

OTHER MATTERS

CHANGE IN DIRECTORS

From 1 January 2005 to 30 June 2005, there was no change in the Directors of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2005, the Group had a total of 643 employees, representing a decrease of 71 employees as compared to 714 employees at the beginning of the year. The decrease was mainly attributable to the resignation of the sales personnel in the domestic terminal buildings by Duty Free Company. 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 six months ended 30 June 2005, the Group's total staff cost accounted for approximately 9.3% of its total turnover. The staff cost increased by 14.6% from last year, mainly due to the increase in welfare expenses to staff and its remuneration of the job position.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2005, none of the Directors or Supervisor or chief executive had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of the Company required to be kept under section 352 of the SFO. None of the Directors, Supervisors, chief executives or their spouses or their children under 18 is entitled to subscribe for the shares of the Company.

SHARE CAPITAL STRUCTURE

As at 30 June 2005, the total issued share of the Company was 473, 213, 000 shares. The percentage of the total shares is as follows:

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

DISCLOSURE OF INTERESTS

As at 30 June 2005, the following persons (other than Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interest in shares and short positions maintained under section 336 of the Securities and Futures Ordinance (“SFO”):

Long positions in shares

Domestic shares

Name of shareholders	Capacity	Nature of shares	Number ordinary shares	Percentage of issued domestic shares (%) / total issued shares (%)
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial owner	Corporate	237,500,000	96.43/50.20

H shares

Name of shareholders	Capacity	Nature of shares	Ordinary shares capacity (Note 3)	Percentage of total H Shares in issue (%)	Date of latest disclosure (DD/MM/YY)
Copenhagen Airport A/S (Note 2)	Beneficial owner	Corporate	94,643,000	41.71	30/06/2005
Morgan Stanley	Beneficial owner	Corporate	15,715,000(L) 1,046,000(S) 0(P)	6.93(L) 0.46(S) 0.00(P)	27/06/2005
Allianz Aktiengesellschaft	Beneficial owner	Corporate	15,484,000(L)	6.82(L)	10/06/2005

Note:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Copenhagen Airport A/S is a public company owned by the Danish government and other private and institutional investors in and outside Denmark, and the shares of which are listed on the Copenhagen Stock Exchange.
3. L = Long Position, S = Short Position, P = Lending Pool

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Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30 June 2005, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

USE OF PROCEEDS FROM ISSUE OF H SHARES

As at 30 June 2005, proceeds from the issue of H Shares by the Company had been applied as follows:

- Approximately an accumulated amount of RMB94,380,000 was applied as payment to the parent company of the Company for the acquisition of land use rights for the construction of Phase II expansion of the Meilan airport;
- Approximately an accumulated amount of RMB50,070,000 was applied as cost for the expansion of the apron and terminal areas of the airport; and
- Approximately an accumulated amount of RMB15,500,000 was applied to the construction of an international customs and inspection joint operation building for passenger and cargo transportation.
- Approximately an accumulated amount of RMB240,740,000 was applied to the construction of Phase II of the terminal.

The balance of the net proceeds is placed with creditable commercial banks in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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 2005.

AUDIT COMMITTEE

The audit committee of the Company has, together with the management, reviewed the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal controls, financial reporting and non-exempt continuing connected transactions, including a review of the audited interim financial statements for the six months ended 30 June 2005 and the interim results announcement.

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

As at 30 June 2005, there are 3 Independent Non-executive Directors in the Board of the Company as required under Rule 3.10(1) of Listing Rules; and as at 30 June 2005, the audit committee comprises three Independent Non-executive Directors, including personnel with appropriate professional qualifications of accounting and the membership of Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June, 2005, in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

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

Most of the Directors of the Company are citizens of the mainland of the PRC and are restricted in the H shares transactions by the domestic laws. Therefore, the Company does not adopt any regulation under Model Code; None of the Directors of the Company are not, for any part of the accounting period contained in the interim report, in compliance with the Model Code.

By order of the Board,
Chen Wenli
Chairman

Hainan Province, the PRC
29 August, 2005