



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 2007**

**FINANCIAL HIGHLIGHTS**

- Total revenue was RMB174,889,000
  
- Revenue from the aeronautical business was RMB126,123,000
  
- Revenue from the non-aeronautical business was RMB48,766,000
  
- Net profit attributable to shareholders was RMB87,095,000
  
- Earnings per share was RMB0.18

**RESULTS**

The Board of Directors (“the Board”) of Hainan Meilan International Airport Company Limited (“the Company”) is pleased to announce the audited financial position and operating results of the Group as at 30 June 2007 and for the six months ended 30 June 2007, which have been reviewed by the audit committee of the Company (the “Audit Committee”), together with the unaudited comparative figures for the corresponding period of 2006 as follow:

\* For identification purpose only

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
	Note	RMB'000	RMB'000
		(Audited)	(Unaudited)
Revenue			
Aeronautical		126,123	122,730
Non-aeronautical		48,766	53,824
		<u>174,889</u>	<u>176,554</u>
Business tax and levies	2	(6,460)	(6,380)
Cost of services and sales	3	(55,754)	(55,806)
		<u>112,675</u>	<u>114,368</u>
<b>Gross profit</b>			
Selling and distribution costs	3	(200)	(1,509)
Administrative expenses	3	(19,592)	(28,572)
		<u>92,883</u>	<u>84,287</u>
<b>Operating profit</b>			
Finance income		3,173	3,457
Finance costs		(1,626)	(1,477)
		<u>1,547</u>	<u>1,980</u>
Finance income-net	4		
		<u>94,430</u>	<u>86,267</u>
<b>Profit before income tax</b>			
Income tax expense	5	(7,363)	(6,617)
		<u>87,067</u>	<u>79,650</u>
<b>Profit for the period</b>			
		<u><u>87,067</u></u>	<u><u>79,650</u></u>
<b>Attributable to:</b>			
Equity holders of the Company	6	87,095	79,642
Minority interests		(28)	8
		<u>87,067</u>	<u>79,650</u>
		<u><u>87,067</u></u>	<u><u>79,650</u></u>
		<i>RMB</i>	<i>RMB</i>
<b>Earnings per share for profit attributable to the equity holders of the Company during the period</b>			
– basic and diluted	6	18 cents	17 cents
		<u>18 cents</u>	<u>17 cents</u>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Dividends</b>	7	92,106	–
		<u>92,106</u>	<u>–</u>

# CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		<b>30 June</b>	<b>31 December</b>
		<b>2007</b>	<b>2006</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Audited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>162,083</b>	163,710
Property, plant and equipment		<b>1,072,415</b>	1,089,832
		<b>1,234,498</b>	1,253,542
<b>Current assets</b>			
Inventories		<b>42</b>	3,716
Trade receivables	8	<b>184,499</b>	193,813
Other receivables and prepayments		<b>7,302</b>	11,266
Due from related parties		<b>142</b>	56
Time deposits		<b>87,401</b>	85,918
Cash and cash equivalents		<b>418,828</b>	322,040
		<b>698,214</b>	616,809
<b>Total assets</b>		<b>1,932,712</b>	<b>1,870,351</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>1,100,250</b>	1,100,250
Other reserves		<b>149,528</b>	149,528
Retained earnings		<b>499,572</b>	412,477
		<b>1,749,350</b>	1,662,255
<b>Minority interests</b>		<b>572</b>	600
<b>Total equity</b>		<b>1,749,922</b>	<b>1,662,855</b>

		<b>30 June</b>	<b>31 December</b>
		<b>2007</b>	2006
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Audited)</b>	<b>(Audited)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings-secured		<b>18,000</b>	25,000
Deferred income tax liabilities		<b>10,901</b>	11,021
Deferred income		<b>10,885</b>	8,459
		<u><b>39,786</b></u>	<u>44,480</u>
<b>Current liabilities</b>			
Trade and other payables	9	<b>121,928</b>	134,907
Current income tax liabilities		<b>76</b>	109
Borrowings-secured		<b>21,000</b>	28,000
		<u><b>143,004</b></u>	<u>163,016</u>
<b>Total liabilities</b>		<u><b>182,790</b></u>	<u>207,496</u>
<b>Total equity and liabilities</b>		<u><b>1,932,712</b></u>	<u>1,870,351</u>
<b>Net current assets</b>		<u><b>555,210</b></u>	<u>453,793</u>
<b>Total assets less current liabilities</b>		<u><b>1,789,708</b></u>	<u>1,707,335</u>

Notes:

## 1. Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with IAS34, 'Interim financial reporting'. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment.

### *i) Standards effective from 2007*

IFRS 7, Financial instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

### *ii) Interpretations effective from 2007 but not relevant to the Group's operations*

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- IFRIC-Int 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
- IFRIC-Int 8, Scope of IFRS 2, Share-based Payment;
- IFRIC-Int 9, Reassessment of Embedded Derivatives; and
- IFRIC-Int 10, Interim Financial Reporting and Impairment.

### *iii) Standards and the interpretations to existing standards that are not yet effective and not relevant to the Group's operations*

Standard and the interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods that the Group has not early adopted:

- IFRS 8, Operating Segments (effective for annual report periods beginning on or after 1 January 2009);
- IFRIC-Int 11, Group and Treasury Share Transactions Arrangements (effective for annual periods beginning on or after 1 March 2007); and
- IFRIC-Int 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);

## 2. Revenue and segment information

The Group conducts its business within one business segment – the business of operating an airport and provision of related services in the PRC. As the products and services provided by the Group are all related to the operations of an airport and are subject to similar business risks, no segment income statement has been prepared by the Group for the six months ended 30 June 2007. The Group also operates within one geographical segment because its revenues are primarily generated and its assets are located in the PRC. Accordingly, no geographical segment information is presented.

<b>Analysis of revenues by category</b>	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Audited)</b>	<b>(Unaudited)</b>
Aeronautical:		
Passenger charges	<b>46,151</b>	47,831
Aircraft movement fees and related charges	<b>20,815</b>	22,048
Airport fee	<b>44,266</b>	43,185
Ground handling services income	<b>14,891</b>	9,666
	<b>126,123</b>	122,730
Non-aeronautical:		
Retailing	<b>8,057</b>	5,573
Franchise fee	<b>11,448</b>	14,040
Rental	<b>8,528</b>	8,654
Tourism	–	11,796
Freight	<b>4,692</b>	–
Advertising	<b>6,433</b>	5,673
Car parking	<b>2,495</b>	2,778
Others	<b>7,113</b>	5,310
	<b>48,766</b>	53,824
Total revenues	<b>174,889</b>	176,554

### 3. Expenses by nature

Expenses/(income) included in cost of services and sales of goods, selling and distribution costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Cost of goods and services	18,465	22,867
Depreciation of property, plant and equipment	23,672	19,590
Amortisation of land use rights	1,627	1,309
Employee benefit expense	16,628	16,124
Other taxes	3,049	2,464
Auditors remuneration	1,220	1,033
Traveling expenses	1,723	2,228
Consulting fee	–	2,139
Operating lease rentals – building	–	255
Amortisation of deferred income	(807)	–
Loss on disposal of property, plant and equipment	–	4
Impairment charge of trade receivables	64	1,743
Utilities and power	5,472	8,194
Repair and maintenance	2,298	1,587
Other expenses	2,135	6,350
	<hr/>	<hr/>
Total cost of services and sale of goods, selling and distribution costs and administrative expenses	<b>75,546</b>	<b>85,887</b>

### 4. Finance income – net

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Interest on bank loans	(1,626)	(3,053)
Less: interest capitalised	–	1,576
	<hr/>	<hr/>
Finance cost	(1,626)	(1,477)
	<hr/>	<hr/>
Finance income – bank interest	2,275	3,457
Finance income – others	898	–
	<hr/>	<hr/>
Finance income	3,173	3,457
	<hr/>	<hr/>
Finance income – net	<b>1,547</b>	<b>1,980</b>

## 5. Income tax expense

Hong Kong profits tax has not been provided for as the Group had no estimated assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2006: Nil). Taxation in the income statement represents provision for the PRC enterprise income tax.

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Current income tax		
– outside Hong Kong	7,483	6,737
Deferred income tax	(120)	(120)
Income tax expense	<u>7,363</u>	<u>6,617</u>

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

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Profit before taxation	<u>94,430</u>	<u>86,267</u>
Tax calculated at a domestic rate applicable to profits in the Hainan Province	14,164	12,940
Effect of tax holidays	(6,908)	(6,473)
Unrecognised tax losses	66	36
Expenses not deductible for tax purposes	41	114
Tax charge	<u>7,363</u>	<u>6,617</u>

Under PRC income tax law, the entities within the Group are subject to enterprise income tax of 15% (for the six months ended 30 June 2006: 15%) on the estimated assessable profit for the period.



Pursuant to the approval documents issued by Hainan Qionghang 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. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"), which will be effective from 1 January 2008. Under the new CIT Law, group companies except for the Company which currently adopt income tax at the rate of 15% will be subject to the rate of 25% from 1 January 2008. For the Company, the applicable tax rate will increase from the current beneficial tax rate to 25% from 1 January 2010 after the expiry of tax reduction period.

## 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.

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Audited)</b>	(Unaudited)
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>87,095</b>	79,642
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>473,213</b>	473,213
Basic earnings per share ( <i>RMB per share</i> )	<b>18 cents</b>	17 cents

### – *Diluted*

Diluted earnings per share is equal to basic earnings per share as there was no potential dilutive ordinary share outstanding during the periods ended 30 June 2007 and 2006.

## 7. Dividends

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Unaudited)
Interim, proposed, of HKD20 cents (For the six months ended 30 June 2006: no interim dividend proposed) per share	<b>92,106</b>	–

At the Board of Director's meeting held on 29 August 2007, the Directors proposed the declaration of an interim dividend of HKD20 cents per share, amounting to HKD94,642,600 (equivalent to RMB92,106,000). This dividend proposed to be declared is not reflected as a dividend payable in this interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

## 8. Trade receivables

	30 June	31 December
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Trade receivables from third parties ( <i>Note (a)</i> )	<b>31,846</b>	28,229
<i>Less:</i> provision for impairment of receivables	<b>(2,489)</b>	(2,425)
	<b>29,357</b>	25,804
Trade receivables from related parties ( <i>Note (b)</i> )	<b>110,697</b>	87,445
Airport fee receivable ( <i>Note (c)</i> )	<b>44,445</b>	80,564
	<b>184,499</b>	193,813

As at 30 June 2007, all trade receivables were denominated in RMB.

(a) As at 30 June 2007, the ageing analysis of trade receivables from third parties was as follows:

	<b>30 June 2007</b>	31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Audited)</b>	<b>(Audited)</b>
0 – 90 days	<b>17,508</b>	22,064
91 – 180 days	<b>8,983</b>	3,643
181 – 365 days	<b>2,836</b>	171
Over 365 days	<b>2,519</b>	2,351
	<b><u>31,846</u></b>	<b><u>28,229</u></b>

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

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

(b) As at 30 June 2007, the ageing analysis of trade receivables from related parties was as follows:

	<b>30 June 2007</b>	31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Audited)</b>	<b>(Audited)</b>
0-90 days	<b>41,130</b>	46,176
91-180 days	<b>33,479</b>	17,972
181-365 days	<b>20,493</b>	12,993
Over 365 days	<b>15,595</b>	10,304
	<b><u>110,697</u></b>	<b><u>87,445</u></b>

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

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

- (c) As at 30 June 2007, the original amount, fair value and ageing analysis of the airport fee receivable were as follows:

	<b>30 June 2007</b>		31 December 2006	
	<b>Original amount <i>RMB'000</i> (Audited)</b>	<b>Fair value <i>RMB'000</i> (Audited)</b>	Original amount <i>RMB'000</i> (Audited)	Fair value <i>RMB'000</i> (Audited)
0-90 days	<b>18,632</b>	<b>18,632</b>	22,281	22,036
91-180 days	<b>25,813</b>	<b>25,813</b>	15,995	15,819
181-365 days	–	–	43,185	42,709
	<b><u>44,445</u></b>	<b><u>44,445</u></b>	<b><u>81,461</u></b>	<b><u>80,564</u></b>

**9. Trade and other payables**

	<b>30 June 2007 <i>RMB'000</i> (Audited)</b>	31 December 2006 <i>RMB'000</i> (Audited)
Trade payables	<b>3,364</b>	5,146
Other payables	<b>100,814</b>	108,544
Deposits received	<b>1,406</b>	1,391
Due to related parties	<b>16,344</b>	19,826
	<b><u>121,928</u></b>	<b><u>134,907</u></b>

As at 30 June 2007, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) was as follows:

	<b>30 June 2007</b>	31 December 2006
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Audited)</b>	(Audited)
0-90 days	<b>15,262</b>	16,868
91-180 days	<b>2,045</b>	2,803
181-365 days	<b>1,458</b>	3,352
Over 365 days	<b>791</b>	1,243
	<b><u>19,556</u></b>	<u>24,266</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2007, Hainan Meilan International Airport Company Limited (“Meilan Airport” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) implemented its strategy of “the Year of Transformation, Efficiency and Internationalisation” by proactively exploring the passenger and cargo markets, strengthening its safety management, exploring more income sources while tightening its cost control and beefing up its brand building process. As a result of the internal reforms of the Company, our aeronautical business saw a turnaround and satisfactory development in non-aeronautical business was also achieved.

For the six months ended 30 June 2007, the Group’s total revenue amounted to approximately RMB174,889,000, representing a decrease of 1% as compared to the corresponding period last year. Net profit attributable to shareholders of the Company increased by 9.4% from the corresponding period last year to RMB87,095,000. Earnings per share amounted to RMB0.18 (same period of last year: earnings per share of RMB0.17).

## **BUSINESS REVIEW**

### **1. Aeronautical Business**

For the six months ended 30 June 2007, total passenger throughput amounted to 3,593,000, representing an increase of 2.2% as compared to the corresponding period of last year. Aircraft movement amounted to 30,629, representing a decrease of 7% as compared to the corresponding period of last year, among which transport movement reached 28,764, representing an increase of 0.5% over the corresponding period of last year. Cargo throughput reached 60,348 tons, representing an increase of 12.1% over the corresponding period of last year.

For the six months ended 30 June 2007, revenue from the Group's aeronautical business was RMB126,123,000, representing an increase of 2.8% as compared to the corresponding period last year.

For the first half of 2007, the increase in the Group's net profit attributable to shareholders was mainly attributable to the strengthened cost control by the management which lowered the operating cost.

#### ***Rebound in Domestic Flights***

In the first half of 2007, by introducing a series of preferential policies and guarantee measures under the market development strategy of "Expansion and Attraction", the Group was able to overcome the unfavorable market conditions of Hainan Meilan International Airport in the last two years and recorded a rebound in our domestic aeronautical business after two consecutive years of recession.

- By conducting comprehensive study on the characteristics of the flights and passengers of Haikou, visiting major domestic airlines and participating in flight schedule coordination conferences, the Company obtained reliable data to formulate its flight schedules, resulting in a steady growth in its passenger load factor.
- In view of the robust growth of domestic private airlines and budget airlines, the Company researched and formulated low-cost guarantee measures for the operation of those airlines to meet the needs of their business development.
- Promoting Hainan's extensive tropical tourism resources in line with the multilevel, all-rounded and large-scaled Hainan tourism publicizing campaign carried out by the local government.

For the six months ended 30 June 2007, though number of flights of Hainan Meilan International Airport slightly decreased by 0.6% to 26,998 over the same period last year, domestic passenger throughput and cargo throughout reached 3,409,000 person-times and 57,748.1 tons, representing an increase of 0.7% and 11.7% as compared to corresponding period of last year respectively.

### ***Steady Growth of International Flights***

In the first half of 2007, the bottleneck in respect of the opening of Hainan aviation rights recorded a breakthrough and the problem of the route issue was settled. Upon the implementation of the opening policy, international flights between Hainan province and Southeast Asia no longer need to detour via Hong Kong or Guangxi, which greatly improved the present situation of long flight distance and time and high cost arising from the detour of both domestic and foreign airlines that operates Hainan international route, and effectively speeded up the development of international routes of Meilan Airport.

The Group successfully organised the 2007 Asian Route Development Forum from 25 March 2007 to 27 March 2007. In this forum, Meilan Airport promoted to Asia-Pacific and European airlines the open-up of aviation rights of Hainan and its flight subsidy arrangement as well as the affluent tropical tourism resources of Hainan. The organisation of the forum demonstrated our management skill and quality services. The forum not only enhanced the profile and reputation of Meilan Airport in the international market, but also facilitated the development of the aviation market potential as well as the opening of aviation rights for Hainan. It also served as a successful trial and gained valuable experience for Meilan Airport's internationalisation strategy.

Reputation of Hainan Meilan International Airport and the tourism industry of Hainan were greatly improved by the opening up of international routes, successful organisation of the Asian Route Development Forum and active promotion of Hainan's tourism resources. Tourists all over the world are attracted. Accordingly, more international airlines open Haikou routes, resulting in the healthy growth of our international routes.

For the six months ended 30 June 2007, there were 7 scheduled international routes to and from Hainan Meilan International Airport. Passenger throughput of Hainan Meilan International Airport reached 109,700 person-times with aircraft movement reached 1,008 and cargo throughput amounted to 1,681.1 tons. The cargo representing an increase of 29.7%, passenger throughput and aircraft movement recorded a significant growth of 64% and 76% respectively over the corresponding period last year.

## **2. Non-aeronautical business**

During the first half of 2007, with reference to the business development experience of overseas airports, the Group leveraged on its advantages as an air terminal and aggressively promoted its franchise and outsourcing business in accordance with the concept of “utilisation of operating resources to meet market demand”. After outsourcing the travel agency business of the airport at the end of 2006, the duty free shop business was also franchised to Hainan HNA China Duty Free Merchandise Co. Ltd in the first half of 2007. Under such arrangement, certain operating risk was shared by other enterprises and the Group could ensure a steady income. Currently, the Group is preparing for the establishment of a joint venture for its advertising business.

For the six months ended 30 June 2007, revenue from the Group’s non-aeronautical business was RMB48,766,000, representing a decrease of 9.4% over the corresponding period last year, as a result of the outsourcing of travel agency business to Luckyway Travelling at the end of 2006. In respect of this business, the Group charged a fixed outsourcing fee plus a share of profit after tax. However, revenue from the Company’s other principal non-aeronautical business all recorded remarkable results during the first half of year as follows:

- The Group’s advertising company achieved revenue of RMB6,433,000, representing a 13.4% increase over the corresponding period last year.
- The Group’s duty-free company achieved revenue of RMB8,057,000, representing a 44.6% increase over the corresponding period last year.

## **3. Intensifying internal reform to lower operating cost**

During the first half of 2007, the Company restructured its internal organisation to clarify the responsibility, rights and benefits. The resulted organisation structure is more rational with clearly defined functions and responsibilities. The development potential of production and technical positions, satisfaction of the employees as well as management efficiency and effectiveness were further improved. The Company also adopted a comprehensive budget preparation system by monitoring the performance of “profit centres”. The Group also further developed its know-how and maintenance capability. Due to our stringent control of cost, daily operating expenses decreased by 12% during the first half of the year.



#### **4. Branding of Services**

The services of Hainan Meilan International Airport are highly recognised by the public. To improve the management, security and service of the airport, the Group established a corporate brand building task group in the first half of 2007. The task group launched a well-organised campaign and strived to gain national and provincial quality recognitions. During the first half of the year, the Group successfully coordinated the supporting services for a number of major events like the Bo'ao Forum for Asia and the Asia Route Development Forums. The smooth operation of the airport during the Spring Festival and the Golden Week of May Holiday was highly appreciated by all sectors.

#### **5. Infrastructure Improvement**

After the inauguration of Terminal II of Meilan Airport, the inefficiency of Terminal I became obvious. Improvement and development of infrastructure and ancillary facilities of Hainan Meilan International Airport are carried out to upgrade its overall capability.

### **FINANCIAL REVIEW**

#### **1. Liquidity and financial resources**

As at 30 June 2007, the Group's current assets amounted to RMB698,214,000, comprising cash and cash equivalents of RMB418,828,000, time deposits of RMB87,401,000, receivable of RMB191,943,000, inventories of RMB42,000.

As at 30 June 2007, the Group's current liabilities amounted to RMB143,004,000, comprising the outstanding principal of the long-term loans and due within 1 year of RMB21,000,000, payables of RMB121,928,000 and income tax payables of RMB76,000.

#### **2. Operating costs**

For the first half of 2007, the Group's costs of services and sales of goods amounted to RMB55,754,000, representing a decrease of 0.1% as compared to the corresponding period last year.

For the first half of 2007, the Group's management expenses amounted to RMB19,592,000, representing a decrease of 31.4% as compared to the corresponding period last year, which was mainly attributable to the strengthened cost control by the management and the decrease of the technical services fee after the termination of the agreement with the Copenhagen airport.

### **3. Gearing ratio**

As at 30 June 2007, the Group had current assets of RMB698,214,000 and total assets of RMB1,932,712,000. The Group had current liabilities and total liabilities amounted to RMB143,004,000 and RMB182,790,000 respectively. The Group's gearing ratio (total liabilities/total assets) was 9.5%, representing a decrease of 1.6% compared to that as at 31 December 2006. The drop was mainly due to repayment of the bank loan, which led to the decrease of the principal and the total liabilities.

### **4. Pledge on 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 2007, the balance of the bank loan was RMB39,000,000.

### **5. Capital structure of the Group**

As at 30 June 2007, the issued share capital of the Company was RMB473,213,000. Now the Group still have bank loan of RMB39,000,000 which is primarily denominated in RMB. The Group's bank loan is subject to the floating interest rates of People's Bank of China.

### **6. Significant investments and their performance and prospect**

As at 30 June 2007, the Group and the Company did not have any significant investment.

### **7. Material Acquisitions and Disposals**

As at 30 June 2007, the Group and the Company had not conducted any material acquisitions and disposals in connection with the relevant subsidiaries or associated companies.

## **8. Employees and remuneration policy**

As at 30 June 2007, the Group had a total of 750 employees, representing an increase of 74 employees as compared to 676 employees at the beginning of the year. The increase was mainly attributable to the resumption of the operation of Haikou Airport Cargo Centre to the Company, which brought all cargo staff back to the 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 the six months ended 30 June 2007, the Group's total staff cost accounted for approximately 22.0% of its total operating costs. The staff cost increased by 3.1% from the corresponding period last year, mainly due to an increase of staff, as well as an organic growth in payroll in line with years of employment and seniority.

## **9. Entrusted deposits and overdue fixed deposits**

As at 30 June 2007, the Group and the Company did not have any entrusted deposits or overdue fixed deposits.

## **10. Contingent liabilities**

As at 30 June 2007, the Group and the Company did not have any contingent liabilities.

## **11. Exposure to foreign exchange risks**

Except for the purchase of certain equipment 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 2007, the Group's other assets and liabilities were denominated in RMB, except cash and cash equivalents of approximately RMB779,000 that were denominated in HK Dollar or US Dollar, the Group's other assets and liabilities were denominated in RMB. The Directors believe that the Group's business is not subject to any substantial foreign exchange risk.

## **NO OTHER MATERIAL CHANGE**

Other than those discussed in this interim results announcement, there has been no material change in relation to the information disclosed in the Company's 2006 Annual Report in accordance with Rule 32 set out in Appendix 16 to the Listing Rules.

## **PROSPECTS FOR THE SECOND HALF OF THE YEAR**

The Board of the Company anticipates that the throughput of Hainan Meilan International Airport will maintain on the growth track in the second half of the year. International aeronautical business will maintain its growth momentum with the resolution of the problem of the route issue. The Group will keep on expanding the international and domestic aeronautical business and the transformation of the operation of non-aeronautical business with ongoing upgrading its quality of management, security and services. The Group will also actively cooperate with the governments of Hainan Province and Haikou City in promoting Hainan tourism to establish its reputation among domestic tourists and in the international market. The Group will also develop charter flight business by joining hands with local tourism authorities to develop long distant air routes to generate more throughput and revenue of Hainan Meilan International Airport.

Moreover, the Group will continue to promote internationalisation of Meilan Airport and enhance the overall quality of its staff through a series of international training. The Group will endeavour to improve the standard of human resource management and establish a fair and effective incentive system to encourage the motivation, initiative and creativity of the employees. We will continue to dedicate ourselves to build a regional airport management company. The Group intends to utilise the remaining proceeds from the issuance of the H shares to implement its existing plans and strategies for business development, so as to enhance the value of the Company and bring shareholders with abundant returns.

## **INTERIM DIVIDEND**

Subject to the approval of the shareholders of the Company at the extraordinary general meeting (the “EGM”). The Board has proposed to declare and pay an interim dividend of HK\$0.20 per share to the shareholders of the Company whose names appear on the Company’s Register of Members as at close of business on Friday, 7 September 2007. 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 Saturday, 8 September 2007 to Monday, 15 October 2007, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM and qualify for the interim dividend, all instruments of transfers, accompanied by the relevant share certificates, must be lodged with the H Share Register of the Company, Computershare Hong Kong Investors Services Limited 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, 7 September 2007. Subject to the approval of the shareholders of the Company at the EGM, the interim dividend is expected to be payable on or before Friday, 30 November 2007 to shareholders whose names appear on the Register of Member as at close of business on Friday, 7 September 2007.

## **MATERIAL LITIGATION AND ARBITRATION**

The Company had no material litigation or arbitration from 1 January 2007 to 30 June 2007.

## **OTHER MATTERS**

### **Change in directors**

The Board of Directors of the Company comprised 7 directors as at 30 June 2007. From 1 January 2007 to 30 June 2007, the changes in the Directors of the Company are as follows:

Mr. Dong Zhanbin was appointed as executive director with effect from 5 February 2007;

Mr. Wang Zhen resigned as executive director with effect from 5 February 2007;

Mr. Kjeld Binger resigned as non-executive director with effect from 27 March 2007;

Mr. Gunnar Moller resigned as executive director with effect from 5 June 2007;

There were no other changes in the Directorship.

## SHARE CAPITAL STRUCTURE

As at 30 June 2007, the total number of issued shares of the Company was 473,213,000 as follows:

	<b>Number of Shares</b>	<b>Percentage in total issued</b>
Domestic Shares	246,300,000	52%
H Shares	<u>226,913,000</u>	<u>48%</u>
Total issued share	<u><u>473,213,000</u></u>	<u><u>100%</u></u>

### Substantial Shareholders' Interests in Shares

As at 30 June 2007, so far as known to any Directors, Supervisors or chief executive of the Company, the following persons (other than a Director, Supervisor or chief executive of the Company) had interests in the shares of the Company which would be required to be recorded in the register to be kept under section 336 of the SFO:

#### *Long position in shares*

##### *Domestic shares*

<b>Name of Shareholders</b>	<b>Type of Interest</b>	<b>Type of Shares</b>	<b>Number of shares</b>	<b>Percentage of domestic shares</b>	<b>Percentage of issued share capital</b>
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial	Corporate	237,500,000	96.43%	50.19%

## H shares

Name of Shareholders	Type of Interest	Number of shares	Percentage of H Shares in issue	Percentage of issued share capital
Zhang Gaobo ( <i>Note 2</i> )	Controlled corporate interest	94,643,000	41.71%	20.00%
Zhang Zhiping ( <i>Note 2</i> )	Controlled corporate interest	94,643,000	41.71%	20.00%
Million West Limited ( <i>Note 2</i> )	Controlled corporate interest	94,643,000	41.71%	20.00%
Best Future International Limited ( <i>Note 2</i> )	Controlled corporate interest	94,643,000	41.71%	20.00%
Oriental Patron Holdings Limited ( <i>Note 2</i> )	Controlled corporate interest	94,643,000	41.71%	20.00%
Oriental Patron Financial Services Group Limited ( <i>Note 2</i> )	Controlled corporate interest	94,643,000	41.71%	20.00%
Oriental Patron Resources Investment Limited ( <i>Note 2</i> )	Beneficial	94,643,000	41.71%	20.00%
UBS AG ( <i>Note 3</i> )	Beneficial, security interest and controlled corporate interest	20,460,000	9.02%	4.32%
Utilico Emerging Markets Utilities Limited ( <i>Note 4</i> )	Investment manager	11,629,000	5.12%	2.46%

### Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Reference is made to the announcement of the Company dated 5 June 2007 which stated that Copenhagen Airport A/S has effected and completed a block trade on The Stock Exchange of Hong Kong Limited to dispose of its entire shareholding of 94,643,000 H shares (the "Sale Shares") in the Company to an independent purchaser at a price of HK\$5.75 per Sale Share. Following completion of such sale, Copenhagen Airport A/S will cease to be a shareholder of the Company. The Sale Shares will be acquired by Oriental Patron Resources Investment Limited.

Zhang Gaobo holds 90% interests in Million West Limited. Zhang Zhiping holds 89% interests in Best Future International Limited. Million West Limited and Best Future International Limited each holds 50% interests in Oriental Patron Holdings Limited. Oriental Patron Holdings Limited holds 95% interests in Oriental Patron Financial Services Group Limited. Oriental Patron Financial Services Group Limited wholly owns the interests of Oriental Patron Resources Investment Limited.

3. Among the 20,460,000 shares in the Company, UBS AG, which holds 4,471,714 shares as the beneficial owner, has security interests in 1,006,000 shares and is deemed to be interested in the other 14,982,686 shares since it wholly owns UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd. which respectively and beneficially owns 10,850,686, 3,121,000 and 1,011,000 shares of the Company.
4. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.

Save as disclosed above, as at 30 June 2007 so far as is known to the Directors, Supervisors or chief executive of the Company, no other person (not being a Director, Supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register to be kept under section 336 of the SFO.



## **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at 30 June 2007, the interests of the Directors, Supervisors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept pursuant to section 352 of the SFO, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules were as follows:

### **Long positions in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO):**

	<b>Number of associated corporation</b>	<b>Type of interest</b>	<b>Number of shares</b>
Zhang Han'an (Non-executive Director)	Hainan Airlines Company Limited ( <i>Note</i> )	Beneficial	20,000

*Note:* Hainan Airlines Company Limited is a joint stock limited company incorporated in the PRC and one of the Promoters of the Company.

Save as disclosed above, as at 30 June 2007, none of the Directors, Supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be recorded in the register to be kept pursuant to section 352 of the SFO, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules.

### **The rights of Directors, Supervisors and chief executives to purchase shares**

None of the Directors, Supervisors and chief executives or their respective spouses or children under the age of 18 were granted any rights to subscribe for shares of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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 2007.

## **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 account for the six months ended 30 June 2007.

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

As at 30 June 2007, 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 2007, the audit committee comprises three Independent Non-executive Directors, including personnel with appropriate professional qualifications of accounting and the membership of the Hong Kong Institute of Certified Public Accountants.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")**

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 residents of Mainland China whose investment in H shares are subject to legal restriction from the PRC government. None of the directors of the Company failed to comply with the Model Code during the accounting period covered by this interim report.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to complying with all the rules prescribed by China Securities Regulatory Commission and the Hong Kong Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2007, the Company had complied with the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules and met with all reasonable governance and disclosure requirements. The Company will strive for continuously enhancing its governance standard and transparency to shareholders.

By Order of the Board

**Hainan Meilan International Airport Company Limited**

**Mr. Zhang Cong**

*Chairman*

Haikou, The People's Republic of China

29 August 2007

*Note: As at the date of this announcement, there are seven directors on the Board. They are: Mr. Zhang Cong, Mr. Dong Zhanbin, Mr. Dong Guiguo as executive directors; Mr. Zhang Han'an as non-executive directors; and Mr. Xu Bailing, Mr. Xie Zhuang and Mr. Fung Ching Simon as independent non-executive directors.*