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

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

Stock Code : 0357

美兰机场
MEILAN AIRPORT

Annual Report 2010

Contents

To be a successful regional airport management company in China, and offer quality and safe airport services.

CORPORATE BACKGROUND

Hainan Meilan International Airport Company Limited (the "Meilan Airport" or the "Company") is a joint stock company incorporated in the People's Republic of China ("PRC" or "China") with limited liability on 28 December 2000. The H shares of the Company were issued and listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 November 2002. On 6 November 2003, the Company was approved by the Ministry of Commerce ("MOC") of the PRC to convert into a foreign invested joint stock company.

The Company and its subsidiaries (together, the "Group") are currently engaged in both aeronautical and non-aeronautical businesses at the Hainan Meilan International Airport, Haikou, Hainan Province, the PRC. The aeronautical businesses of the Company consist of the provision of terminal facilities, ground handling services and passenger services. The non-aeronautical businesses of the Company include leasing of commercial and retail spaces at Hainan Meilan International Airport, franchising of airport related business, advertising, car parking, tourism services, cargo handling and sales of duty-free and consumable goods.

The Company's notable corporate achievements in 2010 are as follows:

- Awarded "Global Award for Outstanding Contribution of General Manager" by the Airports Council International (ACI);
- Accredited the title of "Outstanding Enterprise of the National Safety and Health Cup Competition" by the State Administration of Work Safety and All China Federation of Trade Unions;
- Awarded "The National Passenger Satisfaction Enterprise" by China Association for Quality and National User Committee;
- Acquired "Global Route Development Forum of Airport Marketing Award Nominations" by UK OAG, UK Route Development Group.

NAME IN CHINESE
海南美蘭國際機場股份有限公司

NAME IN ENGLISH
Hainan Meilan International Airport Company Limited

CORPORATE WEBSITE:
www.mlairport.com

EXECUTIVE DIRECTORS
Liang Jun, Chairman
Dong Zhanbin, President
Xing Xihong, Chief Financial Officer

NON-EXECUTIVE DIRECTORS
Hu Wentai, Vice Chairman
Zhang Han'an
Chan Nap Kee, Joseph
Yan Xiang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Xu Bailing
Fung Ching, Simon
George F. Meng
Feng Da'an

SUPERVISORS
Dong Guiguo, Chairman
Zhang Shusheng
Zeng Xuemei

COMPANY SECRETARY
Xing Zhoujin

AUTHORISED REPRESENTATIVES
Liang Jun
Xing Zhoujin

AUDIT COMMITTEE
Xu Bailing, Chairman
Fung Ching, Simon
George F. Meng

REMUNERATION COMMITTEE
Feng Da'an, Chairman
Fung Ching, Simon
Xing Xihong

NOMINATION COMMITTEE
Xu Bailing, Chairman
Feng Da'an
Liang Jun

STRATEGIC COMMITTEE
Fung Ching, Simon, Chairman
Xu Bailing
Feng Da'an
Liang Jun
Hu Wentai

LEGAL ADDRESS AND HEAD OFFICE

Meilan Airport Complex
Haikou City
Hainan Province, the PRC

PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKER

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STOCK CODE

00357

Two-Year Comparison of Key Financial Figures

(RMB'000)

	For the year ended 31 December		
	2010	2009 (Restated)	Change (%)
Revenues	**487,415**	400,721	21.63
Gross Profit	**296,696**	244,584	21.31
Net Profit attributable to shareholders of the Company	**239,265**	182,701	30.96
Earnings per share – basic (RMB)	**0.51**	0.39	30.77
Net cash generated from operating activities	**373,223**	149,165	150.21
Current ratio (times)	**4.99**	8.77	-43.10
Gearing ratio	**10.93%**	6.00%	4.93
EBITDA	**309,867**	247,805	25.04

Five-Year Summary of Financial Performance

(RMB'000)

	For the year ended 31 December				
	2010	2009	2008	2007	2006
Revenues	**487,415**	400,721	391,072	344,391	334,375
Financial Income – net	**11,112**	11,311	15,557	3,585	238
EBITDA	**309,867**	247,805	239,708	233,872	183,215

Five-Year Summary of Financial Position

(RMB'000)

	For the year ended 31 December				
	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
Total assets (RMB'000)	**2,303,394**	2,073,823	1,957,032	1,808,483	1,828,903
Total liabilities (RMB'000)	**251,772**	124,452	128,260	140,555	202,850
Equity attributable to the Company's shareholders (RMB'000)	**2,051,622**	1,949,371	1,828,772	1,667,928	1,626,053

"As the key contributor to mainland's position as a leading regional and international aviation hub...."

To all shareholders:

In 2010, China's economy emerged from the global financial crisis and moved on with its normal track of stable and rapid development. During the year, China has become the world's second largest economy with its aggregate GDP overtaking that of Japan. This is not only an outcome of the three decades' reform and development of China, but also an important manifestation of China's institutional strengths. 2010 was a year that witnessed severe natural disasters such as earthquakes, floods, droughts, typhoons, landslides. The Chinese government actively withstood the challenges put up by these disasters by putting in a lot of manpower and resources to alleviate them, which demonstrated to the world the strong cohesion and solidarity of the Chinese nation. The World Expo, with the theme "Better City, Better Life", was held in Shanghai in 2010. A passionate piece of harmonious coexistence of human civilizations was marked by the participation of international organizations from 246 countries.

During the year under review, in line with the strategy of "focusing on aviation market", the Group made special efforts in exploring and marketing in the aviation market. In face of such a complicated and changing market environment, the Group has been adhering to its strategies of "thorough accumulating the management transformation and full capitalization of opportunities to achieve ever-winning results". In addition, the Group has captured the opportunity of building Hainan as the International Tourism Island, taken moves to strengthen the optimization of its management structure, activity capitalize market opportunities, explore both the passenger and cargo transportation markets, and tighten up cost control. All these efforts resulted in good financial revenue achieved during the year 2010. Despite the diverging effect from the Sanya Phoenix International Airport, the Group still managed to maintain the steady growth of three of its major operating indicators, further improve both its core competitiveness and capability to withstand market risks and lay a firm base for the sustainable and healthy development of the Group. The Group also put great efforts into its production safety, and had achieved its 12th year of safe operation in the Group's history. The Group was also honored with a number of major awards, including ACI Global Award for Outstanding Contribution of General Manager granted by the Airports Council International (ACI) and the award of "Outstanding Enterprise of the National Safety and Health Cup Competition" jointly granted by the State Administration of Work Safety and All China Federation of Trade Unions, as well as the "National Modern Unit" award by the Cultural Commission of the central government, based on which we steadily built our reputable corporate image.

RESULTS

In 2010, the Group's total revenue amounted to RMB487,415,000, representing an increase of 21.63% over the previous year. Income from aeronautical business amounted to RMB324,624,000, representing an increase of 7.56% over the previous year. Income from non-aeronautical business amounted to RMB162,791,000, representing an increase of 64.58% over the previous year. Net profit attributable to shareholders amounted to RMB239,265,000, representing an increase of 30.96% over the previous year.

Aeronautical Business Overview

In the first half of 2010, by capturing the opportunity of building Hainan as an International Tourism Island and changes of market trend, the Group has formulated different marketing proposals to cope with market demand according to the capacity and network planning of different airlines. This has benefited the Group with new market opportunities and the effect of which was quite satisfying. In the second half of 2010, the Chinese domestic civil aviation industry has amplified the air traffic control, air operations utilization and restrictions on pilots' aircraft hours time. In October, Hainan suffered the most serious and sustained heavy rain which made marked decline in air tourism market capacity, beating the Group's transportation business to some extent. The Group thus implemented a series of multi-channel market exploring measures in the aviation market, with a view to minimize those negative effects to our business. Despite this, as for the aeronautical business, the Group still achieved good performance, as seen from the year-on-year growth achieved in all of our operating indicators. The annual total aircraft movements reached 73,824, representing an increase of 6.8% over the year 2009. Passenger throughput reached 8.774 million, representing an increase of 4.6% over the year 2009. Cargo throughput reached 154,124.6 tons, representing an increase of 11.8% over the year 2009.

OUTLOOK

2011 is the first year of the "12th Five-year plan", which is also an important transition year of China's social economy moving "from external to domestic demand, from high-carbon to low-carbon, from the power to enrich the people". The Chinese government will deepen the reform and development and technology innovation, promote economic recovery and strengthens autonomous growth, through the implementation of the key projects of "12th Five-year" Planning and new industries development program to advance the strategic adjustment of economic structure, enhancing the sustainability of recovery of the domestic economy. At the same time, it is the critical period of the development of building Hainan as an International Tourism Island. Hainan will accelerate the implementation of various preferential policies given international tourism in Hainan Island granted by the state, which will make a substantial increase in tourism attraction and social influence. Under the influence of this, the Group estimates that the industry operating environment will be improved, the island's civil aviation transportation and production will show a rapid growth. However, the deep impact of the international financial crisis has not been completely eliminated, the world economy has not yet entered a virtuous circle of steady growth. Systemic and structural risks are still quite prominent. In 2011, the Group will face great challenges and opportunities at the same time. Driven by the gradual implementation of preferential policies of building Hainan as an International Tourism Island, the Group will buckle up with the strategic development planning, implement the transformation of income model, actively acquire external resources, effectively carry out investment and financing work, strive to realize the Company's strategic development goals as soon as possible, effectively carry out infrastructure in investment projects, actively expand aviation and non-aviation business, strengthen assets and fund management, so as to make Meilan Airport achieve a sustainable, healthy and harmonious development for even more satisfactory performance feedback to all of its shareholders.

STRENGTHENING MARKET DEVELOPMENT TO CAPTURE THE "INTERNATIONAL TOURISM ISLAND" OPPORTUNITY

In the year of 2011, the Group will capture the "International Tourism Island" opportunity, and lobby the Hainan Province and HaiKou City governments to issue more preferential policies for aviation market to enhance attractiveness of the aviation market in Haikou and to introduce airlines to build their bases there with an aim to expand the capacity and open new routes in the Haikou market. On the other hand, the Group will continue to seek for cooperation for charter flights, and will ally with travel agencies and airlines to offer charter flight service. The Group will also put more efforts in exploring new international flight routes and introducing more foreign airlines to open up new routes that make transfer flight in Haikou to other cities all over the countries using the fifth freedom right of Hainan, with a vision to build Meilan Airport as the southern gateway of China.

SEEKING FOR PREFERENTIAL TREATMENTS AND COST SAVING

In 2010, one of the Group's focuses was to study the national preferential policies' criteria and strive to be benefited from the supporting policies and funding from the government, so as to create a good external environment for its corporate development. The Group has fully implemented budget optimization in both its management and operation, and resulted in remarkable achievements. In 2011, the Company will further enforce its budget control to reduce costs, and enhance its incentive system and integrate resources to increase its profitability. Furthermore, while making proper arrangement for the refund of the airport construction fees, the Company will capture the opportunity, where the government is advocating for cooperation between banks and enterprises in order to boost domestic demand and promote economic growth, to apply for various preferential treatments to create a favorable external environment for the development of the Company.

ACCELERATING MANAGEMENT TRANSFORMATION AND ENHANCING MANAGEMENT STRUCTURE OPTIMIZATION

Following the successful outsourcing of car parking business, and setting up an independent joint venture cargo company, in 2010, the Group has completed the outsourcing of daily repairs and maintenance business of terminal building facilities, VIP service business and first-class cabin service, so as to further optimize its business process and organization structure. In 2011, the Group will be efficiency oriented, in addition to speeding up outsourcing of various non-aeronautical businesses, enlarging the outsourcing scale, accelerating the transformation of its management model and exploring the feasibility of outsourcing its aeronautical business, fostering reformation of its operation model, endeavoring to bring breakthrough to the airport management ecology in the region, so as to enhance its core competitive strengths and establish a management mechanism that will promote its development and ensure sustainable profitability.

PROVIDING INNOVATIVE SERVICES WITH AN ON-GOING EFFORT TO IMPROVE SERVICE QUALITY

In 2010, the Group actively explored and introduced various services with personal and special characteristics which has achieved satisfactory result and won public recognition. Meanwhile, the Group actively promoted the structure adjustment of the Airport Service Quality (ASQ) program, and as awarded the World's Best Airport Service Award issued by the ACI. For the year 2011, the Group will continue to build its service system, participate in the appraisal of the World Best Airport campaign, actively take part in the SKYTRAX four-star airport ranking, introduce advanced service models and experience at home and abroad, accelerate the replacement and reformation of service hardware, strengthen its service awareness, further raise and improve servicing skills and service quality, so as to establish an integrated mechanism for promoting airport service quality. (Skytrax is a UK based consultancy, a subsidiary of Inflight Research Services. Its main business is to conduct survey on airline services. Its most well-known awards are the Airline of the Year and Airport of the Year awards.)

Acquisition and Issuing A Shares to move up steadily

The Company announced on 6 April, 21 April, 31 May, 16 November and 28 December 2010 respectively that it has entered into the conditional Share Transfer Agreements with HNA Group Company Limited ("HNA Group") and Kingward Investment Limited ("Kingward") respectively for the acquisition of 54.5% issued share capital of HNA Airport Holding (Group) Company Ltd. ("HNA Airport") at a total consideration of RMB2,199,900,000 and proposed to issue A shares in the PRC. The Company had financed the consideration of the acquisition of the 24.5% issued share capital in HNA Airport from Kingward by its own funds and bank borrowings. The Company intends to finance the consideration of RMB1,211,000,000 of the acquisition of the remaining 30% issued share capital in HNA Airport from HNA Group by the proceeds from the proposed A share issue in the PRC. The proposal of issuing A Share is subject to market conditions and the policy of the China Securities Regulatory Commission. If the A Share Issue fails to be completed for any reason, the Company will seek other financing ways to carry out the equity purchase to expand the Company.

ACKNOWLEDGEMENT

On behalf of our Board of Directors and the management of the Group, I would like to express our heartfelt gratitude to our business partners, clients and shareholders for their continuous support, as well as to our fellow staff for their dedicated efforts. We look forward to striving for our vision of becoming a successful regional airport management player with the cooperation of all of our working partners.

Liang Jun
Chairman

Hainan Province, the PRC
28 March 2011

> "To further expand our global aviation network and provide passengers with more destinations, greater frequency of flights and a wider choice of carriers...."

Civil Aviation Industry in the PRC

Though the slow growth of the overall recovery of the world economy appeared in 2010, the international civil aviation still made profits. China's civil aviation industry even makes perfect ending to striking results. According to information released by the China's civil aviation-related shows, the operating revenue and profit of the entire industry is RMB411.5 billion and RMB43.7 billion respectively, representing an increase of 37.2% and 3 times compared with that in 2009.

The rapid growth of China civil aviation industry in 2010 is mainly benefited from the fast recovery of China's economy after the financial crisis, the driving effect of some major events such as World Expo in Shanghai and Guangzhou 16th Asian Games, as well as the growth in demand for air transport between regions in China. The source of profits of China Airlines, to a large extent, is from fuel surcharges on domestic routes, exchange gains due to appreciation of the renminbi, and support of various subsidies policies. Notwithstanding a huge air transport market demand in China, insufficient civil aviation resources and Chinese Civil Aviation Authority ("CAA") putting in force strict regulations make the increase in airline capacity growth lag behind the increase in demand, while the airlines make a substantial increase in the level of fare revenue.

Looking into 2011, sustained and stable economic development in China, improvement in people's living standards, coordinated regional development, the high importance the Chinese Government played in the development of civil aviation and the enthusiasm of the local development of the civil aviation industry, will bring new opportunities to the civil aviation industry, so, it is still a rapid development period for the civil aviation industry under "12th Five-year plan". However, the international financial crisis is not completely eliminated, and it is currently a critical period for the profound modification of economic structure. There are numerous uncertainties, which bring numerous concerns to the development of air transport in 2011:

Firstly, airspace control is a great difficulty to the development of civil aviation development. As for a long time, China's civil aviation airspace only occupies 20% of the total airspace and the rest 80% of the airspace is under the control of military. Although civil aviation organization has taken various technical and management means to improve the efficient use of airspace, owing to the fact that the rapid growth in the volume of flights has nearly reached the civilian airspace limit under the existing conditions, combined with the important task of military activities, such as restrictions on protection of civil aviation airspace, traffic control has become the norm and the leading cause for flight delays and even more critical than other factors like weather. Flight delay definitely makes conflicts between air corporation and passengers and is becoming intensified. And civil aviation industry has always been known for fast speed losing its core competitiveness. As we all know, at present, the domestic "four vertical and four horizontal" high-speed rail network are mainly located in the area covered the eastern region, which is of the most civil aviation routes and highest volume. In the present of high-speed rail network, some airlines are forced out because of the diversion of passenger routes.

Secondly, the civil aviation authority of the capacity of "macro-control". Since the "8.24" Yichun crash, the CCA suspended approval of new passenger airlines, and the establishment of branches companies, strictly controlled the new airlines to expand its business scope. The Civil Aviation Authority policy is still in favour of tightening in 2011. On the one hand, it is out of consideration of civil air defense, on the other hand, there are some worries of the future of the market. Viewing from the cycle of air transport industry, it is likely that a downturn of air transport cycle at the time of introducing a large number of the capacity. Meanwhile, limiting the introduction of external capacity will provide strong support to the development of China's aviation industry.

Thirdly, high oil prices. The current oil price is in a rising trend. The rising prices as a whole is not optimistic on the entire aviation industry, because the rise in each $1 may require an extra expenditure of US1.6 billion by global airlines. The rise in oil prices will undoubtedly increase the operating costs of airlines.

Fourthly the impact of high-speed rail. After the construction of "four vertical and four horizontal" of high-speed rail network, it will cover 58% of the China's civil aviation market. The relevant information shows that, civil routes will be abolished within 500km of high-speed rail line; there will be 20% to 30% decline in civil aviation passenger volume if reaching 800km of high-speed rail line; and 15% to 20% influence on civil aviation passenger volume for the high-speed rail line in between 1000 and 1200km. Only from a perspective of the figures, it is not too exaggerated to describe it as "stumbling block". Moreover, there is also a problem of reducing passengers or flights suspension due to the overlapping of the high-speed rail route and airline routes. To this end, the CCA requires different positioning of each airline according to civil aviation and railway to create its own unique advantages and makes five recommendations. First, innovative services, introducing the implementation of multimodal transport and aviation Airport Express business modes, bring out differentiated business strategy. Second, lower costs, reduce unnecessary spending, so that air fares become more competitive. Third, improve operating efficiency, shorten time over stations to reduce delays. Fourth, while having competition, explore cooperation with the railway, such as cooperating with rail transport. Fifth, "going out", open up more international routes and operate more international flights.

Comprehensive judgments of the international and domestic situation, China's civil aviation industry is still at an important period of strategic opportunities. In 2011, the new opportunities for the competition between foreign aviation industry and China's aviation industry will be brought about by increased demand due to consumption upgrade. And it provides favorable conditions for rapid development of the China's aviation industry in 2011. Hainan is the pilot of the reform and innovation of tourism industry. It will take full unique advantages of the fifth freedom rights and development of 1km low-altitude airspace, to develop the island's air travel resources, thus boosting the rapid growth of Hainan airlines market.

Establishment of the International Tourism Island in Hainan

On 8 June 2010, the National Development and Reform Commission officially approved "Establishment of Hainan as an International Tourism Island Development plan" (Hereinafter referred to as "Plan"), clearly set out objectives, tasks, space planning, infrastructure, industrial development and security measures of the construction and development of international tourism in Hainan Island, It portrays the grand blueprint for the establishment of international tourism in Hainan Island, but also for the transformation and upgrading of tourism industry; which indicates clear direction of comprehensive, coordinated and sustainable development of Hainan. At present, under the guidelines of the Plan, the development progress of the preferential policy of international tourism in Hainan Island, tourism-related industries, as well as supporting facilities is speeding up.

Tax Refund Policy

A great deal of attention is paid on the Tax Refund Policy, which is a critical measure in promoting the construction of international tourism in Hainan Island. There is a pilot scheme started in early 2011 that foreign tourists can apply for the tax rebate at the time leaving Hainan if purchasing rebate items over RMB800 in designated stores. The policy is expected to extend to Chinese in the second half year of 2011. The relevant preparatory work is in great progress.

Yacht industry

The development of yacht industry is an important part of the constructing Hainan as an international tourism island. Currently, yachting industry is still at the beginning stage in most developed countries. Yacht tourism has become a trend and yachting industry is a rapidly developing industry. At present, the first international yacht immigration terminal was established in Sanya city, and through the port inspection, "yacht management pilot scheme in Hainan Province" (hereinafter referred to as the "Measures") have also been officially promulgated and implemented. The Measures is a breakthrough in 15 yacht management policies such as yacht registration, driving, immigration examination and water activities, etc. It is an effective solution for yacht to enter and to move in and out. After implementation of new management measures, the registration of domestic and foreign yacht in Hainan will be easier, operation certification will also be more flexible and immigration formalities will be simpler; these leave better room for sightseeing and yacht industry in Hainan Province is therefore rendered a better development.

East Ring Railway

The East Ring Railway with full length of 308 Km was officially put into operation at the end of 2010. It brings travel convenience to the residents and visitors to travel on the island, while the imbalance travel pattern between North and South region is gradually changing. In recent years, Sanya, as a hot tourism city, air tickets from all over the anomalies is always in short supply especially after holiday, it is often in "hard to get a ticket" dilemma of leaving Hainan. The operation of Meilan East Ring Railway achieves air traffic and seamless connection railway; it will take only 77 minutes by rail to travel from Sanya to the airport. This is undoubtedly a better solution of "high fares for hard leaving the Islands". According to statistics, during the Chinese New Year golden week of 2011, the daily number of visitors reaching meilan station was up to 2000 people.

Aerospace theme park

Aerospace theme park, with the total investment RMB3 billion, is the first theme park of International Tourism of Hainan Island, being started the contraction work in Wenchang City in the end of 2010. Aerospace theme park mainly includes the Earth, Moon, and Mars and Sun shows, launch site visit, on-site launch view area, China space camp, space Botanical Garden, theme downtown and hotel and its supporting facilities, which will become "the sole one in China, and world first-class aerospace park". It plays a new start and of great significance in promoting the development of Wenchang and Hainan.

Sea Crossing Engineering Project of Qiongzhou Straits

The first sea crossing bi-purposed bridge in China is planned to be constructed in Qiongzhou, which takes around 8 years to complete in 2020. The investment in the Qiongzhou Straits Sea Crossing Bridge to be constructed is of approximately RMB 140 billion. The bridge has a main span of 26.3 km which has two decks. The designed speed limit for the rail traffic is 160 km/h while the designed speed limit for the road traffic is 100 km/h. After the completion of the bridge, it takes about 20 minutes to cross Qiongzhou Straits by car. Currently, people spend about 3 hours to cross the straits by ferry including the time spent for waiting and traveling. The construction of such sea crossing bridge indicates that Hainan has developed into a "Peninsula Economy", in which human flow and material flow increase significantly. It plays an important role in facilitating the establishment of China-ASEAN Free Trade Area, ensuring that national resources are utilized in a strategic way. Presently, the sea crossing engineering project has been included in the "The Twelfth Five-Year Plan (Draft)" and is planned to obtain an official approval in 2011 and commence construction in 2012.

The development of construction of Hainan International Tourism Island and East Ring Railway, as well Wenchang tourism development, by the focus of aerospace city, will definitely direct an uneven distribution of resources situation of Hainan Island, which brings a great opportunity in development of Meilan Airport.

"12th Five-year" Plan

On October 18, 2010, "CPC Central Committee on economic and social development of the proposed 12th Five-year Plan" (hereinafter referred to as the "Proposal") was passed in the 5th plenary session of the 17th Central Committee of the Communist Party of China, which provides guidelines on the direction of China's development in the next five years.

The 5th plenary session of the 17th Central Committee of the Communist Party of China proposed to make the guidance of "12th Five-year" plan, priorities and development goals, in which, it has highlighted the importance of protecting and improving people's livelihood. As the troika of stimulating economic development, "consumption" was first-time mentioned in the first place for accelerating the transformation of China's economic development, which is also a way of speeding up the transformation of the economic development in China and an important signal of the strategic modification of economic structure. "Development of Services industry" is defined as "strategic focus" of the industrial structure optimization and upgrading.

Therefore, the Chinese faced rare historic opportunities for development in the next five years, is the high-speed development of Chinese economy remains a key period. Governments at all levels in accordance with the content of the recommendations premised on scientific development, focused on improving people's livelihood, increase the income of the people, changing the concept of people's consumption, increase the intensity of reform, from a medium transformation of developing countries to developed countries. The next five years thus will become China's important opportunity period of civil aviation and development of meilan airport.

BUSINESS REVIEW

Aeronautical Business Overview

In 2010, promoted by the Provisional Regulations on Haikou Air Passenger Market issued by the government of Haikou, the Group grasped the opportunity of construction of the construction of Hainan International Tourism Island by actively developing marketing plans for different markets, developing aviation market through various measures and channels, and successfully established aviation routes such as Haikou = Nanning = Xian, Haikou = Changsha = Tianjin, Haikou = Beihai/ Zhanjiang, Haikou = Wuhan = Dalian, Haikou = Nanning = Bangkok, Haikou = Jinan = Harbin, Haikou = Ganzhou = Nanchang, Haikou = Guilin = Linyi, Haikou = baotou, Shijiazhuang = Ningbo = Haikou improving the aviation route network of Haikou.

As the local government significantly increased the subsidies for international and regioned flights, the Group has the best results in history interim of the Group's international (regional) transportation volume. International and regional passenger throughout reached a total of 354,000 people, representing a 14.9% increase from last year.

Aviation traffic throughput for 2010 and comparison figures for the year 2009 are set out below:

	2010	2009	change (%)
Aircraft movement	**73,824**	69,128	6.8
In which: Domestic	**70,874**	66,386	6.8
Hong Kong/Macau/Taiwan	**1,399**	1,452	-3.7
International	**1,551**	1,290	20.2
Passenger throughput (Headcount in ten thousand)	**877.4**	839.1	4.6
In which: Domestic	**842.0**	808.3	4.2
Hong Kong/Macau/Taiwan	**16.6**	15.6	6.4
International	**18.8**	15.2	23.7
Cargo throughput (Tons)	**154,124.6**	137,819.6	11.8
In which: Domestic	**149,997.5**	134,069.8	11.9
Hong Kong/Macau/Taiwan	**2,157.6**	1,867.5	15.5
International	**1,969.5**	1,882.3	4.6

The Group's revenue from aeronautical business for 2010 was RMB324,624,000, representing an increase of 7.56% over 2009. Details of which are as follows:

	Amount (RMB'000)	**Change over 2009** (%)
Passenger charges	133,273	8.61
Aircraft movement fees and related charges	46,726	7.80
Airport fee	103,197	5.28
Ground handling service income	41,428	9.81
Total revenue from aeronautical business	324,624	7.56

For the period from 1 January 2011 to 31 December 2015, the Company shall continue to retain 40% – 50% of the collected airport construction fee as the income of the Company according to the Bureau of invention of electricity [2011]17, issued by Finance Division of Civil Aviation Administration of China.

Non-Aeronautical Business Overview

In 2010, the Group took full advantage of opportunities introduced by the construction of Hainan International Tourism Island, by widening resources of income, Driven by the continued growth in transportation volume, the Group achieved a substantial growth with its non-aeronautical business. The non-aeronautical business recorded a revenue of RMB162,791,000, during the year, representing an increase of 64.58% in comparison with that of the year 2009.

	Amount (RMB'000)	Change over 2009 (%)
Franchise fee	54,968	22.71
Rental	16,292	7.81
Freight	55,530	302.07
Car parking	7,128	28.16
VIP room charge	16,863	64.45
Others	12,010	28.04
Total revenue from non-aeronautical businesses	162,791	64.58

Franchise Fee

For the year ended 31 December 2010, the Group recorded franchise fees of RMB54,968,000, representing an increase of 22.71% in comparison with that of the year 2009. The increase in income of the Company's franchise fee was due to the increase in franchise advertising fee and the sales growth of Hainan Di Feng Retail Limited (DFS).

Freight

In 2010, the Group enhanced its cargo business model and established a professional cargo company, for the purpose to establish the cargo business as its core non-aeronautical business, and made full efforts to facilitate expansion of it. For the year ended 31 December 2010, income from cargo business was RMB55,530,000, representing an increase of 302.07% over the year 2009.

VIP room charge

In 2010, the Group, through outsourcing and utilization of old VIP rooms enhanced its reception capability and service quality. The income of title fee and VIP room charge have both experienced a significant increase. For the year ended 31 December 2010, the Group recorded an income from VIP room service of RMB16,863,000, representing an increase of 64.45% over the year 2009.

FINANCIAL REVIEW

Asset Analysis

As at 31 December 2010, total assets of the Group amounted to RMB2,303,394,000, in which RMB1,207,641,000 was current assets (representing 52.43% of the total assets) and RMB1,095,753,000 was non-current asset (representing 47.57% of the total assets). Total asset increased by 11.07% compared with the year 2009, which was mainly due to the increase in trade receivables as well as cash and cash equivalents.

Cost Analysis

In 2010, total operating costs of the Group were RMB190,719,000, representing an increase of RMB34,582,000 (or 22.15%) in comparison with that of the year, which is mainly due to the increase in cost of freight business and enhancement of the standard of utilities, which led the increase in relevant cost. Administrative expenses were RMB54,302,000, representing a decrease of RMB8,075,000 (or 12.95%) over the year 2009, which is mainly due to reversal of impairment charges receivable and decrease in termination benefits expenses.

Cash Flow

For the year ended 31 December 2010, the Group recorded a net cash inflow from operating activities of RMB373,223,000, representing a 150.21% increase compared with 2009. This was mainly attributable to the fact that the aircraft movement fees and ground handling services fees collected on behalf of others have not been paid. During the year, the Group's net cash outflow from financing activities was RMB150,528,000, which mainly represented the payment of the 2009 final dividends and the 2010 interim dividends.

Pledge of the Group's Assets

As at 31 December 2010, the Group had no pledged assets.

Gearing Ratio

As at 31 December 2010, total current assets of the Group amounted to approximately RMB1,207,641,000, total assets were approximately RMB2,303,394,000, total current liabilities were approximately RMB241,972,000 and total liabilities were approximately RMB251,772,000. The gearing ratio (total liabilities/total assets) of the Group was 10.93%, representing an increase of 4.93% over 2009. This was mainly attributable to the fact that the aircraft movement fees and ground handling service fees collected on behalf of others have not been paid, which increased the trade payables.

Foreign Exchange Exposure

The Group's businesses are principally denominated in RMB, except that limited aeronautical revenues are denominated in US dollars. Given the fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on the Group's results of operation, the Group has not entered into any forward rate contract to hedge its exposure of foreign exchange risk.

Financial Instruments

As at 31 December 2010, financial instruments of the Group mainly comprised bank borrowings, cash and bank deposits. The purpose of those financial instruments is to finance the Group's operations. Besides, the Group had other financial instruments in relation to daily operations, such as receivables excluding prepayment and payables excluding statutory liabilities.

Purchase, Sale or Redemption of Shares

As at 31 December 2010, neither the Group nor the Company had purchased, sold or redeemed any of the Shares.

Contingent Liabilities

As at 31 December 2010, neither the Group nor the Company had any significant contingent liabilities.

Employment, Training and Development

As at 31 December 2010, the Group had a total of 631 employees, representing an increase of 37 employees over the year 2009. The increase was mainly attributable to the recruitments under the new manpower structure of the newly established Hainan Meilan International Airport Cargo Company Limited (海南美蘭國際機場貨運有限公司). Total staff costs accounted for approximately 10.76% of total turnover (total income), representing a decrease of 5.18% over the year 2009. The main reason for the decrease of staff cost was that the negative effects of global financial crisis has been diminishing which reduced the dismissal benefits expenses for the adjustment of management framework. The Group made up its annual training schemes based on the needs of the positions of its employees to provide technical training for its staff and improve its staff's quality. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group will review the remuneration policy and related packages on a regular basis. Performance-based bonuses and commissions may be awarded to employees.

Retirement Pension

The Company and its subsidiaries have participated in the employee retirement scheme operated by the relevant local government of the PRC. The PRC Government shall be responsible for the pension of the retired employees. The Group has to make contribution at the rate of 20% of the salary of its employees with permanent residence in the PRC. For the year ended 31 December 2010, the contribution for the pension amounted to approximately RMB3,938,000 (2009: RMB3,564,000).

Other Information

In 2010, the Group had no material change in other information in relation to those matters set out in paragraph 32 of Appendix 16 in the Listing Rules.

The Company is committed to comply with all the rules prescribed by China Securities Regulatory Commission and the Stock Exchange of Hong Kong Limited, as well as requirements of other regulatory bodies. The Company has adopted a code on corporate governance practices on terms no less exacting than the standard of the Code on Corporate Governance Practices (the "Code on Corporate Governance") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect in January 2005. During the year ended 31 December 2010, the Company had complied with the Code on Corporate Governance and met with all governance and disclosure requirements. The Company will strive for continuously enhancing its corporate governance standard and transparency to shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by the directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the directors (the "Directors"), of the Company, all of the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during any time of the accounting period covered by this report.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2010, the Board of the Company comprised eleven directors:

Chairman

Mr. Zhao Yahui	(duly appointed on 16 December 2008, resigned on 25 January 2011)
Mr. Liang Jun	(duly appointed on 21 March 2011)

Vice Chairman and Non-executive Directors

Mr. Hu Wentai	(duly appointed on 16 December 2008)

Executive Directors

Mr. Liang Jun	(duly appointed on 25 May 2009, appointed as Chairman on 1 March 2011)
Mr. Dong Zhanbin	(duly appointed on 25 January 2011)
Ms. Xing Xihong	(duly appointed on 12 October 2009)

Non-executive Directors

Mr. Zhang Han'an	(re-appointed on 26 July 2010)
Mr. Chan Nap Kee, Joseph	(duly appointed on 15 October 2010)
Mr. Yan Xiang	(duly appointed on 15 October 2010)

Independent non-executive Directors

Mr. Xu Bailing	(re-appointed on 15 October 2010)
Mr. Fung Ching, Simon	(re-appointed on 15 October 2010)
Mr. George F. Meng	(re-appointed on 15 October 2010)
Mr. Feng Da'an	(duly appointed on 26 July 2010)

The Company has received annual confirmation letters regarding the independence from each of the Independent Non-executive Directors. The Company considers that each of the Independent Non-executive Directors is independent from the Company.

There is no relationship among the Directors that is discloseable.

BOARD MEETINGS

1. The Board had held 4 meetings during the year ended 31 December 2010.

2. The attendance records of the Board meetings are set out below:

	4th term 1st meeting	4th term 2nd meeting	4th term 3rd meeting	4th term 4th meeting
Zhao Yahui	√	√	√	√
Liang Jun	√	√	√	√
Xing Xihong	√	√	√	√
Hu Wentai	√	√	√	√
Zhang Han'an	√	√	√	√
Chan Nap Kee Joseph	√	√	√	√
Yan Xiang	√	√	√	√
Xu Bailing	√	√	√	√
Fung Ching, Simon	√	√	√	√
George F. Meng	√	√	√	√
Feng Da'an	–	–	√	√

Note: On 26 July 2010, Mr. Xie Zhuang resigned as a director of the Company, which became effective on the same day, and Mr. Feng Da'an was appointed as an independent non-executive director. On 25 August 2010, the Group held the 3rd Board meeting of the 4th term, on which Director Feng Da'an was present for the first time.

AUTHORITY AND PRACTICE OF THE BOARD

Details of terms of reference of the Board and the management and the respective areas to exercise their authority are set out in the articles of association of the Company:

The Board is accountable to the shareholders' general meeting, and exercises the following powers:

1. to convene general meetings and report to the shareholders;

2. to carry out the resolutions of the general meetings;

3. to decide on the operational plan and investment plan of the Company;

4. to formulate the Company's proposed annual financial budget and final accounts;

5. to formulate plans for profit distribution and recovery of losses;

6. to formulate plans for increases in or reductions of the Company's registered capital and the issue of corporate bonds;

7. to prepare plans for merger, division and dissolution of the Company;

8. to decide on the setup of the Company's internal management structure;

9. to appoint or dismiss the Company's general manager and to appoint or dismiss the vice general managers and other senior officers of the Company (including financial officers) pursuant to the general manager's nominations and determine their remuneration;

10. to formulate the Company's basic management system;

11. to formulate proposals for amendment of the articles of association of the Company;

12. to formulate proposals for major acquisitions or disposals of the Company; and

13. to exercise other powers conferred under the articles of association of the Company and by the general meeting.

The Board has established the nomination committee, strategic committee, remuneration committee and audit committee. Each of these committees has established its own written terms of reference and operates effectively on this basis.

The general management can decide the following matters:

1. to supervise the management of production and business operations, and organize the implementation of the resolutions of the Board;

2. to coordinate the implementation of the Company's annual business and investment plans;

3. to formulate plans for the establishment of the Company's internal management structure;

4. to formulate the basic administration system of the Company;

5. to formulate the basic rules of the Company;

6. to recommend the appointment and dismissal of vice general managers and other senior officers (include financial officers) of the Company;

7. to appoint or dismiss other managerial staff (other than those required to be appointed or dismissed by the Board); and

8. to exercise other powers conferred under the articles of association of the Company and by the Board.

Both the Board and the management act in strict compliance with relevant requirements of the Company Law, the Company's articles of association and the Listing Rules.

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

The chairman is responsible for development direction and effective running of the Board, and ensuring the Board acts in the best interests of the Company.

The general manager is accountable to the Board, and is delegated with the responsibility for running the Company's business and implementing the resolutions of the Board.

The chairman and general manager of the Company are Mr. Liang Jun and Mr. Dong Zhanbin respectively. Their respective duties and scopes of responsibilities have been clearly defined in the Company's articles of association.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2010, the Company had four Non-executive Directors, namely Mr. Hu Wentai, Mr. Zhang Han'an, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang, and four Independent Non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon, Mr. George F. Meng and Feng Da'an.

Mr. Hu Wentai's current term of appointment is from 16 December 2008 to 15 December 2011;

Mr. Zhang Han'an's current term of appointment is from 7 June 2010 to 6 June 2013;

Mr. Chan Nap Kee, Joseph's current term of appointment is from 15 October 2010 to 14 October 2013;

Mr. Yan Xiang's current term of appointment is from 15 October 2010 to 14 October 2013;

Mr. Xu Bailing's current term of appointment is from 3 August 2010 to 2 August 2013;

Mr. Fung Ching, Simon's current term of appointment is from 15 October 2010 to 14 October 2013;

Mr. George F. Meng's current term of appointment is from 15 October 2010 to 14 October 2013;

Mr. Feng Da'an's current term of appointment is from 26 July 2010 to 25 July 2013.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee has been set up by the Company. It is a sub-committee under the Board and is responsible for giving advice to the Board regarding the overall remuneration policies of Directors, Supervisors and senior management of the Company.

Formation of remuneration committee: Mr. Feng Da'an, an Independent Non-executive Director, succeeded Mr. Xie Zhuang, as the chairman. The other member of the remuneration committee is Mr. Fung Ching, Simon, an Independent Non-executive Director, and Ms. Xing Xihong, an Executive Director.

For the year ended 31 December 2010, the Company held one meeting of the remuneration committee on 25 March 2010. During that meeting, director's remuneration for 2009 and directors' remuneration policy for 2010 had been determined.

Remuneration policy for 2010: The Chairman and Executive Directors shall have an allowance of RMB70,000 each, Non-executive Directors shall have an allowance of RMB50,000 each; Independent Non-executive Directors shall have an allowance of RMB100,000 each. In addition to the aforesaid allowance, Executive Directors who are also the Company's staff are also entitled to receive respective salaries according to their respective positions taken on a full-time basis in the Company. The remuneration policies were approved by the Board and general meeting prior to the Company's listing These policies are subject to review and approval in the annual general meeting of each year.

Payment of performance bonus and other incentive bonuses is based on actual financial results achieved by the Company, such that at most two per cent of consolidated net profit for the previous financial year as audited by international auditors would be allocated and paid-out to Directors, Supervisors and members of senior management.

NOMINATION OF DIRECTORS

A nomination committee has been set up by the Company, which is a sub-committee under the Board. The responsibilities of the nomination committee are:

(1) to make recommendations to the Board of Directors in respect of the size and composition of the Board of Directors in accordance

with the business activities, assets size and shareholding structure;

(2) to study the selection criteria and procedures of directors, supervisors, chief executive officer and other senior management staff in accordance with the laws and regulations, and to make recommendations to the Board of Directors in this regard;

(3) to openly identify eligible candidates for the positions of directors, supervisors, chief executive officer and other senior management staff;

(4) to review the candidates for the positions of directors, supervisors, chief executive officer and other senior management staff and to make recommendations;

(5) to deal with other matters authorized by the Board of Directors.

Formation of nomination committee: Mr. Xu Bailing, an Independent Non-executive Director, is the chairman. The other members of the nomination committee are Mr. Feng Da'an, an Independent Non-executive Director, and Mr. Liang Jun, an Executive Director.

For the year ended 31 December 2010, the Company held the 1st nomination committee meeting of the 4th term on 24 March 2010. During that meeting, Ms. Xing Xihong was recommended to be the members of remuneration committee of the Company.

For the year ended 31 December 2010, the Company held the 2nd nomination committee meeting of the 4th term on 25 May 2010. During that meeting, Mr. Zhang Han'an was recommended to be appointed as an non-executive director of the Company, and Mr. Feng Da'an was recommended to be an independent non-executive director of the Company.

On 25 May 2010, Mr. Xie Zhuang applied for resignation from his position as independent non-executive director of the Company. The Company held one meeting of the nomination committee, Mr. Feng Da'an was recommended as a candidate to be independent non-executive director of the Company. The appointment was approved by the 2010 extraordinary general meeting of the Company held on 26 July 2010 and was duly effective.

For the year ended 31 December 2010, the Company held the 3rd nomination committee meeting of the 4th term on 25 August 2010. During that meeting, Mr. George F. Meng was recommended to be the members of the audit committee and Mr. Feng Da'an was recommended to be chairman of remuneration committee, the members of the nomination committee and strategic committee.

REMUNERATION OF AUDITORS

The remuneration of auditors for the year ended 31 December 2010 was RMB2,072,732.

AUDIT COMMITTEE

An audit committee has been set up by the Company. It is a sub-committee under the Board. The duties of the audit committee are to review the appointment of external auditors, to determine audit fees, to monitor the work of auditors, to review the relevant report regarding the Company's internal control system. For the year ended 31 December 2010, the audit committee is comprised of three Independent Non-executive Directors, namely Mr. Xu Bailing, Mr. Fung Ching, Simon and Mr. George F. Meng with Mr Xu Bailing as the chairman.

For the year ended 31 December 2010, the audit committee had held two meetings.

In the first meeting of 2010, the audit committee had reviewed the 2009 annual report, auditor's report, the report on re-appointment of the accounting firm and determination of their remuneration.

In the second meeting of 2010, the audit committee had reviewed the 2010 interim report.

The audit committee suggested the appointment of PricewaterhouseCoopers Zhong Tian CPAs Company Limited as auditors of the Company in 2011.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts review on the effectiveness of these systems. During the year 2010, the Board of the Company had conducted a review of the Group's internal control systems, covering the financial, operational, procedural compliance and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management. No material deficiencies had been identified so far by the Board of the Company.

In 2010, the Group has further enhanced the relevant systems. The Company's governance was improved considerably, with its internal control work further enhanced.

SHAREHOLDING INTERESTS OF SENIOR MANAGEMENT

During the year, none of the senior management held any shareholding interests in the Company.

SHAREHOLDERS' RIGHTS

To ensure better protection of shareholders' interests, the articles of association of the Company set out the requirements for shareholders to request a special general meeting to be convened: When two or more shareholders holding in aggregate more than ten per cent (10%) (including the ten per cent (10%)) of the Company's shares entitling their holders to vote in the proposed general meeting request, by signing one or more copies of a written request in the same form and submit to the Board to convene a special general meeting with an agenda of the meeting. A special general meeting is required to be held as soon as practicable upon receipt by the Board of such written request.

During the year ended 31 December 2010, the Board did not receive any request from shareholders to convene a special general meeting.

INVESTORS' RELATIONS

1) Details of the classes of the Company's shareholders and particulars on shareholding in aggregate are set out in the Report of the Directors in the 2010 annual report;

2) As at 31 December 2010, 226,913,000 H shares of the Company were held by the public;

3) The Company has engaged a professional financial public relations firm as the daily communication channel between the Company and its investors and maintained active communications with investors and fund managers and securities analyst and media. The Company will publish the key operation data on a monthly basis and report the Company's latest development in relevant media and at the Company's website by means of press releases and announcements.

By the order of the Board
Liang Jun
Chairman

Hainan Province, the PRC
28 March 2011

EXECUTIVE DIRECTORS

Mr. Liang Jun, aged 48, has a master degree in business administration. From October 1991 to January 1999, Mr. Liang served as the general manager of Hainan Airlines Co., Ltd Sanya Branch, Ningbo Base and acted as its chief representative in Shanghai. He was appointed as the chairman of HNA Hotel Management Group in February 1999, executive vice president of HNA Group Co., Ltd in March 2001. From August 2003 to March 2006, he served as the chief executive officer, vice president and president of HNA Hotel Holdings Ltd. Mr. Liang became the president and general manager of HNA International Hotel Ltd in April 2006, and also the president and chief executive officer of HNA Food Holdings Ltd, general manager of Hainan Airlines Food Company Limited, and became the vice president of HNA Hotels & Resorts Ltd and HNA Hotel Holdings Ltd in March 2007. Mr. Liang joined the Company in March 2009 and appointed as the general manager of the Company. He has extensive experience in corporate management. Mr. Liang was appointed as the executive director of the Company on 25 May 2009 and appointed as the chairman of the Company on 21 March 2011.

Mr. Dong Zhanbin, aged 59, was appointed as the executive director and chairman of the Company in January 2011. Mr. Dong graduated from Party Cadet College of Guangxi Autonomous Region in 1986 with a major in politics. Mr. Dong has over 37 years of experience in the management and administration of civil aviation industry. From 1970 to May 1994, Mr. Dong served as the associate director of Control Center of Civil Aviation Administration of China ("CAAC") Guangzhou Administration, the head of Air Traffic Control Center of CAAC Guangxi Administration and deputy director of CAAC Hainan Administration, deputy director of CAAC Hainan Administration in 1994. Since August 1998, Mr. Dong has held a number of senior management positions in HNA Group, including the vice general manager of Haikou Meilan International Airport Company Limited, the vice executive president of HNA Airport Group Company Limited, and the general manager, the vice chairman and the chairman of Yichang Three Gorges Airport Co., Ltd. and general manager of Hainan Meilan International Airport Company Limited, from which he gained ample experience in airport operation and management.

Ms. Xing Xihong, aged 42, was appointed as the chief financial officer of the Company in October 2008 and was appointed as the executive director of the Company in October 2009. During the term of office in Hainan Airport Co., Ltd., Ms. Xing Xihong held the positions of accountant in Finance and Accounting Department and vice general manager of Finance and Securities Department. In October 1997, she became the deputy director of Integrated Finance Division under Finance and Accounting Department of Haikou Meilan International Airport Company Limited. From March 1999 to February 2004, Ms. Xing successively held the positions of project director and vice general manager in Finance and Accounting Department of Haikou Meilan International Airport Company Limited. In February 2004, she joined the Company, serving as the assistant to chief financial officer, executive deputy general manager and general manager.

NON-EXECUTIVE DIRECTORS

Mr. Hu Wentai, aged 55, was appointed as a Non-executive Director and Vice Chairman of the Company in December 2008. Mr. Hu joined HNA Group in June 2000, working as the general manager of Hainan Henghe Property Management Company Limited, the executive vice president of Haikou Meilan Airport Company Limited. Since Mr. Hu joined the Company in 2002, he has held a number of senior positions in the Company, including the chief operating officer and vice president of the Company. In February 2006, he was also the chairman of Haikou New City Area Construction Development Company Limited and the deputy general manager of Beijing HNA Realty Group Company Limited. Mr. Hu Wentai has extensive experience in the area of airport management and project construction.

Mr. Zhang Han'an, aged 65, was re-appointed as a Non-executive Director of the Company in June 2010. Mr. Zhang has over 20 years of experience in military aviation in the PRC. From August 1998 to August 2002, Mr. Zhang acted as the vice general manager and later the general manager for our parent company. He joined the Company in December 2000 as the executive director and general manager. He resigned from the office of general manager of the Company and became a Non-executive Director of the Company in January 2004.

Mr. Chan Nap Kee, Joseph, aged 50, was re-appointed as Non-executive Director of the Company in October 2010. Mr. Chan acquired his master's degree from the University of Strathclyde in the major of International Marketing and a diploma from Peking University in China Investment and Trade Study. He holds licenses respectively of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) under Chapter 571 of Hong Kong Securities and Futures Ordinance. Mr. Chan was the deputy general manager of Credit Agricole Bank from 1986 to 1994, where he was also in charge of China business. From 1992 to 1994, he was also the co-head of Credit Agricole Asset Management South East Asia Limited. From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group. Mr. Chan has more than 25 year management experience in banking, investment banking and asset investment. Mr. Chan was appointed as an executive Director of Kaisun Energy Group Limited (Stock Code: 8203, a company listed in the GEM board of the Stock Exchange) in September 2008 and is the Chairman of that group.

Mr. Yan Xiang, aged 47, was re-appointed as Non-executive Director of the Company in October 2010. Mr. Yan is now an independent director of China United Travel Company Limited. Mr. Yan graduated from Peking University, where he received a bachelor's degree in Economics and a master's degree in Management and Legal Study. From January 1988 to August 1991, he had been a teaching assistant and lecturer in Economics at Peking University. After August 1991, he was a research fellow with the Research Center of the People's Government of Hainan Province, the general manager of Hainan Securities Exchange Center and the president of Hainan Securities Company Limited. He had been a director of Zhongfu Industrial Co., Ltd. Mr. Yan is the Chairman of the China Region of the Oriental Patron Financial Group and the President of the Oriental Patron Resources Investment Limited. Mr. Yan had been the executor director of Hainan Development Promotion Association, committee member of Experts Committee in Research of National Debts And Futures and committee member of Credit Assessment Experts Committee of China Credit Securities Assessment Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Bailing, aged 77, was re-appointed as an Independent Non-executive Director of the Company in August 2010. Mr. Xu was the representative of the Fourth and Fifth National People's Congress and a member of the Ninth Chinese People's Political Consultative Conference. Mr. Xu had worked for the Civil Aviation Beijing Administrative Bureau since 1954, holding various positions such as pilot, supervisor and captain and was appointed Deputy Head and Head of Department. Mr. Xu was then appointed as the vice director of CAAC in December 1986 and then as the president of Air China in March 1988. He was appointed as a consultant of CAAC in August 1993.

Mr. Fung Ching, Simon, aged 42, was re-appointed as an Independent Non-executive Directors of the Company in October 2010. Mr Fung graduated from the Queensland University of Technology in Australia with a bachelor's degree, majoring in accountancy. Mr. Fung is a Hong Kong resident. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr Fung worked in PricewaterhouseCoopers between 1994 and 2004, and he served as the chief financial officer and secretary to the board of directors of Baoye Group Company Limited (寶業集團股份有限公司) (stock code: 02355.HK) between 2004 and 2010. Mr Fung joined Greentown China Holdings Limited (綠城中國控股有限公司) (stock code: 3900.HK) in August 2010 and served as the chief financial officer and company secretary. Mr Fung has 6 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for a PRC company listed in Hong Kong, and has 10 years of experience in auditing, accounting and business advisory with a "Big-4" international accounting firm. On 20 July 2010, Mr Fung was nominated as a non-executive director of Baoye Group Company Limited, and the appointment will come into effect after the approval at the forthcoming general meeting of Baoye Group Company Limited.

Mr. George F. Meng, aged 67, was appointed as an Independent Non-Executive Director of the Company in October 2007. Mr. Meng graduated from Civil Aviation University of China in 1966, where he studied radio communication and English language. In 1972, he entered into Tianjin Foreign Studies University for further study of English language. From 1984 to 1991, he once studied FAA Aircraft Dispatcher Training Course sponsored by Aviation Training Services, Long Island, New York, Advanced Training in Aviation Course with Ansett Airlines, and MBA course at Oklahoma City University. During the years of 1966 to 1988, Mr. Meng served various positions including Radio Station Master of Communication Department of CAAC Chengdu Administration, Dean of the Technical English Department of Civil Aviation University of China, and Deputy Director of CAAC Training Center. After 1991, he was a director and the general manager of China Resource Ltd., USA. From 2000 to now, Mr. Meng is the president of Soaring Eagle Industrial LLC., USA. Since September 2010, he is the principal of Northern New Jersey Huaxia Chinese School (non-profit organization).

Mr. Feng Da'an, aged 64, was appointed as Independent Non-Executive Director of the Company on 26 July 2010. Mr. Feng Da'an graduated from the Industrial and Civil Construction Specialty of Lanzhou University of Technology in December 1981. From January 1982 to October 1990, he served various positions as ordinary official, department chief, specialized sub-branch president and vice president of China Construction Bank Gansu Branch. In October 1990, he began serving as a vice president of China Construction Bank Hainan Branch. In July 1995, he began serving as a deputy director of the Securities Administration Office of Hainan Province. He served as deputy director general and director general of the Local Taxation Bureau of Hainan Province from August 1998 to December 2007, and retired in January 2008. At present, Mr. Feng Da'an serves as independent director of three listed companies, namely Beijing Hualian Hypermarket Co., Ltd. (A share code: 600361), Sundiro Holding Co., Ltd. (A share code: 000571) and Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (A share code: 000613).

SUPERVISORS

Mr. Dong Guiguo, aged 48, has been a supervisor of the Company in 25 September 2009. Mr. Dong graduated from Civil Aviation University of China majoring in aircraft engine. He has pursued further studies in China Europe International Business School. He is an aviation engineer and accountant. Mr. Dong has worked at civil aviation maintenance base in Beijing, Beijing Aircraft Maintenance Engineering Co., Ltd., HNA Group Purchase Management Department, HNA Group Airport Management Department, HNA Airport Group Co., Ltd.. Since October 2000, he has respectively served as standing deputy manager of the aviation material and equipment procurement center of the procurement department of HNA Group, deputy general manager of airport management department of HNA Group, general manager of Haikou Meilan International Airport Co., Ltd., executive chairman's assistant, general manager of the finance department and general manager of the project management department of HNA Airport

Group Company Limited. Mr. Dong was appointed as a Director of the Company in March 2006 and become the Financial Officer of the Company in December 2006. He was appointed as the Chief Financial Director of the Company in April 2007. In December 2008, he was resigned and quitted the Company. Currently, Mr. Dong is the vice president and Chief Financial Director of HNA Airport Group Company Limited. He has extensive work experience in civil aviation and finance.

Mr. Zhang Shusheng, aged 74, is a senior reporter. He was re-appointed as an Independent Supervisor of the Company in June 2007. He is a graduate of the Department of Chinese, Lan Zhou University majoring in Han Literature. He once worked for Gansu Daily and the People's Daily. In June 1994, he was transferred to China Civil Aviation News working as the chief editor and Party branch secretary and was responsible for the management of China Civil Aviation News. He has been the vice-chairman of Gansu Province Journalist Association, the president of the Association for Resident Correspondent in Gansu Province, the managing director of China Press Cultural Advancement Association and the director of China Civil Aviation Association. He has been working as a consultant of China Civil Aviation News since March 1999.

Ms. Zeng Xuemei, aged 41, was re-appointed as a Supervisor of the Company in May 2008. Ms. Zeng graduated from Qiong Zhou University in 1991. From May 1994 to December 2000, she acted as the secretary in the human resources training centre, aviation department and senior officer of staff duty office of Hainan Airlines Company Limited. Ms Zeng worked in the administrative office of HNA Group from May 2000 to September 2000. She then worked in the administrative office of Haikou Meilan International Airport Company Limited from September 2000 to December 2000. She joined the Company in July 2002 and was appointed as a Supervisor. Ms. Zeng is currently the administrative officer of the Company, responsible for filing and database management.

SENIOR MANAGEMENT

Mr. Liu Jiyao, aged 60, joined the Company in August 2008 and was appointed as deputy general manager of the Company in October 2008. Mr. Liu Jiyao has held a number of important positions in CAAC Gansu Administration. From May 2004 to August 2006, Mr. Liu worked in Gansu Airport Group Co., Ltd., in turn, as secretary of Party Committee and Discipline Inspection Commission, executive president and vice chairman. In June 2008, he was also the vice president of HNA Airport Group Company Limited.

Mr. Qiu Guo Liang, aged 36, was appointed as deputy general manager of the Company in August 2007. Mr. Qiu Guo Liang graduated from Nanjing Aviation Aeronautical University with professional background, holder of FAA Licence. He had been working as assistant to manager of Flight Planning Office, Operation Control Center, Production Operation Center of Hainan Airlines Co., Ltd., shift supervisor, deputy supervisor, deputy manager of Operation Control Department. He joined the Company in March 2004 and had been the manager of Control Center, assistant to chief operating officer and has a lot of working experience in aviation management.

COMPANY SECRETARY

Mr. Xing Zhoujin, aged 45, was appointed as Company Secretary in August 2009. Mr. Xing graduated from the Anhui Normal University majoring in financial management. He also has a bachelor degree in laws and a title of economist. Mr Xing has been the personnel and office director of Sanya Phoenix International Airport and Haikou Meilan International Airport. He is engaged in the management and operation of Hainan Meilan International Airport Company Limited since 2002 and fully participated in the listing of H shares of Hainan Meilan International Airport Company Limited and worked as a board secretary of the parent company Haikou Meilan International Airport Company Limited. He has also been responsible for handling the results disclosure and daily operation of the Board of Directors of the Company after its listing.

The Board of Directors is pleased to present their report together with the audited financial statements of Hainan Meilan International Airport Company Limited ("Meilan International Airport" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is engaged in both aeronautical and non-aeronautical businesses. Its aeronautical business consists of the provision of terminal facilities, ground handling services, passenger and cargo handling services. Its non-aeronautical businesses include commercial and retail spaces leasing at the Hainan Meilan Airport, airport-related business franchising, advertising space leasing, car parking business, tourism services, and sales of duty-free and consumable goods.

For the year ended 31 December 2010, the Company conducted its business within one business segment, i.e. the business of operating an airport and provision of related services in the PRC. The Company also operated within one geographical segment and its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

OPERATING RESULTS AND FINANCIAL POSITION

The Group's operating results (prepared in accordance with the International Financial Reporting Standards) for the year ended 31 December 2010, and the financial positions of the Group and the Company as at 31 December 2010 are set out from page 42 to page 96 of this annual report.

FINAL DIVIDEND

The Board has passed the resolution to recommend the payment of a final dividend on or before Friday, 15 July 2011 of RMB0.12 per share (before tax) on the annual general meeting to be held on Tuesday, 17 May 2011 to shareholders of the Company whose names appear on the Company's Register of Members on Saturday, 16 April 2011 (at the close of business).

In 2010, the Company had a domestic audited profit after tax of RMB241,152,000 and an international audited profit after tax of RMB242,186,000. Pursuant to the requirements of Articles of Association and the Listing Rules, in appropriating the dividends of respective accounting year, the basis of distribution shall be the lower of the two aforesaid profit after tax stated in that financial statement. Therefore, the 2010 dividend to be distributed shall adopt the audited profit based on Domestic Financial Reporting Standards.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Saturday, 16 April 2011 to Tuesday, 17 May 2011 (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to receive the distribution of final dividends to be approved at the annual general meeting, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 15 April 2011 for completion of the registration of the relevant transfer.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company are set out in Note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the property, plant and equipment as at 31 December 2010 and the change in property, plant and equipment of the Group and the Company for the year ended 31 December 2010 are set out in Note 7 to the consolidated financial statements.

TAXATION

Details of taxation of the Group and the Company (including all tax preferences) for the year ended 31 December 2010 are set out in Note 22 to the consolidated financial statements.

RESERVES

Change in reserves of the Group and the Company for the year ended 31 December 2010 is set out in Note 14 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2010 are set out in Note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer and the top five largest customers of the Group represented 26.07% and 48.24% of the total sales of the Group for the year ended 31 December 2010, respectively.

The largest supplier and the top five largest suppliers of the Group represented 14.14% and 23.19% of the total operating costs of the Group for the year ended 31 December 2010, respectively.

None of the directors, their respective associates, or any shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) had any interest in any of the top five largest customers or top five largest suppliers of the Group for the year ended 31 December 2010.

SHARE CAPITAL STRUCTURE

As at 31 December 2010, the total number of issued shares of the Company was 473,213,000 as follows:

	Number of Shares	percentage of total issued shares
Domestic shares	246,300,000	52%
H shares	226,913,000	48%
Total issued shares	473,213,000	100%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, so far as 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.

LONG POSITION IN SHARES

Domestic shares

Name of Shareholders	Identity	Type of shares	Number of ordinary shares	Percentage of domestic issued shares (%)	Percentage of issued share capital (%)
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial Owner	Corporate	237,500,000	96.43	50.20

H Share

Name of Shareholders	Type of Interest	Number of shares	Approximate percentage of H shares issued	Approximate percentage of total issued share capital
Zhang Gaobo (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Zhang Zhiping (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Financial Services Group Limited (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Resources Investment Limited (Note 2)	Beneficial	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Financial Group Limited (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
UBS AG (Note 3)	Person having a security interest in shares and interest of controlled corporations	36,372,400 (L)	16.03%	7.69%
Utilico Emerging Markets Utilities Limited (Note 4)	Investment manager	11,629,000 (L)	5.12%	2.46%

Name of Shareholders	Type of Interest	Number of shares	Approximate percentage of H shares issued	Approximate percentage of total issued share capital
ARC Capital Holdings Limited (Note 5)	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
ARC Capital Partners Limited (Note 5)	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Asia Opportunity Fund L.P. (Note 5)	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Equity Partners Limited (Note 5)	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Asset Management Limited (Note 5)	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Holdings Limited (Note 5)	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Limited (Note 5)	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Investment Management Limited (Note 5)	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Walden Ventures Limited (Note 5)	Beneficial owner and person having a security interest in shares	98,365,500 (L)	43.35%	20.79%
Deutsche Bank Aktiengesellschaft (Note 6)	Beneficial owner, investment manager and person having a security interest in shares	14,349,980 (L) 5,498,000 (S)	6.32% 2.42%	3.03% 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. Zhang Gaobo and Zhang Zhiping were holding 49.19% and 49.92% interest, respectively, in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited was holding a 95% interest in Oriental Patron Financial Services Group Limited, which was in turn holding 100% interests in Oriental Patron Resources Investment Limited.

   Zhang Gaobo, Zhang Zhi Ping, Oriental Patron Financial Group Limited and Oriental Patron Financial Services Group Limited were holding long position in 94,343,000 shares and short position in 32,788,500 shares, respectively, through their interests in controlled corporations. Oriental Patron Resources Investment Limited was holding long position in 94,343,000 shares and short position in 32,788,500 shares in its capacity as beneficial owner.

3. Among the 36,372,400 shares in the Company, UBS AG was deemed to hold 81,000 shares through its securities interest in those shares and was deemed to have equity interest in 36,291,400 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 23,403,400 shares, 7,139,000 shares and 5,749,000 shares in the Company, respectively).

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

5. 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. The long position in 14,349,980 shares held by Deutsche Bank Aktiengesellschaft was held in the capacities of beneficial owner (relating to 5,508,980 shares), investment manager (relating to 2,698,000 shares) and person having a security interest in shares (relating to 6,143,000 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 31 December 2010 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 31 December 2010, 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.

CONNECTED TRANSACTIONS

The Continuing Connected Transaction

1. The airport composite services agreement of Haikou Meilan Airport Co., Ltd. was entered on 8 October 2007 (the "Continuing Connected Transaction") in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010, respectively (the "Airport Composite Services Agreement"). The service fees in 2010 was RMB17,036,000.

   Details of the Continuing Connected Transaction and the related relationship between the Company and the connected party are available in the relevant announcement posted on the Stock Exchange or the Company's website.

   With respect to the Continuing Connected Transaction, the Independent Non-Executive Directors, after having reviewed the aforesaid transaction, are of the opinion that the transaction was:

   (a) entered into in the ordinary course of business of the Company;

   (b) conducted on normal commercial terms; and

   (c) conducted in accordance with the terms of the Airport Composite Services Agreement and on terms which were fair and reasonable and in the interest of the shareholders of the Company as a whole.

The international auditors of the Company has confirmed to the Board the matters set out under Rule 14A.38 of the Listing Rules that the Continuing Connected Transaction:

(a) had received the approval of the Board;

(b) was made in accordance with the pricing policies of the Company;

(c) had been entered into in accordance with the relevant agreements governing such transactions; and

(d) was made within the approved the maximum aggregate annual value as disclosed in the relevant announcements.

With respect to the Continuing Connected Transaction, the Company has complied with the disclosure requirement as set out in Chapter 14A of the Listing Rules.

Pursuant to the amendments to the rules relating to connected transactions in the Listing Rules effective on 3 June 2010, "promoter" of PRC issuers has been removed from the definition of "connected persons". The following transactions were agreements entered into between the Company and the associates of the Company's promoter, and there were no other conditions that meet the definition of connected transactions in the Listing Rules. According to the said amendment, the following transactions carried out under such agreements no longer constitute continuing connected transactions of the Company under the Listing Rules since 3 June 2010:

1. The information system management agreement of Hainan Airlines Aviation Information System Co., Ltd was entered on 16 October 2008 in which the commencement and expiry dates are 1 January 2009 and 31 December 2011 respectively. The service fees in 2010 was RMB2,045,000.

2. The franchised business agreement of Luckyway International Travel Service Co., Ltd. was entered on 16 October 2008 in which the commencement and expiry dates are on 1 January 2009 and 31 December 2011 respectively The tourism franchised income in 2010 was RMB5,472,000.

3. The customary airport ground services agreement of Hong Kong Airlines was entered on 2 March 2007 in which the commencement

and expiry dates are on 28 November 2006 and 27 November 2009 respectively. The Group has renewed this agreement on 30 October 2009 in which the commencement and expiry dates are on 28 November 2009 and 27 November 2012. The airport ground services income in 2010 was RMB4,056,000.

4. The franchised business agreement of Hainan HNA China Duty Free was entered on 22 June 2007 in which the commencement and expiry dates are on 22 June 2007 and 21 June 2010 respectively. The Group has renewed this agreement on 25 May 2010 in which the commencement and expiry dates are on 1 June 2010 and 31 May 2011. The customary cargo services income in 2010 was RMB4,061,000.

5. The airport ground services agreement of Hainan Airlines was entered on 1 October 2007 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010 respectively. The customary airport ground services income in 2010 was RMB84,186,000.

6. The airport ground services agreement of China Southern Airlines was entered on 1 October 2007 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010 respectively. The customary airport ground services income in 2010 was RMB51,367,000.

7. The cargo mail and luggage service agreement of Hainan Airlines was entered on 8 October 2007 in which the commencement and expiry dates are on 8 October 2007 and 31 December 2009 respectively. The Group has renewed this agreement on 30 October 2009 in which the commencement and expiry dates are on 1 January 2010 and 31 December 2010. The customary cargo services income in 2010 was RMB8,139,000, the total cost of cargo packing material purchased from Hainan Airlines amounts to RMB28,119,000.

8. The airport ground services agreement of Xiamen Airlines was entered on 8 October 2007 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010 respectively. The customary airport ground services income in 2010 was RMB2,526,000.

9. The customary composite services agreement of HNA Group was entered on 8 October 2007 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010 respectively. The service fees in 2010 was RMB14,002,000.

10. The catering services agreement of Hainan Airlines Food Company Limited was entered on 8 October 2007 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010 respectively. The franchised catering income in 2010 was RMB3,020,000.

11. The financial services agreement of HNA Group Finance was entered on 8 October 2007 and the financial services supplemental agreement was entered on 6 November 2007, in which the commencement and expiry dates are on 8 October 2007 and 7 October 2010 respectively. The Group has renewed this agreement on 25 May 2010 in which the commencement and expiry dates are on 25 May 2010 and 25 May 2013. For the year 2010, the daily maximum deposits placed with HNA Group Finance were not exceeded RMB450,000,000.

12. The airport ground services agreement of Beijing Capital Airlines Co., Ltd. (originally named as Deer Air Co., Ltd.) was entered on 17 April 2008 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010 respectively. The customary airport ground services income in 2010 was RMB5,230,000.

13. The airport ground services agreement of Tianjin Airlines Co., Ltd. (originally named as Grand China Express Airlines Co., Ltd.) was entered on 17 April 2008 in which the commencement and expiry dates are on 1 January 2008 and 31 December 2010

respectively. The customary airport ground services income in 2010 was RMB8,092,000.

14. The airport complex tenancy agreement of Hainan Airlines was entered on 16 October 2008 in which the commencement and expiry dates are on 1 March 2008 and 31 December 2010 respectively. The rental income in 2010 was RMB6,629,000.

15. The airport complex tenancy agreement of China Southern Airlines was entered on 16 October 2008 in which the commencement and expiry dates are on 1 March 2008 and 31 December 2010 respectively. The rental income in 2010 was RMB5,395,000.

16. The cleaning agreement of waiting building one of Opal Property (originally named as Henghe Property Management Co., Ltd.) was entered on 16 October 2008 in which the commencement and expiry dates are 1 January 2009 and 31 December 2011 respectively. The service fees in 2010 was RMB1,570,000.

17. The cleaning agreement of waiting building two of Opal Property (originally named as Henghe Property Management Co., Ltd.) was entered on 16 October 2008 in which the commencement and expiry dates are 1 January 2009 and 31 December 2011 respectively. The service fees in 2010 was RMB1,151,000.

18. The freight property management agreement Opal Property (originally named as Henghe Property Management Co., Ltd.) was entered on 16 October 2008 in which the commencement and expiry dates are 1 January 2009 and 31 December 2011 respectively. The service fees in 2010 was RMB478,000.

19. The luggage carts and on-plane cleaning agreement of Opal Property (originally named as Henghe Property Management Co., Ltd.) was entered on 16 October 2008 in which the commencement and expiry dates are 1 January 2009 and 31 December 2011 respectively. The service fees in 2010 was RMB1,920,000.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Directors and Supervisors as at the date of this report are as follows:

Executive Directors

Mr. Liang Jun	(duly appointed on 25 May 2009)
Mr. Dong Zhanbin	(succeeded Mr. Zhao Yahui and duly appointed on 25 January 2011)
Ms. Xing Xihong	(duly appointed on 12 October 2009)

Non-executive Directors

Mr. Hu Wentai	(duly appointed on 16 December 2008)
Mr. Zhang Han'an	(re-appointed on 26 July 2010)
Mr. Chan Nap Kee, Joseph	(re-appointed on 15 Oct 2010)
Mr. Yan Xiang	(re-appointed on 15 Oct 2010)

Independent non-executive Directors

Mr. Xu Bailing	(re-appointed on 15 Oct 2010)
Mr. Fung Ching, Simon	(re-appointed on 15 Oct 2010)
Mr. George F. Meng	(re-appointed on 15 Oct 2010)
Mr. Feng Da'an	(duly appointed on 26 July 2010)

Supervisors

Mr. Dong Guiguo	(duly appointed on 25 May 2009)
Mr. Zhang Shusheng	(re-appointed on 26 July 2010)
Ms. Zeng Xuemei	(re-appointed on 30 May 2008)

The Directors and Supervisors who have resigned as at the date of this report are as follows:

Executive Directors

Mr. Zhao Yahui	(resigned on 25 January 2011)
Mr. Xie Zhuang	(resigned on 26 July 2010)

Brief biographical details of the Directors and Supervisors of the Company are set out on page 25 to page 28 of this annual report. There is no relationship among the Directors, senior managers and Supervisors that is discloseable under the Listing Rules.

Each of the Directors and Supervisors had entered into a service contract with the Company for a term of three years. None of the Directors or the Supervisors had entered into any service contract with the Group which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or their respective associates (within the meaning of the Listing Rules) held any shares, debentures or other interests in the Company, nor were they granted, nor had they exercised any rights or options to subscribe for shares in or debentures of the Company.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

During the reported period, none of the Directors or Supervisors of the Company had any material interests (whether directly or indirectly) in any contracts of significance entered into by the Company or its subsidiaries.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or Supervisors hold any interests in any competing businesses against the Company or any of its jointly-controlled entities or subsidiaries for the year ended 31 December 2010.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Pursuant to the service contracts entered into between the Company and Directors and Supervisors and the resolution passed at the general meeting, for the year 2009, the allowance paid to the Chairman of the Board and Executive Directors of the Company was RMB70,000 per person; the allowance paid to the Non-executive Director was RMB50,000 per person; the allowance paid to the Independent Non-executive Directors was RMB100,000 per person; and the allowance paid to the Supervisors was RMB20,000 per person. Apart from Executive Directors and Supervisor of Staff Representative, other Directors and Supervisors are not entitled to receive any other remuneration from the Company. In addition to the aforesaid allowance, the Executive Directors and Supervisor of Staff Representative are entitled to receive salaries in respect of their respective positions taken on a full-time basis in the Company. Details of the remuneration of Directors and Supervisors are set out in Note 20 to the accompanying financial statements.

THE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the reported period were either Directors or senior executives of the Company. Details of their remuneration are set out in Note 20 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no similar restriction against such rights under the relevant PRC law that is applicable to the Company as a joint stock limited company incorporated in the PRC. Therefore, the Company is not required to offer new shares, if any, to its existing shareholders on a pro-rata basis.

TRANSACTIONS IN ITS SECURITIES

For the year ended 31 December 2010, the Company did not issue or grant any convertible securities, options, warrants or other similar rights. The Company had no redeemable securities as at 31 December 2010.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

The Group had no entrusted deposits and overdue time deposits as at 31 December 2010.

MATERIAL LITIGATION OR ARBITRATION

The Group had no material litigation or arbitration as at 31 December 2010.

AUDITORS

As at 31 December 2010, the annual financial statements of the Group prepared in accordance with the PRC Accounting Principles and those prepared in accordance with International Financial Reporting Standards were audited by Zon Zun Certified Public Accountants and by PricewaterhouseCoopers ("PwC Hong Kong") respectively. According to the latest requirements of the 98th amendment of listing rules of the, allowing mainland companies listed in HK adopted PRC Accounting principles in the preparation of the financial reporting, and approve 12 accounting firms, which are recognized by the Ministry of Finance and the China Securities Regulatory Commission, adopt PRC audit standard in engaging the auditing service of H shares enterprise. PricewaterhouseCoopers Zhong Tian CPAs Company Limited ("PwC China") is the one of them. In view of the provisions of Hong Kong Stock Exchange on the change of audit requirements, in order to improve the efficiency and reduce the cost of fulfilling the Group's financing reporting obligations, the Board has resolved not to re-appoint of Zon Zun Certified Public Accountants and PwC Hong Kong from 2011 onwards. PwC China will be appointed as the Group's auditors for the purpose of the Amended Listing Rules, to audit the annual financial statements of the Group for 2011 prepared in accordance with the PRC Accounting Principles. About the details of specific resolutions will be presented in the annual general meeting.

AUDIT COMMITTEE

The Company established an audit committee on 24 September 2002. The audit committee consists of three members including three Independent Non-executive Directors. Mr. Xu Bailing, an Independent Non-executive Director, is the chairman.

FIVE YEAR FINANCIAL SUMMARY

A table of the operating results, assets and liabilities of the Group for the last five financial years is set out on page 5.

PUBLIC FLOAT REQUIREMENT

As at the date of publication, from the public information held by the Company and to the knowledge of the directors, the Public Float was 226,913,000 H shares, which represents 47.95% of the total issued share capital of the Company which is in compliance with the public float minimum requirement pursuant to Rules 8.08 of the Listing Rules.

By the order of the Board
Liang Jun
Chairman

Hainan Province, the PRC
28 March 2011

To all shareholders,

During the year ended 31 December 2010, the Supervisory Committee of the Company and its members have duly performed its duties in an honest and stringent manner and have undertaken various activities in an active and prudent manner to protect the interests of the Company and its shareholders in accordance with the provisions of the Company law of the PRC (the "Company Law") and the Company's Articles of Association (the "Articles").

The major activities of the Supervisory Committee during 2010 were as follows:

1. Attending meetings of the Board of Directors, and monitoring the decision making process of the Board of Directors in terms of regulatory compliance, legality and managerial system;

2. Attending meetings at the office of the Chairman of the Board, participating in important activities of the Company in the ordinary course of business, and monitoring the daily operation and management by the Chairman and other senior officers and providing constructive suggestions thereto; and

3. Reviewing the financial statements of the Company on a regular basis and the vouchers and accounts of the Company on an ad-hoc basis.

Having made the above efforts, the Supervisory Committee is of the view that the Directors, Chairman and other senior officers of the Company have diligently performed their obligations under the Articles and the resolutions passed in general meeting by the shareholders of the Company, honestly discharged their official function and acted in the interests of the Company and its shareholders as a whole without prejudice to the interests of any individual shareholder or employee of the Company. The Supervisory Committee further confirms that the management of the Company has provided leadership to the staff in operation management and market expansion, under which satisfactory results were achieved. The accounts of income and expenses have been well maintained and the audit activities and financial management have been in compliance with the relevant rules and regulations.

Prior to the forthcoming annual general meeting of the Company, the Supervisory Committee has carefully reviewed the audited reports and financial statements of the Company prepared by the PRC and international certified public accountants of the Company. It has also reviewed the Directors' report and profit distribution proposal to be presented to the shareholders. The Supervisory Committee is of the view that the above reports give a true and fair view of the operating and financial position of the Company for the period under review. It further confirms that the above reports and proposals are prepared in compliance with the relevant laws and regulations and the articles of association of the Company.

We would continue to monitor the Company, its Directors and the management in an effective manner, and to protect the interests of all our shareholders and the Company in its best endeavor.

By order of the Supervisory Committee
Dong Guiguo
Chairman of the Supervisory Committee

Hainan Province, the PRC
28 March 2011

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF
HAINAN MEILAN INTERNATIONAL AIRPORT COMPANY LIMITED
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Hainan Meilan International Airport Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 96, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2011

		The Group			The Company		
		31 December		1 January	31 December		1 January
		2010	2009	2009	**2010**	2009	2009
	Note	**RMB'000**	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
			(Restated)	(Restated)		(Restated)	(Restated)
ASSETS							
Non-current assets							
Land use rights	6	**150,402**	153,622	156,965	**150,402**	153,622	156,965
Property, plant and equipment	7	**911,304**	941,661	975,072	**910,422**	941,294	974,400
Deferred income tax assets	17	**3,172**	–	–	**3,172**	–	–
Investments in subsidiaries	8	**–**	–	–	**23,194**	18,094	18,094
Investment in an associate	9	**30,875**	30,875	30,504	**30,504**	30,504	30,504
		1,095,753	1,126,158	1,162,541	**1,117,694**	1,143,514	1,179,963
Current assets							
Inventories		**26**	11	106	**26**	11	106
Trade receivables	11	**218,362**	179,883	109,235	**214,906**	177,010	105,387
Other receivables and prepayments		**23,261**	14,229	15,811	**20,859**	12,108	11,966
Current income tax recoverable		**5,439**	4,864	–	**5,579**	4,864	–
Due from subsidiaries	8(b)	**–**	–	–	**28,507**	25,155	22,633
Time deposits	12(a)	**78,000**	160,000	162,000	**60,000**	160,000	162,000
Cash and cash equivalents	12(b)	**882,553**	588,678	507,339	**848,842**	559,000	484,399
		1,207,641	947,665	794,491	**1,178,719**	938,148	786,491
Total assets		**2,303,394**	2,073,823	1,957,032	**2,296,413**	2,081,662	1,966,454
EQUITY							
Equity attributable to the Company's shareholders							
Share capital	13	**1,100,250**	1,100,250	1,100,250	**1,100,250**	1,100,250	1,100,250
Other reserves	14	**194,948**	164,207	144,714	**193,928**	163,187	144,089
Retained earnings	15						
– Proposed final dividend	25	**56,786**	94,643	62,580	**56,786**	94,643	62,580
– Others		**691,218**	589,672	520,627	**694,437**	595,960	526,217
		2,043,202	1,948,772	1,828,171	**2,045,401**	1,954,040	1,833,136
Non-controlling interests		**8,420**	599	601	**–**	–	–
Total equity		**2,051,622**	1,949,371	1,828,772	**2,045,401**	1,954,040	1,833,136

	Note	The Group 31 December 2010 RMB'000	The Group 31 December 2009 RMB'000 (Restated)	The Group 1 January 2009 RMB'000 (Restated)	The Company 31 December 2010 RMB'000	The Company 31 December 2009 RMB'000 (Restated)	The Company 1 January 2009 RMB'000 (Restated)
LIABILITIES							
Non-current liabilities							
Borrowings	16	**4,000**	8,000	12,000	**4,000**	8,000	12,000
Deferred income tax liabilities	17	**–**	5,335	5,237	**–**	5,335	5,237
Deferred income-government grants		**5,800**	3,000	–	**5,800**	3,000	–
		9,800	16,335	17,237	**9,800**	16,335	17,237
Current liabilities							
Trade and other payables	18	**237,972**	104,117	67,767	**221,554**	92,527	60,573
Due to subsidiaries	8(b)	**–**	–	–	**15,658**	14,760	12,331
Current income tax liabilities		**–**	–	39,256	**–**	–	39,177
Borrowings	16	**4,000**	4,000	4,000	**4,000**	4,000	4,000
		241,972	108,117	111,023	**241,212**	111,287	116,081
Total liabilities		**251,772**	124,452	128,260	**251,012**	127,622	133,318
Total equity and liabilities		**2,303,394**	2,073,823	1,957,032	**2,296,413**	2,081,662	1,966,454
Net current assets		**965,669**	839,548	683,468	**937,507**	826,861	670,410
Total assets less current liabilities		**2,061,422**	1,965,706	1,846,009	**2,055,201**	1,970,375	1,850,373

The notes on pages 48 to 96 are an integral part of these consolidated financial statements.

On behalf of the Board

Liang Jun
Director

Xing Xihong
Director

Consolidated Income Statement

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000 (Restated)
Revenues			
Aeronautical	5	**324,624**	301,807
Non-aeronautical	5	**162,791**	98,914
		487,415	400,721
Cost of services and sales	19	**(190,719)**	(156,137)
Gross profit		**296,696**	244,584
Administrative expenses	19	**(54,302)**	(62,377)
Other gains – net		**503**	260
Operating profit		**242,897**	182,467
Finance income		**11,746**	12,328
Finance costs		**(634)**	(1,017)
Finance income – net	21	**11,112**	11,311
Share of loss of an associate	9	**–**	(24)
Profit before income tax		**254,009**	193,754
Income tax expense	22	**(11,823)**	(11,055)
Profit for the year		**242,186**	182,699
Profit attributable to:			
Shareholders of the Company		**239,265**	182,701
Non-controlling interests		**2,921**	(2)
		242,186	182,699
Earnings per share for profit attributable to the shareholders of the Company during the year – basic and diluted	24	**51 cents**	39 cents

The notes on pages 48 to 96 are an integral part of these consolidated financial statements.

	Note	RMB'000	RMB'000
Dividends	25	**113,571**	94,643

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Profit for the year	**242,186**	182,699
Other comprehensive income	**–**	–
Total comprehensive income for the year	**242,186**	182,699
Attributable to:		
Shareholders of the Company	**239,265**	182,701
Non-controlling interests	**2,921**	(2)
Total comprehensive income for the year	**242,186**	182,699

The notes on pages 48 to 96 are an integral part of these consolidated financial statements.

	Note	Attributable to shareholders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2009, as previously reported		1,100,250	160,204	583,207	1,843,661	601	1,844,262
Change in accounting policy for Property, plant and equipment	2.1(a)	–	(15,490)	–	(15,490)	–	(15,490)
Balance as at 1 January 2009, as restated		1,100,250	144,714	583,207	1,828,171	601	1,828,772
Profit for the year		–	–	182,701	182,701	(2)	182,699
2008 final dividends paid		–	–	(62,495)	(62,495)	–	(62,495)
Share of reserve of an associate	9	–	395	–	395	–	395
Transfer to statutory reserves	14	–	19,098	(19,098)	–	–	–
Balance as at 31 December 2009		1,100,250	164,207	684,315	1,948,772	599	1,949,371
Balance as at 1 January 2010, as previously reported		1,100,250	177,559	684,315	1,962,124	599	1,962,723
Change in accounting policy for Property, plant and equipment	2.1(a)	–	(13,352)	–	(13,352)	–	(13,352)
Balance as at 1 January 2010, as restated		1,100,250	164,207	684,315	1,948,772	599	1,949,371
Profit for the year		–	–	239,265	239,265	2,921	242,186
2009 final dividends paid	25	–	–	(94,643)	(94,643)	–	(94,643)
2010 interim dividends paid	25	–	–	(56,785)	(56,785)	–	(56,785)
Deferred tax liabilities credited to other reserves	17	–	6,593	–	6,593	–	6,593
Contribution from non-controlling interests	8	–	–	–	–	4,900	4,900
Transfer to statutory reserves	14	–	24,148	(24,148)	–	–	–
Balance as at 31 December 2010		1,100,250	194,948	748,004	2,043,202	8,420	2,051,622

The notes on pages 48 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000 (Restated)
Cash flows from operating activities			
Profit before income tax		**254,009**	193,754
Adjustments for:			
– Interest income		**(11,746)**	(12,328)
– Interest expense		**634**	1,017
– Impairment reversal of trade and other receivables		**(7,119)**	(3,524)
– Depreciation and amortisation		**58,145**	53,032
– Government grants credited to income statements		**(200)**	–
– Loss on disposal of property, plant and equipment	26	**381**	560
– Share of loss of an associate		**–**	24
Changes in working capital:			
– Receivables and prepayments		**(41,088)**	(65,764)
– Trade and other payables		**135,176**	38,371
– Inventories		**(15)**	95
Cash generated from operations		**388,177**	205,237
Interest paid		**(641)**	(995)
Income tax paid		**(14,313)**	(55,077)
Net cash generated from operating activities		**373,223**	149,165
Cash flows from investing activities			
Purchase of property, plant and equipment		**(29,525)**	(19,231)
Decrease in time deposits		**82,000**	2,000
Proceeds from disposal of property, plant and equipment	26	**88**	349
Government grants received		**3,000**	3,000
Interest received		**15,617**	12,551
Net cash generated/(used) in investing activities		**71,180**	(1,331)
Cash flows from financing activities			
Repayments of borrowings		**(4,000)**	(4,000)
Capital contribution from non-controlling interests		**4,900**	–
Dividends paid to the Company's shareholders		**(151,428)**	(62,495)
Net cash used in financing activities		**(150,528)**	(66,495)
Net increase in cash and cash equivalents		**293,875**	81,339
Cash and cash equivalents at beginning of year		**588,678**	507,339
Cash and cash equivalents at end of year	12	**882,553**	588,678

The notes on pages 48 to 96 are an integral part of these consolidated financial statements.

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 Province, the PRC (the "Meilan Airport") and certain ancillary commercial businesses.

The Company is majority owned by Haikou Meilan International Airport Company Limited ("Haikou Meilan"), a state-owned enterprise established in the PRC with limited liability.

The consolidated financial statements are presented in Renminbi, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

Changes in accounting policy and disclosures

(a) Change in accounting policy

During the year, the Group changed its accounting policy for property, plant and equipment. In previous years, the Group carried its property, plant and equipment at revalued amounts, less accumulated depreciation and provision for impairment. With effect from 1 January 2010, the Group decided to carry its property, plant and equipment at historical cost less accumulated depreciation and provision for impairment in order to conform with the benchmark treatment in IAS16 'Property, plant and equipment'.

Management believes that the new accounting policy for property, plant and equipment results in a more relevant presentation of the financial position of the Group, and reflects the management's intention on the use of the assets. The new accounting policy also results in a presentation consistent with the industry practices and removes the difference between the consolidated financial statements prepared under IFRS and China Accounting Standards for Business Enterprises ("CAS"), which will provide more transparent and comparable financial statements for the users.

The change in accounting policy has been accounted for retrospectively and the consolidated and the Company's financial statements have been restated by reversal of revaluation accounting for property, plant and equipment. The effect on the Group's and the Company's financial statements is as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Changes in accounting policy and disclosures (cont'd)

(a) Change in accounting policy (cont'd)

The Group and the Company

	As at 1 January 2009 RMB'000	Profit for the year ended 31 December 2009 RMB'000	As at 31 December 2009 RMB'000	**Profit for the year ended 31 December 2010 RMB'000**	**As at 31 December 2010 RMB'000**
Non-current assets					
Decrease in property, plant and equipment	(20,028)	–	(17,683)	**–**	**(15,555)**
Non-current liabilities					
Decrease in deferred income tax liabilities	(4,538)	–	(4,331)	**–**	**(4,097)**
Income statement					
Decrease in cost of service and sales	–	2,345	–	**2,128**	**–**
Increase in income tax expense	–	(207)	–	**(234)**	**–**
Other reserves					
Decrease in revaluation surplus	(15,490)		(13,352)		**(11,458)**
Increase in earnings per share (basic and diluted)		RMB0.45cents		**RMB0.40cents**	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Changes in accounting policy and disclosures (cont'd)

(b) New and amended standards adopted by the Group

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group or not relevant to the Group's operations:

- IAS 27 (Revised), 'Consolidated and separate financial statements', effective for accounting periods beginning on or after 1 July 2009.
- IFRS 3 (revised), 'Business combinations', effective for accounting periods beginning on or after 1 July 2009.
- IFRSs (Amendments), 'Annual improvements project published in April 2009 by IASB', effective for accounting periods beginning on or after 1 January 2010.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for accounting periods beginning on or after 1 July 2009.
- IFRIC 18, 'Transfer of assets from customers', effective for accounting periods beginning on or after 1 July 2009.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective for accounting periods beginning on or after 1 July 2010.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(a) Subsidiaries (cont'd)

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(b) Associates (cont'd)

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management lead by the general manager.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income – net". All other foreign exchange gains and losses are presented in the income statement within "other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment

As explained in Note 2.1(a), with effect from 1 January 2010, property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings and improvements	15-40 years
Machinery and equipment	10-15 years
Motor vehicles	10 years
Furniture, fixtures and other equipment	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other gains – net", in the income statement.

Assets under construction represent buildings under construction and plant and machinery pending installation and are stated at cost. This includes the cost of construction, costs of plant and equipment and other direct costs plus cost of borrowings used to finance these projects during the period of construction or installation and testing. Assets under construction are not depreciated until such time as the relevant assets are completed and ready for their intended use.

2.6 Land use right

Costs of land use rights are recognised as expenses on a straight-line basis over the lease period of the land use rights.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Impairment non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

Financial assets of the Group represent loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, other receivables, time deposits, cash and cash equivalents (see Note 2.12 and 2.13).

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of financial assets (cont'd)

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    (i) adverse changes in the payment status of borrowers in the portfolio; and
    (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.11 Inventories

Inventories represent spare parts and low value consumables, which are stated at the lower of cost and net realisable value. Cost is determined using the first in first out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Current and deferred income tax (cont'd)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.19 Pension obligations

The Group participates in defined contribution plans. The defined contribution plans are employee retirement plans regarding pension benefits required under the existing PRC legislations. The Group's obligations include contributions to a defined contribution retirement plan administered by a government agency determined at a certain percentage of the salaries of the employees. The regular contributions, which are charged to the income statement on an accrual basis, constitute net periodic costs for the year in which they are due and as such are included in staff benefits expenses. The Group has no legal or constructive obligations to pay further contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services performed in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues are recognised as follows:

(i) Airport fee is recognised upon outbound passengers departing from the airport, and the charge rates are regulated by the relevant authorities.

(ii) Aeronautical revenues, other than airport fee, including passenger charges, aircraft movement fees and related charges and ground handling services income, are recognised when the related airport services are rendered.

(iii) Franchise fee is recognised on a straight-line basis during the period of the right of operations granted.

(iv) Rental income is recognised on a straight-line basis over the lease periods.

(v) Freight income is recognised when the services are rendered.

(vi) Advertising income is recognised on a straight-line basis over the period of display of the advertisements.

(vii) Car parking fees are recognised when the parking services are rendered.

(viii) VIP room income is recognised when the related services are rendered to users.

(ix) Interest income is recognised using effective interest method.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that limited aeronautical revenues are denominated in US dollars. Given the fluctuation of the exchange rates of RMB against foreign currencies has a limited impact on the Group's results of operations, the Group has not entered into any forward exchange contract to hedge its exposure of foreign exchange risk.

(b) Interest rate risk

As the Group has significant interest-bearing cash and cash equivalents, the Group's income and operating cash flows are substantially dependent of changes in market interest rates. The Group's interest-rate risk arising from borrowings is insignificant.

As at 31 December 2010, if interest rates on RMB denominated short-term and time deposits had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB328,000 (2009: RMB402,000) higher/lower, mainly as a result of higher/lower interest income.

(c) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including RMB 436,366,000 (2009: RMB427,120,000) placed in a related party, which is a financial institution), as well as credit exposures to customers. The extent of the Group's credit exposure is presented by the aggregated balance of cash and cash equivalents, time deposits and trade and other receivables.

The Group has policies in place to ensure that services are made to customers with an appropriate credit history. A provision for impairment of trade and other receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Only listed or state-owned banks are accepted.

Credit risk arising from balances with related parties, including HNA Group Finance Co., Ltd., ("HNA Group Finance") and Hainan Airlines Company Limited ("Hainan Airlines") is closely monitored by management, taking into consideration of their respective financial positions, profitability and repayment history. These transactions had been approved by management and the Company's balances placed with HNA Group Finance are kept within the limit of RMB450,000,000.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	RMB'000	RMB'000	RMB'000
The Group:			
As at 31 December 2010			
Bank borrowings	4,230	2,169	2,059
Trade and other payables excluding statutory liabilities	232,143	–	–
Total	236,373	2,169	2,059
As at 31 December 2009			
Bank borrowings	4,461	4,396	4,428
Trade and other payables excluding statutory liabilities	99,620	–	–
Total	104,081	4,396	4,428

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(d) Liquidity risk (cont'd)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
The Company:			
As at 31 December 2010			
Bank borrowings	4,230	2,169	2,059
Trade and other payables excluding statutory liabilities	216,143	–	–
Total	220,373	2,169	2,059
As at 31 December 2009			
Bank borrowings	4,461	4,396	4,428
Trade and other payables excluding statutory liabilities	87,845	–	–
Total	92,306	4,396	4,428

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

3 FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Capital risk management (cont'd)

The Group's strategy is to maintain a low gearing ratio. The gearing ratios at 31 December 2010 and 2009 were as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000 (Restated)	**2010 RMB'000**	2009 RMB'000 (Restated)
Total liabilities	**251,772**	124,452	**251,012**	127,622
Total assets	**2,303,394**	2,073,823	**2,296,413**	2,081,662
Gearing ratio	**11%**	6%	**11%**	6%

The increase in gearing ratio was mainly attributable to the fact that the aircraft movement fees and grand handling services fees collected on behalf of others have not been paid, which increased the trade payables.

3.3 Fair value estimation

The Group's financial assets represent loans and receivables including cash and cash equivalents, time deposits, trade receivables and other receivables and financial liabilities including trade and other payables and borrowings. The carrying amounts of the Group's financial instruments approximate their fair values due to their short maturities. The carrying values less a reasonable impairment provision for financial assets with a maturity of less than one year are approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT (CONT'D)

(a) Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is made based on management's experience in operating airport and the conditions of the property, plant and equipment. It could change significantly as a result of actual use and improvements. Management will increase the depreciation charges where useful lives are shorter than previously estimated lives.

Were the useful lives differ by 10% from management's estimates, the depreciation expense for the year would have been increased or decreased by RMB4,370,000 and RMB6,620,000 respectively.

Management determines the residual values of its property, plant and equipment based on all relevant factors (including the use of the current scrap value in an active market as a reference value) at each measurement date.

(b) Impairment of financial assets

Whenever events or changes in circumstances indicate that the carrying amounts of financial assets may not be recoverable, the Group will test whether financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.10. In making its judgment, the Group considers information from a variety of sources including:

(i) Recent prices of similar receivables in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(ii) Discounted cash flow projections based on reliable estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on recent prices of receivables is not available, the fair value of receivable is determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

5 REVENUES AND SEGMENT INFORMATION

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.

Analysis of revenues (by category)	**2010** **RMB'000**	2009 RMB'000
Aeronautical:		
Passenger charges	**133,273**	122,707
Aircraft movement fees and related charges	**46,726**	43,347
Airport fee	**103,197**	98,025
Ground handling services income	**41,428**	37,728
	324,624	301,807
Non-aeronautical:		
Franchise fee	**54,968**	44,795
Rental	**16,292**	15,112
Freight and packing	**55,530**	13,811
Car parking	**7,128**	5,562
VIP room charge	**16,863**	10,254
Others	**12,010**	9,380
	162,791	98,914
Total revenues	**487,415**	400,721

6 LAND USE RIGHTS – THE GROUP AND THE COMPANY

The interests of the Group and the Company in land use rights represent prepaid operating lease payments for land use rights. The movement is as follows:

	2010 RMB'000	2009 RMB'000
As at 1 January		
Cost	**179,637**	179,499
Accumulated amortisation	**(26,015)**	(22,534)
Net book amount	**153,622**	156,965
Year ended 31 December		
Opening net book amount	**153,622**	156,965
Additions	**–**	138
Amortisation	**(3,220)**	(3,481)
Closing net book amount	**150,402**	153,622
As at 31 December		
Cost	**179,637**	179,637
Accumulated amortisation	**(29,235)**	(26,015)
Net book amount	**150,402**	153,622

The net book value of land use rights are analysed as follows:

	2010 RMB'000	2009 RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**87,337**	88,129
Leases of between 10 to 50 years	**63,065**	65,493
	150,402	153,622

7 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
At 1 January 2009						
Cost or valuation as previously reported	864,255	113,390	44,170	38,591	–	1,060,406
Change in accounting policies	105,201	61,461	21,105	18,809	–	206,576
Cost as restated	969,456	174,851	65,275	57,400	–	1,266,982
Accumulated depreciation, as previously reported	(31,566)	(15,103)	(7,896)	(10,741)	–	(65,306)
Change in accounting policies	(128,658)	(53,219)	(33,070)	(11,657)	–	(226,604)
Accumulated depreciation, as restated	(160,224)	(68,322)	(40,966)	(22,398)	–	(291,910)
Net book amount, as restated	809,232	106,529	24,309	35,002	–	975,072
Year ended 31 December 2009						
Opening net book amount, as restated	809,232	106,529	24,309	35,002	–	975,072
Additions	–	–	9,290	943	6,816	17,049
Transfer	2,476	4,020	–	–	(6,496)	–
Reclassification	(32,140)	32,140	–	–	–	–
Disposals	–	–	(374)	(535)	–	(909)
Depreciation charge	(26,317)	(12,402)	(5,293)	(5,539)	–	(49,551)
Closing net book amount	753,251	130,287	27,932	29,871	320	941,661
At 31 December 2009						
Cost or valuation as previously reported	832,271	151,870	52,093	37,475	320	1,074,029
Change in accounting policies	107,060	59,601	21,109	18,809	–	206,579
Cost as restated	939,331	211,471	73,202	56,284	320	1,280,608
Accumulated depreciation, as previously reported	(56,642)	(30,337)	(15,075)	(12,631)	–	(114,685)
Change in accounting policies	(129,438)	(50,847)	(30,195)	(13,782)	–	(224,262)
Accumulated depreciation, as restated	(186,080)	(81,184)	(45,270)	(26,413)	–	(338,947)
Net book amount, as restated	753,251	130,287	27,932	29,871	320	941,661

7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group (cont'd)

	Buildings and improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Year ended 31 December 2010						
Opening net book amount, as restated	753,251	130,287	27,932	29,871	320	941,661
Additions	–	82	5,679	2,552	16,724	25,037
Transfer	12,493	–	–	–	(12,493)	–
Disposals	–	–	(410)	(59)	–	(469)
Depreciation charge	(23,601)	(16,998)	(4,948)	(9,378)	–	(54,925)
Closing net book amount	742,143	113,371	28,253	22,986	4,551	911,304
At 31 December 2010						
Cost	951,824	211,552	77,497	58,259	4,551	1,303,683
Accumulated depreciation	(209,681)	(98,181)	(49,244)	(35,273)	–	(392,379)
Net book amount	742,143	113,371	28,253	22,986	4,551	911,304

Depreciation expenses of RMB53,382,000 (2009: RMB48,220,000) has been charged in cost of services and sales and RMB1,543,000 (2009: 1,331,000) in administrative expenses.

7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

	Buildings and improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
At 1 January 2009						
Cost or valuation as previously reported	864,255	113,390	43,656	33,294	–	1,054,595
Change in accounting policies	105,201	61,461	21,105	18,809	–	206,576
Cost as restated	969,456	174,851	64,761	52,103	–	1,261,171
Accumulated depreciation, as previously reported	(31,566)	(15,103)	(7,496)	(6,002)	–	(60,167)
Change in accounting policies	(128,658)	(53,219)	(33,070)	(11,657)	–	(226,604)
Accumulated depreciation, as restated	(160,224)	(68,322)	(40,566)	(17,659)	–	(286,771)
Net book amount, as restated	809,232	106,529	24,195	34,444	–	974,400
Year ended 31 December 2009						
Opening net book amount, as restated	809,232	106,529	24,195	34,444	–	974,400
Additions	–	–	9,291	942	6,816	17,049
Transfer	2,476	4,020	–	–	(6,496)	–
Reclassification	(32,140)	32,140	–	–	–	–
Disposals	–	–	(374)	(498)	–	(872)
Depreciation charge	(26,317)	(12,402)	(5,292)	(5,272)	–	(49,283)
Closing net book amount	753,251	130,287	27,820	29,616	320	941,294
At 31 December 2009						
Cost or valuation as previously reported	832,271	151,870	51,680	32,367	320	1,068,508
Change in accounting policies	107,060	59,601	21,106	18,809	–	206,576
Cost as restated	939,331	211,471	72,786	51,176	320	1,275,084
Accumulated depreciation, as previously reported	(56,642)	(30,337)	(14,774)	(7,778)	–	(109,531)
Change in accounting policies	(129,438)	(50,847)	(30,192)	(13,782)	–	(224,259)
Accumulated depreciation, as restated	(186,080)	(81,184)	(44,966)	(21,560)	–	(333,790)
Net book amount, as restated	753,251	130,287	27,820	29,616	320	941,294

7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company (cont'd)

	Buildings and improvements	Machinery and equipment	Motor vehicles	Furniture, fixtures and other equipment	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010						
Opening net book amount, as restated	753,251	130,287	27,820	29,616	320	941,294
Additions	–	75	5,223	2,361	16,724	24,383
Transfer	12,493	–	–	–	(12,493)	–
Disposals	–	–	(492)	(80)	–	(572)
Depreciation charge	(23,601)	(16,998)	(4,843)	(9,241)	–	(54,683)
Closing net book amount	742,143	113,364	27,708	22,656	4,551	910,422
At 31 December 2010						
Cost	951,824	211,546	76,852	52,705	4,551	1,297,478
Accumulated depreciation	(209,681)	(98,182)	(49,144)	(30,049)	–	(387,056)
Net book amount	742,143	113,364	27,708	22,656	4,551	910,422

Pursuant to the agreement dated 21 December 2010 between the Company and a bank, the Company was granted a loan facility of USD72,500,000 (equivalent to RMB480,146,000) to finance its acquisition of 24.5% equity interests of HNA Airport Holding Company Limited ("HNA Airport Holding") (the "Acquisition"). The loan facility will be secured by the terminal owned by the Company prior to the completion of the Acquisition. Upon the completion of the Acquisition, the loan facility will be secured by 24.5% equity interest of HNA Airport Holding to be owned by the Company and the security on the terminal will be released. As at 31 December 2010, the Company has not drawn down any loan balance.

8 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES – THE COMPANY

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**23,194**	18,094

(a) As at 31 December 2010, the Company had equity interests in the following subsidiaries, all of which are unlisted limited liability companies incorporated and operating in the PRC:

Name	Principal activities	Paid up capital RMB'000	% Interest held Directly	% Interest held Indirectly
Hainan Meilan International Airport Advertising Co., Ltd.	Provision of advertising services	1,000	95	4.75
Hainan Meilan International Airport Traveling Co., Ltd.	Provision of tourism services	11,000	95	–
Haikou Meilan International Airport Duty Free Shop Limited	Retail sales	1,000	95	–
Hainan Meilan International Airport Cargo Co., Ltd.	Provision of cargo service	10,000	51	–

Note:

Hainan Meilan International Airport Cargo Co., Ltd. was incorporated on 24 February 2010 and is engaged in cargo services in Hainan Meilan Airport.

(b) The amounts due from/to subsidiaries are unsecured, non-interest bearing and payable on demand. The carrying amounts approximate their fair value at the balance sheet date.

9 INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**30,875**	30,504	**30,504**	30,504
Share of loss	**–**	(24)	**–**	–
Share of reserves	**–**	395	**–**	–
At 31 December	**30,875**	30,875	**30,504**	30,504

The Group's share of the results of its associate, Haikou Decheng Industrial and Development Co., Ltd. ("Haikou Decheng"), and its aggregated assets and liabilities, are as follows:

Year	**Assets**	**Liabilities**	**loss**	**Interest held**
	RMB'000	RMB'000	RMB'000	
2010	105,273	2,358	–	30%
2009	105,273	2,358	(80)	30%

Haikou Decheng is an unlisted limited liability established in the PRC and engaged in property development and it has not developed any projects since its establishment.

10 FINANCIAL INSTRUMENTS (BY CATEGORY)

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loans and receivables as per balance sheet:				
Trade receivables	**218,362**	179,883	**214,906**	177,010
Other receivables excluding prepayments	**9,907**	11,657	**7,869**	9,745
Due from subsidiaries	**–**	–	**28,507**	25,155
Time deposits	**78,000**	160,000	**60,000**	160,000
Cash and cash equivalents	**882,553**	588,678	**848,842**	559,000
	1,188,822	940,218	**1,160,124**	930,910
Financial liabilities at amortised cost as per balance sheet:				
Bank borrowings	**8,000**	12,000	**8,000**	12,000
Trade and other payables excluding statutory liabilities	**232,143**	99,620	**216,143**	87,845
Due to subsidiaries	**–**	–	**15,658**	14,760
	240,143	111,620	**239,801**	114,605

11 TRADE RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from third parties (Note (a))	**66,891**	72,156	**66,586**	71,502
Less: provision for impairment of trade receivables (Note (c))	**(4,401)**	(11,520)	**(4,346)**	(11,143)
	62,490	60,636	**62,240**	60,359
Trade receivables from related parties (Note (b) and 27(b))	**155,872**	119,247	**152,666**	116,651
	218,362	179,883	**214,906**	177,010

11 TRADE RECEIVABLES (CONT'D)

The carrying amounts of trade receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of each class of trade receivables. The Group does not hold any collateral as security.

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

(a) As at 31 December 2010, the ageing analysis of gross trade receivables from third parties is as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0-90 days	**52,082**	53,778	**52,082**	53,779
91-180 days	**7,329**	6,002	**7,329**	6,002
181-365 days	**3,692**	8,932	**3,692**	8,932
Over 365 days	**3,788**	3,444	**3,483**	2,789
	66,891	72,156	**66,586**	71,502

As at 31 December 2010, trade receivables of RMB5,181,000 (2009: RMB11,548,000) are impaired and the amount of the provision is RMB4,401,000 (2009: RMB11,520,000). The individually impaired receivables mainly relate to certain airlines companies, which are in difficult financial situations. The ageing of these receivables is as follows:

	The Group		The Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0-90 days	**869**	590	**869**	590
91-180 days	**458**	1,339	**458**	1,339
181-365 days	**367**	6,538	**367**	6,538
Over 365 days	**3,487**	3,081	**3,432**	2,676
	5,181	11,548	**5,126**	11,143

As at 31 December 2010, certain trade receivables of RMB10,497,000 (2009: RMB5,419,000) from third parties are past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

11 TRADE RECEIVABLES (CONT'D)

(a) As at 31 December 2010, the ageing analysis of gross trade receivables from third parties is as follows: (cont'd)

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
91-180 days	**6,871**	4,662	**6,871**	4,662
181-365 days	**3,325**	394	**3,325**	394
Over 365 days	**301**	363	**51**	113
	10,497	5,419	**10,247**	5,169

(b) As at 31 December 2010, the ageing analysis of gross trade receivables from related parties is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
0-90 days	**52,465**	52,249	**52,465**	52,248
91-180 days	**34,124**	25,249	**33,864**	25,249
181-365 days	**52,452**	38,777	**52,452**	38,777
Over 365 days	**16,831**	2,972	**13,885**	377
	155,872	119,247	**152,666**	116,651

As at 31 December 2010, trade receivables from related parties of RMB101,643,000 (2009: RMB65,027,000) are past due but not impaired. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
91-180 days	**33,398**	24,707	**33,398**	24,707
181-365 days	**50,923**	37,348	**50,923**	37,348
Over 365 days	**17,322**	2,972	**13,886**	377
	101,643	65,027	**98,207**	62,432

11 TRADE RECEIVABLES (CONT'D)

(c) Movements on the provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance as at 1 January	**11,520**	14,471	**11,143**	14,179
Additional provision	**915**	85	**915**	–
Provision reversed as receivables collected	**(8,034)**	(3,036)	**(7,712)**	(3,036)
Balance as at 31 December	**4,401**	11,520	**4,346**	11,143

The creation/(reversal) of provision for impaired receivables has been included in administrative expenses in the income statement (Note 19).

(d) The carrying amounts of the Group's and the Company's trade receivables are mainly denominated in RMB.

12 TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Time deposits

As at 31 December 2010, the Group and the Company had deposits placed with certain banks and financial institutions. The average maturity is 8 months and the carrying amount of these time deposits approximate their fair values.

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Time deposits with a related party	**–**	100,000	**–**	100,000
Time deposits with third parties	**78,000**	60,000	**60,000**	60,000
Total time deposits	**78,000**	160,000	**60,000**	160,000

12 TIME DEPOSITS AND CASH AND CASH EQUIVALENTS (CONT'D)

(b) Cash and cash equivalents comprised:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**72**	80	**32**	38
Cash in bank				
Current deposits with a related party	**21,366**	42,120	**8,737**	32,184
Short-term deposits with a related party	**415,000**	285,000	**415,000**	285,000
Current deposits with third parties	**438,115**	261,478	**417,073**	241,778
Short-term deposits with third parties	**8,000**	–	**8,000**	–
	882,481	588,598	**848,810**	558,962
Total cash and cash equivalents	**882,553**	588,678	**848,842**	559,000

The carrying amounts of time deposits, cash and cash equivalents are mainly denominated in RMB and represent the maximum exposure to credit risk.

13 SHARE CAPITAL

	2010	2009
	RMB'000	RMB'000
Share capital registered, issued and fully paid		
246,300,000 Domestic shares of RMB 1 each	**246,300**	246,300
226,913,000 H-shares of RMB 1 each	**226,913**	226,913
	473,213	473,213
Share premium arising from group reorganisation in 2000	**69,390**	69,390
Share premium arising from new issuance	**557,647**	557,647
	627,037	627,037
	1,100,250	1,100,250

14 OTHER RESERVES

The Group:	Revaluation surplus RMB'000	Statutory reserves RMB'000	Other RMB'000	Total RMB'000
As at 1 January 2009				
Balance as previously reported	15,490	144,714	–	160,204
Change in accounting policy (Note 2.1(a))	(15,490)	–	–	(15,490)
Balance as restated	–	144,714	–	144,714
Transfer from retained earnings	–	19,098	–	19,098
Share of reserve of an associate	–	–	395	395
Balance at 31 December 2009	–	163,812	395	164,207
As at 1 January 2010				
Balance as previously reported	13,352	163,812	395	177,559
Change in accounting policy (Note 2.1(a))	(13,352)	–	–	(13,352)
Balance as restated	–	163,812	395	164,207
Deferred tax liabilities credited to other reserves (note 17)	–	–	6,593	6,593
Transfer from retained earnings	–	24,148	–	24,148
Balance at 31 December 2010	–	187,960	6,988	194,948

14 OTHER RESERVES (CONT'D)

The Company:	**Revaluation surplus** RMB'000	**Statutory reserves** RMB'000	**Other** RMB'000	**Total** RMB'000
As at 1 January 2009				
Balance as previously reported	15,490	144,089	–	159,579
Change in accounting policy (Note 2.1(a))	(15,490)	–	–	(15,490)
Balance as restated	–	144,089	–	144,089
Transfer from retained earnings	–	19,098	–	19,098
Balance at 31 December 2009	–	163,187	–	163,187
As at 1 January 2010				
Balance as previously reported	13,352	163,187	–	176,539
Change in accounting policy (Note 2.1(a))	(13,352)	–	–	(13,352)
Balance as restated	–	163,187	–	163,187
Deferred tax liabilities credited to other reserves (note 17)	–	–	6,593	6,593
Transfer from retained earnings	–	24,148	–	24,148
Balance at 31 December 2010	–	187,335	6,593	193,928

Note:

Pursuant to the revised "The Company Law of the People's Republic of China" effective from 1 January 2006 and a circular issued by the Ministry of Finance ("MOF") (Cai Qi Han [2006] No.67), when distributing the net profit of each year, the Company and its certain subsidiaries shall set aside 10% of its profit after taxation (based on the local statutory financial statements) for the statutory reserves. These reserves shall not be used for the purposes other than those for which they are created and are not distributable as cash dividend.

15 RETAINED EARNINGS – THE COMPANY

	2010 RMB'000	2009 RMB'000
Balance at 1 January	**690,603**	588,797
Transfer to statutory reserves (Note 14)	**(24,148)**	(19,098)
Profit for the year	**236,196**	183,399
2010 interim dividend paid	**(56,785)**	–
2009 final dividend paid	**(94,643)**	–
2008 final dividend paid	**–**	(62,495)
Balance at 31 December	**751,223**	690,603

16 BORROWINGS – THE GROUP AND THE COMPANY

As at 31 December 2010, bank borrowings of RMB8,000,000 (2009: RMB12,000,000) were secured by a floating charge over the Company's revenues. These bank borrowings are denominated in RMB and bear average coupons of 5.94% (2009: 6.95%) per annum, the interest of the full loans is determined yearly with reference to the market interest rates. These bank borrowings mature until 2013.

The Bank borrowings were repayable as follows:

	2010 RMB'000	2009 RMB'000
Within 1 year	**4,000**	4,000
Between 1 and 2 years	**2,000**	4,000
Between 2 and 5 years	**2,000**	4,000
	8,000	12,000
Less: current portion of borrowings included in current liabilities	**(4,000)**	(4,000)
	4,000	8,000

16 BORROWINGS – THE GROUP AND THE COMPANY (CONT'D)

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2010 **RMB'000**	2009 RMB'000
Within 6 months or less	**2,000**	2,000
6-12 months	**2,000**	2,000
1-5 years	**4,000**	8,000
	8,000	12,000

The carrying amounts of the borrowings approximate their fair values.

The Group has the following undrawn borrowing facilities (Note 7):

	2010 **RMB'000**	2009 RMB'000
Floating rate:		
– expiring within one year	**480,146**	–

17 DEFERRED INCOME TAX – THE GROUP AND THE COMPANY

The analysis of deferred income tax assets and liabilities is as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
Deferred income tax assets to be recovered:			
– after more than 12 months	**(1,437)**	–	–
– within 12 months	**(1,735)**	(1,258)	(1,418)
	(3,172)	(1,258)	(1,418)
Deferred income tax liabilities to be recovered:			
– after more than 12 months	**–**	6,521	6,593
– within 12 months	**–**	72	62
	–	6,593	6,655
Deferred income tax liabilities (net)	**(3,172)**	5,335	5,237

The gross movement on the deferred income tax account is as follows:

	2010 RMB'000	2009 RMB'000 (Restated)
At 1 January	**5,335**	5,237
(Credited)/charged to income statement (Note 22)	**(1,914)**	98
Credited to other reverses (Note a)	**(6,593)**	–
At 31 December	**(3,172)**	5,335

17 DEFERRED INCOME TAX – THE GROUP AND THE COMPANY (CONT'D)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

	Deferred income tax liabilities			Deferred income tax assets			
	Land use rights RMB'000	Property, plant and equipment RMB'000	Sub-total RMB'000	Accrued payroll and termination benefits RMB'000	Provision for impairment of receivables RMB'000	Sub-total RMB'000	Total RMB'000
As at 1 January 2009							
As previously reported	6,655	4,538	11,193	–	(1,418)	(1,418)	9,775
Change in accounting policy (Note 2.1(a))	–	(4,538)	(4,538)	–	–	–	(4,538)
As restated	6,655	–	6,655	–	(1,418)	(1,418)	5,237
Charged/(credited) to income statement	(62)	–	(62)	–	160	160	98
As at 31 December 2009	6,593	–	6,593	–	(1,258)	(1,258)	5,335
As at 1 January 2010							
As previously reported	6,593	4,331	10,924	–	(1,258)	(1,258)	9,666
Change in accounting policy (Note 2.1(a))	–	(4,331)	(4,331)	–	–	–	(4,331)
As restated	6,593	–	6,593	–	(1,258)	(1,258)	5,335
Charged/(credited) to income statement		–	–	(2,650)	736	(1,914)	(1,914)
Credited to other reserves (Note a)	(6,593)		(6,593)	–	–	–	(6,593)
As at 31 December 2010	–	–	–	(2,650)	(522)	(3,172)	(3,172)

(a) A deferred tax asset of RMB 6,593,000 as at 31 December 2009 was recognized for the difference between the tax base and carrying amount of the land use rights injected by Haikou Meilan when the Company was set up in 2000. During the year, the Company confirmed with the local tax bureau that the tax base of the Company's land use rights could be changed in 2010 and there is no difference between the tax base and carrying amount of the land use rights. As a result, the deferred tax asset was reversed and credited to other reverse account.

(b) Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB253,000 (2009: RMB337,000) in respect of the tax losses of the Group's subsidiaries of approximately RMB1,011,000 as at 31 December 2010 (2009: RMB1,348,000). Tax losses amounting to RMB402,000, RMB485,000, RMB63,000, RMB52,000, and RMB9,000 will expire in 2011, 2012, 2013,2014 and 2015 respectively.

18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**5,330**	4,095	**5,263**	3,774
Other payables	**128,659**	91,133	**113,061**	80,486
Deposits received	**8,132**	6,003	**8,132**	6,003
Due to related parties (Note 27(b))	**95,851**	2,886	**95,098**	2,264
	237,972	104,117	**221,554**	92,527

As at 31 December 2010, the ageing analyses of trade payables (including amounts due to related parties of trading in nature) are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
0-90 days	**29,805**	2,314	**29,700**	1,923
91-180 days	**20,500**	731	**20,500**	731
181-365 days	**49,438**	1,123	**48,786**	1,123
Over 365 days	**1,438**	2,813	**1,375**	2,261
	101,181	6,981	**100,361**	6,038

19 EXPENSES BY NATURE

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

	2010 RMB'000	2009 RMB'000 (Restated)
Airport and logistic composite services fee	**38,673**	31,553
Business tax and levies	**14,184**	10,880
Depreciation of property, plant and equipment (Note 7)	**54,925**	49,551
Amortisation of land use rights (Note 6)	**3,220**	3,481
Employee benefit expenses (Note 20)	**52,466**	63,887
Other taxes	**6,220**	6,213
Utilities and power	**18,967**	16,052
Auditors' remuneration	**2,073**	2,030
Traveling expenses	**2,245**	5,472
Reversal of impairment of trade and other receivables	**(7,119)**	(3,524)
Costs of packing materials	**28,123**	–
Repairs and maintenance	**7,440**	10,414

20 EMPLOYEE BENEFIT EXPENSES

	2010 RMB'000	2009 RMB'000
Wages and salaries	**38,363**	42,868
Pension costs (Note a)	**3,938**	3,564
Staff welfare	**1,241**	1,116
Housing fund (Note b)	**2,390**	2,485
Medical benefits	**1,391**	1,164
Termination cost	**2,961**	8,526
Other allowances and benefits	**2,182**	4,164
	52,466	63,887

(a) All of the Group's full-time PRC employees are covered by a State-sponsored defined contribution pension scheme and are entitled to an annual pension at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the state-sponsored retirement plan at a rate of 20% of the employees' salaries in 2010 and 2009. The Group provides no other retirement benefits than those described above.

20 EMPLOYEE BENEFIT EXPENSES (CONT'D)

(b) The Group is required to make contributions to the State-sponsored housing fund at 12% (2009: 12%) of the specified salary amount of its full-time Chinese employees. At the same time, the employees are required to make a contribution equal to the Group's contributions out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. For the year ended 31 December 2010, the Group's contribution to the housing fund amounted to approximately RMB2,390,000 (2009: RMB2,485,000).

As at 31 December 2010 and 2009, the Group did not own any staff quarters and the Group had not sold any staff quarters to its employees.

(c) Directors' and Supervisors' emoluments

The remuneration of every Director and supervisor for the year ended 31 December 2010 is set out below:

	Fees	Salaries and other benefits	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of Director				
Zhao Yahui	70	211	13	294
Xing Xihong	70	106	13	189
Liang Jun	70	199	13	282
Zhang Han'an	50	–	–	50
Chan Nap Kee, Joseph	50	–	–	50
Yan Xiang	50	–	–	50
Hu Wentai	50	211	13	274
Xu Bailing (Note (iii))	100	–	–	100
Fung Ching, Simon (Note (iii))	100	–	–	100
Xie Zhuang (Note (iv))	57	–	–	57
George F. Meng	100	–	–	100
Feng Da'an (Note (i))	43	–	–	43
Name of Supervisor				
Zhang Shusheng (Note (ii))	20	–	–	20
Zeng Xuemei	20	–	–	20
Dong Guiguo	20	–	–	20
	870	727	52	1,649

Notes: (i) Appointed on 16 July 2010; (ii) Reappointed on 16 July 2010; (iii) Reappointed on 15 October 2010; (iv) Resigned on 16 July 2010

20 EMPLOYEE BENEFIT EXPENSES (CONT'D)

(c) Directors' and Supervisors' emoluments (cont'd)

The remuneration of every Director and supervisor for the year ended 31 December 2009 is set out below:

	Fees	Salaries and other benefits	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of Director				
Zhao Yahui	–	113	12	125
Dong Zhanbin (Note (i))	–	34	4	38
Bai Yan (Note (iii))	–	73	10	83
Xing Xihong (Note (iv))	–	88	12	100
Liang Jun (Note (ii))	–	94	10	104
Zhang Han'an	–	–	–	–
Chan Nap Kee, Joseph	50	–	–	50
Yan Xiang	50	–	–	50
Hu Wentai	–	113	12	125
Xu Bailing	100	–	–	100
Fung Ching, Simon	100	–	–	100
Xie Zhuang	100	–	–	100
George F. Meng	100	–	–	100
Name of Supervisor				
Chen Kewen (Note (i))	–	–	–	–
Dong Guiguo (Note (ii))	–	–	–	–
Zhang Shusheng	20	–	–	20
Zeng Xuemei	–	–	–	–
	520	515	60	1,095

Notes: (i) Resigned on 25 May2009; (ii) Appointed on 25 May 2009; (iii) Resigned on 12 October 2009; (iv) Appointed on 12 October 2009

20 EMPLOYEE BENEFIT EXPENSES (CONT'D)

(d) Five highest paid individuals

During the year ended 31 December 2010, the five individuals whose emoluments were the highest in the Group included four directors (2009: three directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2009: two) are as follows:

	2010 **RMB'000**	2009 RMB'000
Basic salaries and allowances	**134**	195
Retirement scheme contributions	**13**	23
	147	218

During the years ended 31 December 2010, no emolument was paid to the Directors, Supervisors or any of the five highest-paid employees as an inducement to join or upon joining the Company or as compensation for loss of office.

During the years ended 31 December 2010, the five highest-paid employees fell within the band from nil to RMB1 million (2009: nil to RMB1 million).

21 FINANCE INCOME – NET

	2010 **RMB'000**	2009 RMB'000
Finance income – interest	**11,746**	12,328
Interest on bank borrowings	**(634)**	(1,017)
Finance income – net	**11,112**	11,311

There was no interest capitalised for the years ended 31 December 2010(2009: Nil).

22 INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year (2009: nil). Income tax expense represents provision for the PRC corporate income tax ("CIT").

	2010 RMB'000	2009 RMB'000 (Restated)
Current income tax		
– outside Hong Kong	**13,737**	10,957
Deferred income tax (Note 17)	**(1,914)**	98
Income tax expense	**11,823**	11,055

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities as follows:

	2010 RMB'000	2009 RMB'000 (Restated)
Profit before income tax	**254,009**	193,754
Tax calculated at a rate applicable to profits in Hainan Province (Note (a))	**55,882**	38,751
Effect of tax holiday (Note (b))	**(29,373)**	(19,407)
Income not subject to corporate income tax	**–**	(9,803)
Tax deduction arising from purchase of domestic equipments (Note (c))	**(15,289)**	–
Tax losses not recognised	**–**	6
Utilisation of previously unrecognised tax losses	**(6)**	(192)
Expenses not deductible for tax purposes	**609**	1,700
Tax charge	**11,823**	11,055

22 INCOME TAX EXPENSE (CONT'D)

Note (a)

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 2010 is 22% (2009: 20%).

Note (b)

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 2010 is 11% (2009: 10%).

Note (c)

Pursuant to the approval documents (Hai Guo Shui Han [2006] No.323, Hai Guo Shui Han [2007] No.105 and Hai Guo Shui Han [2008] No.50) issued by Haikou State Tax Bureau on 27 December 2006, 11 June 2007 and 9 May 2008 respectively, the Company was entitled to enjoy a tax deduction or exemption on CIT, related to the purchase of domestic equipment upon meeting certain conditions attached. In the year, the Company has obtained the approval from Haikou State Tax Bureau for a deduction on CIT of RMB15,289,000.

23 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of RMB236,196,000 (2009: RMB183,399,000).

24 EARNINGS PER SHARE

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

	2010	2009 (Restated)
Profit attributable to shareholders of the Company (RMB'000)	**239,265**	182,701
Number of ordinary shares in issue (thousands)	**473,213**	473,213
Basic earnings per share (RMB per share)	**51 cents**	39 cents

Diluted earnings per share is equal to basic earnings per share as there was no potential dilutive ordinary share outstanding during 2010 and 2009.

25 DIVIDENDS

	2010 RMB'000	2009 RMB'000
2010 interim dividend paid of RMB0.12 per share (2009:Nil) (Note (a))	**56,785**	–
Proposed final dividend of RMB0.12 (2009: RMB0.2) per ordinary share (Note (b))	**56,786**	94,643
	113,571	94,643

Note (a)

An interim dividend of 12 cents per share (2009: nil) was paid in 2010, amounting to RMB56,785,000 (2009: nil).

Note (b)

A dividend in respect of the year 2010 of RMB0.12 (2009: RMB0.2) per ordinary share, amounting to a total dividend of RMB56,786,000 (2009: RMB94,643,000) is to be proposed at the coming annual general meeting for shareholders' approval. These financial statements do not reflect this dividend payable.

26 CASH GENERATED FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2010 RMB'000	2009 RMB'000
Net book amount (Note 7)	**469**	909
Loss on disposal	**(381)**	(560)
Proceeds from disposal	**88**	349

27 RELATED PARTY TRANSACTIONS

The Company is majority owned by Haikou Meilan, a state-owned enterprise established in the PRC with limited liability.

In accordance with IAS 24, "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Company. On that basis, related parties include Haikou Meilan and its subsidiaries (other than the Company), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and Haikou Meilan as well as their close family members.

A significant portion of the Company's business activities are conducted with state-owned enterprises. Sale of services to these state-owned enterprises are at state-prescribed prices which are similar to prices to other customers. The Company considers that these sales are activities in the ordinary course of business. In this connection, the Company has significant trading balances with state-owned enterprises in the ordinary course of business which have similar terms of repayments as balances with third parties.

In addition, a large portion of the Company's bank deposits/bank borrowings were held at/borrowed from state-owned financial institutions in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern at prevailing market terms and rates.

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

Other than the transactions as disclosed in the respective notes, the following is a summary of significant transactions carried out with related parties in the ordinary course of business.

27 RELATED PARTY TRANSACTIONS (CONT'D)

(a) The following is a summary of material transactions carried out with these related parties controlled, or significantly influenced by HNA Group, which has significant influence on the Company, in the ordinary course of business during the year:

Name of related party	Nature of transactions	Note	The Group 2010 RMB'000	 2009 RMB'000
Revenues:				
Hainan Airlines	Income for provision of customary airport ground services	(i)	**84,186**	80,465
	Income from provision of cargo, mail and luggage service	(i)	**8,139**	4,108
	Rental income for leasing of offices and commercial space	(ii)	**6,629**	6,608
Hainan Airlines Food Company Limited ("Hainan Food")	Franchise income from catering services	(iii)	**3,020**	2,720
Luckyway International Travel Service Co., Ltd. ("Luckyway")	Franchise income from tourism and traveling services	(iv)	**5,472**	5,024
Hainan HNA China Duty Free Merchandise Co., Ltd. ("HNA China Duty Free")	Franchise income	(v)	**4,061**	3,330
Beijing Capital Airlines CO., Ltd ("Capital Airlines", previous name "Deer Air Co., Ltd.")	Income for provision of customary airport ground services	(i)	**5,230**	2,955
Hong Kong Airlines Limited ("Hong Kong Airlines")	Income for provision of customary airport ground services	(i)	**4,056**	3,295
Tianjin Airlines Co., Ltd. ("Tianjin Airlines", previous name "Grand China Express Airlines Co., Ltd.")	Income for provision of customary airport ground services	(i)	**8,092**	4,684
Western Airlines Co., Ltd. ("Western Airlines")	Income for provision of customary airport ground services		**1,998**	989

27 RELATED PARTY TRANSACTIONS (CONT'D)

(a) The following is a summary of material transactions carried out with these related parties controlled, or significantly influenced by HNA Group, which has significant influence on the Company, in the ordinary course of business during the year: (cont'd)

			The Group	
Name of related party	**Nature of transactions**	Note	**2010 RMB'000**	2009 RMB'000
Revenues:				
Hong Kong Express Airlines Co., Ltd. ("Hong Kong Express Airlines")	Income for provision of customary airport ground services		**2,610**	712
HNA Group Finance	Interest income from deposits	(vi)	**7,885**	10,000
Expenses:				
Haikou Meilan	Airport composite services charged	(vii)	**17,036**	15,531
HNA Group	Logistic composite services charged	(viii)	**14,002**	11,618
Hainan Airlines	Packing materials purchased	(xii)	**28,119**	–
Hainan Airlines Aviation Information System Co., Ltd. ("HNAAIS")	Information system maintenance service	(ix)	**2,045**	2,028
Hainan Island Opal Property Management Co., Ltd ("Island Opal Property Management ", previous name "Henghe Property Management")	Property management service	(x)	**5,119**	4,821
Sharing of customary airport ground services income:				
Haikou Meilan	Sharing of customary airport ground services income	(xi)	**95,394**	87,831

27 RELATED PARTY TRANSACTIONS (CONT'D)

(a) The following is a summary of material transactions carried out with these related parties controlled, or significantly influenced by HNA Group, which has significant influence on the Company, in the ordinary course of business during the year: (cont'd)

(i) The Company provided customary airport ground services to airlines at rates prescribed by the CAAC.

(ii) The rental charges were agreed between the Company and the airlines.

(iii) The franchise fee is calculated at a fixed price with reference to the number of passengers receiving the relevant services.

(iv) The basic annual franchise fee is RMB4.7 million. Besides, 50% of the profits earned by Luckyway from its franchise operations at Meilan Airport are charged by the Company.

(v) The total fee for each month is calculated based on the number of outbound international and regional passengers.

(vi) Interest is charged at prevailing market rates.

(vii) The charges relating to the services are determined in accordance with the cost for Haikou Meilan in providing such services plus a mark-up or determined in accordance with the rate prescribed by CAAC.

(viii) The charges for these services are determined at the cost of providing such services shared among the HNA Group, the Company and other relevant companies on a pro rata basis by reference to employee headcount; or at a fixed price with reference to the relevant cost per employee headcount; or at a fixed annual fee; or at the cost of providing such services plus a mark-up.

(ix) The monthly service fee varies from month to month depending on the type of services rendered by HNAAIS.

(x) The charges for these services are determined based on the number of passenger throughput and a fixed fee.

(xi) As directed by a circular (Zong Ju Cai Han [2002] No.77) issued by CAAC on 27 June 2002, the Company entered into an agreement on 25 October 2002 with Haikou Meilan whereby both parties agreed to share, on the ratio of 75% to the Company and 25% to Haikou Meilan, the aircraft movement fees for all airlines, passenger charges for domestic airlines and the basic ground handling fees for Hong Kong, Macau and foreign airlines in connection with the airport terminal services and runway services provided to the Group's customers by the Company and Haikou Meilan, respectively. The Company will collect such fees on behalf of Haikou Meilan and assumes no liabilities in respect of a default of payment by the airline customers. The Company has accounted for its share of 75% of the aeronautical fees in its consolidated income statement as revenue.

(xii) The Group agreed to purchase packing materials from Hainan Airlines at market prices from 1 January 2010 to 31 December 2010.

27 RELATED PARTY TRANSACTIONS (CONT'D)

(b) As at 31 December 2010, balances with related parties comprised:

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from related parties:				
Hainan Airlines	**99,876**	95,605	**97,141**	93,130
Hainan Food	**4,526**	2,962	**4,526**	2,962
Luckyway	**7,955**	4,973	**7,955**	4,483
HNA China Duty Free	**1,774**	981	**1,774**	981
Tianjin Airlines	**17,037**	7,752	**17,037**	7,752
Hong Kong Airlines	**8,143**	2,050	**8,143**	2,050
Capital Airlines	**7,800**	3,004	**7,800**	3,004
Hong Kong Express Airlines	**4,675**	885	**4,675**	885
Western Airlines	**2,847**	796	**2,847**	796
Others	**1,239**	239	**768**	608
	155,872	119,247	**152,666**	116,651
Other receivables from related parties:				
Luckyway	**4,283**	4,641	**3,301**	3,270
Hainan Airlines	**765**	626	**765**	626
Others	**276**	433	**276**	355
	5,324	5,700	**4,342**	4,251

27 RELATED PARTY TRANSACTIONS (CONT'D)

(b) As at 31 December 2010, balances with related parties comprised: (cont'd)

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with related party				
– HNA Group Finance				
Time deposits	**–**	100,000	**–**	100,000
Short-term deposits	**415,000**	285,000	**415,000**	285,000
Current deposits	**21,366**	42,120	**8,737**	32,184
	436,366	427,120	**423,737**	417,184

	The Group		The Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables to related parties:				
Haikou Meilan	**94,321**	197	**94,171**	197
Luckyway	**–**	1,000	**–**	1,000
Others	**1,530**	1,689	**927**	1,067
	95,851	2,886	**95,098**	2,264

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.

(c) The amounts due from/to subsidiaries are repayable on demand.

28 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the agreement on 25 March 2010, the Company would acquire 24.5% equity interests in HNA Airport Holding from Kingward Investment Limited ("Kingward"). The consideration of USD145,000,000 was paid to Kingward on 28 January 2011. On 24 February 2011, the acquisition of such shares was completed and HNA Airport Holding became an associate of the Company.