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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 357)

INTERIM RESULTS ANNOUNCEMENT

AS AT 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Total revenue was RMB289,045,000
- Revenue from the aeronautical business was RMB191,567,000
- Revenue from the non-aeronautical business was RMB97,478,000
- Net profit attributable to shareholders was RMB155,089,000
- Earnings per share was RMB0.33

RESULTS

The Board of Directors (“the Board”) of Hainan Meilan International Airport Company Limited (the “Company” or “Meilan Airport”), together with its subsidiaries, (the “Group”) is pleased to announce the unaudited financial position and operating results of the Group as at 30 June 2011 and for the six months ended 30 June 2011, which have been reviewed by the audit committee of the Board (the “Audit Committee”), together with the comparative figures for the corresponding period of 2010.

* For identification purpose only

According to the Consultation Conclusion on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong which was published by the Stock Exchange of Hong Kong Limited (“SEHK”) in December 2010, the Mainland incorporated companies listed in Hong Kong are allowed to prepare financial statements, for the purpose of fulfilling the financial reporting requirements of the SEHK, in accordance with the China Accounting Standards for Business Enterprises and to arrange for such financial statements to be audited by a limited number of Mainland China audit firms which are approved by the Ministry of Finance and China Securities Regulatory Commission for such purpose (“Auditing Arrangement”).

The following selected consolidated financial information was prepared in accordance with China Accounting Standards for Business Enterprises:

CONSOLIDATED BALANCE SHEET

| | | As at 30 June 2011 <i>RMB'000</i> Unaudited | As at 31 December 2010 <i>RMB'000</i> Audited |
|---------------------------------|----------------|--|--|
| | <i>Note(s)</i> | | |
| ASSETS | | | |
| Current assets | | | |
| Cash at bank and on hand | | 553,668 | 960,553 |
| Accounts receivable | 3 | 194,660 | 218,362 |
| Advances to suppliers | | 9,523 | 13,355 |
| Other receivables | | 11,006 | 8,326 |
| Interest receivable | | 3,131 | 1,592 |
| Inventories | | 5 | 26 |
| Total current assets | | 771,993 | 1,202,214 |
| Non-current Assets | | | |
| Long-term equity investments | | 1,002,232 | 30,875 |
| Fixed assets | | 891,473 | 906,753 |
| Construction in progress | | 4,053 | 4,551 |
| Intangible assets | | 148,820 | 150,402 |
| Long-term prepaid expenses | | 6,465 | — |
| Deferred tax assets | | 4,106 | 3,172 |
| Total non-current assets | | 2,057,149 | 1,095,753 |
| Total assets | | 2,829,142 | 2,297,967 |

| | | As at 30 June 2011 RMB'000 Unaudited | As at 31 December 2010 RMB'000 Audited |
|--|----------------|--|--|
| | <i>Note(s)</i> | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 4 | 11,310 | 6,340 |
| Advances from customers | | 15,352 | 31,445 |
| Employee benefits payable | | 41,605 | 50,061 |
| Taxes payable | | 10,196 | 390 |
| Interest payable | | 2,986 | 15 |
| Dividends payable | | 54,759 | 666 |
| Other payables | | 58,964 | 143,628 |
| Current portion of non-current liabilities | | 7,236 | 4,000 |
| Total current liabilities | | 202,408 | 236,545 |
| Non-current liabilities | | | |
| Long-term borrowings | | 467,955 | 4,000 |
| Other non-current liabilities | | 5,600 | 5,800 |
| Total non-current liabilities | | 473,555 | 9,800 |
| Total liabilities | | 675,963 | 246,345 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 473,213 | 473,213 |
| Capital surplus | | 699,485 | 699,485 |
| Surplus reserve | | 187,993 | 187,993 |
| Undistributed profits | | 780,815 | 682,512 |
| Total equity attributable to shareholders of the parent company | | 2,141,506 | 2,043,203 |
| Minority interest | | 11,673 | 8,419 |
| Total shareholders' equity | | 2,153,179 | 2,051,622 |
| Total liabilities and shareholders' equity | | 2,829,142 | 2,297,967 |

CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | |
|---|----------------|--------------------------|----------------|
| | | 2011 | 2010 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>Note(s)</i> | Unaudited | Unaudited |
| Operating revenue | 2 | 289,045 | 262,419 |
| Less: Operating costs | 5 | (91,466) | (88,345) |
| Taxes and surcharges | | (9,140) | (7,359) |
| Sales expenses | 5 | (97) | – |
| General and administrative expenses | 5 | (29,937) | (29,546) |
| Finance income – net | | 7,081 | 8,011 |
| Asset impairment reverse/(losses) | | 749 | (451) |
| Add: Investment income | | 14,486 | – |
| Investment income from associates | | 14,486 | – |
| Operating profit | | 180,721 | 144,729 |
| Add: Non-operating income | | 375 | 2 |
| Less: Non-operating expenses | | (390) | (82) |
| Non-current assets disposal expenses | | (390) | (82) |
| Total profit | | 180,706 | 144,649 |
| Less: Income tax expenses | 6 | (22,363) | (8,843) |
| Net profit | | 158,343 | 135,806 |
| Attributable to the Company's shareholders | | 155,089 | 133,032 |
| Minority interest | | 3,254 | 2,774 |
| Earnings per share | | | |
| – Basic and Diluted earnings per share (RMB Yuan) | 7 | 0.33 | 0.28 |
| Dividends | 8 | 70,982 | 56,786 |

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as “the Accounting Standard for Business Enterprises” or “CAS”) the Companies Ordinance in Hong Kong and the interim financial reporting requirements of SEHK.

2 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.

| Six months ended 30 June | | |
|--|----------------|----------------|
| | 2011 | 2010 |
| | RMB’000 | RMB’000 |
| Analysis of revenue (by category) | | |
| Aeronautical: | | |
| Passenger charges | 80,784 | 70,688 |
| Airport fee | 60,507 | 56,681 |
| Aircraft movement fees and related charges | 26,197 | 24,243 |
| Ground handling services income | 24,079 | 21,535 |
| | <hr/> | <hr/> |
| | 191,567 | 173,147 |
| Non-aeronautical: | | |
| Freight | 32,949 | 36,272 |
| Franchise fee | 32,353 | 28,582 |
| Rental | 11,258 | 7,088 |
| VIP room charge | 10,872 | 7,660 |
| Car parking | 3,638 | 3,571 |
| Others | 6,408 | 6,099 |
| | <hr/> | <hr/> |
| | 97,478 | 89,272 |
| | <hr/> | <hr/> |
| Total revenues | 289,045 | 262,419 |
| | <hr/> <hr/> | <hr/> <hr/> |

3 Accounts receivable

| | 30 June 2011 <i>RMB'000</i> | 31 December 2010 <i>RMB'000</i> |
|-------------------------------|-----------------------------------|---------------------------------------|
| Accounts receivable | 198,312 | 222,763 |
| Less: provision for bad debts | (3,652) | (4,401) |
| | <u>194,660</u> | <u>218,362</u> |

As at 30 June 2011, the ageing of accounts receivable is analysed below:

| | 30 June 2011 <i>RMB'000</i> | 31 December 2010 <i>RMB'000</i> |
|-----------------|-----------------------------------|---------------------------------------|
| Within 90 days | 123,704 | 104,848 |
| 91 to 180 days | 19,675 | 41,193 |
| 181 to 365 days | 23,509 | 56,143 |
| Over 365 days | 31,424 | 20,579 |
| | <u>198,312</u> | <u>222,763</u> |

4 Accounts payable

As at 30 June 2011, the ageing of accounts payable is analysed below:

| | 30 June 2011 <i>RMB'000</i> | 31 December 2010 <i>RMB'000</i> |
|-----------------|-----------------------------------|---------------------------------------|
| Within 90 days | 3,188 | 3,754 |
| 91 to 180 days | 4,562 | 388 |
| 181 to 365 days | 1,000 | 760 |
| Over 365 days | 2,560 | 1,438 |
| | <u>11,310</u> | <u>6,340</u> |

5 Cost/expense by nature

Expense/(income) included in operating costs, sales expenses and general and administrative expenses are analysed as follows:

| | Six months ended 30 June | |
|---|--------------------------|------------------------|
| | 2011 <i>RMB'000</i> | 2010 <i>RMB'000</i> |
| Airport and logistic composite services fee | 19,585 | 16,697 |
| Costs of packing materials | 15,918 | 19,740 |
| Business tax and levies | 9,140 | 7,359 |
| Depreciation of property, plant and equipment | 28,225 | 28,918 |
| Amortisation of land use rights | 1,582 | 1,741 |
| Employee benefit expenses | 23,136 | 25,628 |
| Other taxes | 3,131 | 3,128 |
| Loss on disposal of property, plant and equipment | 390 | 104 |
| (Reversal of)/provision for impairment of trade receivables | (749) | 452 |
| Utilities | 7,747 | 8,892 |
| Repairs and maintenance | 5,283 | 371 |
| | <u> </u> | <u> </u> |

6 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 2010: nil). Income tax expense in the income statement represents provision for PRC corporate income tax ("CIT").

| | Six months ended 30 June | |
|---------------------|--------------------------|------------------------|
| | 2011 <i>RMB'000</i> | 2010 <i>RMB'000</i> |
| Current income tax | 23,297 | 10,780 |
| Deferred income tax | (934) | (1,937) |
| | <u> </u> | <u> </u> |
| | <u>22,363</u> | <u>8,843</u> |

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

In accordance with the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law", effective from 1 January 2008) as approved by the National People's Congress on 16 March 2007, the CIT rate applicable to the Company will be gradually increased from 15% to 25% in a 5-year period from 2008 to 2012. The tax rate in 2011 is 24% (2010: 22%).

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. Therefore, the applicable tax rate for the Company in 2011 is 12% (2010: 11%).

7 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the number of ordinary shares in issue during the year:

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2011 | 2010 |
| Profit attributable to shareholders of the Company (<i>RMB'000</i>) | 155,089 | 133,032 |
| Number of ordinary shares in issue (<i>'000</i>) | 473,213 | 473,213 |
| Basic earnings per share (<i>RMB</i>) | 0.33 | 0.28 |

Diluted earnings per share was calculated by dividing the consolidated net profit attributable to holders of ordinary shares of the parent company adjusted by dilutive potential ordinary shares by the weighted average of issued ordinary shares of the Company after adjustment. During the period, the Company does not have dilutive potential ordinary shares (same period last year: nil). Therefore, diluted earnings per share equals to basic earnings per share.

8 Dividends

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2011 | 2010 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interim dividend proposed of RMB15 cents (for the six months ended 30 June 2010: RMB12 cents) per share | 70,982 | 56,786 |

An interim dividend of RMB15 cents per share (for the six months ended 30 June 2010: RMB12 cents) was proposed by the Board of Directors on 26 August 2011. This interim dividend totalling RMB70,982,000 (for the six months ended 30 June 2010: RMB56,786,000) 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 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

The world economy started its recovery after a risky 2010. 2011 is the commencing year of China's "12th Five Year Planning". China's economic conditions in the first half of the year was out of ordinary, witnessing a series of natural disasters which had significant impact on agricultural production, the ever-increasing commodity prices and the inflation rate and the slowing down of the rate of economic growth in the country. The Chinese government kept enforcing the macro-economic control policies, which will demonstrate a path with the synchronized development of economy and social well-being. This shows that in the post-crisis era, the focus of macro-economic control has transformed progressively from the previous short-term and passive control with an emphasis on "maintaining growth" to the long-term and active control with an emphasis on "the balancing between growth and social well-being". In this regard, China's economy has walked out of its "recovery period" into a "transformation period".

In 2011, with the further progression of the country's strategic plan of building Hainan as the International Tourism Island, and the implementation of various preferential policies, Hainan is now in a golden era of rapid development. After the rapid growth during the same period last year, the economy of Hainan remained in a good state and kept a relatively fast growing momentum in the first half of this year. Preferential policies for the International Tourism Island such as tax refund to international tourist and citizen tax exemption ("tax-free for outlying island") started to show their effects, and the local financial income realised a relatively rapid growth. Number of tourist to Hainan, particularly that of foreign tourists, grew significantly, and income from tourism kept growing steadily. Agricultural production and sales were both encouraging, and the export of special agricultural products was in a favourable trend. Consumer spending kept growing rapidly, and the operation of financial market was stable and the total financial volume increased significantly.

During the period under review, the Group grasped the opportunities of the steadily growing economy, the establishment of the ASEAN Free Trade Area and the implementation of favourable policies for the Hainan International Tourism Island such as tax-free for outlying island. 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 operation remained stable.

For the six months ended 30 June 2011, the Group's total revenue amounted to RMB289,045,000, representing an increase of 10.15% as compared to the corresponding period of last year. Net profit attributable to shareholders of the Company increased by 16.58% over the corresponding period of last year to RMB155,089,000. Earnings per share amounted to RMB33 cents (earnings per share for the corresponding period of last year was RMB28 cents). The increase in net profit attributable to shareholders of the Company in the first half of 2011 was mainly a result of the Company's grasping of opportunities of the country's growing economy and the accelerated construction of the Hainan International Tourism Island to further develop its main aeronautical business and expand the non-aeronautical business, which powered the increase in the operating revenue.

BUSINESS REVIEW

1. Aeronautical Business

For the six months ended 30 June 2011, total passenger throughput amounted to 5,071,500, representing an increase of 6.65% as compared to the corresponding period of last year. Aircraft movement amounted to 41,658, representing an increase of 3.79% as compared to the corresponding period of last year. Cargo throughput reached 88,201.70 tons, representing an increase of 2.36% over the corresponding period of last year.

For the six months ended 30 June 2011, revenue from the Group's aeronautical business was RMB191,567,000, representing an increase of 10.64% as compared to the corresponding period of last year.

According to Ju Fa Ming Dian [2011] 17 <Notice about the subsidy airport fee for the three listed airports> from Civil Aviation Administration of China ("CAAC"), the airport fee can be recognised as income by the Group till 31 December 2015. Based on previous years practice, CAAC decides the airport fee return rates in the second half of the year yearly. The actual return rate for the Group had been 48% for the previous years. The Group calculated its airport fee return based on 48% temperately, which is the management's best estimation.

Growth of Domestic Flights Achieved

For the six months ended 30 June 2011, domestic passenger throughput of Meilan Airport reached 4,879,500, representing an increase of 6.84% as compared to the corresponding period of last year. Number of aircraft taking off and landing amounted to 40,041, representing an increase of 3.88% as compared to the corresponding period of last year. Cargo throughput amounted to 85,857.60 tons, representing an increase of 2.21% over the corresponding period of last year.

During the first half of 2011, the economy of Hainan Province was in good condition. Under the favourable policies such as departure tax exemption, demand in the civil aviation market grew steadily. The Group also employed various proactive measures to develop the domestic aviation market and to continuously improve the market development strategies. In the first half of 2011, domestic flights achieved stable growth.

- In face of the severe market competition, the Company proactively launched promotion measures. The Company successfully held the 2011 Haikou Aviation and Tourism Market Promotion Conference at the beginning of the year, and successfully invited the officer of the local government, the relevant representatives in-charge-of 20 foreign and domestic airlines, a number of well-known travel agencies, companies from convention, exhibition and cultural industries and the media to take part in the conference. The conference had a profound impact on the industry, and has laid a solid foundation for Meilan Airport's expansion in the aviation market in the second half of the year. Moreover, the Company has also successfully held the 11th Route and Flight Business Conference of China. It utilized the opportunity to promote the International Tourism Island policies and preferential policies for flight directly to Haikou, the aviation and tourism market of Haikou, which would facilitate airlines to increase winter and spring flights to Haikou.
- The Company grasped the favourable opportunities brought by favourable market news and policies such as the opening of the East Ring Railway and the implementation of tax rebate/exemption and citizen tax exemption to actively participate in promotional conferences for civil aviation system, airport industry and the Asian region. New routes such as Haikou=Beihai=Wuhan, Haikou=Changsha=Nanjing, Haikou=Guilin=Guiyang, Haikou=Xiamen=Tianjing, Haikou=Nanning=Hangzhou were established, and the Company successfully entered into cooperation agreements with a number airlines for the increase of capacity.
- The Company was committed to exploring new business mode and had been actively propelling the synchronized operation of the two airports and the East Ring Railway system in Hainan. The Group designed and launched the "air and railway joint-transportation" product with airlines, enabling 「bundle sale」 of air ticket and railway ticket, which provides convenience for visitors to travel to and within the island.

Development of International Flights

The Company has also been committed to the development of the international (regional) aviation market. Through participating in civil aviation conferences such as the World Route Development Forum held by the Route Development Group Ltd and the Asian Route Development Forum, the Company promoted and recommended the preferential policies of the Hainan International Tourism Island and Haikou Meilan International Airport, and negotiated with international airlines and established communication channels, which have laid a solid foundation for the development of the international aviation market in the second half of the year, even future.

For the six months ended 30 June 2011, international passengers throughput of Meilan Airport reached 192,000 (including regional passengers), aircraft movements amounted to 1,617, cargo throughput amounted to 2,344.10 tons, representing an increase of 2.07%, 1.63% and 8.19% respectively over the corresponding period of last year.

2. Non-aeronautical Business

In the first half of 2011, the Group leveraged the opportunities brought by the construction of the Hainan International Tourism Island to reinforce marketing for non-aeronautical business and formulated differentiated marketing strategies, which resulted in a steady growth in the revenue of non-aeronautical business.

For the six months ended 30 June 2011, revenue from the Group's non-aeronautical business was RMB97,478,000, representing an increase of 9.19% over the corresponding period of last year.

- The Group's rental revenue reached RMB11,258,000 in the first half of the year, representing an increase of 58.83% over the corresponding period of last year, which was mainly because the Company reinforced marketing by planning the distribution of rental space and set different rental standards according to market demand which attracted more merchants to become tenants and improved our rental rate.
- In the first half of the year, the Group recorded franchise fees of RMB32,353,000, representing an increase of 13.19% 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 RMB10,872,000 in the first half of the year, representing an increase of 41.93% over the corresponding period of last year. This was mainly due to the increase in reception volume of the VIP service, as well as the increase of charges for the naming right of VIP lounge.

3. Branding of Services

In the first half of the year, the Group has facilitated Meilan Airport's participation in the Airport Service Quality (ASQ) program, established a coordination mechanism with the parties with business presence in the airport, standardized service quality standard and facilitated the improvement and implementation of projects, so as to speed up its integration with world-class airport management standard, realize the top 5 position in the ASQ5-15 million person-time throughput category and build up its brand as a SKYTRAX four star airport. Excellent results were achieved from the brand-building work of the airport. Apart from successfully obtaining the ACI Global Award for Outstanding Contribution of General Manager from the Airport Council International, the Group was also honoured in March 2011 as the SKYTRAX Best Regional Airport (China). In the first half of the year, the Group also received appreciation from all sectors in respect of its quality logistic and security services in large events such as the "Two Meetings" of the National People's Congress and the CPPCC, the leader summit of the "BRIC" and the 10th Bo'ao Forum for Asia.

FINANCIAL REVIEW

1. Asset Analysis

As at 30 June 2011, total assets of the Group amounted to RMB2,829,142,000, representing an increase of 23.11% over 31 December 2010, of which RMB771,993,000 were current assets and RMB2,057,149,000 were non-current assets. The increase in assets was mainly due to the increase in long-term equity investment (acquisition of 24.5% equity interest in HNA Airport Holding (Group) Company Ltd (“**HNA Airport Holding**”) during the period).

2. Costs Analysis

For the first half of 2011, the Group’s operating costs amounted to RMB91,466,000, representing an increase of 3.53% or RMB3,121,000 as compared to the corresponding period of last year, which was mainly due to the increased maintenance cost of equipments, including other electromechanical equipment in the terminal since the airport has been in operation for 12 years.

For the first half of 2011, the Group’s management expenses amounted to RMB29,937,000, which was a 1.32% or RMB391,000 increase compared to the corresponding period of last year.

3. Gearing ratio

As at 30 June 2011, the Group had total current assets of RMB771,993,000, total assets of RMB2,829,142,000, total current liabilities of RMB202,408,000 and total liabilities of RMB675,963,000. As at 30 June 2011, the Group’s gearing ratio (total liabilities/total assets) was 23.89%, representing an increase of 13.17% compared to that as at 31 December 2010, which was due to the bank borrowing for the payment for the acquisition of 24.5% equity interest in HNA Airport Holding in the amount of USD72,500,000.

4. Pledge on the Group’s assets

The Group pledged its 24.5% equity interest in HNA Airport Holding to secure a long-term bank loan of USD72,500,000 from China Development Bank. As at 30 June 2011, the balance of the bank loan was USD72,500,000 (equivalent to RMB469,191,000).

At the same time, 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 2011, the balance of the bank loan was RMB6,000,000.

5. Capital structure of the Group

As at 30 June 2011, the total issued share capital of the Company was RMB473,213,000. Now the Group still has bank borrowing in the amount of USD72,500,000 which is subject to the Libor + 3.4% interest rate and bank borrowing in the amount of RMB6,000,000 subject to the current floating interest rates of People’s Bank of China.

6. Significant investments and their performance and prospect

As at 30 June 2011, the Company has completed the acquisition of 24.5% equity interests in HNA Airport Holding from Kingward Investment Limited (“Kingward”) through the use of its own funds and bank loans. In the first half of the year, HNA Airport Holding realized a net profit attributable to the parent company in the amount of RMB59,126,500(unaudited), and investment income of the Company was RMB14,486,000. This acquisition will help the Company to develop in areas with high economic development potential, laying a solid foundation for the sustainability of the Company’s future revenue.

7. Material Acquisitions and Disposals

For the six months ended 30 June 2011, the Group and the Company announced on 31 January 2011 that after receiving the relevant approval from the State Administration of Foreign Exchange of China, the Company paid the consideration to Kingward for acquiring the sales shares held by Kingward on 28 January 2011. (For details, please refer to the Company’s announcement dated 31 January 2011).

8. Employees and remuneration policy

As at 30 June 2011, the Group had a total of 585 employees, representing a decrease of 46 employees as compared to 631 employees at the beginning of the year, which was a result of ordinary staff turnover. 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 2011, the Group’s total staff cost accounted for approximately 8% of its total turnover. The staff cost decreased by 9.72% over the corresponding period of last year, which was mainly due to the subcontracting of part of business.

9. Entrusted deposits and overdue fixed deposits

As at 30 June 2011, the Group did not have any entrusted deposits and overdue fixed deposits.

10. Contingent liabilities

As at 30 June 2011, the Group did not have any contingent liabilities.

11. Exposure to foreign exchange risks

The business of the Group is mainly settled by RMB, except for part of aviation revenue, equipment purchase and consultation fee which are settled by U.S. or HK dollar. The dividend of H stakeholders is issued by RMB, paid by Hong Kong dollar. According to overall purchase plan of 24.5% shares from HNA Airport Holding, the group will pay interest and capital of the loan USD72,500,000 from State Development Bank which is paid by U.S. dollar. Therefore, the fluctuated exchange rate of RMB to U.S. dollar will affect financial performance of the Group.

12. Interest rate risk

The Group has the liability to repay the principal and interest of the USD72,500,000 bank borrowing and the RMB6,000,000 bank borrowing borrowed from China Development Bank. Changes of the Libor and adjustments to the benchmark interest rate of the People's Bank of China will affect the Group's interest expenses and results.

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 2010 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

Since 2011, the world economy has generally been progressing steadily. However, the continued unrest in the Middle East and North Africa, the nuclear leakage caused by the earthquake and tsunami in Japan which had not been solved properly in a timely manner and the looming of the Euro-debt and U.S. debt crisis have all brought along downward risks and uncertainties to the world economy. Among the major developed economies, the momentum for economic growth of the U.S. was insufficient due to factors such as the decrease of government expenses and the increase of oil prices in the first half of the year. In the second half of the year, although the expansion of the financial and monetary policies of the U.S. would contract progressively, it is expected that the U.S. government would maintain relatively loose monetary policies since the employment problem in the U.S. is still severe and the real estate market is still in depression. The EU countries maintained a slow growing trend. At present, the greatest problem which the EU faces is that it could not coordinate its financial policies and the monetary policies, and its politic diversification has led to a deadlock in decision-making among the countries. As affected by the debt crisis of Greece, the EU countries would opt for the tightening of fiscal policies. As various countries' financial and monetary policies in the plans to stimulate the economy are gradually withdrawn, the world's economic growth pattern has shifted into an endogenous one. After the effects of the policies fade out, economic growth would naturally slowdown. However, in the second half of the year, the overall world economy will continue to grow gently.

The aviation industry is an industry closely linked to economic development. The recent downgrade of the credit rating of U.S. national debt, the raising of debt ceiling of the U.S. by the market and the continually-spreading panic on the European debt crisis have led to a sharp decline of aviation stocks generally. On the other hand, according to the relevant private financial data: 21.88% private parties consider that the U.S. debt crisis will lead to a new round of financial crisis. Therefore, in the short term, the crisis will lead to a decrease in trade surplus in the second half of the year, which will weaken the effort in investment around the world. Under the serious inflation problem, demand cannot be effectively stimulated, and the U.S. debt and European debt crisis may affect the demand for air-transport. However, in the long term, considering that the U.S. has never been in default of national debt, U.S. national debt involves major economies such as Japan and China, and that the U.S. is a country where wealth are with the people, U.S. debt shall not have significant adverse impact on market demand. On the contrary, southern European countries such as Greece have always been in default of national debts in the past 200 years, and the Euro economy has only been in existence for 10 years, therefore the European debt crisis has posed uncertainty on the aviation industry.

Since the beginning of this year, China's economy has entered into a downward trend. The growth rate of real economy continued to slow down, industrial added value had been decreasing on a month-on-month basis compared with the same period last year, and the growth rate of economy had decreased significantly. These are the inevitable results from the implementation of macro economic-control by the Chinese government with an aim to combat inflation, to adjust the economic structure and the way of growth. In the second half of the year, the Chinese economy not only has to "prevent inflation", but also has to "secure growth". Although the pressure of commodity price increase is high, there are an increasing number of favourable conditions for maintaining stable commodity prices, including (a) the bumper harvest in food crops this summer, ranking the second highest production volume in history, which is helpful in lowering the inflation expectation; (b) the situation that the supply of most industrial goods is greater than their respective demand has not changed, and the proper slowing down of economic growth in particular could help in alleviating the demand pressure caused by price increase; (c) the slight decline in the price of bulk commodities in the international market, which could help alleviating the strong imported inflation pressure; (d) the positive impact of the prudent monetary policies in the previous period, particularly the continuous contracting of liquidity, will gradually surface; and (e) tail-raising factor that will contract on a month-on-month basis in the second half of the year. The Chinese government continued to implement the "nominally prudent, actually slightly tightening" monetary policy announced at the end of last year. Although the current monetary policies are relatively tight, the financial policies are still proactive, which can prevent a significant decline in the growth rate of economy. At the same time, high-end consumption in China is still heated at present. The investment in affordable housing as well as the large number of infrastructure construction works this year (which is the commencement year of the "12th Five Year") will also facilitate investment and prevent the occurrence of significant decline.

2011 is a key year for the accelerated development of the Hainan International Tourism Island. With the launching of policies such as tax refund and exemption, the ever-increasing effort in overseas promotion, and the development of new routes, the tourism economy of Hainan grew healthily in the first half of the year, and the overall condition was favourable.

As facilitated by the citizen tax exemption policy, tax-free travel to Hainan has become a new favourite in the tourism market of the country. This has greatly propelled and ensured the sustainable growth of Hainan's tourism market, and has brought Hainan province into an unprecedented upsurge in tourism and consumption in the traditional low season. Since the implementation of the tax-free policy, the Sanya duty free store of China Duty Free Group Co., Ltd. has received an enormous amount of business. According to the duty free store, total customer flow of the store has exceeded 800,000 person-time as at June 2011, in which the highest number of customers for a single day was over 20,000 person-time. "Tax-free policy" will create great attractiveness that could retain the high-end consumption of the citizens within the country. Last year, 50% of the consumption of high-end luxury items of China were spent overseas. Therefore, tax-free shopping could predictively increase Hainan's tourist number by 20%-25%, and facilitate the growth of consumption per person by 15%-20%. Shopping is one part of the growth of the tourism economy, and the increase in number of tourists resulted from tax-free shopping could facilitate the growth in other tourism consumptions such as dining, accommodation, transportation and entertainment. China's first airport tax-free off-island store is expected to open in Meilan Airport. At present, construction of the hardware of that store is completed, and it is expected that its opening would directly facilitate the growth of passenger volume of the airport.

The East Ring high speed railway had an urban integration effect in the tourism industry and the traditional pattern of tourism where the tourists concentrated in the southern part of Hainan is gradually changing. Since the operation of the East Ring high speed railway, passenger volume increased continuously. Tourists and local residents opt for the high speed railway which is considered a fast and convenient way to travel. Travel companies also adjusted their travel routes and travel products for the high speed railway. The urban integration brought about by the East Ring high speed railway gradually changed the traditional mode of tourism in Hainan. In the past, the tourist number and tourism income of Sanya had always accounted for 50% of that of the whole province. The East Ring high speed railway could alleviate the pressure on accommodation in major tourism destinations. Tourists in Sanya may choose to stay in Haikou, Qionghai and Wenchang, etc. This can effectively distribute the tourists, so that the tourism market of the province could become more balanced. At the same time, the feasibility study report for the Hainan West Ring railway has been replied and approved by the National Development and Reform Commission, such that construction of the railway could commence in the second half of the year. The construction is planned to take four years. After the project is completed, it will form a round-island high speed railway network with the East Ring railway, forming a modern transportation system for Hainan. This has great significance in propelling the construction of the Hainan International Tourism Island, tourism market exploration of west Hainan region and meeting the needs of the economic development in the coastal region of the western part of Hainan.

Hainan province plans to build a new Boao airport for civil use in Qionghai city. At present, the project has been approved by the Central Military Commission and the State Council. The nature of the airport is a domestic branch airport with a total investment of approximately RMB945 million. The scale of the airport is designed and constructed based on a passenger throughput of 480,000 person-time in 2020. Its functional positioning is to serve the special planes and governmental planes of the domestic and foreign political figures who take part in the annual Boao Forum for Asia in the short term, and to serve civil flights as well in the long run. The airport will satisfy the requirements for the takeoff and landing of Boeing 737 special planes and different types of business jets. The construction of the Boao airport has great significance in further raising the service level of the Boao Forum for Asia,

stimulating and facilitating local tourism development, improving the layout of airports in the province and improving the comprehensive transportation system. Since the initial service targets of the Boao airport are governmental planes and special planes and as limited by its scale, it is expected that after the construction of the airport is completed, the passenger volume of Meilan airport would not be affected in the short term. The Company would closely monitor the development of the airport, prepare relevant strategic plans as soon as possible while keep developing the local aviation market, and explore cooperation and development modes so as to ensure the continuous and steady development of the Company.

The complex zone of the launching site in Hainan province is located in the northeastern region of Dongjiao Town in Wenchang City. It consists of three basic functional areas, which are the aerospace theme park zone, the aerospace business service zone and the aerospace living facilities zone. Such project was invested and constructed by Hainan Aerospace Investment Management Company Limited, a wholly-owned subsidiary of China Aerospace International Holdings Limited. The site area of the project is approximately 6100 acreage, and the total investment amount is approximately RMB12 billion. At the end of 2010, foundation was laid for the aerospace theme park zone, which is the core project of the complex zone of the launching site in Hainan province. The first phase of the park is planned to be completed and commence operation in 2013. At present, project planning for the project is completed, and project land acquisition, demolition and settlement work have started. Since Wenchang is less than 100km from Haikou, therefore when the launching site in Hainan province is completed, it will not only facilitate the economic development of aerospace tourism of Hainan, but also bring significant growth in passenger number for Meilan Airport.

In the second half of the year, the tourism industry of Hainan province will maintain a rapid development trend. Under the effects of preferential policies such as tax-free shopping, visa-free for tour groups from 26 countries, the welcoming of yachts and the launch of “guess lottery”, Hainan province will attract more foreign and domestic tourists to come and visit. Therefore, the Board of Directors considers that the international and domestic routes of Haikou Meilan Airport in the second half of 2011 would run smoothly. The Company will cooperate with airlines by using flexible methods according to the actual condition of the aviation market and the actual conditions of different airlines. Through actively and extensively promoting the effect of tax-free on the tourism market of Haikou, we will strive to add more routes for Haikou; we will facilitate the amendment and promotion of the two aviation compensation policies of the provincial and city governments, carry out market development works, and facilitate airlines to put their aircrafts overnight in the airport; we will strengthen the ties with the base airline, strive to introduce new base airline; in terms of operation management, we will strictly control cost, keep the annual income level and strive to bring favourable results to the shareholders.

INTERIM DIVIDEND

The Board has passed the resolution to recommend the payment of an interim dividend on or before 23 December 2011 (Friday) of RMB0.15 per share (before tax) on the extraordinary general meeting to be held on 24 October 2011 (Monday) to shareholders of the Company whose names appear on the Company’s Register of Members on 1 November 2011 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Friday, 28 October 2011 to Tuesday, 1 November 2011, during which time no transfer of shares will be registered. To qualify for receiving the distribution of interim dividends, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered 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 Thursday, 27 October 2011.

MATERIAL LITIGATION OR ARBITRATION

The Company had no material litigation or arbitration from 1 January 2011 to 30 June 2011.

OTHER INFORMATION

CHANGE OF DIRECTORS

The Board of the Company comprises 11 directors. From 1 January 2011 to 30 June 2011, changes in the directorship of the Company are as follows:

Mr. Zhao Yahui resigned as the Company's executive director and chairman due to job re-designation reason, effective from 25 January 2011. Mr. Liang Jun also resigned as the Company's President on 25 January 2011. At the same time, the Company's nomination committee recommended Mr. Liang Jun to replace Mr. Zhao Yahui as the Company's Chairman, and recommended Mr. Dong Zhanbin to be the Company's executive Director and President.

Mr. Dong Zhanbin officially became an executive Director and the President on 25 January 2011 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 21 March 2011.

Mr. Chen Nap Kee, Joseph was re-appointed as Non-executive Director on 15 October 2010 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 21 March 2011.

Mr. Yan Xiang was re-appointed as Non-executive Director on 15 October 2010 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 21 March 2011.

Mr. George F. Meng was re-appointed as Independent Non-executive Director and a member of the Audit Committee of the Board on 15 October 2010 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 21 March 2011.

DIRECTORS' REMUNERATION

As of 30 June 2011, 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 2010.

Mr. Zhao Yahui (originally Executive Director and Chairman) waived 2010 remuneration of RMB70,000;

Mr. Liang Jun (Executive Director and Chairman) waived 2010 remuneration of RMB70,000;

Ms. Xing Xihong (Executive Director) waived 2010 remuneration of RMB70,000;

Mr. Hu Wentai (Non-executive Director and Vice Chairman) waived 2010 remuneration of RMB50,000;

Mr. Zhang Han'an (Non-executive Director) waived 2010 remuneration of RMB50,000.

SUPERVISORS' REMUNERATION

Mr. Dong Guiguo (Chairman of the Supervisory Committee) waived 2010 remuneration of RMB20,000;

Ms. Zeng Xuemei (supervisor) waived 2010 remuneration of RMB20,000.

COMPANY SECRETARY'S REMUNERATION

Mr. Xing Zhoujin (Company Secretary) waived 2010 remuneration of RMB30,000.

SHARE CAPITAL STRUCTURE

As at 30 June 2011, 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 | <u>473,213,000</u> | <u>100%</u> |

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2011, so far as is known to the Directors, Supervisors or chief executive of the Company, the following persons (other than a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"); or, who were, directly or

indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

Domestic shares

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

H shares

| Name of Shareholders | Type of Interest | Number of ordinary shares | Percentage of H shares issued | Percentage of total issued share capital |
|--|---|----------------------------------|--------------------------------------|---|
| Zhang Gaobo (<i>Note 2</i>) | Interest of controlled corporation | 94,343,000(L) | 41.58% | 19.94% |
| | Interest of controlled corporation | 32,788,500(S) | 14.45% | 6.93% |
| Zhang Zhi Ping (<i>Note 2</i>) | Interest of controlled corporation | 94,343,000(L) | 41.58% | 20.00% |
| | Interest of controlled corporation | 32,788,500(S) | 14.45% | 6.93% |
| Oriental Patron Financial Services Group Limited (<i>Note 2</i>) | Interest of controlled corporation | 94,343,000(L) | 41.58% | 20.00% |
| | Interest of controlled corporation | 32,788,500(S) | 14.45% | 6.93% |
| Oriental Patron Financial Group Limited (<i>Note 2</i>) | Interest of controlled corporation | 94,343,000(L) | 41.58% | 19.94% |
| | Interest of controlled corporation | 32,788,500(S) | 14.45% | 6.93% |
| Oriental Patron Resources Investment Limited (<i>Note 2</i>) | Beneficial | 94,343,000(L) | 41.58% | 19.94% |
| | Beneficial | 32,788,500(S) | 14.45% | 6.93% |
| UBS AG (<i>Note 3</i>) | Beneficial, security interest and controlled corporate interest | 33,679,400(L) | 14.84% | 7.12% |

| Name of Shareholders | Type of Interest | Number of ordinary shares | Percentage of H shares issued | Percentage of total issued share capital |
|---|--|---------------------------|-------------------------------|--|
| Utilico Emerging Markets Utilities Limited <i>(Note 4)</i> | Investment manager | 11,629,000(L) | 5.12% | 2.46% |
| ARC Capital Holdings Limited <i>(Note 5)</i> | Interest of controlled corporation | 98,365,500(L) | 43.35% | 20.79% |
| ARC Capital Partners Limited <i>(Note 5)</i> | Investment manager | 98,365,500(L) | 43.35% | 20.79% |
| Pacific Alliance Asia Opportunity Fund L.P. <i>(Note 5)</i> | Interest of controlled corporation | 98,365,500(L) | 43.35% | 20.79% |
| Pacific Alliance Equity Partners Limited <i>(Note 5)</i> | Interest of controlled corporation | 98,365,500(L) | 43.35% | 20.79% |
| Pacific Alliance Group Asset Management Limited <i>(Note 5)</i> | Investment manager | 98,365,500(L) | 43.35% | 20.79% |
| Pacific Alliance Group Holdings Limited <i>(Note 5)</i> | Interest of controlled corporation | 98,365,500(L) | 43.35% | 20.79% |
| Pacific Alliance Group Limited <i>(Note 5)</i> | Interest of controlled corporation | 98,365,500(L) | 43.35% | 20.79% |
| Pacific Alliance Investment Management Limited <i>(Note 5)</i> | Interest of controlled corporation | 98,365,500(L) | 43.35% | 20.79% |
| Walden Ventures Limited <i>(Note 5)</i> | Beneficial owner and person having a security interest in shares | 98,365,500(L) | 43.35% | 20.79% |
| Deutsche Bank Aktiengesellschaft <i>(Note 6)</i> | Beneficial owner, investment manager and person having a security interest in shares | 14,011,980(L) | 6.18% | 2.96% |
| | Beneficial owner | 5,498,000(S) | 2.42% | 1.16% |

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Each of Zhang Gaobo and Zhang Zhiping holds 49% and 51% interests of Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited holds 95% interests of Oriental Patron Financial Services Group Limited. The interests of Oriental Patron Resources Investment Limited is wholly-owned by Oriental Patron Financial Services Group limited.
3. Among the 33,679,400 shares in the Company, UBS AG was holding 2,000 shares as a beneficial owner and was deemed to have equity interest in the remaining 33,677,400 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 23,502,400 shares, 5,631,000 shares and 4,544,000 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. Pacific Alliance Group Holdings Limited was holding 99.17% interest in Pacific Alliance Group Limited, which was in turn holding 90% interest in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited was holding 61.8% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited was holding 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 98,365,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited for the purpose of Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which was in turn holding 43.35% interest of the Company.

Pacific Alliance Investment Management Limited was also holding 100% in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 98,365,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. was holding 36.67% interest in Walden Ventures Limited which was in turn holding 43.35% interest of the Company.

6. Among the 14,011,980 shares in the Company, Deutsche Bank Aktiengesellschaft was holding 5,508,980 shares as a beneficial owner, was deemed to be interested in 2,000,000 shares in its capacity as investment manager, and was deemed to be interested in the remaining 6,512,000 shares as person having a security interest in shares. Deutsche Bank Aktiengesellschaft was holding short position in 5,498,000 shares in its capacity as beneficial owner.
7. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2011, 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 2011, the interests of the Directors, Supervisors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules. No Directors, Supervisors and chief executive of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

None of the directors, supervisors and chief executives of the Company or their respective spouses or children under the age of 18 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 2011.

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 2011.

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

As at 30 June 2011, there were four independent non-executive directors in the Board;

As at 30 June 2011, 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 2011.

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 2011, 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

Liang Jun (*Chairman*)

Dong Zhanbin

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**
Liang Jun
Chairman and Executive Director

26 August 2011

Haikou, the People's Republic of China