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 2006

FINANCIAL HIGHLIGHTS

– Total revenue was RMB176,554,000

– Revenue from the aeronautical business was RMB122,730,000

– Revenue from the non-aeronautical business was RMB53,824,000

– Net profit attributable to shareholders was RMB79,642,000

– Earnings per share was RMB0.17

RESULTS

The Board of Directors ("the Board") of Hainan Meilan International Airport Company Limited ("the Company" or "Meilan Airport") is pleased to announce the unaudited condensed consolidated interim financial information of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2006, which have been reviewed by the Audit Committee, together with audited comparative figures for the corresponding period of 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2006

		Unaudited	Audited
		Six months ended 30 June	
		2006	2005
	Notes	***RMB'000***	*RMB'000*
Revenues			
Aeronautical		**122,730**	128,828
Non-aeronautical		**53,824**	45,121

	3	**176,554**	173,949
Business tax and levies		**(6,380)**	(6,049)
Cost of services and sale of goods	*4*	**(55,806)**	(47,744)
Gross profit		**114,368**	120,156
Selling and distribution costs	*4*	**(1,509)**	(1,688)
Administrative expenses	*4*	**(28,572)**	(33,738)
Other gains		**3,457**	2,428
Profit from operations		**87,744**	87,158
Finance costs		**(1,477)**	–
Profit before income tax		**86,267**	87,158
Income tax expense	*5*	**(6,617)**	(6,760)
Profit for the period		**79,650**	80,398
Attributable to:			
Equity holders of the Company		**79,642**	80,890
Minority interests		**8**	(492)
		79,650	80,398
		RMB	*RMB*
Earnings per share			
– basic and diluted	*6*	**17 cents**	17 cents
		RMB'000	*RMB'000*
Dividends	*7*	**–**	39,750

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2006

		Unaudited	Audited
		30 June	31 December
		2006	2005
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use right		**165,512**	166,821
Property, plant and equipment		**1,107,917**	1,014,279
		1,273,429	1,181,100

Current assets			
Inventories, at cost		**3,832**	2,750
Trade receivables, net	*8*	**254,708**	189,674
Other receivables and prepayments		**14,321**	12,592
Due from related parties		**14,863**	1,275
Time deposits		**84,468**	84,468
Cash and cash equivalents		**214,768**	245,408
		586,960	536,167
Total assets		**1,860,389**	1,717,267
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital		**1,100,250**	1,100,250
Other reserves		**137,223**	137,223
Retained earnings		**381,448**	301,806
		1,618,921	1,539,279
Minority interests		**606**	598
Total equity		**1,619,527**	1,539,877
LIABILITIES			
Non-current liabilities			
Borrowings – secured		**39,000**	53,000
Deferred income tax liabilities		**11,142**	11,262
		50,142	64,262
Current liabilities			
Trade and other payables	*9*	**146,974**	59,906
Current income tax liabilities		**4,746**	3,222
Borrowings – secured		**39,000**	50,000
		190,720	113,128
Total liabilities		**240,862**	177,390
Total equity and liabilities		**1,860,389**	1,717,267

Notes:

1. **Basis of preparation**

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with International Accounting Standards 34, 'Interim financial reporting' promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

2. **Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

Amendment to IAS 19, 'Actuarial gains and losses, group plans and disclosures'

Amendment to IAS 39, Amendment to 'The fair value option'

Amendment to IAS 21, Amendment 'Net investment in a foreign operation'

Amendment to IAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions'

Amendment to IAS 39 and IFRS 4, Amendment 'Financial guarantee contracts'

IFRS 6, 'Exploration for and evaluation of mineral resources'

IFRIC 4, 'Determining whether an arrangement contains a lease'

IFRIC 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds'

IFRIC 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment'

Management assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded the following interpretation is relevant to the Group:

IFRIC 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. The Group has reviewed its contracts and considered this interpretation has no significant impact on the recognition and reclassification of the Group's leases.

Other amendments and interpretations are not relevant to the Group.

3. Revenues

Analysis of revenue by category	Six months ended 30 June **2006** *RMB'000*	2005 *RMB'000*
Aeronautical:		
Passenger charges	**47,831**	49,528
Aircraft movement fees and related charges	**22,048**	21,687
Airport fee	**43,185**	44,289
Ground handling services income	**9,666**	13,324
	122,730	128,828
Non-aeronautical:		
Retailing	**5,573**	7,131
Franchise fee	**14,040**	7,050
Rental	**8,654**	8,808
Tourism	**11,796**	10,384
Advertising	**5,673**	4,269
Car parking	**2,778**	2,840
Others	**5,310**	4,639
	53,824	45,121
Total revenues	**176,554**	173,949

4. Expenses by nature

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

	Six months ended 30 June **2006** *RMB'000*	2005 *RMB'000*
Cost of goods and services	**22,867**	20,904
Depreciation of property, plant and equipment	**19,590**	16,740
Amortisation of land use right	**1,309**	1,463
Employee benefit expense	**16,124**	16,231
Impairment of goodwill	**–**	3,650
Other taxes	**2,464**	2,505
Auditors' remuneration	**1,033**	1,064
Consulting fee	**2,139**	1,911
Operating lease rentals – building	**255**	255
Impairment of trade receivables	**1,743**	35

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 (for the six months ended 30 June 2005: Nil). Taxation in the income statement represents provision for PRC enterprise income tax.

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**6,737**	6,880
Deferred income tax	**(120)**	(120)
Income tax expense	**6,617**	6,760

The difference between the 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	
	2006	2005
	RMB'000	*RMB'000*
Profit before taxation	**86,267**	87,158
Tax calculated at a domestic rate applicable to profits in the Hainan Province	**12,940**	13,074
Effect of tax holidays	**(6,473)**	(6,732)
Tax loss not recognised	**36**	267
Expenses not deductible for tax purpose	**114**	151
Income tax expense	**6,617**	6,760

Under PRC income tax law, the entities within the Group are subject to enterprise income tax of 15% (2005: 15%) on the taxable income as reported in their statutory financial statements 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. 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 period.

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company *(RMB'000)*	**79,642**	80,890
Weighted average number of ordinary shares in issue *(thousands)*	**473,213**	473,213
Basic earnings per share *(RMB per share)*	**17 cents**	17 cents

– Diluted

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2006 and 2005

7. Dividends

	Six months ended 30 June	
	2006	2005
	RMB'000	*RMB'000*
Interim, proposed, of nil (six months ended 30 June 2005: RMB 8.4 cents) per ordinary share	**–**	39,750

At a meeting held on 14 September 2006, the Directors declared no interim dividend for six months ended 30 June 2006.

8. Trade receivables, net

	30 June 2006	31 December 2005
	RMB'000	*RMB'000*
Trade receivables from third parties	**25,451**	29,466
Less: provision for impairment of receivables	**(2,248)**	(2,248)
	23,203	27,218
Trade receivables from related parties	**75,695**	49,255
Airport fee receivable	**155,810**	113,201
	254,708	189,674

As at 30 June 2006, the ageing analysis of the trade receivables from third parties was as follows:

	30 June 2006	31 December 2005
	RMB'000	*RMB'000*
0 – 90 days	**17,747**	20,437
91 – 180 days	**5,136**	3,363
181 – 365 days	**96**	2,530
Over 365 days	**224**	888
	23,203	27,218

The carrying amounts of trade receivables from third parties approximate their fair value.

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

As at 30 June 2006, the ageing analysis of the trade receivables from related parties was as follows:

	30 June 2006 *RMB'000*	31 December 2005 *RMB'000*
0 – 90 days	**38,756**	45,514
91 – 180 days	**25,486**	2,242
181 – 365 days	**9,814**	1,181
Over 365 days	**1,639**	318
	75,695	49,255

The carrying amounts of trade receivables from related parties approximate their fair value.

The credit terms given to related parties are determined on individual basis with the normal credit period from 1 to 3 months.

As at 30 June 2006, the original amount, fair value and ageing analysis of the airport fee receivable was as follows:

	30 June 2006		31 December 2005	
	Original amount *RMB'000*	**Fair value** *RMB'000*	Original amount *RMB'000*	Fair value *RMB'000*
0 – 90 days	**17,961**	**17,762**	22,124	21,899
91 – 180 days	**25,225**	**24,946**	18,914	18,721
181 – 365 days	**41,038**	**40,584**	44,289	43,838
Over 365 days	**73,329**	**72,518**	29,040	28,743
	157,553	**155,810**	114,367	113,201

In accordance with the "Notice regarding Questions on Levy and Management Methods of Civil Aviation Airport Construction Fee (the "Notice")" issued jointly by General Administration of Civil Aviation of China (the "CAAC") and Ministry of Finance of the PRC (the "Ministry of Finance") on 22 July 2004, with effect from 1 September 2004, the airport fee has been collected together with air tickets sold by the airlines companies instead of being collected at airport directly by the Company. Based on the Notice, the Company should eventually receive the Airport Fee from the Ministry of Finance. After the change in the collection procedures in September 2004, the Company has not collected any airport fee because the relevant government authorities are still in the process of finalising the detailed procedures for the payment of the airport fee to the Company.

At 31 December 2005, the directors of the Company assessed the receivable amounting to RMB114,367,000 would be fully recoverable in the middle of 2006. At 30 June 2006, this amount has not yet been received and the directors have made a re-assessment of its recoverability. Based on actions now taken and the discussion with the relevant government authorities by the management, the directors considered the accumulated balance as at 30 June 2006 amounting to RMB157,553,000 would ultimately be fully recoverable. During the six months ended 30 June 2006, the Company had recognised an impairment loss of RMB1,743,000 (2005: RMB1,166,000), considering the cash flows and discounted using the effective interest rate of 2.25% per annum. The difference between the face and fair value of the amount is recognised as interesting income and included in "Other gains" in the subsequent period.

9 Trade and other payables

	30 June 2006 *RMB'000*	31 December 2005 *RMB'000*
Trade payables	**2,594**	2,621
Other payables	**117,016**	36,007
Deposit received	**1,283**	1,326
Due to related parties	**26,081**	19,952
	146,974	59,906

At 30 June 2006, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) was as follows:

	30 June 2006 *RMB'000*	31 December 2005 *RMB'000*
0 – 90 days	**22,786**	17,054
91 – 180 days	**875**	859
181 – 365 days	**4,292**	484
Over 365 days	**311**	–
	28,264	18,397

MANAGEMENT DISCUSSION AND ANALYSIS

1. Aeronautical Business Review

In the first half of 2006, the structural adjustment in the PRC aviation market and the change of travel pattern led to the continuing decline in traffic volume of Meilan Airport. Major reasons included:

1) Impact of the strategic adjustment of airlines. Domestic airlines continued to strengthen the establishment of routes to and from aviation hubs and major cities. Coupled with the further concentration of aviation traffic capacity in high-yielding routes, traffic capacity allocated to Haikou reduced.

2) Impact of structural change in travel pattern. In 2006, the main theme of the PRC domestic travel market has been focusing on short distance trip and self-driving trips, causing significant change in the traveling structure in travel industry which directly affected Hainan Island, especially for those long distance trips to Haikou.

3) Diffluent impact of Sanya Phoenix International Airport to Meilan Airport.

For the six months ended 30 June 2006, accumulated passenger throughput and aircraft movement totaled to 3,515,700 and 32,942, representing a decreases of 3.1% and 6.6% respectively as compared to the corresponding period of last year. Cargo throughput, on the other hand, reached 53,816.4 tons, representing an increase of 2.8% when compared with that of the corresponding period of last year.

Due to the decline in operating figures, revenue from the Group's aeronautical business was RMB122,730,000, representing a decrease of 4.7% as compared to the corresponding period of last year.

Development progress of new international routes

The Group took advantages of participating in the 2006 New Routes Asia Conference to promote the opening of Hainan aviation rights as well as Hainan's tourism resources to foreign airlines, in order to attract foreign airlines to launch routes to Haikou. In July 2006, the Group confirmed the first foreign low-cost airlines, Tiger Airways Pte Ltd. from Singapore, to open 1 daily flight between Haikou and Singapore.

As at 30 June 2006, there were 7 international routes to and from Meilan Airport. Passenger throughput of international routes at Hainan Meilan International Airport reached 67,356 persons with aircraft movements totaled to 573 and cargo throughput amounted to 1,296.4 tons, representing an increase of 43.9%, 8.3% and 43.7% as compared to corresponding period of last year respectively. The segment, once again, became the Group's operation highlights and ensured revenue from its aeronautical business.

2. Non-Aeronautical Business Review

For the six months ended 30 June 2006, revenue derived from the Group's non-aeronautical business was RMB53,824,000, representing an increase of 19.3% over the corresponding period of last year. The main reason is that, as a result of the inauguration of Phase II Expansion of airport terminal building, the business of Duty Free Shoppers Hong Kong Limited ("DFS") has been fully expanding in Meilan Airport. The concession operation of the Group has recorded an income of RMB14,040,000, representing an increase of 99.2% as compared to the corresponding period of last year.

- The Group's advertising company achieved income of RMB5,673,000, representing a 32.9% increase over the corresponding period of last year. The Group has successfully introduced 30 customers, including Beijing Shengshi United Advertising Co., Ltd., Chery Automobile Co., Ltd., Maersk China Co., Ltd., Sheraton Haikou Resort and Gloria Resort Sanya during the first half of the year;

- The Group's tourism transportation business recorded income of RMB11,796,000, which was a 13.6% growth over the corresponding period of last year;

- The Group's car park operation business recorded income of RMB2,778,000 during the first half of the year, representing a decrease of 2.2% as compared to corresponding period of last year;

The Group exerted tremendous efforts in achieving stable increase in its existing non-aeronautical business segment while proactively developing new business projects, with the view of broadening the income source of non-aeronautical businesses. The Group has actively carried out the business of opening the new VIP room to the public, such as introducing many companies including the Bank of Communications and China petroleum & Chemical Corporation to name the VIP room in the new airport terminal.

3. Service Branding

Leveraged on the opportunities arising from the inauguration of the Phase II expansion project of the airport terminal building, the Group continued to reinforce its service philosophy, develop innovative services, enhance service standards, fully improve safety management hardware facilities and strengthen staff safety awareness, so as to constantly upgrade our service level and safety quality, thereby emerging as an outstanding international airport. During the first half of the year, the Group effectively provided the ancillary services for large-scale activities like the annual meeting of Bo'ao Forum For Asia, the Spring Festival and the Golden Week of May Holiday, receiving full recognition and praise from a wide diversity of sectors.

FINANCIAL REVIEW

1. Liquidity and financial resources

As at 30 June 2006, the Group's current assets amounted to RMB586,960,000, comprising cash and cash equivalents of RMB214,768,000, time deposits of RMB84,468,000, net receivable of RMB254,708,000, inventories at cost of RMB3,832,000, other receivables and prepayments of RMB14,321,000 and amounts due from related parties of RMB14,863,000.

As at 30 June 2006, the Group's current liabilities amounted to RMB190,720,000, comprising the outstanding principal of the long-term loans and due within 1 year of RMB39,000,000, other payables of RMB146,974,000 and current income tax liabilities of RMB4,746,000.

2. Operating costs

For the first half of 2006, the Group's costs of services and sales of goods amounted to RMB55,806,000, representing an increase of 16.9% as compared to the corresponding period of last year. The increase was mainly attributable to the inauguration of the Phase II Expansion of terminal building which led to the increase by RMB3,017,000 related to the consumption fee as compared to corresponding period of last year. The depreciation fee of the Phase II expansion project has also increased by RMB3,700,000.

For the first half of 2006, the Group's administrative expenses amounted to RMB28,572,000, representing a decrease of 15.3% as compared to the corresponding period of last year. The main reasons of the decrease are as follows:

- The impairment of goodwill of RMB3,650,000 was made in the corresponding period of last year.

- The charge of the management has decreased by RMB1,300,000 as compared to the corresponding period of last year.

3. Gearing ratio

As at 30 June 2006, the Group had current assets of RMB586,960,000 and total assets of RMB1,860,389,000. The Group had current liabilities and total liabilities amounted to RMB190,720,000 and RMB240,862,000 respectively. The Group's gearing ratio (total liabilities/total assets) was 13.0%, representing an increase of 2.7% compared to that as at 31 December 2005, which was mainly due to the inauguration of the New terminal building that led to the increase by RMB88,700,000 in the payables.

4. Pledge of the Group's assets

The Group pledged its rights to revenues, including the rights of the airport fee to secure a long-term bank loan of RMB128,000,000 from China Development Bank. As at 30 June 2006, the balance of the bank loan was RMB78,000,000.

5. Share capital structure of the Group

As at 30 June 2006, the share capital of the Company was RMB473,213,000.

6. Performance and prospect of substantial investments held

As at 30 June 2006, the Group or the Company did not have any significant investment.

7. Purchases, Sales or Redemption of Shares

As at 30 June 2006, 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 2006, the Group or the Company did not have any entrusted deposits and overdue fixed deposits.

9. Contingent liabilities

As at 30 June 2006, 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 Renminbi ("RMB"). Dividends to equity holders holding H shares are declared in RMB and paid in Hong Kong Dollar. As at 30 June 2006, the Group's other assets and liabilities were denominated in RMB, only cash and cash equivalents of approximately RMB759,000 were denominated in HK Dollar or US Dollar. The Directors believe that the Group's business is not subject to any substantial foreign exchange risk.

11. Material litigation and arbitration

The Company had no material litigation or arbitration from 1 January 2006 to 30 June 2006.

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 2005 Annual Report in accordance with Rule 32 set out in Appendix 16 to the Listing Rules.

INTERIM DIVIDEND

The Directors of the Company hereby declared that there will be no dividend payout for the six months ended 30 June 2006.

OTHER MATTERS

Change in directors

From 1 January 2006 to 30 June 2006, the changes in the Directors of the Company are as follow:

Mr. Zhang Cong has been appointed as executive director since 27 January 2006;

Mr. Dong Guiguo has been appointed as executive director since 25 May 2006;

Mr. Wang Zhen continues to be the Company's executive director for a term of three years after his term of office expired on 9 May 2006;

Mr. Chen Wenli has been resigned as non-executive director since 27 January 2006;

Mr. Huang Qiu has been resigned as executive director since 25 May, 2006;

There were no other changes in the Directorship.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2006, the Group had a total of 666 employees, representing a decrease of 25 employees as compared to 691 employees at the beginning of the year. The decrease was mainly attributable to the rationalization of the organization structure and optimization of manpower. 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 the six months ended 30 June 2006, the Group's total staff cost accounted for approximately 9.1% of its total turnover. The staff cost decreased by 0.7% from the corresponding period of last year, mainly due to that the remuneration for the management calculated in accordance with the operation performance has decreased by RMB300,000 as compared to the corresponding period of last year.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2006, 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 2006, the total issued share 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 share	473,213,000	100%

DISCLOSURE OF INTERESTS

As at 30 June 2006, 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	Number of ordinary shares	Percent 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(L)	31/12/2004
Deutsche Bank Aktiengesellschaft	Beneficial owner	Corporate	22,776,000	10.04(L)	19/06/2005
QVT Financial LP	Beneficial owner	Corporate	16,259,000	7.16(L)	19/06/2005
QVT Financial GP LLC *(Note 4)*	Beneficial owner	Corporate	16,259,000	7.16(L)	19/06/2005
QVT Fund LP	Beneficial owner	Corporate	14,969,649	6.59(L)	21/06/2005
QVT Associates GP LLC *(Note 5)*	Beneficial owner	Corporate	14,969,649	6.59(L)	21/06/2005
Templeton Asset Management Limited	Beneficial owner	Corporate	11,700,000	5.16(L)	25/04/2006
Utilico Emerging Markets Utilities Limited	Beneficial owner	Corporate	11,629,000	5.12(L)	15/02/2006

Note:

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

4. QVT Financial GP LLC is the controlling shareholder of QVT Financial LP. Accordingly, QVT Financial GP LLC is deemed to be beneficially interested in the Company's shares.

5. QVT Associates GP LLC is the controlling shareholder of QVT Fund LP. Accordingly, QVT Associates GP LLC is deemed to be beneficially interested in the Company's shares.

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 2006, 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.

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 2006.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

For the second half of 2006, the Board of the Company forecasts that, the traffic volume of Meilan Airport will be affected by a series of factors and the market conditions will still remain to be unfavorable. The Group will continue to pursue cost-effective development and strengthen the development of its domestic and international aeronautical businesses, with an aim of achieving a turnaround in the declining trend of traffic volume of the domestic flight market. The Group will also coordinate and resolve the issue of opening flight routes to and from Hainan in a proactive manner and further develop international routes to maintain the positive growth momentum of its international aeronautical business.

In addition, the Group will also reinforce the reform of its internal operating system and expedite the development of subcontracting business to enhance income level. By strengthening human resources development as well as the management standard, the Group is dedicated to further optimizing its overall quality. The Group will apply the remaining funds raised from the issuance of H Shares to gradually implement its stated plans, realize its business development strategy for the improvement of the Company's value and bring fruitful returns to equity holders.

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 unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 and the interim results announcement.

The audit committee appointed external auditors, PricewaterhouseCoopers to perform agreed upon procedure to assist to review the reasonableness of certain financial information of the Group included in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 and the disclosure requirements of the financial information included therein have been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which is conducted in accordance with International Standard on Related Services ('ISRS') 4400-Engagements to Perform Agreed-upon Procedures Regarding Financial Information, issued by International Auditing and Assurance Standards Board.

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

As at 30 June 2006, 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 2006, 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

For the six months ended 30 June 2006, the Company had complied with the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules which came into effect in January 2005 and met with all reasonable governance and disclosure requirements.

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

The Company has not adopted a code for securities transaction by directors on terms more exacting than the required standards of the Model Code due to the fact that most directors of the Company are Mainland China persons whose investment in H shares are subject to legal restriction from the PRC government. Following specific enquiry made with all directors, none of the directors of the Company failed to comply with the Model Code during the accounting period covered by this interim report.

By Order of the Board
Zhang Cong
Chairman

Haikou, China, 14 September 2006

As at the date of this announcement, the Board of the Company comprises of:

Executive directors: Zhang Cong, Wang Zhen, Dong Guiguo, Gunnar Moller
Non-executive directors: Kjeld Binger, Zhang Han'an
Independent non-executive directors: Xu bailing, Xie Zhuang, Fung Ching Simon

* *For identification purpose only*