



**海南美蘭國際機場股份有限公司**  
**HAILAN MEILAN INTERNATIONAL AIRPORT COMPANY LIMITED**

(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code : 357)



INTERIM REPORT 2008



# CONTENTS

<b>Corporate Information</b>	2
<b>Management Discussion and Analysis</b>	4
<b>Other Information</b>	12
<b>Condensed Consolidated Interim Balance Sheet</b>	17
<b>Condensed Consolidated Interim Income Statement</b>	19
<b>Condensed Consolidated Interim Statement of Changes in Equity</b>	20
<b>Condensed Consolidated Interim Cash Flow Statement</b>	21
<b>Notes to the Condensed Consolidated Interim Financial Information</b>	22

## CORPORATE INFORMATION

### CHINESE NAME

海南美蘭國際機場股份有限公司

### ENGLISH NAME

Hainan Meilan International Airport Company Limited

### COMPANY WEBSITE

www.mlairport.com

### EXECUTIVE DIRECTORS

Zhang Cong, *Chairman*

Dong Zhanbin

Dong Guiguo

Bai Yan

### NON-EXECUTIVE DIRECTORS

Zhang Han'an

Chan Nap Kee, Joseph

Yan Xiang

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Bailing

Xie Zhuang

Fung Ching, Simon

George F. Meng

### SUPERVISORS

Chen Kewen, *Chairman*

Zhang Shusheng

Zeng Xuemei

### COMPANY SECRETARY

Bai Yan

### AUTHORIZED REPRESENTATIVES

Zhang Cong

Bai Yan

### AUDIT COMMITTEE

Xu Bailing, *Chairman*

Xie Zhuang

Fung Ching, Simon

### REMUNERATION COMMITTEE

Xie Zhuang, *Chairman*

Fung Ching, Simon

Tung Guiguo

### NOMINATION COMMITTEE

Xu Bailing, *Chairman*

Xie Zhuang

Dong Zhanbin

### STRATEGIC COMMITTEE

Fung Ching, Simon, *Chairman*

Xu Bailing

Xie Zhuang

Dong Zhanbin

Dong Guiguo

### LEGAL ADDRESS AND HEAD OFFICE

Meilan Airport Complex

Haikou City

Meilan Airport Complex

### PLACE OF BUSINESS IN HONG KONG

28/F, Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

### LEGAL ADVISER AS TO HONG KONG LAW

Coudert Brothers in association with Orrick, Herrington & Sutcliffe LLP

43/F, Gloucester Tower

The Landmark

15 Queen's Road, Central

Hong Kong

### INTERNATIONAL AUDITORS

PricewaterhouseCoopers

22/F, Prince's Building

Central, Hong Kong

### PRC AUDITORS

Zonzun Accounting Office Limited, Hainan Branch Office

Block B, 16/F, Huaneng Building

No. 36 Datong Road

Longhua District

Haikou City

Hainan Province, PRC

Post code: 571100

### PRINCIPAL BANKER

China Everbright Bank, Yingbin Branch

56 Longkun South Road, Haikou City,

Hainan Province, PRC

### H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Room 1712-1716, 17th Floor,

Hopewell Centre,

183 Queen's Road East

Hong Kong

### STOCK CODE

357

## FINANCIAL HIGHLIGHTS

The board of directors (the "Board") of Hainan Meilan International Airport Company Limited ("Meilan Airport" or the "Company") is pleased to announce the operating conditions, the unaudited financial results of the Company and its subsidiaries ("the Group") for the first half year of 2008, which have been reviewed by the audit committee of the Company (the "Audit Committee"), and the prospects for the second half year of 2008.

### FINANCIAL HIGHLIGHTS

*For the six months ended 30 June*

(RMB'000)	2008	2007	Changes (%)
Turnover	<b>212,893</b>	174,889	22%
Gross profit	<b>140,017</b>	112,675	24%
Net profit attributable to shareholders	<b>117,744</b>	87,095	35%
Earnings per share – basic (RMB)	<b>0.25</b>	0.18	39%
Net operating cashflow	<b>57,962</b>	124,297	– 53%
EBITDA	<b>144,582</b>	121,383	19%

(RMB'000)	As at 30 June 2008	As at 31 December 2007
Total assets	<b>1,955,897</b>	1,836,576
Total liabilities	<b>180,323</b>	145,092
Shareholders' equity	<b>1,775,574</b>	1,691,484

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2008, the natural calamities, like the once in every 50 years disastrous snowstorm weather that hit the central and southern regions of China, the May 12 catastrophic earthquake at Wenchuan, Sichuan Province and the continuous downpour and flooding disaster in southern China this summer, continued to affect China. Besides affecting the travelling notion and plan of people, these calamities had also affected the country's economic development and possess pounding effects to the civil aviation industry. Nevertheless, due to the regional independency, the economic development of Hainan Province is not affected by these adverse factors. Furthermore, by leveraging from the speeding up of some fixed assets investment projects, like the East Ring Railway Project and Wenchang Aerospace City Project, and the rapid increase in tourism real estate investment, the consumption demand in Hainan Province remained robust and became the main force in its economic growth. The above has guided the continuous economic development of Hainan Province in a stable and healthy pace and laid down a development momentum with active regional economic activities, higher economic efficiency, stronger domestic demand and better livelihood standards.

During the period under review, although the natural calamities did not affect the Group directly, they still exerted tremendous pressure on Meilan Airport in terms of passenger markets because of the withering of passenger markets in the disastrous regions. Despite the above challenges, the Group was still able to persist its market-driven strategy. With achieving beneficial results as our objective, we actively adjusted our transportation production plan, improved our operation management, lowered our operating costs, developed the passenger and cargo potential of aviation market. The above has enabled us to achieve sustained rapid growth in aviation transportation market following the rebound in 2007. We were able to maintain a double-digit growth in passenger throughput, aircraft movement and cargo throughput, and achieved the highest growth rate among the civil aviation airports in China. Furthermore, a series of events promoted by the government of Hainan Province in celebrating its 20th anniversary of establishment and consent from State Council in developing Hainan Province into a tourist resort island had also brought tremendous fixed asset investment prospects in various aspects. The above has pushed up the demand of civil aviation transportation market in Hainan Province and facilitate our non-aeronautical business maintaining its growth momentum.

For the six months ended 30 June 2008, the Group's total revenue amounted to approximately RMB212,893,000, representing an increase of 21.73% as compared to the corresponding period of last year. Net profit attributable to shareholders of the Company was increased by 35.19% from the corresponding period of last year to RMB117,744,000. Earnings per share amounted to RMB25 cents (earnings per share for the same period of last year: RMB18 cents).

## **BUSINESS REVIEW**

### **1. Aeronautical Business**

For the six months ended 30 June 2008, total passenger throughput amounted to 4,414,300, representing an increase of 22.86% as compared to the corresponding period of last year. Aircraft movement amounted to 34,998, representing an increase of 14.26% as compared to the corresponding period of last year, among which transport movement reached 33,659, representing an increase of 17.02% over the corresponding period of last year. Cargo throughput reached 74,072 tons, representing an increase of 22.74% over the corresponding period of last year.

For the six months ended 30 June 2008, revenue from the Group's aeronautical business was RMB160,261,000, representing an increase of 27.07% as compared to the corresponding period of last year.

For the first half of 2008, the increase in the Group's net profit attributable to shareholders was mainly attributable to a series of positive measures of increasing income and decreasing expenditure, the strive for expanding aviation markets, increasing the income sources, reinforcement on cost control.

#### *Rapid Growth of Domestic Flights*

In the first half of 2008, the economy of Hainan Province had sustained a stable and healthy development and was able to cope with the steady growth of demand for its civil aviation market. In terms of its aviation market development, the Group continued to take its proactive measures in rationalizing its market development strategy. Subsequent to achieving its rebound in domestic aviation business in 2007, the first half of 2008 was able to sustain a rapid growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

- Our company has visited all types of customers, including domestic airlines, major local travel agencies, and has actively participated in various flights co-ordination meetings. We provided reliable information to airlines for flight schedule planning and travel agencies for opening charter of flights, keeping the stable increase in the number of aircrafts rising and landing and flight passenger utilization rate of Meilan Airport.
- We actively co-ordinated with respective authorities of the state and local government to apply for various preferential policies to obtain more government support for the expansion of the Group's passenger sources. The financial subsidy policy recently implemented in encouraging airlines begins to fruit beneficial effects.

For the six months ended 30 June 2008, domestic passenger throughput (including the regional area) of Meilan Airport has reached 4,315,000 with the number of aircrafts rising and landing reaching 34,195, transportation cargo movements reaching 32,856 and cargo throughput amounting to 72,479.3 tones, increasing by 26.58%, 26.66%, 17.68% and 25.51% over the corresponding period of last year, respectively. Of which 92,400 being regional passenger throughput, the number of regional aircrafts rising and landing has reached 945 and cargo throughput has increased to 1,208 tones, representing an increase of 10.77%, 2.72% and 18.58% respectively as compared to the corresponding period of last year.

### *Modification of Positioning in the Development of International Flights*

During the period under review, by leveraging on the opportunities brought by the Olympics, all domestic airlines have expanded the frequency of international flight schedules to the three main aviation transportation hubs (i.e. Beijing, Shanghai and Guangzhou), and this has resulted in a lower frequency of their original flight schedules to Korea and Japan through Meilan Airport. International flights and passenger throughput has slightly shrunk as well. In view of this, the Group had adjusted its development strategy appropriately for its international aviation market and expanded the aviation market in South-east Asia aggressively. We have successfully introduced Asian Airlines and have opened up regular flights between Kuala Lumpur and Haikou, an important step for Meilan Airport in expanding its aviation market in South-east Asia.

For the six months ended 30 June 2008, international passenger throughput of Meilan Airport has reached 99,300 with the number of aircrafts rising and landing reaching 803 and cargo throughput amounting to 1,596.4 tons. The passenger throughput and the number of aircraft rising and landing and cargo throughput represented a decrease of 9.48%, 20.34% and 5.04%, respectively over the corresponding period last year.

## **2. Non-aeronautical Business**

In the first half of 2008, the Group actively pursued and adjusted its operating strategy and explored areas with profit growing potential for its non-aeronautical business with encouraging results.

For the six months ended 30 June 2008, revenue from the Group's non-aeronautical business was RMB52,632,000, representing an increase of 7.93% over the corresponding period last year,

- The Groups' cargo business achieved revenue in the first half of the year of RMB8,094,000, representing a 72.51% increase over the corresponding period of last year, which is mainly due to the change of operation model and the increase in business;
- The Group's VIP service business achieved revenue of RMB3,985,000, representing a 59.52% increase over the corresponding period last year, mainly due to the growth of VIP services business and the right for title revenues.

## **3. Corporate Social Responsibilities**

2008 is the Olympics Year in China. The Group will pursue our course of "Safety goes first, Precaution as core" and will analyze the safety situation of international and domestic air defence in depth and enhance the alertness and safety mentality of our staff with regard to air defence safety, match up with the air defence safety works for both the state and local government.

The May 12 catastrophic earthquake at Wenchuan, Sichuan Province had resulted enormous casualties, together with substantial property and monetary losses. The Group had instantly organized all our staff in combating the quake and carrying out relief works. We immediately set up dedicated channels handling goods and materials for disaster victims and priorities are given to collecting and transporting goods and materials for disaster victims to ensure smooth storage and transportation process. At the same time, the Group encouraged all our staff to donate actively, share our concern and offer our helping hands to the disaster victims.

## **4. Branding of Services**

With regard to branding of services, the Group had always endeavoured itself in striving for perfection for establishing its international branding image. During the period under review, apart from the various awards successfully obtained at national and provincial levels, we have also received high appreciation from all sectors in respect of our provision of quality and highly efficient redeployment services for the 20th anniversary of Hainan Province establishment, Bo'ao Forum for Asia and Beijing Olympics Torch.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1. Liquidity and financial resources

As at 30 June 2008, the Group's current assets amounted to RMB800,547,000, comprising cash and cash equivalents of RMB497,479,000, time deposits of RMB62,000,000, receivables of RMB241,024,000, and inventories of RMB44,000.

As at 30 June 2008, the Group's current liabilities amounted to RMB155,130,000, comprising the outstanding principal of the long-term loans due within 1 year of RMB4,000,000, payables of RMB111,877,000 and income tax payables of RMB39,253,000.

As far as the directors of the Company known, the civil airport management and construction fee (the "Airport Fee") shall continue to be levied by 31 December 2010. For the six months ended 30 June 2008, the Company recognized 50% of the collected Airport Fee of Meilan Airport as revenues according to the approval of Ministry of Finance issued on 15 September 2002. The Company will pay prompt attention to any adjustment of policies related to the Airport Fee and disclose any updated information to shareholders by issuing announcement.

### 2. Operating costs

For the first half of 2008, the Group's costs of services and sales of goods amounted to RMB72,876,000, representing an increase of 17.14% as compared to the corresponding period of last year, which was mainly due to the increase of the staff cost.

For the first half of 2008, the Group's administrative expenses amounted to RMB26,438,000, representing an increase of 33.58% as compared to the corresponding period of last year, which was mainly due to the increase in staff costs and the fact that the administrative expenses for the first half year of 2007 has offset the CPH technical advisory services fees of year 2007 and prior years, which sharply reduced the administrative expenses of 2007, and the administrative expenses turned into normal without any offset during the first half year of 2008 which resulted in the significant increase of the administrative expenses during the first half of 2008 compared to the same period last year. There is a decrease of 7.47% during the first half year of 2008 compared to the same period of 2006.

### 3. Gearing ratio

As at 30 June 2008, the Group had current assets of RMB800,547,000 and total assets of RMB1,955,897,000. The Group had current liabilities and total liabilities amounted to RMB155,130,000 and RMB180,323,000, respectively. As at 30 June 2008, the Group's gearing ratio (total liabilities/total assets) was 9.22%, representing an increase of 1.32% compared to that as at 31 December 2007, which is due to the increase of outstanding payables to parent company.

#### **4. Pledge on the Group's assets**

The Group pledged its rights to revenues, including the rights of the airport fee to secure a long-term bank loan of RMB128,000,000 from China Development Bank.

As at 30 June 2008, the balance of the bank loan was RMB18,000,000.

#### **5. Capital structure of the Group**

As at 30 June 2008, the issued share capital of the Company was RMB473,213,000. Now the Group still have bank loan of RMB18,000,000. The Group's borrowings are primarily denominated in Renminbi. 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**

Other than the establishment of Haikou Decheng Industrial and Development Co., Ltd. as set out below, for the six months ended 30 June 2008, the Group did not have any significant investment.

#### **7. Material Acquisitions and Disposals**

For the six months ended 30 June 2008, the Group had not conducted any material acquisitions and disposals in connection with the relevant subsidiaries or associated companies.

On 5 June 2008, the Company signed an agreement with Hainan Hangcheng Industrial and Development Co., Ltd. to establish Haikou Decheng Industrial and Development Co., Ltd. to promote the harmonious development of the Company and to provide land resource reservation and co-development opportunities in the land area of the second phase construction planning of Meilan Airport. According to the agreement, the Company contributed RMB30,504,300 in cash to the capital on 1 July 2008, holding 30% equity interests of the joint venture company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 8. Employees and remuneration policy

As at 30 June 2008, the Group had a total of 824 employees, representing an increase of 64 employees as compared to 760 employees at the beginning of the year. The increase was mainly attributable to the demand for positions required for meeting the needs of production operation. 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 2008, the Group's total staff cost accounted for approximately 11.75% of its total turnover. The staff cost increased by 50.40% over the corresponding period of last year and was mainly due to: the resumption and operation of airport cargo center by the Group since 1 March 2007 which led to an additional two months, January and February 2008, increase in staff costs in respect of its operation for the first half year of 2008 over the corresponding period of last year; the official implementation of "Labor Contract Law of The People's Republic of China" since 1 January 2008, which led to a corresponding increase in staff benefits and overtime pay standards; the staff increase of the Group, as well as the increase of staff costs as a result of an organic growth in payroll in line with years of employment and seniority.

### 9. Entrusted deposits and overdue fixed deposits

As at 30 June 2008, the Group did not have any entrusted deposits and overdue fixed deposits.

### 10. Contingent liabilities

As at 30 June 2008, 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 equity holders of H-shares are declared and paid in Hong Kong Dollar. As at 30 June 2008, except cash and cash equivalents of approximately RMB913,000 that were denominated in Hong Kong Dollar or US Dollar, the Group's other assets and liabilities were denominated in RMB. The Directors believe that the Group's business is not subject to any substantial foreign exchange risk.

## NO OTHER MATERIAL CHANGE

Other than those discussed in this interim report, there has been no material change in relation to the information disclosed in the Company's 2007 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 global crude oil prices reached unprecedented high in 2008 and have exerted apparent impeding effects on the world economy. If the crude oil prices remain high in the second half of 2008, then domestic fuel prices will also maintain at high levels. Thus, this will bring devastating effects to the aviation industry. Although the National Development and Reform Commission and Civil Aviation Administration of China have already made appropriate adjustments to the levy standard of fuel oil surcharge for domestic routes, however, it will only bring mitigation effects to the blow caused by high oil prices. The slump business operation of airlines will embroil the operation of domestic airport industry. The natural calamities occurred in the first half of 2008 had already changed the travelling notion and plan of people. Coupled with the appeal by the government to encourage people to reduce travelling and business activities through different travelling means, the pressure exerted on civil aviation transportation market will become apparent in the second half of the year. Nevertheless, our fundamental course of boosting up the economy of Hainan Province will remain unchanged. With the stable development both in its industrial and agricultural production, augmented by the speeding up in investment progress of massive projects in transportation, industry and tourism real estate like the East Bypass Railway, Wenchang Aerospace City, Shenzhou Peninsula, Qingshui Bay, Begonia Bay, they will continue to drive propelling effects to the economic growth of Hainan Province. In addition, the hosting of activities such as China Happiness Stanza, Round-the-Island Bike Tournament will push up the potential civil aviation market demand. Hence, the Board holds an optimistic but conservative view with regard to the business operation of Meilan Airport in the second half of 2008. At the same time, after the Beijing Olympics the civil aviation transportation market will be realigned and operation reorganization of airlines and adjustments of international aviation market development strategy by the Group will precipitate stable growth to our international airline business in the second half of 2008.

By encountering the direct impact of high oil prices to its domestic civil aviation industry, the Company will continue to enhance our development in aviation market. At the same time, in respect of management, we will actively adopt revenue generating and cost saving measures in strengthening cost control, pursuing the “low cost, high efficiency” development course to improve the revenue level for the year and will endeavour to earn better returns for our shareholders.

## **INTERIM DIVIDEND**

After taking into account the funding requirements of the potential developments of Meilan Airport, the Board proposed no interim dividend for the six months ended 30 June 2008.

## **MATERIAL LITIGATION OR ARBITRATION**

The Company had no material litigation or arbitration from 1 January 2008 to 30 June 2008.

## OTHER INFORMATION

### CHANGE OF DIRECTORS

The Board of the Company comprised 11 directors as at 30 June 2008. There was no change in the directorship from 1 January 2008 to 30 June 2008.

### SHARE CAPITAL STRUCTURE

As at 30 June 2008, the total number of issued shares of the Company was 473,213,000 as follows:

	<b>Number of Shares</b>	<b>Percentage to total issued</b>
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 2008, so far as was known to any director, supervisor or chief executive of the Company, the persons (other than a director, supervisor or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) were as follows:

#### *Domestic shares*

<b>Name of Shareholders</b>	<b>Identity</b>	<b>Type of Shares</b>	<b>Number of shares</b>	<b>Percentage of domestic shares issued</b>	<b>Percentage of total issued share capital</b>
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial	Corporate	237,500,000 (L)	96.43%	50.19%

*H shares*

<b>Name of Shareholders</b>	<b>Type of Interest</b>	<b>Number of shares</b>	<b>Percentage of H shares issued</b>	<b>Percentage of total issued share capital</b>
Zhang Gaobo <i>(Note 2)</i>	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Zhang Zhiping <i>(Note 2)</i>	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Oriental Patron Financial Services Group Limited <i>(Note 2)</i>	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
Oriental Patron Resources Investment Limited <i>(Note 2)</i>	Beneficial	94,643,000 (L)	41.71%	20.00%
Oriental Patron Financial Group Limited <i>(Note 2)</i>	Controlled corporate interest	94,643,000 (L)	41.71%	20.00%
UBS AG <i>(Note 3)</i>	Beneficial and controlled corporate interest	29,483,400 (L) 413,000 (S)	12.99% 0.18%	6.23% 0.09%
ChinaRock Capital Management Limited <i>(Note 4)</i>	Investment manager	16,220,000 (L)	7.15%	3.43%
Farallon Capital Management, L.L.C. <i>(Note 4)</i>	Investment manager	16,220,000 (L)	7.15%	3.43%
Utilico Emerging Markets Utilities Limited <i>(Note 5)</i>	Investment manager	11,629,000 (L)	5.12%	2.46%

## OTHER INFORMATION

### 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 49.19% interests in Oriental Patron Financial Group Limited. Zhang Zhiping holds 49.92% interests in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited holds 95% interests in Oriental Patron Financial Services Group Limited, which in turn holds 100% interests in Oriental Patron Resources Investment Limited.
3. Among the 29,483,400 shares of the Company, as a beneficial owner, UBS AG holds 623,714 shares and is deemed to have equity interest in the 28,859,686 shares (UBS AG wholly owns UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd, UBS Global Asset Management (Hong Kong) Ltd and UBS Securities LLC., and those companies beneficially own 16,827,686 shares, 4,414,000 shares, 6,377,000 shares and 413,000 shares in the Company, respectively. In addition, UBS AG is deemed to hold the short position of 413,000 shares in the Company (UBS AG wholly owns UBS Securities LLC, which beneficially owns 413,000 shares in the Company).
4. As investment advisors, ChinaRock Capital Management Limited and Farallon Capital Management L.L.C. are deemed to hold the equity interests of 16,220,000 shares in the Company (ChinaRock Capital Management Limited and Farallon Capital Management L.L.C. hold 100% interests in Farallon Capital Offshore Investors II, L.P., Tincum Partners, L.P., Farallon Capital Institutional Partners III, L.P., Farallon Capital Institutional Partners II, L.P., Farrallon Capital Institutional Partners, L.P. and Farallon Capital Partners, L.P. and Farallon Capital Offshore Investors, Inc., and those companies beneficially own 2,343,100 shares, 2,176,100 shares, 190,500 shares, 120,400 shares, 91,800 shares, 3,457,500 shares and 7,840,600 shares in the Company, respectively).
5. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.
6. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2008, the Directors were not aware of any other person (not being a director, supervisor or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

As at 30 June 2008, none of the directors, supervisors or chief executive of the Company had interests and/or short positions 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 (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or (b) to be entered into the register to be kept pursuant to section 352 of the SFO or (c) as otherwise notified to the Company and the Stock Exchange would be required to be pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

None of the directors, supervisors and chief executives of the Company or their respective spouses or children under the age of 18 were granted any rights to subscribe for shares of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the listed securities of the Company during the six months ended 30 June 2008.

## **AUDIT COMMITTEE**

The Audit Committee has, together with the management, reviewed the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal controls, financial reporting and non-exempt continuing connected transactions, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2008.

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

As at 30 June 2008, there are four independent non-executive directors on the Board; and as at 30 June 2008, 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.

## OTHER INFORMATION

### 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 2008.

### 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 2008, the Company had complied with the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules and met with all reasonable governance and disclosure requirements. The Company will strive for continuously enhancing its governance standard and transparency to shareholders.

### THE BOARD

As at the date of this announcement, the Board of the Company is comprised by the following persons:

*Executive directors*

Zhang Cong  
Dong Zhanbin  
Dong Guiguo  
Bai Yan

*Independent non-executive directors*

Xu Bailing  
Xie Zhuang  
Fung Ching Simon  
George F Meng

*Non-executive directors*

Zhang Han'an  
Joseph Chan  
Yan Xiang

By Order of the Board

**Hainan Meilan International Airport Company Limited**

**Zhang Cong**

*Chairman*

Haikou, the People's Republic of China  
28 August 2008

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

		As at 30 June 2008 Unaudited	As at 31 December 2007 Audited
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	5	158,792	160,456
Property, plant and equipment	5	996,558	1,009,800
<b>Total non-current assets</b>		<b>1,155,350</b>	1,170,256
<b>Current assets</b>			
Inventories		44	49
Trade receivables	6	226,128	123,320
Other receivables and prepayments		14,896	12,362
Time deposits	7	62,000	167,401
Cash and cash equivalents	7	497,479	363,188
<b>Total current assets</b>		<b>800,547</b>	666,320
<b>Total assets</b>		<b>1,955,897</b>	1,836,576
<b>EQUITY</b>			
<b>Capital and reserve attributable to the shareholders of the Company</b>			
Share capital	8	1,100,250	1,100,250
Reserves		142,357	143,383
Retained earnings		532,364	447,276
		<b>1,774,971</b>	1,690,909
<b>Minority interests</b>		<b>603</b>	575
<b>Total equity</b>		<b>1,775,574</b>	1,691,484

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

		As at 30 June 2008 Unaudited	As at 31 December 2007 Audited
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings – secured	9	14,000	16,000
Deferred income tax liabilities		11,193	11,193
<b>Total non-current liabilities</b>		<b>25,193</b>	27,193
<b>Current liabilities</b>			
Trade and other payables	10	111,877	67,579
Current income tax liabilities		39,253	41,320
Borrowings – secured	9	4,000	9,000
<b>Total current liabilities</b>		<b>155,130</b>	117,899
<b>Total liabilities</b>		<b>180,323</b>	145,092
<b>Total equity and liabilities</b>		<b>1,955,897</b>	1,836,576
<b>Net current assets</b>		<b>645,417</b>	548,421
<b>Total assets less current liabilities</b>		<b>1,800,767</b>	1,718,677

The notes on pages 22 to 34 form an integral part of this condensed consolidated interim financial information.

On behalf of the Board

**Dong Zhanbin**  
*Director and General Manager*

**Dong Guiguo**  
*Director and Chief Financial Officer*

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2008 Unaudited	2007 Audited
Revenue:			
Aeronautical		160,261	126,123
Non-aeronautical		52,632	48,766
		<hr/>	<hr/>
	4	212,893	174,889
Cost of services and sale of goods		(72,876)	(62,214)
		<hr/>	<hr/>
<b>Gross profit</b>		140,017	112,675
Administrative expenses		(26,438)	(19,792)
		<hr/>	<hr/>
<b>Operating profit</b>	11	113,579	92,883
		<hr/>	<hr/>
Finance income		5,064	3,173
Finance costs		(871)	(1,626)
		<hr/>	<hr/>
Finance income-net		4,193	1,547
		<hr/>	<hr/>
<b>Profit before income tax</b>		117,772	94,430
Income tax expense	12	–	(7,363)
		<hr/>	<hr/>
<b>Profit for the period</b>		117,772	87,067
		<hr/>	<hr/>
<b>Attributable to:</b>			
– shareholders of the Company		117,744	87,095
– minority interest		28	(28)
		<hr/>	<hr/>
		117,772	87,067
		<hr/>	<hr/>
		RMB	RMB
<b>Earnings per share for profit attributable to the shareholders of the Company</b>			
– basic and diluted	13	25 cents	18 cents
		<hr/>	<hr/>
<b>Dividends</b>	14	–	92,106
		<hr/>	<hr/>

The notes on pages 22 to 34 form an integral part of this condensed consolidated interim financial information.

On behalf of the Board

**Dong Zhanbin**  
Director and General Manager

**Dong Guiguo**  
Director and Chief Financial Officer

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

Note	Attributable to the shareholders of the Company				Minority interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
<b>Balance as at</b>						
<b>1 January 2007</b>						
<b>– Audited</b>	1,100,250	149,528	412,477	1,662,255	600	1,662,855
Profit/(loss) for the period						
– Audited	–	–	87,095	87,095	(28)	87,067
<b>Balance as at</b>						
<b>30 June 2007</b>						
<b>– Audited</b>	<u>1,100,250</u>	<u>149,528</u>	<u>499,572</u>	<u>1,749,350</u>	<u>572</u>	<u>1,749,922</u>
<b>Balance as at</b>						
<b>1 January 2008</b>						
<b>– Audited</b>	1,100,250	143,383	447,276	1,690,909	575	1,691,484
Profit for the period						
– Unaudited	–	–	117,744	117,744	28	117,772
Dividends relating to 2007 paid in May 2008						
– Unaudited	14	–	(33,682)	(33,682)	–	(33,682)
Transfer resulting from depreciation of revaluated assets						
– Unaudited	–	(1,026)	1,026	–	–	–
<b>Balance as at</b>						
<b>30 June 2008</b>						
<b>– Unaudited</b>	<u>1,100,250</u>	<u>142,357</u>	<u>532,364</u>	<u>1,774,971</u>	<u>603</u>	<u>1,775,574</u>

The notes on pages 22 to 34 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(All amounts in Renminbi (“RMB”) thousands unless otherwise stated)

	Six months ended 30 June	
	2008 Unaudited	2007 Audited
<b>Cash flows from operating activities – net</b>	<b>57,962</b>	124,297
<b>Cash flows from investing activities – net</b>	<b>99,362</b>	(13,509)
<b>Cash flows from financing activities – net</b>	<b>(23,033)</b>	(14,000)
<b>Net increase in cash and cash equivalents</b>	<b>134,291</b>	96,788
Cash and cash equivalents at beginning of period	<b>363,188</b>	322,040
<b>Cash and cash equivalents at end of period</b>	<b>497,479</b>	418,828

The notes on pages 22 to 34 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi (“RMB”) thousands unless otherwise stated)

## 1 GENERAL INFORMATION

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

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

This condensed consolidated interim financial information was approved for issue on 28 August 2008.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with 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 2007, which have been prepared in accordance with IFRSs.

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, 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.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- IFRIC – Int 11, “IFRS 2 – Group and treasury share transactions”
- IFRIC – Int 12, “Service concession arrangements”
- IFRIC – Int 14, “IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction”

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi (“RMB”) thousands unless otherwise stated)

### 4 REVENUES AND SEGMENT INFORMATION

The Group conducts its business within one business segment – the business of operating an airport and provision of related services in the PRC. As the products and services provided by the Group are all related to the operation of an airport and subject to similar business risks, no segment income statement has been prepared by the Group for the six months ended 30 June 2008. The Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC. Accordingly, no geographical segment information is presented.

Analysis of revenue by category	Six months ended 30 June	
	2008	2007
Aeronautical:		
Passenger charges	62,385	46,151
Aircraft movement fees and related charges	24,011	20,815
Airport fee	54,687	44,266
Ground handling services income	19,178	14,891
	<hr/>	<hr/>
	160,261	126,123
	<hr/>	<hr/>
Non-aeronautical:		
Retailing	–	8,057
Franchise fee	22,812	11,448
Rental	9,025	8,528
Freight	8,094	4,692
Advertising	–	6,433
Car parking	3,022	2,495
Others	9,679	7,113
	<hr/>	<hr/>
	52,632	48,766
	<hr/>	<hr/>
Total revenues	212,893	174,889
	<hr/>	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 5 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Property, plant and equipment	Land use rights
<b>Six months ended 30 June 2008</b>		
Opening net book amount as at 1 January 2008	1,009,800	160,456
Additions	11,103	–
Disposals	(42)	–
Depreciation and amortisation	(24,303)	(1,664)
	<u>996,558</u>	<u>158,792</u>
<b>Six months ended 30 June 2007</b>		
Opening net book amount as at 1 January 2007	1,089,832	163,710
Additions	6,255	–
Depreciation and amortisation	(23,672)	(1,627)
	<u>1,072,415</u>	<u>162,083</u>

### 6 TRADE RECEIVABLES

	As at	
	30 June 2008	31 December 2007
Trade receivables from third parties	45,828	35,014
Trade receivables from related parties ( <i>Note 15(b)</i> )	98,421	61,114
Airport fee receivable	81,879	27,192
	<u>226,128</u>	<u>123,320</u>

The carrying amounts of trade receivables approximate their fair values.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 6 TRADE RECEIVABLES *(continued)*

As at 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2008	31 December 2007
0 – 90 days	125,638	99,868
91 – 180 days	57,620	13,811
181 – 365 days	36,486	6,488
Over 365 days	6,384	3,153
	<hr/>	<hr/>
	226,128	123,320
	<hr/>	<hr/>

The credit terms given to trade customers are determined on individual basis with the normal credit period ranging from 1 to 3 months.

### 7 TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

#### (a) Time deposits

As at 30 June 2008, the Group placed deposits denominated in RMB with certain financial institutions (31 December 2007: certain financial institutions and a related party (*Note 15(b)*)) in the PRC. These deposits earned interest at rate of 4.14% per annum and will be matured on 10 June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 7 TIME DEPOSITS AND CASH AND CASH EQUIVALENTS *(continued)*

(b) Cash and cash equivalents comprised:

	As at	
	30 June 2008	31 December 2007
Cash on hand	91	79
Cash in bank		
– RMB	226,475	191,820
– Other currencies	913	1,289
	<u>227,388</u>	<u>193,109</u>
Short-term deposits with a related party <i>(Note 15(b))</i>		
– RMB	270,000	170,000
	<u>270,000</u>	<u>170,000</u>
Total cash and cash equivalents	<u>497,479</u>	<u>363,188</u>
Maximum exposure to credit risk	<u>497,388</u>	<u>363,109</u>

### 8 SHARE CAPITAL

	At 30 June 2008 and 31 December 2007
Share capital registered, issued and fully paid	
– 246,300,000 Domestic shares of RMB1 each	246,300
– 226,913,000 H-shares of RMB1 each	226,913
	<u>473,213</u>
Share premium arising from group reorganisation in 2000	69,390
Share premium arising from new issue net of issuing expenses	557,647
	<u>627,037</u>
	<u>1,100,250</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 9 BORROWINGS – SECURED

	As at	
	30 June 2008	31 December 2007
Non-current	14,000	16,000
Current	4,000	9,000
	<hr/>	<hr/>
	18,000	25,000
	<hr/>	<hr/>

Movements in borrowings is analysed as follows:

#### Six months ended 30 June 2008

Opening amount as at 1 January 2008	25,000
Repayments of borrowings	(7,000)
	<hr/>

#### Closing amount as at 30 June 2008

**18,000**

#### Six months ended 30 June 2007

Opening amount as at 1 January 2007	53,000
Repayments of borrowings	(14,000)
	<hr/>

#### Closing amount as at 30 June 2007

39,000

Interest expense on borrowings for the six months ended 30 June 2008 is RMB871,000 (for the six months ended 30 June 2007: RMB1,626,000).

### 10 TRADE AND OTHER PAYABLES

	As at	
	30 June 2008	31 December 2007
Trade payables	3,652	3,376
Other payables	39,884	53,939
Deposits received	6,087	882
Due to related parties (Note 15(b))	62,254	9,382
	<hr/>	<hr/>
	111,877	67,579
	<hr/>	<hr/>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 10 TRADE AND OTHER PAYABLES *(continued)*

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at	
	30 June 2008	31 December 2007
0 – 90 days	25,388	9,391
91 – 180 days	8,223	502
181 – 365 days	811	1,751
Over 365 days	1,627	860
	<hr/>	<hr/>
	36,049	12,504
	<hr/>	<hr/>

### 11 OPERATING PROFIT

The following items of unusual nature, size or incidence have been charged to the operating profit during the period:

	Six months ended 30 June	
	2008	2007
Impairment charge relating to trade receivables	–	64
Loss on disposal of property, plant and equipment	42	–
	<hr/>	<hr/>
	42	64
	<hr/>	<hr/>

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. There was no indication of impairment for non-financial assets with indefinite lives during the period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Financial assets were reviewed for impairment as at 30 June 2008, there are no indications of impairment.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 12 INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group had no estimated assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2007: Nil). Taxation in the income statement represents provision for PRC corporate income tax ("CIT").

	Six months ended 30 June	
	2008	2007
Current income tax		
– outside Hong Kong	–	7,483
Deferred income tax	–	(120)
	<hr/>	<hr/>
	–	7,363
	<hr/>	<hr/>

Pursuant to the approval document (Qiong Shan Guo Shui Han [2002] No.11) issued by Hainan Qiongsan State Tax Bureau in 2002, the Company was entitled to the exemption of CIT from 2000 to 2004, and 50% deduction of CIT from 2005 to 2009 (the "Original CIT Holiday"). Under the Original CIT Holiday, CIT rate for 2007 was 7.5%. Accordingly, the Company provided CIT of RMB7,483,000 in the income statement for the six months ended 30 June 2007 since 2007 was within the period of 50% tax reduction period under the Original CIT Holiday.

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. Under the revised CIT holiday (the "Revised CIT Holiday"), the Company is entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. The Company recognised the net tax charges derived from the Revised CIT Holiday in the second half year of 2007. No CIT was provided for the six months ended 30 June 2008 by the Company under the Revised CIT Holiday.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 13 EARNINGS PER SHARE

#### – Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2008	2007
Profit attributable to shareholders of the Company (RMB'000)	<u>117,744</u>	<u>87,095</u>
Weighted average number of ordinary shares in issue (thousands)	<u>473,213</u>	<u>473,213</u>
Basic earnings per share (RMB per share)	<u>25 cents</u>	<u>18 cents</u>

#### – Diluted

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2008 and 2007.

### 14 DIVIDENDS

A dividend that relates to the period to 31 December 2007 amounting to RMB33,682,000 was declared in May 2008 and RMB16,033,000 of which was paid in June 2008 (2007: nil dividend that related to the period to 31 December 2006 was declared).

	Six months ended 30 June	
	2008	2007
Interim, proposed, of nil (for the six months ended 30 June 2007: HKD20 cents) per share	<u>–</u>	<u>92,106</u>

At a meeting held on 28 August 2008, the Directors proposed no interim dividend for six months ended 30 June 2008.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi (“RMB”) thousands unless otherwise stated)

### 15 RELATED PARTY TRANSACTIONS

The Company is controlled by Haikou Meilan International Airport Company Limited (the “Parent Company”) established in the PRC which owns 50% of the Company’s shares. Oriental Patron Financial Services Group Limited (“Oriental Patron”) owns 20% of the Company’s shares. Hainan Airlines and HNA Group Co., Ltd. (“HNA Group”) owns 1.2% and 0.8% of the Company’s shares respectively. The remaining 28% of the shares are widely held by the public.

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

Name of related party	Relationship with the Company	Nature of transactions	Six months ended 30 June	
			2008	2007
Revenues:				
Hainan Airlines	Shareholder	Income for provision of customary airport ground services	<b>49,972</b>	32,193
		Rental income for leasing of office and commercial space	<b>4,117</b>	4,117
		Income from franchise fee for operation of the cargo centre	–	1,000
China Southern Airlines Co., Ltd. (“Southern Airlines”)	Promoter	Income for provision of customary airport ground services	<b>22,733</b>	20,391
		Rental income for leasing of office and commercial space	<b>3,603</b>	3,513
Xiamen Airlines Company Limited (“Xiamen Airlines”)	Subsidiary of Southern Airlines	Income for provision of customary airport ground services	<b>1,396</b>	1,373
Hainan Airlines Food Company Limited. (“Hainan Food”)	Subsidiary of Hainan Airlines	Franchise income from catering services	<b>1,287</b>	1,125
Luckyway Travelling Company Limited (“Luckyway”)	Subsidiary of Hainan Airlines	Franchise income from tourism and traveling services at Meilan Airport	<b>2,115</b>	1,750
Hainan HNA China Duty Free Merchandise Co., Ltd. (“HNA China Duty Free”)	Jointly controlled by HNA Group	Franchise income	<b>1,941</b>	–
		Sale of merchandise	–	2,556

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi (“RMB”) thousands unless otherwise stated)

### 15 RELATED PARTY TRANSACTIONS *(continued)*

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

Name of related party	Relationship with the Company	Nature of transactions	Six months ended 30 June	
			2008	2007
Revenues: <i>(continued)</i>				
Hong Kong Airlines Limited (“Hong Kong Airlines”)	Subsidiary of HNA Group	Income for provision of customary airport ground services	<b>1,203</b>	1,238
Deer Air Co., Ltd. (“Deer Air”)	Subsidiary of HNA Group	Income for provision of customary airport ground services	<b>1,106</b>	22
Expenses:				
Haikou Meilan International Airport Co. Ltd.	Parent Company	Airport composite services	<b>7,874</b>	6,617
HNA Group	Shareholder	Logistic composite services	<b>5,457</b>	5,394
Hainan Airlines Aviation Information System Co. Ltd. (“HNAAIS”)	Subsidiary of HNA Group	Information system maintenance services	<b>941</b>	941
Sharing of customary airport ground services income:				
Haikou Meilan International Airport Co. Ltd.	Parent Company	Sharing of customary airport ground services income by the Parent Company	<b>43,796</b>	30,132

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi ("RMB") thousands unless otherwise stated)

### 15 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties comprised:

	As at	
	30 June 2008	31 December 2007
Trade receivables from related parties:		
Hainan Airlines	55,527	34,503
Southern Airlines	29,485	16,250
Hainan Food	3,137	2,592
HNA China Duty Free	2,580	1,568
Deer Air	1,576	–
Luckyway	1,496	562
Others	4,620	5,639
	<b>98,421</b>	61,114
Other receivables from related parties:		
Luckyway	749	1,402
Others	195	170
	<b>944</b>	1,572
Time deposits with related party:		
HNA Group Finance*	–	100,000
Short-term deposits with related party:		
HNA Group Finance*	270,000	170,000
Current deposits with related party:		
HNA Group Finance*	157,846	105
	<b>527,211</b>	332,791
Payables to related parties:		
Parent Company	60,122	7,771
Others	2,132	1,611
	<b>62,254</b>	9,382

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Renminbi (“RMB”) thousands unless otherwise stated)

### 15 RELATED PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties comprised: *(continued)*

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

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

### 16 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 5 June 2008, the Company entered into an agreement with Hainan Hangcheng Industrial and Development Co., Ltd., whereby both parties agreed to set up Haikou Decheng Industrial and Development Co., Ltd. to develop the lands within the Phase II construction scheme of Meilan Airport. Pursuant to the agreement, the Company contributed RMB30,504,000 in cash on 1 July 2008 and owned 30% equity interest in the joint venture company.