a new transaction contract with Hainan Airlines and is taking steps to comply with the reporting, announcement and independent shareholders' approval (if applicable) requirements. The Company's directors believe that income from the leasing of commercial space at the new terminal of RMB3,350,000 and the contracting fees of the cargo centre of RMB3,000,000 shall be recognized to the extent agreed by Hainan Airlines for the period ended 30 June 2005.

As at 17 May 2005, the comprehensive support service agreement entered into between the Group and its major shareholder HNA Group Co., Ltd. ("HNA Group") and the stipulated annual transaction cap were not approved at the Extraordinary General Meeting. The Group is negotiating a new transaction agreement and an annual transaction cap with HNA Group and is taking steps to comply with the reporting, announcement and independent shareholders' approval requirements. The Company's directors believe that a fee of RMB5,362,000 shall be paid to HNA Group for the period ended 30 June 2005.

NO OTHER MATERIAL CHANGE

Other than those discussed in this interim report, there has been no material change in relation to the information disclosed in the Company's 2004 Annual Report in accordance with Rule 32 set out in Appendix 16 to the Listing Rules.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

For the second half of 2005, the Group will continue to enhance its core business development, adjust its sales strategy in a timely manner, establish a wider array of effective communication channels with international airlines, attract more airlines to establish routes to and from Hainan, strengthen its budget management and cost control, enhance the safety standard of its services, promulgate safety rules and regulations, and improve the technology of its equipment with the view of upgrading safety standards. The Group will further apply the funds raised from the issuance of H Shares to gradually implement its stated plans and realize its business development strategy for further enhancement of the Company's value and shareholders' returns.

INTERIM DIVIDEND

The Board has resolved the payment of an interim dividend of RMB8.4 cents per share for the six months ended 30 June 2005 to the shareholders of the Company whose names appear on the Company's Register of Members on Friday, 16 September 2005 . In accordance with the Articles of Association of the Company, dividends payable to holders of Domestic Shares will be paid in Renminbi, whereas dividends payable to holders of H Shares will be calculated and declared in Renminbi and paid in Hong Kong Dollars. The exchange rate to be adopted shall be the average closing rates for the five working days preceding the date of dividend declaration as quoted by the People's Bank of China.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19 September 2005 to Friday, 23 September 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all instruments of transfers, accompanied by the relevant share certificates, must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4 p.m. on Friday, 16 September 2005. The interim dividend is expected to be payable on or before Friday, 21 October 2005 to shareholders whose names appear on the Register of Members on Friday, 16 September 2005.

MATERIAL LITIGATION AND ARBITRATION

The Company had no material litigation or arbitration from 1 January 2005 to 30 June 2005.

OTHER MATTERS

Change in directors

From 1 January 2005 to 30 June 2005, there was no change in the Group's directors.

Employees and remuneration policy

As at 30 June 2005, the Group had a total of 643 employees, representing a decrease of 71 employees as compared with 714 employees at the beginning of the year. The decrease was mainly attributable to the resignation of the sales personnel in the domestic terminal buildings by Duty Free Company. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group reviews its remuneration policy and packages on a regular basis. Bonuses and commissions may be awarded to employees as incentives based on their performance. All benefits are the rewards for the efforts contributed by individuals. For six months ended 30 June 2005, the Group's total staff cost accounted for approximately 9.3% of its total turnover. The staff cost increased by 14.6% from last year, mainly due to the increase in welfare expenses to staff and its remuneration of the job position.

Directors', supervisors' and chief executives' interests and short positions

As at 30 June 2005, none of the directors or supervisor or chief executive had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of the Company required to be kept under section 352 of the SFO. None of the directors, supervisors, chief executives or their spouses or their children under 18 is entitled to subscribe for the shares of the Company.

Share capital structure

As at 30 June 2005, the total issued shares of the Company was 473, 213, 000 shares. The percentage of the total shares is as follows:

	Number of shares	**Percentage in total issued**
Domestic shares	246,300,000	52%
H shares	226,913,000	48%
Total issued shares	**473,213,000**	**100%**

Disclosure of Interests

As at 30 June 2005, the following persons (other than directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interest in shares and short positions maintained under section 336 of the Securities and Futures Ordinance ("SFO"):

Long positions in shares

Domestic shares

Name of shareholders	**Capacity**	**Nature of shares**	**ordinary shares capacity**	**Percentage of issued domestic shares/ total issued shares** *(%)*
Haikou Meilan International Airport Company Limited *(Note 1)*	Beneficial owner	Corporate	237,500,000	96.43/50.20

H shares

Name of shareholders	Capacity	Nature of shares	ordinary shares capacity *(Note 3)*	Percentage of total H Shares in issue *(%)*	Date of latest disclosure *(DD/MM/YY)*
Copenhagen Airport A/S *(Note 2)*	Beneficial owner	Corporate	94,643,000	41.71	30/06/2005
Morgan Stanley	Beneficial owner	Corporate	15,715,000(L) 1,046,000(S) 0(P)	6.93(L) 0.46(S) 0.00(P)	27/06/2005
Allianz Aktiengesellschaft	Beneficial owner	Corporate	15,484,000(L)	6.82(L)	10/06/2005

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.

2. Copenhagen Airport A/S is a public company owned by the Danish government and other private and institutional investors in and outside Denmark, and the shares of which are listed on the Copenhagen Stock Exchange.

3. L = Long Position, S = Short Position, P = Lending Pool

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30 June 2005, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Use of proceeds from issue of H shares

As at 30 June 2004, proceeds from the issue of H Shares by the Company had been applied as follows:

– Approximately an accumulated amount of RMB94,380,000 was applied as payment to the parent company of the Company for the acquisition of land use rights for the construction of Phase II expansion of the Meilan airport;

– Approximately an accumulated amount of RMB50,070,000 was applied as cost for the expansion of the apron and terminal areas of the airport; and

– Approximately an accumulated amount of RMB15,500,000 was applied to the construction of an international customs and inspection joint operation building for passenger and cargo transportation.

– Approximately an accumulated amount of RMB240,740,000 was applied to the construction of Phase II of the terminal.

The balance of the net proceeds is placed with creditable commercial banks in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the listed securities of the Company during the six months ended 30 June 2005.

AUDIT COMMITTEE

The audit committee of the Company has, together with the management, reviewed the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal controls, financial reporting and non-exempt continuing connected transactions, including a review of the audited interim financial statements for the six months ended 30 June 2005 and the interim results announcement.

DETAILS OF COMPLIANCE WITH RULE 3.10(1), RULE 3.10(2) AND RULE 3.21 OF LISTING RULES

As at 30 June 2005, there are 3 independent non-executive directors in the Board of the Company as required under Rule 3.10(1) of Listing Rules; and as at 30 June 2005, the audit committee comprises three Independent Non-executive directors, including personnel with appropriate professional qualifications of accounting and the membership of Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June, 2005, in compliance with the Code on Corporate Governance Practices set out in Appendix 23 to the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Most of the directors of the Company are citizens of the mainland of the PRC and are restricted in the H shares transactions by the domestic laws. Therefore, the Company does not adopt any regulation under Model Code; None of the directors of the Company are not, for any part of the accounting period contained in the interim report, in compliance with the Model Code.

By order of the Board,
Chen Wenli
Chairman

Hainan Province, the PRC
29 August, 2005

As at the date of this announcement, the board of directors of the Company comprises of:

Executive directors: Wang zhen, Huang qiu, Kristian Bjorneboe
Non-executive directors: Chen wenli, Zhang han'an, Kjeld Binger
Independent non-executive directors: Xu bailing, Xie zhuang, Fung Ching Simon