美兰机场
MEILAN AIRPORT

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 2010

FINANCIAL HIGHLIGHTS

– Total revenue was RMB262,419,000
– Revenue from the aeronautical business was RMB173,147,000
– Revenue from the non-aeronautical business was RMB89,272,000
– Net profit attributable to shareholders was RMB133,031,000
– Earnings per share was RMB0.28

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 Company and its subsidiaries ("the Group") as at 30 June 2010 and for the six months ended 30 June 2010, which have been reviewed by the audit committee of the Company (the "Audit Committee"), together with the comparative figures for the corresponding period of 2009 as follows:

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2010 *RMB'000* Unaudited	As at 31 December 2009 *RMB'000* Audited
ASSETS			
Non-current assets			
Land use rights		**151,881**	153,622
Property, plant and equipment		**935,458**	959,344
Investment in an associate		**30,875**	30,875
Total non-current assets		**1,118,214**	1,143,841
Current assets			
Inventories		**6**	11
Trade receivables	*4*	**177,311**	179,883
Other receivables and prepayments		**19,599**	14,229
Current income tax recoverable		**702**	4,864
Time deposits		**95,000**	160,000
Cash and cash equivalents		**853,044**	588,678
Total current assets		**1,145,662**	947,665
Total assets		**2,263,876**	2,091,506
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		**1,100,250**	1,100,250
Other reserves		**178,173**	177,559
Retained earnings		**722,089**	684,315
		2,000,512	1,962,124
Non-controlling interests		**8,274**	599
Total equity		**2,008,786**	1,962,723

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 30 June 2010 *RMB'000* Unaudited	As at 31 December 2009 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Borrowings – secured		**6,000**	8,000
Deferred income tax liabilities		**7,729**	9,666
Deferred income – government grants		**3,000**	3,000
Total non-current liabilities		**16,729**	20,666
Current liabilities			
Trade and other payables	*5*	**234,361**	104,117
Borrowings – secured		**4,000**	4,000
Total current liabilities		**238,361**	108,117
Total liabilities		**255,090**	128,783
Total equity and liabilities		**2,263,876**	2,091,506
Net current assets		**907,301**	839,548
Total assets less current liabilities		**2,025,515**	1,983,389

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2010 RMB'000 Unaudited	2009 RMB'000 Unaudited
Revenue	3	**262,419**	210,071
Cost of services and sales	6	**(95,704)**	(64,854)
Gross profit		**166,715**	145,217
Administrative expenses	6	**(30,147)**	(27,760)
Operating profit		**136,568**	117,457
Finance income		**8,409**	4,090
Finance costs		**(328)**	(603)
Share of loss of an associate		**–**	(24)
Profit before income tax		**144,649**	120,920
Income tax expense	7	**(8,843)**	(12,762)
Profit for the period		**135,806**	108,158
Profit attributable to:			
– shareholders of the Company		**133,031**	108,161
– non-controlling interests		**2,775**	(3)
		135,806	108,158
		RMB	RMB
Earnings per share for profit attributable to the shareholders of the Company			
– basic and diluted	8	**28 cents**	23 cents
Dividends	9	**56,786**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Profit for the period	**135,806**	108,158
Other comprehensive income	**–**	–
Total comprehensive income for the period	**135,806**	108,158
Attributable to:		
– shareholders of the Company	**133,031**	108,161
– non-controlling interests	**2,775**	(3)
	135,806	108,158

1. Basic of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with International Financial Reporting Standard ("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 2009, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group applied IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

2. **Accounting policies (continued)**

(a) New and amended standards adopted by the Group (continued)

- IAS 27 (revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IAS 38 (amendment) "Intangible Assets" (effective from 1 July 2009). The Group and the Company applied IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment has no impact on the Group.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

- IFRIC Int 17, "Distributions of non-cash assets to owners" is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- "Additional exemptions for first-time adopters" (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

- IAS 39 (Amendment), "Eligible hedged items" is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- IFRS 2 (Amendment), "Group cash-settled share-based payment transaction" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB. The improvement related to IFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009. The improvements have has no impact on the Group.

- Second improvements to International Financial Reporting Standards (2009) were issued by the IASB in April 2009. All improvements are effective in the financial year of 2010. The improvements have no impact on the Group

3. **Revenue 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.

3. Revenue and segment information (continued)

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Analysis of revenue by category		
Aeronautical:		
Passenger charges	**70,688**	65,018
Airport fee	**56,681**	51,900
Aircraft movement fees and related charges	**24,243**	22,848
Ground handling services income	**21,535**	19,815
	173,147	159,581
Non-aeronautical:		
Franchise fee	**28,582**	21,747
Freight and packing	**36,272**	8,779
Rental	**7,088**	7,448
VIP room charge	**7,660**	4,808
Car parking	**3,571**	2,779
Others	**6,099**	4,929
	89,272	50,490
Total revenue	**262,419**	210,071

4. Trade receivables

	As at	
	30 June	31 December
	2010	2009
	RMB'000	*RMB'000*
Trade receivables from third parties	**83,589**	72,156
Less: provision for impairment of receivables	**(11,972)**	(11,520)
	71,617	60,636
Trade receivables from related parties	**105,694**	119,247
	177,311	179,883

4. **Trade receivables (continued)**

As at 30 June 2010, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
0 – 90 days	**114,084**	105,436
91 – 180 days	**39,550**	29,912
181 – 365 days	**16,485**	41,171
Over 365 days	**7,192**	3,364
	177,311	179,883

The credit terms given to trade customers are determined on individual basis with the normal credit period ranging from 1 to 3 months. As at 25 August 2010, trade receivables from airline companies totaling RMB39,851,000 were settled.

5. **Trade and other payables**

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Trade payables	**3,637**	4,095
Other payables	**86,361**	91,133
Dividend payables	**94,643**	–
Deposits received	**6,187**	6,003
Due to related parties	**43,533**	2,886
	234,361	104,117

As at 30 June 2010, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
0 – 90 days	**24,750**	2,314
91 – 180 days	**17,690**	731
181 – 365 days	**2,070**	1,123
Over 365 days	**2,660**	2,813
	47,170	6,981

6. Expenses by nature

Expenses/(income) included in cost of services and sales and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Airport and logistic composite services fee	**16,697**	13,434
Costs of packing materials	**19,740**	-
Business tax and levies	**7,359**	5,618
Depreciation of property, plant and equipment	**28,918**	22,698
Amortisation of land use rights	**1,741**	1,746
Employee benefit expenses	**25,628**	29,869
Other taxes	**3,128**	3,082
Loss on disposal of property, plant and equipment	**104**	24
Provision for/(reversal of) impairment of trade receivables	**452**	(1,090)
Utilities	**8,892**	5,513
Repairs and maintenance	**371**	1,825

7. Income tax expense

Hong Kong profits tax has not been provided for as the Group had no estimated assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2009: Nil). Income tax expense in the income statement represents provision for PRC corporate income tax ("CIT").

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
– outside Hong Kong	**10,780**	12,864
Deferred income tax	**(1,937)**	(102)
	8,843	12,762

Income tax expense is recognised based on management's best estimate of the annual income tax rates expected for the full financial year.

Effective from 1 January 2008, the Company shall pay the corporate income tax ("CIT") 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 CIT rate applicable to the Company will be gradually increased to 25% in a 5-year period from 2008 to 2012. The tax rate for 2010 is 22% (2009: 20%).

Pursuant to the approval document (Hai Guo Shui Han 2008 No.13) issued by Haikou State Tax Bureau dated 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 2010, the applicable tax rate for the Company in 2010 is 11% (2009: 10%).

8. **Earnings per share**

	Six months ended 30 June (RMB cents per share)	
	2010	2009
Earnings per share for profit attributable to the shareholders of the Company – basic and diluted	**28**	23

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 2010 and 2009.

9. **Dividends**

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interim, proposed, of 12 cents (for the six months ended 30 June 2009: nil) per share	**56,786**	–

An interim dividend of 12 cents per share (for the six months ended 30 June 2009: nil) was proposed by the Board of Directors on 25 August 2010. This interim dividend, amounting to RMB56,786,000 (for the six month ended 30 June 2009: nil), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of the unprecedented financial crisis, governments from the world launched various economic rescue measures and hence the global economy is starting to recover. China's economy is having an obviously stronger momentum and a stable GDP growth was recorded in the first half of the year thanks to the Chinese government's continuance of the macro-control policy from the start of 2010. The total supply and total demand in the Chinese society are now basically balanced, and the growth of the economy has started to be jointly led by consumption, investment and export. As the structure of the economic growth is experiencing positive changes, the stability and sustainability of growth are enhanced. Half a year since the approval of Hainan's International Tourism Island, the government of Hainan Province continued to consistently enforce the State's policy to expand domestic demand, stimulate economic growth, strengthen investment pull and employ various measures to steadily facilitate the construction of the International Tourism Island. During the first half of 2010, the economy of the Hainan Province generally grew with great strength, the growth rate is significantly increased and the efficiency is greatly enhanced. Hainan continues to achieve overall economic growth and economic structure optimization through large construction projects. The progress of a series of large construction projects has been accelerated, and the rate of increase in fixed assets investment in the province ranks first in the country. The number of tourists, especially those from overseas increased significantly, and the revenue from tourism maintained steady growth. Residents' consumption grew quickly, the production and sale of agricultural products were thriving and the efficiency was greatly enhanced. Fiscal revenue greatly increased and the source of revenue was diversifying. The financial market maintained stable with significant overall growth.

During the period under review, Hainan Meilan International Airport Company Limited ("Meilan Airport" or the "Company") and its subsidiaries (collectively, "the Group") grasped the opportunities of the improving domestic economy, the establishment of the ASEAN Free Trade Area and the construction of the Hainan International Tourism Island to develop its main aeronautical business, increase revenue from non-aeronautical business with great effort, fully utilize the potential of the Company's resources and greatly enhance the effort in cost-control. With these efforts, Meilan Airport achieved satisfactory results in terms of the three major operating indicators, i.e. passenger throughput, aircraft movement and cargo throughput, and the overall operating environment remained stable.

For the six months ended 30 June 2010, the Group's total revenue amounted to approximately RMB262,419,000, representing an increase of 24.92% as compared to the corresponding period of last year. Net profit attributable to shareholders of the Company increased by 22.99% over the corresponding period of last year to RMB133,031,000. Earnings per share amounted to RMB28 cents (earnings per share for the corresponding period of last year: RMB23 cents). The increase in net profit attributable to shareholders of the Group in the first half of 2010 was mainly due to the Company's grasping of opportunities of the country's improving economy and the construction of the Hainan International Tourism Island to further develop its main aeronautical business and expand the non-aeronautical business, as a result of which the operating revenue significantly increased.

BUSINESS REVIEW

1. Aeronautical Business

For the six months ended 30 June 2010, total passenger throughput amounted to 4,755,100, representing an increase of 8.23% as compared to the corresponding period of last year. Aircraft movement amounted to 40,136, representing an increase of 14.61% as compared to the corresponding period of last year. Cargo throughput reached 86,168.20 tons, representing an increase of 15.40% over the corresponding period of last year.

For the six months ended 30 June 2010, revenue from the Group's aeronautical business was RMB173,147,000, representing an increase of 8.50% as compared to the corresponding period of last year.

So far as the directors of the Company are aware, the airport fee levy shall cease after 31 December 2010. For the six months ended 30 June 2010, the Company still received 48% of the collected airport fee of the Hainan Meilan International Airport according to the notice of the related government authorities. The Company will pay due attention to any adjustment of policies related to the airport fee and will update the shareholders by announcement promptly for any changes on the latest development.

Growth of Domestic Flights Achieved

For the six months ended 30 June 2010, domestic passenger throughput of Meilan Airport reached 4,567,000, representing an increase of 7.89% as compared to the corresponding period of last year. Aircraft movements amounted to 38,545, representing an increase of 14.83% as compared to the corresponding period of last year. Cargo throughput amounted to 84,001.60 tons, representing an increase of 15.66% over the corresponding period of last year.

In the first half of 2010, the economy of Hainan Province grew greatly and was able to cope with the relatively steady growth of demand for its civil aviation market. The Group also employed various proactive measures in developing the domestic aviation market and continuously improving the market development strategies. In the first half of 2010, domestic flights achieved significant growth.

- In the face of the increasingly severe market competition, the Company proactively launched promotion measures. Through the scientific analysis of production tasks for the whole year, the Company prepared an aviation market development scheme with clear targets, actively engaged in market research to understand the business needs of airlines, proactively provided airlines with a detailed analysis report regarding the Haikou aviation market, enhanced communications, cooperated with airlines for tourism market development, strived for their arrangement of idle transportation capacity and prepared for the subsequent market development.

- In order to enhance the Haikou aviation market to enable it to achieve stable and rapid development, the Company actively applied to the local government for more subsidies to the Haikou aviation market. On May 4, the Haikou government launched the "Supplemental Rules of Temporary Measures for the Further Encouragement of Passenger Aviation Market of Haikou", to increase financial subsidies for airlines which set up their new base, aircraft movement in and out of Haikou of international flights, domestic flights, Hong Kong-Macau-Taiwan flights and increase in landing passengers of new domestic routes. The launch of this policy lay down solid foundation for the Company to accomplish the production and operation goal of the year, subsequent market development and the future development of the aviation market and business development of Meilan Airport.

- The Company actively participated in aviation market fairs to make use of the opportunities to promote the newly launched subsidy policies of Haikou to the participating airlines and to enhance their confidence in developing the Haikou aviation market was strengthened.

Development of International Flights

During the period under review, as Hong Kong Express launched the Haikou-Hong Kong route and Singapore Jetstar started the Haikou-Singapore route, international and regional passenger throughput significantly increased as compared to the same period last year. At the same time, Meilan Airport promoted the construction of the International Tourism Island, actively promoted Haikou's new subsidy policy and built up links with foreign airlines during the 15th World Route Development Forum in 2009.

For the six months ended 30 June 2010, international passenger (including regional passenger) throughput of Meilan Airport reached 188,100, aircraft movements amounted to 1591, cargo throughput amounted to 2,166.60 tons, representing an increase of 17.20%, 9.57% and 6.14% respectively over the corresponding period of last year.

2. Non-aeronautical Business

In the first half of 2010, in order to offset the decrease in consumption demand due to the economic crisis, the Group actively explored areas with profit growing potential for its non-aeronautical business and the revenue of non-aeronautical business greatly increased over the corresponding period of last year.

For the six months ended 30 June 2010, revenue from the Group's non-aeronautical business was RMB89,272,000, representing an increase of 76.81% over the corresponding period of last year.

- The Group's cargo business achieved revenue of RMB36,272,000 in the first half of the year, representing an increase of 313.17% over the corresponding period of last year, which was mainly due to the change of the Company's cargo business operation. A professional cargo company was established for the development of the cargo market and revenue from cargo business grew rapidly.

- In the first half of the year, the Group recorded franchise fees of RMB28,582,000, representing an increase of 31.43% over the corresponding period of last year. This is mainly attributable to the increase in revenue from advertisement franchise fees and growth in the income of Hainan DFS Retail Company Limited (DFS).

- The Group's VIP service business achieved revenue of RMB7,660,000 in the first half of the year, representing an increase of 59.32% over the corresponding period of last year, which was mainly due to the increase of charges and 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 facilitated Meilan Airport's participation into the Airport Service Quality (ASQ) program so as to speed up its integration with world-class airport management standard under the name of the "Oriental Dubai". The Group has successfully obtained the ACI Global Award for Outstanding Contribution of General Manager (one of the important awards which are mainly granted to the airport companies who have made a success on upgrading the quality of service) from Airports Council International and a number of national and provincial honors. We have also received appreciation from all sectors in respect of our quality logistic and security services in large events such as the "Two Meetings" of the National People's Congress and the CPPCC, the first Bo'ao International Tourism Forum and Bo'ao Forum for Asia.

FINANCIAL REVIEW

1. Asset Analysis

As at 30 June 2010, total assets of the Group amounted to RMB2,263,876,000, representing an increase of 8.24% over 31 December 2009, of which RMB1,145,662,000 were current assets and RMB1,118,214,000 were non-current asset. The increase in assets was mainly due to the increase in cash and cash equivalents.

2. Costs Analysis

For the first half of 2010, the Group's costs of services and sales amounted to RMB95,704,000, representing an increase of 47.57% as compared to the corresponding period of last year, which was mainly due to the increase in costs of cargo business and utilities fees.

For the first half of 2010, the Group's administrative expenses amounted to RMB30,147,000, representing an increase of 8.60% as compared to the corresponding period of last year, which was mainly due to payment of part of transaction costs related to acquisition of HNA Airport Holding (Group) Co., Ltd.

3. Gearing ratio

As at 30 June 2010, the Group had total current assets of RMB1,145,662,000, total assets of RMB2,263,876,000, total current liabilities of RMB238,361,000 and total liabilities of RMB255,090,000. As at 30 June 2010, the Group's gearing ratio (total liabilities/total assets) was 11.27%, representing an increase of 5.11% compared to that as at 31 December 2009, which was due to the increase of the dividend payable (2009 dividends have been declared but remained outstanding during that period and were paid on 27 July 2010).

4. Pledge on the Group's assets

The Group pledged its rights to revenues, to secure a long-term bank loan of RMB128,000,000 from China Development Bank. As at 30 June 2010, the balance of the bank loan was RMB10,000,000.

5. Capital structure of the Group

As at 30 June 2010, the total issued share capital of the Company was RMB473,213,000. Now the Group still has bank loan of RMB10,000,000 outstanding. 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 2010, the Company intended to acquire a total of 54.5% equity interests in HNA Airport Holding (Group) Co, Ltd. ("HNA Airport Group").

HNA Airport Group is principally engaged in airport investment, operation management and ground services relating to air transportation, including the operation of eight airports, namely Sanya Phoenix Airport, Dongying Yong An Airport, Manzhouli Xijiao Airport, Yichang Sanxia Airport, Gansu Dunhuan Airport, Qingyang Airport, Lanzhou Zhongchuan Airport and Jiayuguan Airport. It is one of the major airport management groups in the PRC.

The acquisition will facilitate the Company to integrate the civil airport resources in Hainan Island, and resolve the competition issue of "one island, two airports". It will also facilitate synergies and strengthen the Company's abilities in reasonable use of the route resources in Hainan Island, enhancement of efficiencies for the two airports and reduction of overall operating costs, as well as taking the initiative in cooperating with the airline companies. The acquisition will enable the Company to leap out of Hainan Island, position in regions with potentials of economic development, and lay down a solid foundation for sustainable revenue of the Company in the future.

The management of the Company considered that the acquisition of the HNA Airport Group will benefit the Company's domestic development and expansion, and is an important measure in achieving the strategic target of becoming a regional airport management group.

7. Material Acquisitions

For the six months ended 30 June 2010, the Company announced on 6 April and 31 May 2010 that they have entered into the conditional Share Transfer Agreements with HNA Group Company Limited and Kingward Investment Limited respectively for the acquisition of HNA Airport Group at a total consideration of RMB2,199.9 million (approximately HK$2,485.0 million). The terms and conditions of the Share Transfer Agreements are determined on normal commercial terms after arm's length negotiations between the parties thereto.

The Company also approved the acquisition of 30% equity interests in the HNA Airport Group held by HNA Group Company Limited for RMB1,211 million by issuing A shares at the extraordinary general meeting and domestic shareholders class meeting held on 31 May 2010.

Please see the announcements dated 6 April and 31 May 2010 for details of the above.

8. Employees and remuneration policy

As at 30 June 2010, the Group had a total of 582 employees, representing a decrease of 12 employees as compared to 594 employees at the beginning of the year, which was due to normal staff changes. 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 2010, the Group's total staff cost accounted for approximately 9.77% of its total turnover. The staff cost decreased by 14.20% over the corresponding period of last year, which was mainly due to the decrease in payment of compensations for dismissal by the Company as a result of changes in management structure.

9. Entrusted deposits and overdue fixed deposits

As at 30 June 2010, the Group did not have any entrusted deposits and overdue fixed deposits.

10. Contingent liabilities

As at 30 June 2010, 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 RMB. As at 30 June 2010, except cash and cash equivalents of approximately RMB643,443.61 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 2009 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 current global economic recovery is mainly the result of large-scale stimulus measures and inventory adjustment in different countries. As the economy lacks self-motivation for growth, global economy faces a number of downside risks and uncertainties. First of all, different from the "blowout" growth in consumer spending of developed countries for the first year after a serious economic recession in the past, after the current recession, the US-led developed countries adjusted their ways of growth by increasing savings and reducing consumption, which would lead to weak or even shrinking global demand. Second, the productivity of the developed countries is still in serious excess, coupled with tightening credit in western banks, fixed capital investment is difficult to rebound significantly as before, which was the basis of previous economic recoveries. Third, the unemployment rates in developed countries are still high and contribute to the continued rise of protectionism, which restricted the recovery of global trade and economic growth. Fourth, the disposal of the huge toxic assets and balance sheet adjustment in leading US and Europe financial institutions have not been completed and credit conditions remain tight. Fifth, the major economies are in a dilemma on when to "exit" the stimulus policies as an early exit will stop the recovery prematurely and a late one will exacerbate the inflation and asset bubbles. Therefore, it takes a long process for the economic recovery to change from "government-driven" to "economy-driven" effectively.

The Chinese government took the lead in guiding the rebound of China's economy mainly through two measures: one was to offset the sharp decline in export demand by the dramatic expansion of investment demand; second was the huge credit injection of about RMB10 trillion. However, in the long run, the problem of excess productivity will intensified if it continues to rely on investment expansion for growth. The US government has clear breakthrough in three major industries after the crisis, namely the smart grid, new energy and energy efficiency. The Japanese and Korean government have also publicly announced to commit in new growth momentum, including further adjustment of the energy consumption structure and cultivation of the green industry. "Structural adjustment" will undoubtedly become the theme of the next phase of China's economic development and the Chinese government will focus on solving the problem of long-term development in the second half of the year by putting efforts in aspects such as income distribution reform, energy conservation and structural reform.

In the first half of 2010, the construction of the Hainan International Tourism Island was included in the state development strategies as the central government has provided its largest and most extensive policy support since the establishment of the Hainan Province and its Economic Region. At the same time, benefited from the continued implementation of proactive fiscal policy and appropriate monetary policy by the central government, the economy of Hainan Province has recorded a strong growth with seven major economic indicators ranked first in the country in the first quarter.

Recently, the Outline of Planning for the Construction and Development of the Hainan International Tourism Island (the "Outline") promulgated by the Hainan Provincial Committee of CPC and provincial government was approved by the National Development and Reform Commission. The Outline suggested specific arrangement in aspects such as spatial distribution, infrastructure, industry development, protective measures and recent action plans. The Outline confirmed that the Hainan International

Tourism Island will establish six major functional groups which mainly develop eight industries in tourism, culture and sports, real estates, finance and insurance, commerce and catering and modern logistics, modern agriculture with tropical characteristics, new and hi-technology industry and marine economy; it will focus on the development of 17 scenic spots and resorts such as the national geological park in Haikou, the aerospace technology theme park in Wenchang and the Yalong Bay National Resort District. The Outline has provided a more practical framework for the development in Hainan, which highlights the regional advantages fundamentally and solves the long-term problems and confusions for Hainan tourism. The development potential and vitality of Hainan will continue to be released in the next decade as the Hainan provincial government is fully committed to the Outline and will make use of the regional advantage to develop tourism as the leading industry, so as to enhance the core competitive advantage and achieve overall breakthrough for a comprehensive development of the overall economy in Hainan.

Although there is still uncertainty in the prospect of global economy and time is needed for a clear economic situation, the impact of China's stimulus policies still exist and the growth in domestic economy is still at relatively high level and the economy of Hainan Province maintains good growth momentum. In view of this, the Board is of opinion that both the international and domestic airline business of Meilan Airport will remain stable in the second half of 2010. 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 and actively promote Haikou government's subsidy policy for the aviation market, with a view to opening more new flight routes to Haikou. It will strengthen the communication between base airlines and introduce new ones to the airport. The Company will also cooperate with Tourism Bureau of Hainan Province for the promotion and communication at the 16th World Route Development Forum to be held in Vancouver, 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 has passed the resolution to recommend the payment of an interim dividend on or before Friday, 17 December 2010 of RMB0.12 per share (before tax) on the extraordinary general meeting to be held on Friday, 15 October 2010 to shareholders of the Company whose names appear on the Company's Register of Members on Thursday, 16 September 2010.

Closure of Register of Members

The Company's Register of Members will be closed from Thursday, 16 September 2010 to Monday, 15 October 2010 (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to receive the distribution of interim dividends to be approved at the extraordinary general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 15 September 2010 for completion of the registration of the relevant transfer.

MATERIAL LITIGATION OR ARBITRATION

The Company had no material litigation or arbitration from 1 January 2010 to 30 June 2010.

OTHER INFORMATION

Change of Directors

The Board of the Company comprises 11 directors. From 1 January 2010 to 30 June 2010, changes in the directorship of the Company are as follows:

Mr. Xie Zhuang's term as Independent Non-executive Director expired on 6 June 2010. The nomination committee of the Company recommended Mr. Feng Da'an to replace Mr. Xie Zhuang as Independent Non-executive Director of the Company. Mr. Xie Zhuang's retirement as Independent Non-executive Director was approved by the general meeting of the Company held on 26 July 2010 and is duly effective.

Mr. Feng Da'an was duly appointed as Independent Non-executive Director on 26 July 2010 for a term of three years.

Mr. Zhang Han'an was re-appointed as Non-executive Director on 26 July 2010 for a term of three years.

Directors' Remuneration

As of 30 June 2010, 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 2009.

Mr. Zhao Yahui (Executive Director and Chairman) waived 2009 remuneration of RMB70,000;

Mr. Dong Zhanbin (former Executive Director) waived 2009 remuneration of RMB18,603;

Mr. Liang Jun (Executive Director and General Manager) waived 2009 remuneration of RMB51,397;

Mr. Bai Yan (former Executive Director and Company Secretary) waived 2009 remuneration of RMB54,466;

Ms. Xing Xihong (Executive Director) waived 2009 remuneration of RMB15,534;

Mr. Hu Wentai (Non-executive Director and Vice Chairman) waived 2009 remuneration of RMB50,000;

Mr. Zhang Han'an (Non-executive Director) waived 2009 remuneration of RMB50,000.

Supervisors' Remuneration

Mr. Chen Kewen (former Chairman of the Supervisory Committee) waived 2009 remuneration of RMB5,315;

Mr. Dong Guiguo (Chairman of the Supervisory Committee) waived 2009 remuneration of RMB14,685;

Ms. Zeng Xuemei (supervisor) waived 2009 remuneration of RMB20,000.

Company Secretary's Remuneration

Mr. Bai Yan (former Company Secretary) waived 2009 remuneration of RMB19,397;

Mr. Xing Zhoujin (Company Secretary) waived 2009 remuneration of RMB10,603.

SHARE CAPITAL STRUCTURE

As at 30 June 2010, 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 2010, so far as is known to the Directors, Supervisors or chief executives 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 *(Note 1)*	Beneficial	Corporate	237,500,000(L)	96.43%	50.19%

H shares

Name of Shareholders	Type of Interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo *(Note 2)*	Controlled corporate interest	94,643,000(L)	41.71%	20.00%
Zhang Zhiping *(Note 2)*	Controlled corporate interest	94,643,000(L)	41.71%	20.00%
Oriental Patron Financial Services Group Limited *(Note 2)*	Controlled corporate interest	94,643,000(L)	41.71%	20.00%
Oriental Patron Resources Investment Limited *(Note 2)*	Beneficial	94,643,000(L)	41.71%	20.00%
Oriental Patron Financial Group Limited *(Note 2)*	Controlled corporate interest	94,643,000(L)	41.71%	20.00%
UBS AG *(Note 3)*	Beneficial, security interest and controlled corporate interest	34,818,400(L)	15.34%	7.36%
Utilico Emerging Markets Utilities Limited *(Note 4)*	Investment manager	11,629,000(L)	5.12%	2.46%

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.

2. Zhang Gaobo holds 90% interest of Oriental Patron Financial Group Limited. Zhang Zhiping holds 49.92% interests of Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited holds 95% interests of Oriental Patron Financial Services Group Limited. The interest of Oriental Patron Resources Investment Limited is wholly-owned by Oriental Patron Financial Services Group Limited.

3. Among the 34,818,400 shares in the Company, UBS AG was holding 38,000 shares as a person holding security interest and was deemed to have equity interest in the remaining 34,780,400 shares (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 21,892,400 shares, 7,139,000 shares and 5,749,000 shares in the Company, respectively).

4. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.

5. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2010, so far as is known to the Directors, Supervisors or chief executives 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 in10% 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 2010, the interests of the Directors, Supervisors and chief executives 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 executives 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 EXECUTIVES 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 2010.

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 2010.

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

As at 30 June 2010, there were four independent non-executive directors in the Board;

As at 30 June 2010, the Audit Committee comprised three Independent non-executive directors, including personnel with appropriate professional qualifications of accounting and the membership of the Hong Kong Institute of Certified Public Accountants.

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

The Company has adopted a code for securities transaction by directors on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the directors of the Company, all of the directors have complied with the required standard set out in the Model Code regarding directors' securities transaction during the six months ended 30 June 2010.

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 2010, 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
Xing Xihong

Independent non-executive directors
Xu Bailing
Fung Ching, Simon
George F.Meng
Feng Da'an

Non-executive directors
Hu Wentai (Vice Chairman)
Zhang Han'an
Chan Nap Kee, Joseph
Yan Xiang

By Order of the Board
Hainan Meilan International Airport Company Limited
Zhao Yahui
Chairman

25 August 2010
Haikou, the People's Republic of China