



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 : 0357



2009

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Corporate Information

Chinese Name

海南美蘭國際機場股份有限公司

English Name

Hainan Meilan International Airport Company Limited

Company Website

www.mlairport.com

Executive Directors

Zhao Yahui, *Chairman*
Liang Jun
Bai Yan

Non-executive Directors

Hu Wentai, *Vice Chairman*
Zhang Han'an
Chan Nap Kee, Joseph
Yan Xiang

Independent Non-executive Directors

Xu Bailing
Xie Zhuang
Fung Ching, Simon
George F. Meng

Supervisors

Dong Guiguo, *Chairman*
Zhang Shusheng
Zeng Xuemei

Company Secretary

Xing Zhoujin

Authorized Representatives

Zhao Yahui
Xing Zhoujin

Audit Committee

Xu Bailing, *Chairman*
Xie Zhuang
Fung Ching, Simon

Remuneration Committee

Xie Zhuang, *Chairman*
Fung Ching, Simon

Nomination Committee

Xu Bailing, *Chairman*
Xie Zhuang
Liang Jun

Strategic Committee

Fung Ching, Simon, *Chairman*
Xu Bailing
Xie Zhuang
Hu Wentai
Liang Jun

Legal Address and Head Office

Meilan Airport Complex
Haikou City
Hainan Province, the PRC

Place of Business in Hong Kong

28/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Legal Adviser

MORRISON & FOERSTER
33/F, Edinburgh Tower
The Landmark
15 Queen's Road, Central
Hong Kong

International Auditors

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

PRC Auditors

Zon Zun Certified Public Accountants Office Limited
Hainan Branch Office
Block B, 16/F, Huaneng Building
36 Datong Road
Longhua District
Haikou City
Hainan Province, the PRC
Postal code: 571100

Principal Banker

China Everbright Bank, Yingbin Sub-branch
56 Longkun South Road
Haikou City
Hainan Province, the PRC

H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Stock Code

00357. HK

Financial Highlights

The board of directors (the “Board”) of Hainan Meilan International Airport Company Limited (“Meilan Airport” or the “Company”) is pleased to announce the operating conditions, the unaudited financial results of the Company for the first half year of 2009, which have been reviewed by the audit committee of the Company (the “Audit Committee”), and the prospects for the second half year of 2009.

Financial Highlights

(RMB'000)	As at 30 June 2009	As at 30 June 2008	Changes(%)
Turnover	210,071	212,893	-1.33%
Gross profit	145,217	140,017	3.71%
Net profit attributable to shareholders	108,161	117,744	-8.14%
Earnings per share – basic (RMB)	0.23	0.25	-8.00%
Net operating cash flow	-33,983	57,962	-158.63%
Current ratio (times)	6.73	5.16	30.43%
Assets-liabilities ratio	7.35%	9.22%	-20.28%
EBITDA	145,967	144,582	0.96%

(RMB'000)	As at 30 June 2009	As at 31 December 2008
Total assets	2,040,190	1,977,061
Total liabilities	149,870	132,799
Equity	1,890,320	1,844,262

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 project, 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).



Management Discussion and Analysis

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;

Management Discussion and Analysis

- 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.



Management Discussion and Analysis

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 effectively contained the fall in profits.

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 of the year achieved 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.

Management Discussion and Analysis

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. Apart 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 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).



Management Discussion and Analysis

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.

Management Discussion and Analysis

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.



Management Discussion and Analysis

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 has already opened on 1 September 2009). 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.

Directors' Remuneration

As of 30 June 2009, with an aim to fight against the financial crisis and overcome the difficulties together with the Company, the Directors, supervisors and Company Secretary nominated by the holders of domestic shares of the Company to hold positions in the Company have submitted written declarations to the Company, stating that they are voluntary to waive their remuneration for the year of 2008.

Mr. Zhang Cong (former Executive Director and Chairman) waived 2008 remuneration of RMB66,900;

Mr. Zhao Yahui (Executive Director and Chairman) waived 2008 remuneration of RMB3,100 (duly appointed on 16 December 2008);

Mr. Dong Zhanbin (former Executive Director) waived 2008 remuneration of RMB70,000;

Mr. Dong Guiguo (former Executive Director) waived 2008 remuneration of RMB66,900;

Mr. Bai Yan (Executive Director and Company Secretary) waived 2008 remuneration of RMB100,000;

Mr. Hu Wentai (Non-executive Director and Vice Chairman) waived 2008 remuneration of RMB2,200 (duly appointed on 16 December 2008);

Mr. Zhang Han'an (Non-executive Director) waived 2008 remuneration of RMB50,000.

Supervisors' Remuneration

Mr. Chen Kewen (former supervisor) waived 2008 remuneration of RMB20,000;

Ms. Zeng Xuemei (supervisor) waived 2008 remuneration of RMB20,000.

Other Information

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%

Other Information

H shares

<u>Name of Shareholder</u>	<u>Type of Interest</u>	<u>Number of shares</u>	<u>Approximate percentage of H shares issued</u>	<u>Approximate percentage of total issued share capital</u>
Zhang Gaobo (Note 1)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Zhang Zhiping (Note 1)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited (Note 1)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (Note 1)	Beneficial	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Group Limited (Note 1)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
UBS AG (Note 2)	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) (Note 3)	5.12%	2.46%



Other Information

Notes:

1. 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.
2. 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).
3. (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.

Other Information

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 was 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 2009.

Audit Committee

The Audit Committee has, together with the management, reviewed the interim report, including 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.



Other Information

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 report, 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

Condensed Consolidated Interim Balance Sheet

(RMB'000)	Note	As at 30 June 2009 Unaudited	As at 31 December 2008 Audited
ASSETS			
Non-current assets			
Land use rights	5	155,219	156,965
Property, plant and equipment	5	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	6	232,705	109,236
Other receivables and prepayments		11,513	15,811
Time deposits	7	355,000	162,000
Cash and cash equivalents	7	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	8	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

The notes on pages 24 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

(RMB'000)	Note	As at 30 June 2009 <u>Unaudited</u>	As at 31 December 2008 <u>Audited</u>
LIABILITIES			
Non-current liabilities			
Borrowings – secured	9	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	10	122,312	67,768
Current income tax liabilities		3,885	39,256
Borrowings – secured	9	<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>

The notes on pages 24 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(RMB'000)	Note	Six months ended 30 June	
		2009 Unaudited	2008 Unaudited
Revenue			
Aeronautical		159,581	160,261
Non-aeronautical		50,490	52,632
		210,071	212,893
Cost of services and sale of goods	4 11	(64,854)	(72,876)
Gross profit		145,217	140,017
Administrative expenses	11	(27,760)	(26,438)
Operating profit		117,457	113,579
Finance income		4,090	5,064
Finance costs		(603)	(871)
Share of loss of an associate		(24)	–
Profit before income tax		120,920	117,772
Income tax expense	12	(12,762)	–
Profit for the period		108,158	117,772
Attributable to:			
– shareholders of the Company		108,161	117,744
– minority interests		(3)	28
		108,158	117,772
		RMB	RMB
Earnings per share for profit attributable to the shareholders of the Company			
– basic and diluted	13	23 cents	25 cents
Dividends	14	–	–

The notes on pages 24 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

	Six months ended 30 June	
	2009	2008
(RMB'000)	Unaudited	<u>Unaudited</u>
Profit for the period	108,158	117,772
Other comprehensive income		
Share of reserve of an associate	395	–
Total comprehensive income for the period	108,553	<u>117,772</u>
Attributable to:		
– shareholders of the Company	108,556	117,744
– minority interests	(3)	<u>28</u>
	108,553	<u>117,772</u>

The notes on pages 24 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

		Unaudited					
		Attributable to the shareholders of the Company					
(RMB'000)	Note	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
Balance as at 1 January 2008		1,100,250	143,383	447,276	1,690,909	575	1,691,484
Profit for the period		-	-	117,744	117,744	28	117,772
Other comprehensive income:							
Transfer resulting from depreciation of revaluated assets		-	(1,026)	1,026	-	-	-
Total comprehensive income for the period ended 30 June 2008		-	(1,026)	118,770	117,744	28	117,772
Dividends relating to 2007 announced in May 2008	14	-	-	(33,682)	(33,682)	-	(33,682)
Balance as at 30 June 2008		1,100,250	142,357	532,364	1,774,971	603	1,775,574
Balance as at 1 January 2009		1,100,250	160,204	583,207	1,843,661	601	1,844,262
Profit for the period		-	-	108,161	108,161	(3)	108,158
Other comprehensive income:							
Share of reserve of an associate		-	395	-	395	-	395
Transfer resulting from depreciation of revaluated assets		-	(1,026)	1,026	-	-	-
Total comprehensive income for the period ended 30 June 2009		-	(631)	109,187	108,556	(3)	108,553
Dividends relating to 2008 announced in May 2009	14	-	-	(62,495)	(62,495)	-	(62,495)
Balance as at 30 June 2009		1,100,250	159,573	629,899	1,889,722	598	1,890,320

The notes on pages 24 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(RMB'000)	Note	Six months ended 30 June	
		2009 Unaudited	2008 Unaudited
Cash flows from operating activities			
Cash generated from operations		14,855	58,833
Interest paid		(603)	(871)
Income tax paid		(48,235)	–
Net cash (used in)/generated from operating activities		(33,983)	57,962
Cash flows from investing activities			
Purchases of property, plant and equipment		(5,341)	(11,103)
(Increase)/decrease in time deposits		(193,000)	105,401
Interest received		4,090	5,064
Net cash (used in)/generated from investing activities		(194,251)	99,362
Cash flows from financing activities			
Repayment of borrowings		(2,000)	(7,000)
Dividends paid to shareholders		–	(16,033)
Net cash used in financing activities		(2,000)	(23,033)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		507,339	363,188
Cash and cash equivalents at end of period	7	277,105	497,479

The notes on pages 24 to 38 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General Information

Hainan Meilan International Airport Company Limited (the “Company”) was established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”) on 28 December 2000. Its H-shares have been listed on The Stock Exchange of Hong Kong Limited since 18 November 2002. The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the operation of the Meilan Airport in Hainan, the PRC (the “Meilan Airport”) and certain ancillary commercial businesses.

In the opinion of the directors of the Company (the “Directors”), the ultimate holding company is Haikou Meilan International Airport Company Limited, a company established in the PRC with limited liability. The address of its registered office is Meilan Airport Complex, Haikou City, Hainan Province, PRC.

This condensed consolidated interim financial information was approved for issue on 25 August 2009.

2 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 Standard (“IFRS”).

3 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”



Notes to the Condensed Consolidated Interim Financial Information

3 Accounting policies (Continued)

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.

- 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.

Notes to the Condensed Consolidated Interim Financial Information

4 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 considers 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.

(RMB'000)	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
	159,581	160,261
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
	50,490	52,632
Total revenues	210,071	212,893

Notes to the Condensed Consolidated Interim Financial Information

5 Property, plant and equipment and land use rights

(RMB'000)	<u>Property, plant and equipment</u>	<u>Land use rights</u>
Six months ended 30 June 2009		
Opening net book amount as at 1 January 2009	995,100	156,965
Additions	5,341	-
Disposals	(24)	-
Depreciation and amortisation	(22,698)	(1,746)
Closing net book amount as at 30 June 2009	977,719	155,219
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)
Closing net book amount as at 30 June 2008	996,558	158,792

6 Trade receivables

(RMB'000)	As at	
	<u>30 June 2009</u>	<u>31 December 2008</u>
Trade receivables from third parties	46,525	40,645
Less: provision for impairment of receivables	(13,381)	(14,471)
	33,144	26,174
Trade receivables from related parties (Note 15(b))	138,082	73,484
Airport fee receivable	61,479	9,578
	232,705	109,236

The carrying amounts of trade receivables approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

6 Trade receivables (Continued)

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

(RMB'000)	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
	232,705	109,236

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 from airline companies totaling RMB90,166,000 were settled.

7 Time deposits and cash and cash equivalents

(a) Time deposits

(RMB'000)	As at	
	30 June 2009	31 December 2008
Time deposits with a related party (Note 15(b))	355,000	100,000
Time deposits with third parties	–	62,000
Total time deposits	355,000	162,000

Notes to the Condensed Consolidated Interim Financial Information

7 Time deposits and cash and cash equivalents (Continued)

(b) Cash and cash equivalents comprised:

(RMB'000)	As at	
	30 June 2009	31 December 2008
Cash on hand	77	122
Cash in bank		
–RMB	184,978	157,058
–Other currencies	1,425	1,817
	186,403	158,875
Current deposits with a related party (Note 15(b))		
–RMB	60,625	88,342
Short-term deposits with a related party (Note 15(b))		
–RMB	30,000	260,000
Total cash and cash equivalents	277,105	507,339
Maximum exposure to credit risk	277,028	507,217

Notes to the Condensed Consolidated Interim Financial Information

8 Share capital

(RMB'000)

**As at 30 June 2009
and 31 December 2008**

Share capital registered, issued and fully paid		
– 246,300,000 Domestic shares of RMB1 each		246,300
– 226,913,000 H-shares of RMB1 each		226,913
		<u>473,213</u>
Share premium arising from group reorganisation in 2000		69,390
Share premium arising from new issue net of issuing expenses		557,647
		<u>627,037</u>
		<u>1,100,250</u>

9 Borrowings – Secured

(RMB'000)

	30 June 2009	As at 31 December 2008	30 June 2008
Non-current	10,000	12,000	14,000
Current	4,000	4,000	4,000
	14,000	<u>16,000</u>	<u>18,000</u>

Movements in borrowings
is analysed as follows:

Six months ended 30 June 2009

Opening amount as at 1 January 2009	16,000
Repayments of borrowings	<u>(2,000)</u>
Closing amount as at 30 June 2009	<u>14,000</u>

Six months ended 30 June 2008

Opening amount as at 1 January 2008	25,000
Repayments of borrowings	<u>(7,000)</u>
Closing amount as at 30 June 2008	<u>18,000</u>

Notes to the Condensed Consolidated Interim Financial Information

9 Borrowings – Secured (Continued)

As at 30 June 2009, bank borrowings of RMB14,000,000 (2008:RMB16,000,000) were secured by a floating charge over the Company's revenues.

Interest expense on borrowings for the six months ended 30 June 2009 amounted to RMB603,000 (the six months ended 30 June 2008: RMB871,000).

10 Trade and other payables

(RMB'000)	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 (Note 15(b))	22,872	4,526
	122,312	67,768

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:

(RMB'000)	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
	6,115	7,120

Notes to the Condensed Consolidated Interim Financial Information

11 Expenses by nature

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

(RMB'000)	Six months ended 30 June	
	2009	2008
Airport and logistic composite services fee	13,434	14,615
Business tax and levies	5,618	5,831
Depreciation of property, plant and equipment (Note 5)	22,698	24,303
Amortisation of land use rights (Note 5)	1,746	1,664
Employee benefit expenses	29,869	25,339
Other taxes	3,082	3,100
Auditors' remuneration	620	550
Loss on disposal of property, plant and equipment	24	42
Reversal of impairment of trade receivables	(1,090)	–
Utilities	5,513	7,152
Repairs and maintenance	1,825	2,729

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.



Notes to the Condensed Consolidated Interim Financial Information

12 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 (the six months ended 30 June 2008: Nil). Taxation in the income statement represents provision for PRC corporate income tax ("CIT").

(RMB'000)	Six months ended 30 June	
	2009	2008
Current income tax		
–outside Hong Kong	12,864	–
Deferred income tax	(102)	–
	12,762	–

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 for the Company in 2009 is 10% (2008:nil).

Notes to the Condensed Consolidated Interim Financial Information

13 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)	108,161	117,744
Weighted average number of ordinary shares in issue (thousands)	473,213	473,213
Basic earnings per share (RMB per share)	23 cents	25 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 2009 and 2008.

14 Dividends

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

Notes to the Condensed Consolidated Interim Financial Information

15 Related party transactions

The Company is controlled by Haikou Meilan International Airport Company Limited (the "Parent Company") established in the PRC which owns 50.19% of the Company's shares. Oriental Patron Financial Services Group Limited ("Oriental Patron") owns 19.94% of the Company's shares. Hainan Airlines and HNA Group Co., Ltd. ("HNA Group") owns 1.12% and 0.74% of the Company's shares respectively. The remaining 28.01% of the shares are widely held by the public.

- (a) The following is a summary of material transactions carried out with related parties in the ordinary course of business during the period:

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Nature of transactions</u>	<u>Six months ended 30 June (RMB'000)</u>	
			<u>2009</u>	<u>2008</u>
Revenues:				
Hainan Airlines	Shareholder	Income for provision of customary airport ground services	49,042	49,972
		Rental income for leasing of office and commercial space	3,403	4,117
China Southern Airlines Co., Ltd. ("Southern Airlines")	Promoter	Income for provision of customary airport ground services	22,473	22,733
		Rental income for leasing of office and commercial space	2,623	3,603
Xiamen Airlines Company Limited ("Xiamen Airlines")	Subsidiary of Southern Airlines	Income for provision of customary airport ground services	1,318	1,396
Hainan Airlines Food Company Limited ("Hainan Food")	Subsidiary of Hainan Airlines	Franchise income from catering services	1,589	1,287
Luckyway Travelling Company Limited ("Luckyway")	Subsidiary of Hainan Airlines	Franchise income from tourism and traveling services at Meilan Airport	2,455	2,115
Hainan HNA China Duty Free Merchandise Co., Ltd. ("HNA China Duty Free")	Jointly controlled by HNA Group	Franchise income	1,701	1,941
Deer Air Co., Ltd. ("Deer Air")	Subsidiary of HNA Group	Income for provision of customary airport ground services	1,757	1,106

Notes to the Condensed Consolidated Interim Financial Information

15 Related party transactions (Continued)

- (a) The following is a summary of material transactions carried out with related parties in the ordinary course of business during the period: (Continued)

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Nature of transactions</u>	<u>Six months ended 30 June (RMB'000)</u>	
			<u>2009</u>	<u>2008</u>
Revenues: (Continued)				
Grand China Express Airlines Co., Ltd. ("Grand China Express Airlines")	Jointly controlled by HNA Group	Income for provision of customary airport ground services	764	–
Hong Kong Airlines Limited ("Hong Kong Airlines")	Jointly controlled by HNA Group	Income for provision of customary airport ground services	1,237	1,203
HNA Group Finance Co., Ltd. ("HNA Group Finance")	Jointly controlled by HNA Group	Interest income	3,485	4,080
Expenses:				
Haikou Meilan International Airport Co., Ltd.	Parent Company	Airport composite services	6,337	7,874
HNA Group	Shareholder	Logistic composite services	5,092	5,457
Hainan Airlines Aviation Information System Co., Ltd. ("HNAAIS")	Subsidiary of HNA Group	Information system maintenance services	970	941
HNA Henghe Property Management Co., Ltd.	Subsidiary of HNA Group	Property management service	2,569	–
Sharing of customary airport ground services income:				
Haikou Meilan International Airport Company Limited	Parent Company	Sharing of customary airport ground services income by the Parent Company	46,867	43,796

Notes to the Condensed Consolidated Interim Financial Information

15 Related party transactions (Continued)

(b) Balances with related parties comprised:

(RMB'000)	As at	
	30 June 2009	31 December 2008
Trade receivables from related parties:		
Hainan Airlines	86,009	32,479
Southern Airlines	29,664	22,971
Luckyway	4,098	1,459
Hong Kong Airlines	3,891	5,218
Deer Air	3,646	3,243
Hainan Food	3,336	2,297
Grand China Express Airlines	2,091	1,323
HNA China Duty Free	1,794	971
Others	3,553	3,523
	138,082	73,484
Other receivables from related parties:		
Luckyway	3,392	3,299
Others	980	583
	4,372	3,882
Time deposits with a related party:		
HNA Group Finance (note (a))	355,000	100,000
Current deposits with a related party:		
HNA Group Finance (note (a))	60,625	88,342
Short-term deposits with a related party:		
HNA Group Finance (note (a))	30,000	260,000
	445,625	448,342
Payables to related parties:		
Parent Company	20,738	2,247
Other related parties	2,134	2,279
	22,872	4,526

Notes to the Condensed Consolidated Interim Financial Information

15 Related party transactions (Continued)

(b) Balances with related parties comprised: (Continued)

Note (a): in accordance with an agreement with a term from 8 October 2007 to 7 October 2010 between the Company and HNA Group Finance dated 8 October 2007, HNA Group Finance shall provide financial services to the Group, including deposit services, settlement services, loans and finance leasing services, etc. as approved by China Banking Regulatory Commission. Such services provided by HNA Group Finance to the Group are on the terms similar or even more favourable than those offered by independent third parties for the provision of comparable services in the PRC.

Trade receivables from related parties are unsecured, interest-free and with a credit period of 1 to 3 months. Other balances due from/to related parties are unsecured, interest-free and without fixed terms of repayment, unless otherwise stated.