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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 2009**

FINANCIAL HIGHLIGHTS

- Total revenue was RMB210,071,000
- Revenue from the aeronautical business was RMB159,581,000
- Revenue from the non-aeronautical business was RMB50,490,000
- Net profit attributable to shareholders was RMB108,161,000
- Earnings per share was RMB0.23

* *For identification purpose only*

RESULTS

The Board of Directors (“the Board”) of Hainan Meilan International Airport Company Limited (“the Company”) is pleased to announce the unaudited financial position and operating results of the Group as at 30 June 2009 and for the six months ended 30 June 2009, which have been reviewed by the audit committee of the Company (the “Audit Committee”), together with the comparative figures for the corresponding period of 2008 as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

| | | As at 30 June 2009 | As at 31 December 2008 |
|--|-------------|--------------------------|------------------------------|
| | <i>Note</i> | Unaudited | Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | | 155,219 | 156,965 |
| Property, plant and equipment | | 977,719 | 995,100 |
| Investment in an associate | | 30,875 | 30,504 |
| Total non-current assets | | 1,163,813 | 1,182,569 |
| Current assets | | | |
| Inventories | | 54 | 106 |
| Trade receivables | 4 | 232,705 | 109,236 |
| Other receivables and prepayments | | 11,513 | 15,811 |
| Time deposits | | 355,000 | 162,000 |
| Cash and cash equivalents | | 277,105 | 507,339 |
| Total current assets | | 876,377 | 794,492 |
| Total assets | | 2,040,190 | 1,977,061 |
| EQUITY | | | |
| Capital and reserve attributable to the shareholders of the Company | | | |
| Share capital | | 1,100,250 | 1,100,250 |
| Reserves | | 159,573 | 160,204 |
| Retained earnings | | 629,899 | 583,207 |
| | | 1,889,722 | 1,843,661 |
| Minority interests | | 598 | 601 |
| Total equity | | 1,890,320 | 1,844,262 |

| | <i>Note</i> | As at 30 June 2009 Unaudited | As at 31 December 2008 Audited |
|--|-------------|--|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings – secured | | 10,000 | 12,000 |
| Deferred income tax liabilities | | <u>9,673</u> | <u>9,775</u> |
| Total non-current liabilities | | <u>19,673</u> | <u>21,775</u> |
| Current liabilities | | | |
| Trade and other payables | 5 | 122,312 | 67,768 |
| Current income tax liabilities | | 3,885 | 39,256 |
| Borrowings – secured | | <u>4,000</u> | <u>4,000</u> |
| Total current liabilities | | <u>130,197</u> | <u>111,024</u> |
| Total liabilities | | <u>149,870</u> | <u>132,799</u> |
| Total equity and liabilities | | <u>2,040,190</u> | <u>1,977,061</u> |
| Net current assets | | <u>746,180</u> | <u>683,468</u> |
| Total assets less current liabilities | | <u>1,909,993</u> | <u>1,866,037</u> |

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|------------------|
| | | 2009 | 2008 |
| | <i>Note</i> | Unaudited | Unaudited |
| Revenue | | | |
| Aeronautical | | 159,581 | 160,261 |
| Non-aeronautical | | 50,490 | 52,632 |
| | | <u>210,071</u> | 212,893 |
| Cost of services and sale of goods | 3 | <u>(64,854)</u> | (72,876) |
| Gross profit | | 145,217 | 140,017 |
| Administrative expenses | | <u>(27,760)</u> | (26,438) |
| Operating profit | 6 | <u>117,457</u> | 113,579 |
| Finance income | | 4,090 | 5,064 |
| Finance costs | | (603) | (871) |
| Share of loss of an associate | | <u>(24)</u> | – |
| Profit before income tax | | 120,920 | 117,772 |
| Income tax expense | 7 | <u>(12,762)</u> | – |
| Profit for the period | | <u>108,158</u> | <u>117,772</u> |
| Attributable to: | | | |
| – shareholders of the Company | | 108,161 | 117,744 |
| – minority interests | | <u>(3)</u> | 28 |
| | | <u>108,158</u> | <u>117,772</u> |
| | | <i>RMB</i> | <i>RMB</i> |
| Earnings per share for profit attributable to the shareholders of the Company | | | |
| – basic and diluted | 8 | <u>23 cents</u> | <u>25 cents</u> |
| Dividends | 9 | <u>–</u> | <u>–</u> |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|--|--------------------------|-----------------------|
| | 2009 | 2008 |
| | Unaudited | Unaudited |
| Profit for the period | 108,158 | 117,772 |
| Other comprehensive income | | |
| Share of reserve of an associate | <u>395</u> | <u>–</u> |
| Total comprehensive income for the period | <u>108,553</u> | <u>117,772</u> |
| Attributable to: | | |
| – shareholders of the Company | 108,556 | 117,744 |
| – minority interests | <u>(3)</u> | <u>28</u> |
| | <u>108,553</u> | <u>117,772</u> |

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard (“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 2008, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008.

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

The following new/revised standards which are relevant to the Group’s operations are mandatory for the first time for the financial year beginning 1 January 2009:

| | |
|--------------------------------|--|
| IAS 1 (Revised) and Amendment | “Presentation of Financial Statements” |
| Amendment to IAS 19 | “Employee Benefits” |
| IAS 23 (Revised) and Amendment | “Borrowing Costs” |
| Amendment to IAS 34 | “Interim Financial Reporting” |
| Amendment to IAS 36 | “Impairment of Assets” |
| Amendment to IFRS 7 | “Financial instruments: disclosures” |
| IFRS 8 | “Operating Segments” |

Except for certain presentational changes as described below, the adoption of the above new/revised standards does not have any significant impact on the condensed consolidated interim financial information.

- IAS 1 (revised), ‘Presentation of Financial Statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: the income statement and statement of comprehensive income. The interim financial information has been prepared in accordance with the revised disclosure requirements.

2 ACCOUNTING POLICIES (CONTINUED)

- IAS 23 (Revised), 'Borrowing Costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. It is the Group's accounting policy to capitalise borrowing costs directly attributable to the construction of any qualifying assets as part of the cost of the assets.
- IFRS 8, 'Operating Segments'. IFRS 8 replaces IAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the senior management lead by the general manager.

The Group has not early adopted new standards, amendments to standards and interpretations which have been issued but are not effective for 2009. The Group is assessing the impact of these new standards, amendments to standards and interpretations but is not yet in a position to state whether any substantial changes to the Group's accounting policies or to the presentation of the financial statements will be required.

3 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker of the Group has been identified as the senior management lead by the general manager. The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports.

The management consider the Group conduct its business within one business segment – the business of operating an airport and provision of related services in the PRC, and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

3 REVENUES AND SEGMENT INFORMATION (CONTINUED)

| | Six months ended 30 June | |
|--|--------------------------|-----------------------|
| | 2009 | 2008 |
| Analysis of revenue by category | | |
| Aeronautical: | | |
| Passenger charges | 65,018 | 62,385 |
| Airport fee | 51,900 | 54,687 |
| Aircraft movement fees and related charges | 22,848 | 24,011 |
| Ground handling services income | 19,815 | 19,178 |
| | <u>159,581</u> | <u>160,261</u> |
| Non-aeronautical: | | |
| Franchise fee | 21,747 | 22,812 |
| Freight | 8,779 | 8,094 |
| Rental | 7,448 | 9,025 |
| VIP room charge | 4,808 | 3,985 |
| Car parking | 2,779 | 3,022 |
| Others | 4,929 | 5,694 |
| | <u>50,490</u> | <u>52,632</u> |
| Total revenues | <u><u>210,071</u></u> | <u><u>212,893</u></u> |

4 TRADE RECEIVABLES

| | As at | |
|---|-----------------------|-----------------------|
| | 30 June 2009 | 31 December 2008 |
| Trade receivables from third parties | 46,525 | 40,645 |
| Less: provision for impairment of receivables | <u>(13,381)</u> | <u>(14,471)</u> |
| | 33,144 | 26,174 |
| Trade receivables from related parties | 138,082 | 73,484 |
| Airport fee receivable | <u>61,479</u> | <u>9,578</u> |
| | <u><u>232,705</u></u> | <u><u>109,236</u></u> |

The carrying amounts of trade receivables approximate their fair values.

4 TRADE RECEIVABLES (CONTINUED)

As at 30 June 2009, the ageing analysis of the trade receivables is as follows:

| | As at | |
|----------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| 0 – 90 days | 118,226 | 96,073 |
| 91 – 180 days | 79,298 | 3,258 |
| 181 – 365 days | 31,944 | 7,737 |
| Over 365 days | 3,237 | 2,168 |
| | <u>232,705</u> | <u>109,236</u> |

The credit terms given to trade customers are determined on individual basis with the normal credit period ranging from 1 to 3 months. As of 25 August 2009, trade receivables totaling RMB90,166,000 were settled.

5 TRADE AND OTHER PAYABLES

| | As at | |
|------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Trade payables | 3,981 | 2,594 |
| Other payables | 89,478 | 54,635 |
| Deposits received | 5,981 | 6,013 |
| Due to related parties | 22,872 | 4,526 |
| | <u>122,312</u> | <u>67,768</u> |

As at 30 June 2009, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

| | As at | |
|----------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| 0 – 90 days | 4,236 | 4,314 |
| 91 – 180 days | 1,293 | 186 |
| 181 – 365 days | 77 | 639 |
| Over 365 days | 509 | 1,981 |
| | <u>6,115</u> | <u>7,120</u> |

6 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 | |
|--|---------------------------------|------------------|
| | 2009 | 2008 |
| Loss on disposal of property, plant and equipment | 24 | 42 |
| Reversal of impairment relating to trade receivables | <u>(1,090)</u> | <u>–</u> |
| | <u>(1,066)</u> | <u>42</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 the carrying amount may not be recoverable.

Financial assets were reviewed for impairment as at 30 June 2009, there are no indications of impairment except for the impairment of trade receivables.

7 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 2008: Nil). Taxation in the income statement represents provision for PRC corporate income tax (“CIT”).

| | Six months ended 30 June | |
|---------------------|---------------------------------|-----------------|
| | 2009 | 2008 |
| Current income tax | | |
| – outside Hong Kong | 12,864 | – |
| Deferred income tax | <u>(102)</u> | <u>–</u> |
| | <u>12,762</u> | <u>–</u> |

Effective from 1 January 2008, the Company shall determine and pay the corporate income tax in accordance with the Corporate Income Tax Law of the People’s Republic of China (the “New CIT Law”) as approved by the National People’s Congress on 16 March 2007. Under the New CIT Law, the corporate income tax rate applicable to the Company will be gradually increased to 25% in a 5-year period from 2008 to 2012. The tax rate in 2009 is 20% (2008: 18%).

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 and the Company was then entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. With 50% reduction of CIT in 2009, the applicable tax rate of the Company in 2009 is 10% (2008: nil).

8 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 | |
|--|---------------------------------|------------------------|
| | 2009 | 2008 |
| Profit attributable to shareholders of the Company (RMB'000) | <u><u>108,161</u></u> | <u><u>117,744</u></u> |
| Weighted average number of ordinary shares in issue (thousands) | <u><u>473,213</u></u> | <u><u>473,213</u></u> |
| Basic earnings per share (RMB per share) | <u><u>23 cents</u></u> | <u><u>25 cents</u></u> |

– 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 2009 and 2008.

9 DIVIDENDS

The Board proposed no interim dividend for the six months ended 30 June 2009 on the board meeting held on 25 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2009, as a result of the widespread collapse of the financial sector triggered by the economic crisis, the negative impacts of the financial crisis on the global real economy began to emerge, in which the auto sector was severely hit. With various economic rescue packages to support the affected sectors, the governments were committed to preventing the situation from further deteriorating. Being fully aware of the severity of the crisis even at the very beginning of the economic crisis, the Chinese government promptly launched mass investment programs and adjusted its economic policy in order to stimulate domestic consumption. Measures aiming to maintain stable growth rate have gradually shown positive effects. Although the outbreak of the A(H1N1) flu epidemic had cast a shadow over the economy, the overall economic environment has improved as compared to the previous year. Thanks to the consistent efforts by the government of Hainan Province to expand domestic demand which was in line with the State's policy and its effective measures promptly taken to deal with the crisis, and leveraging on the solid material foundation laid through these years' rapid development, the performance of economy was better than expected. During the first half of 2009, the investment activities in Hainan Province remained upbeat, and the total investment in fixed assets grew at a relatively fast pace with the support of additional state investments and key projects, particularly the commencement of many large construction projects. The tourism industry maintained steady growth, and the number of tourists and revenue from tourism increased significantly. The decline of consumer prices contributed to the thriving production and sale of agricultural products and the still-robust domestic consumption. Fiscal revenue continued to increase, while the financial market maintained stable.

During the period under review, Hainan Meilan International Airport Company Limited ("Meilan Airport" or the "Company") and its subsidiaries (collectively, "the Group") took proactive measures to shake off the negative impacts of the economic crisis. Sticking to our profit-oriented strategy, we developed the passenger and cargo potential of target aviation market. Meanwhile, we implemented stringent control on operating cost by optimizing organization structure and streamlining our workforce. With these efforts, Meilan Airport experienced no significant fluctuation in terms of the three major operating indicators, i.e. passenger throughput, aircraft movement and cargo throughput, and the economic results remained stable.

For the six months ended 30 June 2009, the Group's total revenue amounted to approximately RMB210,071,000, representing a decrease of 1.33% as compared to the corresponding period of last year. Net profit attributable to shareholders of the Company decreased by 8.14% over the corresponding period of last year to RMB108,161,000. Earnings per share amounted to RMB 23 cents (earnings per share for the corresponding period of last year: RMB 25 cents).

BUSINESS REVIEW

1. Aeronautical Business

As of 30 June 2009, total passenger throughput amounted to 4,393,600, representing a decrease of 0.47% as compared to the corresponding period of last year. Aircraft movement amounted to 35,019, representing an increase of 0.06% as compared to the corresponding period of last year. Cargo throughput reached 74,668.10 tons, representing an increase of 0.87% over the corresponding period of last year.

For the six months ended 30 June 2009, revenue from the Group's aeronautical business was RMB159,581,000, representing a decrease of 0.42% as compared to the corresponding period of last year.

For the first half of 2009, the decrease in the Group's net profit attributable to shareholders was mainly due to the fact that the Group was entitled to the exemption of income tax for the year of 2008 while it enjoyed 50% deduction of income tax for the year of 2009 and has recognized income tax expenses in an amount of RMB12,762,000 for the first half of 2009.

Moderate Growth of Domestic Flights

For the six months ended 30 June 2009, domestic passenger throughput of Meilan Airport reached 4,233,100, representing an increase of 0.27% as compared to the corresponding period of last year. Aircraft movements amounted to 33,567, representing an increase of 0.94% as compared to the corresponding period of last year. Cargo throughput amounted to 72,626.80 tons, representing an increase of 1.92% over the corresponding period of last year.

In the first half of 2009, the economy of Hainan Province sustained a stable and healthy development and was able to cope with the relatively steady growth of demand for its civil aviation market. Benefiting from the positive domestic macro-economic environment, the Group recorded moderate growth in terms of domestic aeronautical business as compared to the corresponding period of last year. Such moderate growth was mainly attributable to:

- The diversion effect of the increasing competitive strength of Sanya City. As Sanya enjoys unique advantages in tourism resources, Sanya Municipal Government lent great support to the development of the aviation tourism market. Furthermore, the reception capacity of Sanya Phoenix International Airport has been significantly improved after the expansion portion of the airport had been put into operation. Signs showed that the center of Hainan aviation market had gradually shifted to Sanya City;

- Effects of the State's macro-control. According to the mass investment programs launched by the Central Government in the face of the economic crisis, the focus of investment in the civil aviation sector has been shifted to Western China where the development of the aviation market lagged far behind. In view of this, all leading domestic airlines have readjusted their transportation capacity in line with the State's policy, increasing their transportation capacity bound to Western China. On the other hand, with the negative impacts of the economic crisis, all major airlines have adjusted their transportation capacity by terminating lease of aircrafts or postponing to purchase aircrafts and shifting their existing transportation capacity to flight routes with high yields;
- Effects of changes in tourism structure. In order to expand domestic demand, all other provinces and cities have actively launched tourism-related promotion and marketing activities and introduced various favorable policies which have resulted in boom in the domestic tourist consumption market.

Confronted with the difficult situation and severe competition in the aviation market, Meilan Airport has prepared a complete aviation market development scheme with clear targets, and has frequently visited and fully communicated with all major domestic airlines with detailed analysis report regarding Haikou aviation market, with an aim to win over their idle transportation capacity. At the same time, we have also approached with all major travel agencies in Hainan Province to establish a platform for cooperation between travel agencies and airlines, so as to promote the charter flights business.

Continuous Contraction of International Flights

During the period under review, due to the economic crisis and outbreak of A(H1N1) flu epidemic, international airlines such as Hong Kong Dragon Airlines, Air Macau, Asiana Airlines and Japan Airlines have cancelled their flights bound to Haikou, leading to substantial decrease in the number of international and regional passengers. As the international flights only accounted for a small proportion of the traffic throughput of Meilan Airport, such decrease should not result in great fluctuation in the operation of Meilan Airport. For the six months ended 30 June 2009, international passenger throughput (including the regional area) of Meilan Airport reached 160,500 with the number of aircrafts rising and landing reaching 1,452 and cargo throughput amounting to 2,041.30 tons, decreasing by 16.58%, 16.70% and 26.25% respectively as compared to the corresponding period of last year.

2. Non-aeronautical Business

In the first half of 2009, in order to offset the shrink in consumption demand due to the economic crisis, the Group actively explored areas with profit growing potential for its non-aeronautical business and achieved encouraging results.

For the six months ended 30 June 2009, revenue from the Group's non-aeronautical business was RMB50,490,000, representing a decrease of 4.07% as compared to the corresponding period of last year, of which:

- The Group's cargo business achieved revenue of RMB8,779,000 in the first half of the year, representing a 8.46% increase over the corresponding period of last year, which was mainly due to the change of the commodity structure for the cargo operations in the first half of the year with the live goods at higher price increasing as compared to the first half of 2008.
- The Group's rental income in the first half achieved the year of RMB7,448,000, representing a 17.47% decrease over the corresponding period of last year, which was mainly due to the implementation of the new charges promulgated by CAAC and the decline in rental charges for the airlines.
- The Group's VIP service business achieved revenue of RMB4,808,000 in the first half of the year, representing a 20.65% increase over the corresponding period of last year, which was mainly due to the enhancement of its marketing and business development by the Company and the increase of revenue from the naming right and VIP services.

3. Branding of Services

In the first half of the year, the Group has successfully passed the civil aviation safety audit, indicating that the security efforts by Meilan Airport have advanced to a new level. Meanwhile, Meilan Airport was committed to satisfying the diversified and differential needs of all passengers with various special services. Apart from the various awards obtained such as "National Civilization Units", we have also received high appreciation from all sectors in respect of our provision of quality and highly efficient services for Bo'ao Forum for Asia.

FINANCIAL REVIEW

1. Current assets

As at 30 June 2009, the Group's current assets amounted to RMB876,377,000, comprising cash and cash equivalents of RMB277,105,000, time deposits of RMB355,000,000, net trade receivables of RMB232,705,000, inventories of RMB54,000, other receivables and prepayments of RMB11,513,000. The total current assets have increased by RMB81,885,000 since the beginning of the year. The main reason for the increase was that trade receivables have increased by RMB123,469,000 since the beginning of the year. The monetary of funds have decreased by RMB37,234,000 since the beginning of the year. The amounts trade receivables received from the airlines reached RMB90,166,000 as of 25 August 2009. Excluding from the airport fee of RMB61,479,000, the amounts receivable were RMB97,060,000 as at 30 June 2009, which approximates with the amounts receivable of RMB99,660,000 as recorded at the end of 2008, and the ageing of unsettled trade receivables is within three months.

As at 30 June 2009, the Group's current liabilities amounted to RMB130,197,000, comprising the outstanding principal of the long-term loans due within 1 year of RMB4,000,000, trade and other payables of RMB122,312,000 and the current income tax liabilities payable of RMB3,885,000. Trade and other payables have increased by RMB54,544,000 since the beginning of the year, which was attributable to an increase of RMB62,495,000 in the 2008 final dividends which have been declared but not yet paid. A decrease of RMB35,371,000 in the current income tax liabilities was due to payment of the income tax in the first half of 2009 of the income tax which has been provided for the previous years but not yet paid in 2008.

2. Operating costs

For the first half of 2009, the Group's costs of services and sales of goods amounted to RMB64,854,000, representing a decrease of 11.01% as compared to the corresponding period of last year, which was mainly due to the fact that the Group took effective measures to shake off the negative impacts of the financial crisis and strictly controlled the cost by a number of measures.

For the first half of 2009, the Group's administrative expenses amounted to RMB27,760,000, representing an increase of 5.00% as compared to the corresponding period of last year, which was mainly due to the partial optimization of our workforce and payment of compensation for dismissal by the Company in accordance with the Labor Law in order to shake off the negative impacts of the financial crisis occurred during the period.

3. Gearing ratio

As at 30 June 2009, the Group had total current assets of RMB876,377,000, total assets of RMB2,040,190,000, total current liabilities of RMB130,197,000 and total liabilities of RMB149,870,000. As at 30 June 2009, the Group's gearing ratio (total liabilities/total assets) was 7.35%, representing an increase of 9.38% compared to that as at 31 December 2008, which was due to the increase of the dividend payable (2008 dividends have been declared but remained outstanding during that period and were paid on 17 July 2009).

4. Pledge on the Group's assets

The Group pledged its rights to revenues, including the rights to the airport fee to secure a long-term bank loan from China Development Bank. As at 30 June 2009, the balance of the bank loan was RMB14,000,000.

5. Capital structure of the Group

As at 30 June 2009, the total issued share capital of the Company was RMB473,213,000. Now the Group still has bank loan of RMB14,000,000. The Group's borrowings are primarily denominated in Renminbi ("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 2009, the Group and the Company did not have any significant investment.

7. Material acquisitions and disposals

For the six months ended 30 June 2009, the Group and the Company had not conducted any material acquisitions and disposals and repurchase of shares in connection with the relevant subsidiaries or associated companies.

8. Employees and remuneration policy

As at 30 June 2009, the Group had a total of 610 employees, representing a decrease of 66 employees as compared to 676 employees at the beginning of the year. The decrease was mainly attributable to streamlining of the organization and workforce of the Group for optimization of our management structure. 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 2009, the Group's total staff cost accounted for approximately 14.03% of its total turnover. The staff cost increased by 16.32% over the corresponding period of last year, which was mainly due to partial optimization of our workforce and payment of compensations for dismissal by the Company in accordance with the Labor Law in order to shake off the negative impacts of the financial crisis occurred during the period.

9. Entrusted deposits and overdue fixed deposits

As at 30 June 2009, the Group did not have any entrusted deposits and overdue fixed deposits.

10. Contingent liabilities

As at 30 June 2009, 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 share holders of H-shares are declared and paid in Hong Kong Dollar. As at 30 June 2009, except cash and cash equivalents of approximately RMB1,425,000 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 2008 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 financial storm triggered by sub-prime mortgage crisis has led to economic recession in USA and significant slow-down in European economy, and further spread through other countries and regions around the world by virtue of imports and exports. With the major economies worldwide working together to cope with the crisis, situation in the financial institutions has improved and the risks confronting the real economy have been gradually mitigated. However, most of the global consumer demands come from developed economies, such as USA and Europe, and it is impossible for the major developed economies to recover from this crisis in a short term, while most of developing countries depend on exports of resources and manufactured goods to facilitate economy development, therefore, there will be a certain period of time before most of economies may recover, especially those sectors that are closely related to foreign trade.

In this crisis, China's economy has distinguished itself from the other parts of the world with its ability to maintain steady growth momentum, which was attributable to the timely mass investment programs and policies to boost domestic demand implemented by Chinese government in response to the economic crisis aiming to stimulate consumer demand. The annual economic growth for this year can be expected to remain around 8% so long as the external economy will not get any worse. However, we will still have to wait and see how long the mass investment programs may keep the economy going upward. In the short term, the government may increase investments to utilize some of surplus production capacity, but objectively, more investments will also require greater and deeper adjustments to the economy structure if the global economy hardly improves in the next 2-3 years, and it takes longer time for the external demand to recover while the government's stimulus plans indirectly add to the production capacity.

In the first half of 2009, the Central Government's policy to boost domestic demand fostered a favorable macro-environment for the economy development of Hainan Province. In recent years, Hainan Province has been making great efforts to promote and support the development of tourism industry featuring tropical island recreational destination, eco-tourism real estate industry and tropical agriculture, which greatly enhances the attraction to external market and internal growth momentum of Hainan's economy. East Bypass Railway, Wenchang Aerospace City, Begonia Bay and other recreational tourism development projects are going well, and the major projects in progress will take a long time to complete, which shall continue to drive the local economy in the next 2-3 years.

Hainan's application for construction of an "International Tourism Island" has been approved by the State Council. On the back of its status as a special economic zone, Hainan Province will take this opportunity to build a green, open, civilized and harmonious island and actively explore ways for the opening-up and mechanism reform of tourism industry. Hainan, the only tropical island in China and dubbed the "Oriental Hawaii", has unique tourism resources and has become the best choice for high-end tourists at home and abroad for leisure and vacation. However, shopping, one of the most important parts in tourism economy, has always been the weakness in the development of Hainan's tourism economy, lagging far behind the overall development of Hainan's tourism industry. Therefore, the government of Hainan Province is active in advocating the implementation of a new duty-free shopping policy for foreign tourists, and in facilitating the establishment of new downtown duty-free shops (establishment of duty-free shops in Haikou, Sanya, Qionghai and Wanning has been approved by the provincial government recently and duty-free shops in Sanya will be opened in the near future). The above measures will attract more international top brands to settle in Hainan and make Hainan a popular shopping paradise for the tourists at home and abroad, which shall in return help to improve the shopping environment and quality in Hainan and facilitate the construction of the International Tourism Island.

Although there is still uncertainty in the prospect of global economy, China's economy grows steadily on the back of a series of stimulus policies and the economy of Hainan Province maintains good growth momentum. In view of this, the Board is of opinion that the international airline business of Meilan Airport will see slim improvement in the second half of 2009, while the domestic airline business will remain stable. In light of the aviation market condition and the actual condition of each airline, the Company will show great flexibility in cooperating with different airlines, with a view to opening more new flight routes to Haikou. The Company will also join hands with tourism administration authority of Hainan Province to promote Hainan's construction of the "International Tourism Island" and policy preparation for the opening up of Hainan's aviation rights at the 15th World Route Development Forum to be held in Beijing, aiming to expand the domestic and international aviation markets. In respect of operation management, the Company will strengthen cost control, maintain the revenue level for the year and endeavour to earn better returns for our shareholders.

INTERIM DIVIDEND

The Board proposed no interim dividend for the six months ended 30 June 2009.

MATERIAL LITIGATION OR ARBITRATION

The Company had no material litigation or arbitration from 1 January 2009 to 30 June 2009.

OTHER INFORMATION

CHANGE OF DIRECTORS

The Board of the Company comprises 11 directors. From 1 January 2009 to 30 June 2009, changes in the directorship of the Company are as follows:

Mr. Dong Zhanbin duly resigned as Executive Director of the Company on 25 May 2009;

Mr. Liang Jun was duly appointed as Executive Director of the Company on 25 May 2009 for a term of three years.

SHARE CAPITAL STRUCTURE

As at 30 June 2009, the total number of issued shares of the Company was 473,213,000 as follows:

| | Number of Shares | Percentage to total issued shares |
|----------------------------|--------------------|--------------------------------------|
| Domestic shares | 246,300,000 | 52% |
| H Shares | 226,913,000 | 48% |
| Total issued shares | 473,213,000 | 100% |

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2009, so far as is known to the Directors, Supervisors or chief executive of the Company, the following persons (other than a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”); or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

Domestic shares

| Name of Shareholders | Identity | Type of Shares | Number of ordinary shares | Percentage of domestic shares issued | Percentage of total issued share capital |
|---|------------|----------------|------------------------------|--|--|
| Haikou Meilan International Airport Company Limited | Beneficial | Corporate | 237,500,000(L) | 96.43% | 50.19% |

H shares

| Name of Shareholder | Type of Interest | Number of shares | Approximate percentage of H shares issued | Approximate percentage of total issued share capital |
|--|--|-------------------------------------|---|--|
| Zhang Gaobo (<i>Note 1</i>) | Interest of controlled corporations | 94,343,000 (L) | 41.58% | 19.94% |
| Zhang Zhiping (<i>Note 1</i>) | Interest of controlled corporations | 94,343,000 (L) | 41.58% | 19.94% |
| Oriental Patron Financial Services Group Limited (<i>Note 1</i>) | Interest of controlled corporations | 94,343,000 (L) | 41.58% | 19.94% |
| Oriental Patron Resources Investment Limited (<i>Note 1</i>) | Beneficial | 94,343,000 (L) | 41.58% | 19.94% |
| Oriental Patron Financial Group Limited (<i>Note 1</i>) | Interest of controlled corporations | 94,343,000 (L) | 41.58% | 19.94% |
| UBS AG (<i>Note 2</i>) | Beneficial owner and interest of controlled corporations | 36,356,179 (L) | 16.02% | 7.68% |
| Utilico Emerging Markets Utilities Limited | Investment manager | 11,629,000 (L) (<i>Note 3</i>) | 5.12% | 2.46% |

Notes:

- Zhang Gaobo and Zhang Zhiping were holding 49.19% and 49.92% interest, respectively, in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited was holding a 95% interest in Oriental Patron Financial Services Group Limited, which was in turn holding 100% interests in Oriental Patron Resources Investment Limited.
- Among the 36,356,179 shares in the Company, UBS AG was holding 315,000 shares as a beneficial owner, holding 494,779 shares as a person having a security interest in shares and holding 35,546,400 as interest of corporation controlled by the substantial shareholder (UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd were all wholly-owned by UBS AG, and were beneficially holding 21,143,400 shares, 8,321,000 shares and 6,082,000 shares in the Company, respectively).
- (L) represent long position.

Save as disclosed above, as at 30 June 2009, 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, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

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

As at 30 June 2009, 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 by the Company 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. No Directors, Supervisors and chief executive of the Company have any interest or short position 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 to be recorded in the register to be kept by the Company 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.

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 period ended 30 June 2009.

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 2009.

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

As at 30 June 2009, there were four independent non-executive directors in the Board;

As at 30 June 2009, the Audit Committee comprised three Independent non-executive directors, including personnel with appropriate professional qualifications of accounting and the senior 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 2009.

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 2009, 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

Zhao Yahui (*Chairman*)

Liang Jun

Bai Yan

Non-executive directors

Hu Wentai

Zhang Han'an

Chan Nap Kee, Joseph

Yan Xiang

Independent non-executive directors

Xu Bailing

Xie Zhuang

Fung Ching, Simon

George F.Meng

By Order of the Board

Hainan Meilan International Airport Company Limited

Zhao Yahui

Chairman and Executive Director

25 August 2009

Haikou, the People's Republic of China