



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 2008**

FINANCIAL HIGHLIGHTS

- Total revenue was RMB212,893,000

- Revenue from the aeronautical business was RMB160,261,000

- Revenue from the non-aeronautical business was RMB52,632,000

- Net profit attributable to shareholders was RMB117,744,000

- Earnings per share was RMB25 cents

* For identification purpose only

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 financial position and operating results of the Company and its subsidiaries (“the Group”) as at 30 June 2008 and for the six months ended 30 June 2008, which have been reviewed by the audit committee of the Company (the “Audit Committee”), together with the audited comparative figures for the corresponding period of 2007 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
	<i>Note</i>	Unaudited	Audited
Revenue			
Aeronautical		160,261	126,123
Non-aeronautical		52,632	48,766
		<hr/>	<hr/>
	3	212,893	174,889
Cost of services and sale of goods		(72,876)	(62,214)
		<hr/>	<hr/>
Gross profit		140,017	112,675
Administrative expenses		(26,438)	(19,792)
		<hr/>	<hr/>
Operating profit	4	113,579	92,883
Finance income		5,064	3,173
Finance costs		(871)	(1,626)
		<hr/>	<hr/>
Finance income-net		4,193	1,547
		<hr/>	<hr/>
Profit before income tax		117,772	94,430
Income tax expense	5	–	(7,363)
		<hr/>	<hr/>
Profit for the period		117,772	87,067
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
– shareholders of the Company		117,744	87,095
– minority interest		28	(28)
		<hr/>	<hr/>
		117,772	87,067
		<hr/> <hr/>	<hr/> <hr/>
		RMB	RMB
Earnings per share for profit attributable to the shareholders of the Company			
– basic and diluted	6	25 cents	18 cents
		<hr/> <hr/>	<hr/> <hr/>
		RMB'000	RMB'000
Dividends	7	–	92,106
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at 30 June 2008 <i>RMB'000</i> Unaudited	As at 31 December 2007 <i>RMB'000</i> Audited
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights	8	158,792	160,456
Property, plant and equipment	8	996,558	1,009,800
Total non-current assets		1,155,350	1,170,256
Current assets			
Inventories		44	49
Trade receivables	9	226,128	123,320
Other receivables and prepayments		14,896	12,362
Time deposits		62,000	167,401
Cash and cash equivalents		497,479	363,188
Total current assets		800,547	666,320
Total assets		1,955,897	1,836,576
EQUITY			
Capital and reserve attributable to the shareholders of the Company			
Share capital		1,100,250	1,100,250
Reserves		142,357	143,383
Retained earnings		532,364	447,276
		1,774,971	1,690,909
Minority interests		603	575
Total equity		1,775,574	1,691,484

		As at 30 June 2008 RMB'000 Unaudited	As at 31 December 2007 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Borrowings – secured		14,000	16,000
Deferred income tax liabilities		11,193	11,193
		<hr/>	<hr/>
Total non-current liabilities		25,193	27,193
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>10</i>	111,877	67,579
Current income tax liabilities		39,253	41,320
Borrowings – secured		4,000	9,000
		<hr/>	<hr/>
Total current liabilities		155,130	117,899
		<hr/>	<hr/>
Total liabilities		180,323	145,092
		<hr/>	<hr/>
Total equity and liabilities		1,955,897	1,836,576
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		645,417	548,421
		<hr/> <hr/>	<hr/> <hr/>
Total assets less current liabilities		1,800,767	1,718,677
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRSs.

2. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- IFRIC – Int 11, “IFRS 2 – Group and treasury share transactions”
- IFRIC – Int 12, “Service concession arrangements”
- IFRIC – Int 14, “IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction”

3. Revenues 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 operation of an airport and subject to similar business risks, no segment income statement has been prepared by the Group for the six months ended 30 June 2008. The Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC. Accordingly, no geographical segment information is presented.

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Analysis of revenue by category		
Aeronautical:		
Passenger charges	62,385	46,151
Aircraft movement fees and related charges	24,011	20,815
Airport fee	54,687	44,266
Ground handling services income	19,178	14,891
	160,261	126,123
Non-aeronautical:		
Retailing	–	8,057
Franchise fee	22,812	11,448
Rental	9,025	8,528
Freight	8,094	4,692
Advertising	–	6,433
Car parking	3,022	2,495
Others	9,679	7,113
	52,632	48,766
Total revenues	212,893	174,889

4. Operating profit

The following items of unusual nature, size or incidence have been charged to the operating profit during the period:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Impairment charge relating to trade receivables	–	64
Loss on disposal of property, plant and equipment	42	–
	<u>42</u>	<u>–</u>
	<u>42</u>	<u>64</u>

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. There was no indication of impairment for non-financial assets with indefinite lives during the period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that carrying amount may not be recoverable.

Financial assets were reviewed for impairment as at 30 June 2008, there are no indications of impairment.

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 2007: Nil). Taxation in the income statement represents provision for PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current income tax		
– outside Hong Kong	–	7,483
Deferred income tax	–	(120)
	<u>–</u>	<u>(120)</u>
	<u>–</u>	<u>7,363</u>

Pursuant to the approval document (Qiong Shan Guo Shui Han [2002] No.11) issued by Hainan Qionghshan State Tax Bureau in 2002, the Company was entitled to the exemption of CIT from 2000 to 2004, and 50% deduction of CIT from 2005 to 2009 (the “Original CIT Holiday”). Under the Original CIT Holiday, CIT rate for 2007 was 7.5%. Accordingly, the Company provided CIT of RMB7,483,000 in the income statement for the six months ended 30 June 2007 since 2007 was within the period of 50% tax reduction period under the Original CIT Holiday.

Pursuant to the approval document (Hai Guo Shui Han [2008] No. 13) issued by Haikou State Tax Bureau on 2 February 2008, the CIT holiday of the Company was revised. Under the revised CIT holiday (the “Revised CIT Holiday”), the Company was entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. The Company recognised the net tax charges derived from the Revised CIT Holiday in the second half year of 2007. No CIT was provided for the six months ended 30 June 2008 by the Company under the Revised CIT Holiday.

6. Earnings per share

– Basic

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

	Six months ended 30 June	
	2008	2007
Profit attributable to shareholders of the Company (<i>RMB'000</i>)	117,744	87,095
Weighted average number of ordinary shares in issue (<i>thousands</i>)	473,213	473,213
Basic earnings per share (<i>RMB per share</i>)	25 cents	18 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 2008 and 2007.

7. Dividends

A dividend that relates to the period to 31 December 2007 amounting to RMB33,682,000 was declared in May 2008 and RMB16,033,000 of which was paid in June 2008 (2007: nil dividend that related to the period to 31 December 2006 was declared).

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, proposed, of nil (for the six months ended 30 June 2007: HKD20 cents) per share	–	92,106

At a meeting held on 28 August 2008, the Directors proposed no interim dividend for the six months ended 30 June 2008.

8. Property, plant and equipment and land use rights

	Property, plant and equipment	Land use rights
	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2008		
Opening net book amount as at 1 January 2008	1,009,800	160,456
Additions	11,103	–
Disposals	(42)	–
Depreciation and amortisation	(24,303)	(1,664)
	<hr/>	<hr/>
Closing net book amount as at 30 June 2008	996,558	158,792
	<hr/> <hr/>	<hr/> <hr/>
Six months ended 30 June 2007		
Opening net book amount as at 1 January 2007	1,089,832	163,710
Additions	6,255	–
Depreciation and amortisation	(23,672)	(1,627)
	<hr/>	<hr/>
Closing net book amount as at 30 June 2007	1,072,415	162,083
	<hr/> <hr/>	<hr/> <hr/>

9. Trade receivables

	As at	
	30 June	31 December
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from third parties	45,828	35,014
Trade receivables from related parties	98,421	61,114
Airport fee receivable	81,879	27,192
	<hr/>	<hr/>
	226,128	123,320
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade receivables approximate their fair values.

As at 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>
0 – 90 days	125,638	99,868
91 – 180 days	57,620	13,811
181 – 365 days	36,486	6,488
Over 365 days	6,384	3,153
	226,128	123,320

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

10. Trade and other payables

	As at	
	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>
Trade payables	3,652	3,376
Other payables	39,884	53,939
Deposits received	6,087	882
Due to related parties	62,254	9,382
	111,877	67,579

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at	
	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>
0 – 90 days	25,388	9,391
91 – 180 days	8,223	502
181 – 365 days	811	1,751
Over 365 days	1,627	860
	36,049	12,504

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2008, the natural calamities, like the once in every 50 years disastrous snowstorm weather that hit the central and southern regions of China, the May 12 catastrophic earthquake at Wenchuan, Sichuan Province and the continuous downpour and flooding disaster in southern China this summer, continued to affect China. Besides affecting the travelling notion and plan of people, these calamities had also affected the country's economic development and possess pounding effects to the civil aviation industry. Nevertheless, due to the regional independency, the economic development of Hainan Province is not affected by these adverse factors, these domestic adverse factors is not significant. Furthermore, by leveraging from the speeding up of some fixed assets investment projects, like the East Ring Railway Project and Wenchang Aerospace City Project, and the rapid increase in tourism real estate investment, the consumption demand in Hainan Province remained robust and became the main force in its economic growth. The above has guided the continuous economic development of Hainan Province in a stable and healthy pace and laid down a development momentum with active regional economic activities, higher economic efficiency, stronger domestic demand and better livelihood standards.

During the period under review, although the natural calamities did not affect Hainan Meilan International Airport Company Limited ("Meilan Airport" or the "Company") and its subsidiaries (collectively referred to as the "Group") directly, they still exerted tremendous pressure on Meilan Airport in terms of passenger markets because of the withering of passenger markets in the disastrous regions. Despite the above challenges, the Group was still able to persist its market-driven strategy. With achieving beneficial results as our objective, we actively adjusted our transportation production plan, improved our operation management, lowered our operating costs, developed the passenger and cargo potential of aviation market. The above has enabled us to achieve sustained rapid growth in aviation transportation market following the rebound in 2007. We were able to maintain a double-digit growth in passenger throughput, aircraft movement and cargo throughput, and achieved the highest growth rate among the civil aviation airports in China. Furthermore, a series of events promoted by the government of Hainan Province in celebrating its 20th anniversary of establishment and consent from State Council in developing Hainan Province into a tourist resort island had also brought tremendous fixed asset investment prospects in various aspects. The above has pushed up the demand of civil aviation transportation market in Hainan Province and facilitate our non-aeronautical business maintaining its growth momentum.

For the six months ended 30 June 2008, the Group's total revenue amounted to approximately RMB212,893,000, representing an increase of 21.73% as compared to the corresponding period last year. Net profit attributable to shareholders of the Company was increased by 35.19% from the corresponding period last year to RMB117,744,000. Earnings per share amounted to RMB25 cents (earnings per share for the same period last year: RMB18 cents).

BUSINESS REVIEW

1. Aeronautical Business

For the six months ended 30 June 2008, total passenger throughput amounted to 4,414,300, representing an increase of 22.86% as compared to the corresponding period of last year. Aircraft movement amounted to 34,998, representing an increase of 14.26% as compared to the corresponding period of last year, among which transport movement reached 33,659, representing an increase of 17.02% over the corresponding period of last year. Cargo throughput reached 74,072 tons, representing an increase of 22.74% over the corresponding period of last year.

For the six months ended 30 June 2008, revenue from the Group's aeronautical business was RMB160,261,000, representing an increase of 27.07% as compared to the corresponding period of last year.

For the first half of 2008, the increase in the Group's net profit attributable to shareholders was mainly attributable to a series of positive measures of increasing income and decreasing expenditure, the strive for expanding aviation markets, increasing the income sources, reinforcement on cost control.

Rapid Growth of Domestic Flights

In the first half of 2008, the economy of Hainan Province had sustained a stable and healthy development and was able to cope with the steady growth of demand for its civil aviation market. In terms of its aviation market development, the Group continued to take its proactive measures in rationalizing its market development strategy. Subsequent to achieving its rebound in domestic aviation business in 2007, the first half of 2008 was able to sustain a rapid growth.

- Our company has visited all types of customers, including domestic airlines, major local travel agencies, and has actively participated in various flights co-ordination meetings. We provided reliable information to airlines for flight schedule planning and travel agencies for opening charter of flights, keeping the stable increase in the number of aircrafts rising and landing and flight passenger utilization rate of Meilan Airport.
- We actively co-ordinated with respective authorities of the state and local government to apply for various preferential policies to obtain more government support for the expansion of the Group's passenger sources. The financial subsidy policy recently implemented in encouraging airlines begins to fruit beneficial effects.

For the six months ended 30 June 2008, domestic passenger throughput (including the regional area) of Hainan Meilan International Airport has reached 4,315,000 with the number of aircrafts rising and landing reaching 34,195, transportation cargo movements reaching 32,856 and cargo throughput amounting to 72,479.3 tones, increasing by 26.58%, 26.66%, 17.68% and 25.51% over the corresponding period last year, respectively. Of which 92,400 being regional passenger throughput, the number of regional aircrafts rising and landing has reached 945 and cargo throughput has increased to 1,208 tones, representing an increase of 10.77%, 2.72% and 18.58% respectively as compared to the corresponding period of last year.

Modification of Positioning in the Development of International Flights

During the period under review, by leveraging on the opportunities brought by the Olympics, all domestic airlines have expanded the frequency of international flight schedules to the three main aviation transportation hubs (i.e. Beijing, Shanghai and Guangzhou), and this has resulted in a lower frequency of their original flight schedules to Korea and Japan through Meilan Airport. International flights and passenger throughput has slightly shrunk as well. In view of this, the Group had adjusted its development strategy appropriately for its international aviation market and expanded the aviation market in South-east Asia aggressively. We have successfully introduced Asian Airlines and have opened up regular flights between Kuala Lumpur and Haikou, an important step for Meilan Airport in expanding its aviation market in South-east Asia.

For the six months ended 30 June 2008, international passenger throughput of Hainan Meilan International Airport has reached 99,300 with the number of aircrafts rising and landing reaching 803 and cargo throughput amounting to 1,596.4 tons. The passenger throughput and the number of aircraft rising and landing and cargo throughput represented a decrease of 9.48%, 20.34% and 5.04%, respectively over the corresponding period last year.

2. Non-aeronautical Business

In the first half of 2008, the Group actively pursued and adjusted its operating strategy and explored areas with profit growing potential for its non-aeronautical business with encouraging results.

For the six months ended 30 June 2008, revenue from the Group's non-aeronautical business was RMB52,632,000, representing an increase of 7.93% over the corresponding period last year,

- The Groups' cargo business achieved revenue in the first half of the year of RMB8,094,000, representing a 72.51% increase over the corresponding period last year.
- The Group's VIP service business achieved revenue of RMB3,985,000, representing a 59.52% increase over the corresponding period last year, mainly due to the growth of VIP services business and the right for title revenues.

3. Corporate Social Responsibilities

2008 is the Olympics Year in China. The Group will pursue our course of "Safety goes first, Precaution as core" and will analyze the safety situation of international and domestic air defence in depth and enhance the alertness and safety mentality of our staff with regard to air defence safety, match up with the air defence safety works for both the state and local government.

The May 12 catastrophic earthquake at Wenchuan, Sichuan Province had resulted enormous casualties, together with substantial property and monetary losses. The Group had instantly organized all our staff in combating the quake and carrying out relief works. We immediately set up dedicated channels handling goods and materials for disaster victims and priorities are given to collecting and transporting goods and materials for disaster victims to ensure smooth storage and transportation process. At the same time, the Group encouraged all our staff to donate actively, share our concern and offer our helping hands to the disaster victims.

4. Branding of Services

With regard to branding of services, the Group had always endeavoured itself in striving for perfection for establishing its international branding image. During the period under review, apart from the various awards successfully obtained at national and provincial levels, we have also received high appreciation from all sectors in respect of our provision of quality and highly efficient redeployment services for the 20th anniversary of Hainan Province establishment, Bo'ao Forum for Asia and Beijing Olympics Torch.

FINANCIAL REVIEW

1. Liquidity and financial resources

As at 30 June 2008, the Group's current assets amounted to RMB800,547,000, comprising cash and cash equivalents of RMB497,479,000, time deposits of RMB62,000,000, receivables of RMB241,024,000, and inventories of RMB44,000.

As at 30 June 2008, the Group's current liabilities amounted to RMB155,130,000, comprising the outstanding principal of the long-term loans due within 1 year of RMB4,000,000, payables of RMB111,877,000 and income tax payables of RMB39,253,000.

As far as the directors of the Company known, the civil airport management and construction fee (the "Airport Fee") shall continue to be levied by 31 December 2010. For the six months ended 30 June 2008, the Company recognized 50% of the collected Airport Fee of Meilan Airport as revenues according to the approval of Ministry of Finance issued on 15 September 2002. The Company will pay prompt attention to any adjustment of policies related to the Airport Fee and disclose any updated information to shareholders by issuing announcement.

2. Operating costs

For the first half of 2008, the Group's costs of services and sales of goods amounted to RMB72,876,000, representing an increase of 17.14% as compared to the corresponding period last year, which was mainly due to the increase of the staff cost.

For the first half of 2008, the Group's administrative expenses amounted to RMB26,438,000, representing an increase of 33.58% as compared to the corresponding period last year, which was mainly due to the increase in the business consultation expense and staff cost.

3. Gearing ratio

As at 30 June 2008, the Group had current assets of RMB800,547,000 and total assets of RMB1,955,897,000. The Group had current liabilities and total liabilities amounted to RMB155,130,000 and RMB180,323,000, respectively. As at 30 June 2008, the Group's gearing ratio (total liabilities/total assets) was 9.22%, representing an increase of 1.32% compared to that as at 31 December 2007, which is due to the increase of outstanding payables to parent company.

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 2008, the balance of the bank loan was RMB18,000,000.

5. Capital structure of the Group

As at 30 June 2008, the issued share capital of the Company was RMB473,213,000. Now the Group still have bank loan of RMB18,000,000. The Group's borrowings are primarily denominated in Renminbi. 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

Other than the establishment of Haikou Decheng Industrial and Development Co., Ltd. as set out below, for the six months ended 30 June 2008, the Group did not have any significant investment.

7. Material Acquisitions and Disposals

For the six months ended 30 June 2008, the Group had not conducted any material acquisitions and disposals in connection with the relevant subsidiaries or associated companies.

On 5 June 2008, the Company signed an agreement with Hainan Hangcheng Industrial and Development Co., Ltd. to establish Haikou Decheng Industrial and Development Co., Ltd. to promote the harmonious development of the Company and to provide land resource reservation and co-development opportunities in the land area of the second phase construction planning of Meilan Airport. According to the agreement, the Company contributed RMB30,504,300 in cash to the capital on 1 July 2008, holding 30% equity interests of the joint venture company.

8. Employees and remuneration policy

As at 30 June 2008, the Group had a total of 824 employees, representing an increase of 64 employees as compared to 760 employees at the beginning of the year. The increase was mainly attributable to the demand for positions required for meeting the needs of production operation. 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 2008, the Group's total staff cost accounted for approximately 11.75% of its total turnover. The staff cost increased by 50.40% over the corresponding period last year, mainly due to the 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 2008, the Group did not have any entrusted deposits and overdue fixed deposits.

10. Contingent liabilities

As at 30 June 2008, the Group did not have any contingent liabilities.

11. Exposure to foreign exchange risks

Except for the purchase of certain equipments which is denominated in US Dollar, the Group's business is mainly denominated in RMB. Dividends to equity holders of H-shares are declared and paid in Hong Kong Dollar. As at 30 June 2008, except cash and cash equivalents of approximately RMB913,000 that were denominated in Hong Kong 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 report, there has been no material change in relation to the information disclosed in the Company's 2007 Annual Report in accordance with Rule 32 set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PROSPECTS FOR THE SECOND HALF OF THE YEAR

The global crude oil prices reached unprecedented high in 2008 and have exerted apparent impeding effects on the world economy. If the crude oil prices remain high in the second half of 2008, then domestic fuel prices will also maintain at high levels. Thus, this will bring devastating effects to the aviation industry. Although the National Development and Reform Commission and Civil Aviation Administration of China have already made appropriate adjustments to the levy standard of fuel oil surcharge for domestic routes, however, it will only bring mitigation effects to the blow caused by high oil prices. The slump business operation of airlines will embroil the operation of domestic airport industry. The natural calamities occurred in the first half of 2008 had already changed the travelling notion and plan of people. Coupled with the appeal by the government to encourage people to reduce travelling and business activities through different travelling means, the pressure exerted on civil aviation transportation market will become apparent in the second half of the year. Nevertheless, our fundamental course of boosting up the economy of Hainan Province will remain unchanged. With the stable development both in its industrial and agricultural production, augmented by the speeding up in investment progress of massive projects in transportation, industry and tourism real estate like the East Bypass Railway, Wenchang Aerospace City, Shenzhou Peninsula, Qingshui Bay, Begonia Bay, they will continue to drive propelling effects to the economic growth of Hainan Province. In addition, the hosting of activities such as China Happiness Stanza, Round-the-Island Bike Tournament will push up the potential civil aviation market demand. Hence, the Board holds an optimistic but conservative view with regard to the business operation of Meilan Airport in the second half of 2008. At the same time, after the Beijing Olympics the civil aviation transportation market will be realigned and operation reorganization of airlines and adjustments of international aviation market development strategy by the Group will precipitate stable growth to our international airline business in the second half of 2008.

By encountering the direct impact of high oil prices to its domestic civil aviation industry, the Company will continue to enhance our development in aviation market. At the same time, in respect of management, we will actively adopt revenue generating and cost saving measures in strengthening cost control, pursuing the “low cost, high efficiency” development course to improve the revenue level for the year and will endeavour to earn better returns for our shareholders.

INTERIM DIVIDEND

The Board proposed no interim dividend for the six months ended 30 June 2008.

MATERIAL LITIGATION OR ARBITRATION

The Company had no material litigation or arbitration from 1 January 2008 to 30 June 2008.

CHANGE OF DIRECTORS

The Board of the Company comprised 11 directors as at 30 June 2008. There was no change in the directorship from 1 January 2008 to 30 June 2008.

SHARE CAPITAL STRUCTURE

As at 30 June 2008, the total number of issued shares of the Company was 473,213,000 as follows:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2008, so far as was known to any director, supervisor or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) were as follows:

Domestic shares

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

H shares

Name of Shareholders	Type of Interest	Number of shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Zhang Zhiping (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Oriental Patron Financial Services Group Limited (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Oriental Patron Resources Investment Limited (<i>Note 2</i>)	Beneficial	94,643,000 (L)	41.71%	20.00%
Oriental Patron Financial Group Limited (<i>Note 2</i>)	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
UBS AG (<i>Note 3</i>)	Beneficial and controlled corporate interest	29,483,400 (L) 413,000 (S)	12.99% 0.18%	6.23% 0.09%
ChinaRock Capital Management Limited (<i>Note 4</i>)	Investment manager	16,220,000 (L)	7.15%	3.43%
Farallon Capital Management, L.L.C. (<i>Note 4</i>)	Investment manager	16,220,000 (L)	7.15%	3.43%
Utilico Emerging Markets Utilities Limited (<i>Note 5</i>)	Investment manager	11,629,000 (L)	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. Zhang Gaobo holds 49.19% interests in Oriental Patron Financial Group Limited. Zhang Zhiping holds 49.92% interests in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited holds 95% interests in Oriental Patron Financial Services Group Limited, which in turn holds 100% interests in Oriental Patron Resources Investment Limited.
3. Among the 29,483,400 shares of the Company, as a beneficial owner, UBS AG holds 623,714 shares and is deemed to have equity interest in the 28,859,686 shares (UBS AG wholly owns UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd, UBS Global Asset Management (Hong Kong) Ltd and UBS Securities LLC., and those companies beneficially own 16,827,686 shares, 4,414,000 shares, 6,377,000 shares and 413,000 shares in the Company, respectively. In addition, UBS AG is deemed to hold the short position of 413,000 shares in the Company (UBS AG wholly owns UBS Securities LLC, which beneficially owns 413,000 shares in the Company).
4. As investment advisors, ChinaRock Capital Management Limited and Farallon Capital Management L.L.C. are deemed to hold the equity interests of 16,220,000 shares in the Company (ChinaRock Capital Management Limited and Farallon Capital Management L.L.C. hold 100% interests in Farallon Capital Offshore Investors II, L.P., Tinicum Partners, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Institutional Partners II, L.P., Farrallon Capital Institutional Partners, L.P. and Farallon Capital Partners, L.P. and Farallon Capital Offshore Investors, Inc., and those companies beneficially own 2,343,100 shares, 2,176,100 shares, 190,500 shares, 120,400 shares, 91,800 shares, 3,457,500 shares and 7,840,600 shares in the Company, respectively).
5. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.
6. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2008, the Directors were not aware of any other person (not being a director, supervisor or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

As at 30 June 2008, none of the directors, supervisors or chief executive of the Company had interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) to be entered into the register to be kept pursuant to section 352 of the SFO or (c) as otherwise notified to the Company and the Stock Exchange would be required to be pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

THE RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE TO PURCHASE SHARES

None of the directors, supervisors and chief executives of the Company 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 2008.

AUDIT COMMITTEE

The Audit Committee 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 2008.

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

As at 30 June 2008, there are four independent non-executive directors on the Board; and as at 30 June 2008, the Audit Committee comprised 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

The Company has adopted a code for securities transaction by directors on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the directors of the Company, all of the directors have complied with the required standard set out in the Model Code regarding directors' securities transaction during the six months ended 30 June 2008.

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 Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2008, 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.

THE BOARD

As at the date of this announcement, the Board of the Company is comprised by the following persons:

Executive directors

Zhang Cong

Dong Zhanbin

Dong Guiguo

Bai Yan

Independent non-executive directors

Xu Bailing

Xie Zhuang

Fung Ching Simon

George F Meng

Non-executive directors

Zhang Han'an

Joseph Chan

Yan Xiang

By Order of the Board

Hainan Meilan International Airport Company Limited

Zhang Cong

Chairman of the Board

Haikou, the PRC

28 August 2008