

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*



## 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 liabilities)*

**(Stock Code: 357)**

### **Annual results announcement for the year ended 31 December 2012**

#### **FINANCIAL HIGHLIGHTS**

- Total revenue was RMB684,069,464
- Revenue from the aeronautical business was RMB393,846,945
- Revenue from the non-aeronautical business was RMB290,222,519
- Net profit attributable to shareholders was RMB297,963,109
- Earnings per share was RMB0.63

#### **BUSINESS HIGHLIGHTS**

- The passenger throughput recorded 10.6967 million
- Aircraft movements reached 87,247.00
- Cargo throughput was 175,364.50 tons

\* For identification only

## RESULTS

The Board of Directors (“the Board”) of Hainan Meilan International Airport Company Limited (the “Company” or “Meilan Airport”) is pleased to announce the financial position and operating results of the Company, together with its subsidiaries, (the “Group”) for the year ended 31 December 2012, together with the comparative figures for the corresponding period of 2011.

The selected consolidated financial information prepared according to China Accounting Standards for Business Enterprises is as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Note(s)</i>	<b>2012</b> <b>RMB</b>	2011 <b>RMB</b>
<b>Revenue</b>	2	<b>684,069,464</b>	564,892,282
Less: Operating costs	3	<b>(221,370,584)</b>	(209,714,326)
Taxes and surcharges		<b>(24,405,747)</b>	(18,414,798)
General and administrative expenses	3	<b>(78,053,227)</b>	(68,398,680)
Finance expenses — net	4	<b>(50,166,226)</b>	9,030,708
Add: Reversal of/(Provision for) asset impairment losses		<b>1,146,194</b>	(377,217)
Investment income	5	<b>33,143,811</b>	25,574,988
Including: Share of profit of associates		<b>32,476,692</b>	25,574,988
<b>Operating profit</b>		<b>344,363,685</b>	302,592,957
Add: Non-operating income		<b>2,781,516</b>	27,582,799
Less: Non-operating expenses		<b>(387,577)</b>	(647,219)
Including: Losses on disposal of non-current assets		<b>(139,282)</b>	(612,832)
<b>Total profit</b>		<b>346,757,624</b>	329,528,537
Less: Income tax expenses	6	<b>(43,240,623)</b>	(35,287,735)
<b>Net profit</b>		<b>303,517,001</b>	294,240,802
Attributable to shareholders of the Company		<b>297,963,109</b>	289,778,081
Minority interest		<b>5,553,892</b>	4,462,721
<b>Earnings per share</b>			
— Basic and diluted earnings per share	7	<b>0.63</b>	0.61
<b>Other comprehensive income</b>			
Increase of the capital surplus of associates		<b>166,048</b>	—
<b>Total comprehensive income</b>		<b>303,683,049</b>	294,240,802
<b>Dividends</b>	8	<b>145,749,604</b>	70,981,950

## CONSOLIDATED BALANCE SHEET

		<b>31 December 2012</b>	31 December 2011
	<i>Note(s)</i>	<b>RMB</b>	<b>RMB</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand	9	<b>1,207,561,423</b>	366,887,159
Accounts receivable	10	<b>96,799,948</b>	145,125,372
Advances to suppliers		<b>2,331,951</b>	6,076,495
Other receivables		<b>2,970,111</b>	3,696,823
Interest receivable		<b>5,557,907</b>	1,793,832
Inventories		<b>16,401</b>	26,172
Other current assets	11	<b>31,991</b>	1,293,397
<b>Total current assets</b>		<b><u>1,315,269,732</u></b>	<u>524,899,250</u>
<b>Non-current assets</b>			
Long-term equity investments		<b>1,100,807,482</b>	1,068,164,742
Fixed assets	12	<b>858,272,009</b>	885,230,061
Construction in progress		<b>1,400,000</b>	—
Intangible assets		<b>144,075,524</b>	147,238,713
Long-term prepaid expenses		<b>4,186,725</b>	5,686,823
Deferred tax assets		<b>3,872,680</b>	4,421,740
Other non-current assets		<b>439,361,200</b>	219,361,200
<b>Total non-current assets</b>		<b><u>2,551,975,620</u></b>	<u>2,330,103,279</u>
<b>Total assets</b>		<b><u><u>3,867,245,352</u></u></b>	<u><u>2,855,002,529</u></u>

	<i>Note(s)</i>	<b>31 December 2012 RMB</b>	31 December 2011 RMB
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	13	7,247,254	17,575,257
Advances from customers		15,086,286	8,885,537
Employee benefits payable		50,912,367	51,683,674
Taxes payable		19,987,066	11,967,808
Interest payable		52,695,667	3,508,354
Dividends payable		666,000	666,000
Other payables		81,485,375	75,885,685
Current portion of non-current liabilities		<u>115,139,000</u>	<u>61,858,550</u>
<b>Total current liabilities</b>		<u><b>343,219,015</b></u>	<u>232,030,865</u>
<b>Non-current liabilities</b>			
Long-term borrowings	14	282,806,487	398,956,700
Corporate bonds	15	791,253,935	—
Other non-current liabilities		<u>10,770,000</u>	<u>8,370,000</u>
<b>Total non-current liabilities</b>		<u><b>1,084,830,422</b></u>	<u>407,326,700</u>
<b>Total liabilities</b>		<u><b>1,428,049,437</b></u>	<u>639,357,565</u>
<b>Shareholders' equity</b>			
Share capital		473,213,000	473,213,000
Capital surplus	16	699,650,702	699,484,654
Surplus reserve	17	246,394,231	216,748,099
Undistributed profits		<u>1,003,637,763</u>	<u>815,766,996</u>
<b>Total capital and reserves attributable to shareholders of the Company</b>		<u><b>2,422,895,696</b></u>	<u>2,205,212,749</u>
Minority interest		<u>16,300,219</u>	<u>10,432,215</u>
<b>Total shareholders' equity</b>		<u><b>2,439,195,915</b></u>	<u>2,215,644,964</u>
<b>Total liabilities and shareholders' equity</b>		<u><b>3,867,245,352</b></u>	<u>2,855,002,529</u>
<b>Net current assets</b>		<u><b>972,050,717</b></u>	<u>292,868,385</u>
<b>Total assets less current liabilities</b>		<u><b>3,524,026,337</b></u>	<u>2,622,971,664</u>

## 1. BASIS OF PREPARATION

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

## 2. REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker of the Group has been identified as the senior management lead by the general manager. The management reviews the Group’s internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The management considers the Group conducts its business within one business segment i.e. the business of operating an airport and provision of related services in the PRC. The Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

	2012 <i>RMB</i>	2011 <i>RMB</i>
<b>Breakdown of revenue (by segment)</b>		
Aeronautical:		
Passenger charges	159,726,149	152,339,324
Airport Fee	124,448,235	118,851,803
Aircraft movement fees and related charges	53,978,284	51,773,603
Ground handling services income	<u>55,694,277</u>	<u>48,596,120</u>
	<u>393,846,945</u>	<u>371,560,850</u>
Non-aeronautical:		
Franchise fee	136,888,777	63,473,770
Freight and packing	63,184,677	56,452,294
Rental	27,396,888	24,922,743
VIP room charge	31,691,201	26,023,343
Car parking	10,216,059	8,087,793
Others	<u>20,844,917</u>	<u>14,371,489</u>
	<u>290,222,519</u>	<u>193,331,432</u>
Total Revenue	<u><u>684,069,464</u></u>	<u><u>564,892,282</u></u>

Airport fee represents civil airport construction fee and Civil Aviation Development Fund. According to the Interim Measures for the Collection, Use and Management of the Civil Aviation Development Fund (《民航發展基金徵收使用管理暫行辦法》) promulgated by the Ministry of Finance and effective on 1 April 2012, Civil Aviation Development Fund is charged to passengers at the same rate as the former airport construction fee. Meanwhile, the former airport construction fee was abolished correspondingly.

### 3. COST/EXPENSE BY NATURE

Operating costs and general and administrative expenses mainly include the following items:

	2012	2011
	<i>RMB</i>	<i>RMB</i>
Employee benefit expenses	66,771,155	58,271,566
Depreciation of fixed assets	51,144,518	56,363,210
Airport and logistic composite services fee	46,292,222	44,633,537
Packaging materials expenses	26,182,067	24,249,886
Utilities	23,806,717	19,823,535
Repairs and maintenance	11,906,261	20,062,384
Other taxes	7,444,049	7,012,190
Airlines subsidy expenses	4,071,134	5,531,976
Amortisation of land use rights	3,163,189	3,163,189
Handling fees of CAAC Settlement Center	2,992,785	—
Audit fee	2,136,048	1,860,240
Other service fee related to CPA firm	170,000	—
Travel expense	<u>2,027,786</u>	<u>4,371,297</u>

### 4. FINANCIAL EXPENSES/(INCOME) — NET

	2012	2011
	<i>RMB</i>	<i>RMB</i>
Interest expenses	66,756,621	16,689,910
Including: Bank borrowings	17,009,954	16,689,910
Corporate bonds	49,746,667	—
Less: Interest income	(19,240,059)	(7,352,348)
Exchange gains	(600,078)	(21,326,125)
Amortisation of financing charges	2,354,033	1,555,601
Others	<u>895,709</u>	<u>1,402,254</u>
	<u>50,166,226</u>	<u>(9,030,708)</u>

### 5. INVESTMENT INCOME

	2012	2011
	<i>RMB</i>	<i>RMB</i>
Disposal of equity interest — Hainan Meilan International Airport Travelling Co., Ltd.	667,119	—
Share of profit of investees under equity method — Hainan Airlines Airport Holding (Group) Company Limited (“HNA Airport”)	<u>32,476,692</u>	<u>25,574,988</u>
	<u>33,143,811</u>	<u>25,574,988</u>

No significant restrictions on the repatriation of investment income.

## 6. 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 (2011: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	<b>2012</b>	2011
	<b>RMB</b>	RMB
Current income tax	<b>42,691,563</b>	36,537,598
Deferred income tax	<b>549,060</b>	(1,249,863)
	<b><u>43,240,623</u></b>	<b><u>35,287,735</u></b>

According to “Measures for tax preference on investment issued by the People’s Government of Hainan Province”, the Company was subject to 15% income tax rate as a jointly venture previously.

In accordance with the Corporate Income Tax Law of the People’s Republic of China (the “New CIT Law”, effective from 1 January 2008) and the relevant regulations as approved by the National People’s Congress of the People’s Republic of China 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 applicable CIT rate in 2012 is 25% (2011: 24%).

Pursuant to the approval document regarding the entitlement of CIT treatment of Hainan Meilan International Airport Company Limited (Hai Guo Shui Han [2008] No. 13) issued by Haikou State Tax Bureau on 2 February 2008, the Company was entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. Therefore, the effective tax rate for the Company in 2012 was 12.5% (2011: 12%).

## 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding:

	<b>2012</b>	2011
Consolidated net profit attributable to ordinary shareholders of the Company (RMB)	<b><u>297,963,109</u></b>	<u>289,778,081</u>
Weighted average number of outstanding ordinary shares of the Company (share)	<b><u>473,213,000</u></b>	<u>473,213,000</u>
Basic earnings per share (RMB)	<b><u>0.63</u></b>	<u>0.61</u>

Diluted earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in this year (2011: nil), diluted earnings per share equal to basic earnings per share.

## 8. DIVIDENDS

	<b>2012</b>	2011
	<b>RMB</b>	<b>RMB</b>
2012 interim dividend paid of RMB0.17 per share (2011: RMB0.15 per share)	<b>80,446,210</b>	70,981,950
Proposed to distribute 2012 final dividend of RMB0.138 per share (2011: nil)	<b><u>65,303,394</u></b>	<u>—</u>

(a) An interim dividend of RMB0.17 per share (2011: RMB0.15), totaling RMB80,446,210 (2011: RMB70,981,950), was paid in 2012.

(b) The Board proposed to distribute a final cash dividend of RMB0.138 per share for 2012, totaling RMB65,303,394 (2011: nil).

## 9. CASH AT BANK AND ON HAND

	<b>31 December</b>	31 December
	<b>2012</b>	2011
	<b>RMB</b>	<b>RMB</b>
Cash on hand	<b>106,603</b>	47,476
Bank deposits	<b><u>1,207,454,820</u></b>	<u>366,839,683</u>
	<b><u>1,207,561,423</u></b>	<u>366,887,159</u>

## 10. ACCOUNTS RECEIVABLE

	<b>31 December</b>	31 December
	<b>2012</b>	2011
	<b>RMB</b>	<b>RMB</b>
Accounts receivable	<b>100,377,385</b>	149,849,003
Less: provision for bad debts	<b><u>(3,577,437)</u></b>	<u>(4,723,631)</u>
	<b><u>96,799,948</u></b>	<u>145,125,372</u>

Credit terms granted to customers are determined on an individual basis by the management with a general range from 1 to 3 months. As at 31 December 2012, the ageing analysis of accounts receivable, based on the dates of recognition, is as follows:

	<b>31 December</b>	31 December
	<b>2012</b>	2011
	<b>RMB</b>	<b>RMB</b>
Within 90 days	<b>66,058,342</b>	88,419,162
91 to 180 days	<b>6,812,630</b>	10,473,887
181 to 365 days	<b>15,255,325</b>	33,044,367
Over 365 days	<b><u>12,251,088</u></b>	<u>17,911,587</u>
	<b><u>100,377,385</u></b>	<u>149,849,003</u>



## 11. OTHER CURRENT ASSETS

	<b>31 December 2012 RMB</b>	31 December 2011 RMB
Prepayment of enterprise income tax	<b>30,196</b>	1,175,863
Prepayment of other taxes	<b><u>1,795</u></b>	<u>117,534</u>
	<b><u><u>31,991</u></u></b>	<u><u>1,293,397</u></u>

## 12. FIXED ASSETS

	<b>Buildings and structures RMB</b>	<b>Machinery and equipment RMB</b>	<b>Motor vehicles RMB</b>	<b>Office equipment and others RMB</b>	<b>Total RMB</b>
<b>Cost</b>					
31 December 2011	960,449,729	215,598,361	92,477,089	61,494,131	1,330,019,310
Transfer from construction in process	8,151,458	1,778,155	—	—	9,929,613
Other increases	—	883,738	9,162,800	4,409,625	14,456,163
Decrease in disposal of subsidiaries	—	—	(109,198)	(250,721)	(359,919)
Other decreases	—	—	(1,274,282)	(881,668)	(2,155,950)
<b>31 December 2012</b>	<b><u><u>968,601,187</u></u></b>	<b><u><u>218,260,254</u></u></b>	<b><u><u>100,256,409</u></u></b>	<b><u><u>64,771,367</u></u></b>	<b><u><u>1,351,889,217</u></u></b>
<b>Accumulated depreciation</b>					
31 December 2011	(234,176,343)	(115,194,416)	(52,971,479)	(42,447,011)	(444,789,249)
Charges	(25,221,139)	(16,289,316)	(5,815,200)	(3,818,863)	(51,144,518)
Decrease in disposal of subsidiaries	—	—	94,642	169,863	264,505
Other decreases	—	—	1,165,313	886,741	2,052,054
<b>31 December 2012</b>	<b><u><u>(259,397,482)</u></u></b>	<b><u><u>(131,483,732)</u></u></b>	<b><u><u>(57,526,724)</u></u></b>	<b><u><u>(45,209,270)</u></u></b>	<b><u><u>(493,617,208)</u></u></b>
<b>Net</b>					
<b>31 December 2012</b>	<b><u><u>709,203,705</u></u></b>	<b><u><u>86,776,522</u></u></b>	<b><u><u>42,729,685</u></u></b>	<b><u><u>19,562,097</u></u></b>	<b><u><u>858,272,009</u></u></b>
31 December 2011	<u><u>726,273,386</u></u>	<u><u>100,403,945</u></u>	<u><u>39,505,610</u></u>	<u><u>19,047,120</u></u>	<u><u>885,230,061</u></u>

Depreciation of RMB50,516,015 and RMB628,503 were charged to operating costs and general and administrative expenses in 2012 (2011: RMB55,799,363 and RMB563,847 respectively).

### 13. ACCOUNTS PAYABLE

As at 31 December 2012, the ageing analysis of accounts payable, based on the dates of recognition, is as follows:

	<b>31 December 2012 RMB</b>	31 December 2011 RMB
Within 90 days	<b>5,152,321</b>	12,297,551
91 to 180 days	<b>316,553</b>	745,955
Over 181 days	<b><u>1,778,380</u></b>	<u>4,531,751</u>
	<b><u><u>7,247,254</u></u></b>	<u><u>17,575,257</u></u>

### 14. LONG-TERM BORROWINGS

	<b>31 December 2012 RMB</b>	31 December 2011 RMB
Secured borrowings	<b>397,945,487</b>	460,815,250
Less: current portion of long-term borrowings	<b><u>(115,139,000)</u></b>	<u>(61,858,550)</u>
	<b><u><u>282,806,487</u></u></b>	<u><u>398,956,700</u></u>

As at 31 December 2012, the weighted average interest rate of long-term borrowings is 3.73% (31 December 2011: 3.74%).

As at 31 December 2012, bank borrowings of USD62,993,475, equivalent to RMB395,945,487 (31 December 2011: USD72,500,000, equivalent to RMB456,815,250) are secured by the 24.5% interest of HNA Airport held by the Company. Interest is payable every quarter and the principal is due for repayment on installment before 26 January 2016.

As at 31 December 2012, bank borrowings of RMB2,000,000 (31 December 2011: RMB4,000,000) are secured by the Company's operating revenue. Interest is payable every quarter and the principal is due for repayment on 17 June 2013.

## 15 CORPORATE BONDS

	31 December 2011 <i>RMB</i>	Issuance in current year <i>RMB</i>	Issuance expenses in current year <i>RMB</i>	Decrease in current year <i>RMB</i>	31 December 2012 <i>RMB</i>
Long term corporate bonds	<u>—</u>	<u>800,000,000</u>	<u>(9,600,000)</u>	<u>853,935</u>	<u>791,253,935</u>

Related information is as follows:

	Par value <i>RMB</i>	Issuance date	Maturity	Issuance amount <i>RMB</i>
Corporate bonds	<u>800,000,000</u>	<u>13 March 2012</u>	<u>7 years</u>	<u>800,000,000</u>

## 16 CAPITAL RESERVE

	31 December 2012 <i>RMB</i>
Capital premium	598,983,655
Other capital reserve	100,500,999
Increase of the capital surplus of associates	<u>166,048</u>
	<u>699,650,702</u>
	31 December 2011 <i>RMB</i>
Capital premium	598,983,655
Other capital reserve	<u>100,500,999</u>
	<u>699,484,654</u>

## 17 SURPLUS RESERVE

	31 December 2011 <i>RMB</i>	Additions <i>RMB</i>	Reductions <i>RMB</i>	31 December 2012 <i>RMB</i>
Statutory surplus reserve	<u>216,748,099</u>	<u>29,646,132</u>	<u>—</u>	<u>246,394,231</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Revenue Review

#### *Aeronautical Business Overview*

In 2012, under the promotion of the auspices of the policies of the aviation industry, such as the Provisional Measures on Special Capital Management of General Aviation Development (通用航空發展專項資金管理暫行辦法) and Opinions on Promoting the Development of the Civil Aviation Industry issued by the State Council (國務院關於促進民航業發展的若干意見), the Group grasped the favorable opportunity brought by the construction of Hainan International Tourism Island, formulated marketing plans for different markets and expanded its aviation market through various measures and channels. In 2012, Meilan Airport successfully established a number of new aviation routes, including Haikou-Hefei-Tianjin, Haikou-Luoyang-Tianjin, Haikou-Chongqing-Xiangfan, Haikou-Xi'an-Baotou, Haikou-Wuhan-Xiangfan, Haikou-Nanning-Shantou, Haikou-Kaohsiung and Haikou-Singapore-Perth. The aviation route network originating from Haikou was further optimised.

As for international aviation, Firefly and Far Eastern Air Transport became the international air carriers of Meilan Airport in 2012, and the following new aviation routes were launched: Haikou-Kaohsiung, Haikou-Singapore-Perth, Taiyuan-Haikou-Singapore and Haikou-Kuala Lumpur. It is an important development for Meilan Airport to become an aviation hub in Southeast Asia. The international (regional) transportation volume of the Group reached a record high and the total international and regional passenger throughput was 430,000 people (person-time), representing an increase of approximately 10.88% as compared to that of the previous year.

Details of the aviation traffic throughput of 2012 and comparison figures of 2011 are set out below:

	2012	2011	Change (%)
<b>Passenger throughput (headcount in ten thousand)</b>	<b>1,069.67</b>	1,016.75	5.20
In which: Domestic	<b>1,026.67</b>	977.97	4.98
International and regional	<b>43.00</b>	38.78	10.88
<b>Aircraft movement (flights)</b>	<b>87,247.00</b>	83,058.00	5.04
In which: Domestic	<b>83,363.00</b>	79,890.00	4.34
International and regional	<b>3,884.00</b>	3,168.00	22.60
<b>Cargo throughput (Tons)</b>	<b>175,364.50</b>	169,338.90	3.56
In which: Domestic	<b>169,769.00</b>	164,736.30	3.06
International and regional	<b>5,595.50</b>	4,602.60	21.57

The Group's revenue from aeronautical business for 2012 was RMB393,846,945, representing an increase of approximately 6.00% as compared to that of the corresponding period of 2011. A breakdown of the Group's revenue is as follows:

	<b>Amount</b> (RMB)	<b>Change over 2011</b> (%)
Passenger service charges	159,726,149	4.85
Airport Fee	124,448,235	4.71
Aircraft movement fees and related charges	53,978,284	4.26
Ground handling service income	<u>55,694,277</u>	<u>14.61</u>
<b>Total revenue from aeronautical business</b>	<b><u>393,846,945</u></b>	<b><u>6.00</u></b>

Airport fee represents civil airport construction fee and Civil Aviation Development Fund. Pursuant to the Provisional Measures for the Collection, Use and Management of the Civil Aviation Development Fund (民航發展基金徵收使用管理暫行辦法), promulgated by the Ministry of Finance of the PRC, the former airport construction fee and Civil Aviation Infrastructure Construction fund have been collectively replaced by the Civil Aviation Development Fund since 1 April 2012, which will be implemented until 31 December 2015. According to the Notice Regarding the Grant of Subsidy of Civil Aviation Development Fund to Haikou Meilan Airport Co., Ltd. (關於下達海口美蘭機場股份公司民航發展基金補貼的通知) issued by Civil Aviation Administration of China ("CAAC") on 11 April 2012, the previous subsidies of airport construction fee refund granted to the Group have been changed to the subsidies of Civil Aviation Development Fund correspondingly. The charge rates of the Airport Fee were regulated by CAAC. Given the same nature and refund method of both subsidies, and as the Group did not receive any notice from relevant authorities regarding any change of the charge rates of the Airport Fee applicable to the Group and the actual refund rate of the airport construction fee was 48% since 2008, the Group has recognised the refund of Civil Aviation Development Fund at a rate of 48% according to the best estimates made by the management. The Group has received the refund in full from CAAC based on such percentage as at the end of the year.

### ***Non-Aeronautical Business Overview***

In 2012, the performance of non-aeronautical business of the Group was as good as that of the aeronautical business. Driven by favourable factors such as the continuing growth in transportation volume and the operation of Haimian Haikou Meilan Airport Duty-Free Shop Company Limited ("Meilan Airport Offshore Duty-Free Shop") and through enhancing marketing, further exploring potential resources and actively expanding new business, the non-aeronautical business for 2012 increased significantly with a revenue of RMB290,222,519, representing an increase of 50.12% as compared to that of the corresponding period of 2011.

	<b>Amount</b> <i>RMB</i>	<b>Change over 2011</b> %
Franchise income	136,888,777	115.66
Freight and packing income	63,184,677	11.93
Rental income	27,396,888	9.93
VIP room income	31,691,201	21.78
parking income	10,216,059	26.31
Others	<u>20,844,917</u>	<u>45.04</u>
<b>Total revenue from non-aeronautical businesses</b>	<b><u>290,222,519</u></b>	<b><u>50.12</u></b>

#### *Franchise Income*

In 2012, the franchise income of the Group amounted to RMB136,888,777, representing an increase of 115.66% as compared to that of the previous year, which was mainly attributable to the franchise income from Meilan Airport Offshore Duty-Free Shop which commenced operation on 21 December 2011.

#### *Freight and Packing Income*

In 2012, the aggregated freight income of the Group amounted to RMB63,184,677, representing an increase of 11.93% as compared with that of the previous year, which was mainly attributable to the gradual recovery in seafood freights and the increase in freight income as a result of the development of the express business and international freight forwarding business and additional cargo service items of the Group.

#### *VIP Room Income*

In 2012, the VIP room service income of the Group further grew to RMB31,691,201, representing an increase of 21.78% as compared to that of the previous year and maintaining the continuous growth rate, which was mainly attributable to the increase in reception volume of the VIP service and effective increase of VIP room income through various marketing strategies such as increasing charges and adding service items since the end of 2011.

#### *Parking Income*

In 2012, parking income of the Group amounted to RMB10,216,059, representing an increase of 26.31% as compared with that of the previous year, which was mainly attributable to the increase in parking fee, together with some effective measures such as integrating the resources of the parking facilities and the addition of overnight parking spaces by the Company since the end of 2011.

## **Financial Review**

### ***Asset Analysis***

As at 31 December 2012, total assets of the Group amounted to RMB3,867,245,352, in which RMB1,315,269,732 was current assets, representing 34.01% of the total assets, and RMB2,551,975,620 was non-current assets, representing 65.99% of the total assets. Total assets increased by 35.46% as compared with that of the corresponding period of the previous year, which was mainly due to the issue of corporate bonds of RMB800 million in 2012 by the Company, resulting in the increase of cash at bank and on hand.

### ***Cost Analysis***

In 2012, the operating cost of the Group was RMB221,370,584, representing an increase of RMB11,656,258 or 5.56% as compared with that of the corresponding period of 2011. The administrative expense of the Group amounted to RMB78,053,227, representing an increase of RMB9,654,547 or 14.12% as compared with that of the corresponding period of 2011. The reasons for the increase in costs and expenses are as follows:

- (1) increase in salary resulted in the increase in staff cost by RMB8,499,589;
- (2) brand building activities of the Company in 2012, higher power consumption for expanded air conditioning coverage in the terminals and higher charging rates for utilities in 2012 resulted in the increase in utilities by RMB3,983,182;
- (3) since 2012, aircraft movement fees were centrally settled at the Civil Aviation Settlement Center (民航清算中心) and a handling fee of RMB2,992,785 was paid in 2012.

In 2012, the financial expenses of the Group were RMB50,166,226, representing an increase of RMB59,196,934 as compared with 2011, which was mainly due to the increase in interest expenses resulting from the issue of RMB800 million corporate bonds by the Company in 2012 and the drastic decrease in US dollars exchange gain in 2012 as compared with 2011.

In 2012, the total business tax and surcharges of the Group amounted to RMB24,405,747, representing an increase of RMB5,990,949 or 32.53% as compared with that of the corresponding period of the previous year, which was mainly due to the increase in sales revenue of the Group.

### ***Cash Flow***

In 2012, the Group recorded a net cash inflow from operating activities of RMB447,737,570, representing an increase of 45.42% as compared with that of the same period of the previous year, which was mainly due to the increase in operating income of our Group for the year of 2012.

In 2012, the Group's net cash outflow from investment activities was RMB232,965,098, which was mainly due to the partial payment for the investment and construction fee of the terminal expansion project of Haikou Meilan International Airport Company Limited (the "Parent Company").

In 2012, the Group's net cash inflow from financing activities was RMB625,854,950, which was mainly attributable to the issue of corporate bonds of RMB800 million by the Company during the year of 2012.

### ***Pledge of the Group's Assets***

The Group obtained a long-term borrowing of US\$72,500,000 from China Development Bank. Such borrowing was pledged by 24.5% equity interests in HNA Airport held by the Group. As at 31 December 2012, the balance of such outstanding borrowing was US\$62,993,475 (approximately equivalent to RMB395,945,487).

In addition, a long-term borrowing of RMB128,000,000 from China Development Bank by the Group was pledged by the operating income. As at 31 December 2012, the balance of such outstanding borrowing was RMB2,000,000.

### ***Gearing Ratio***

As at 31 December 2012, the current assets, total assets, current liabilities and total liabilities of the Group amounted to RMB1,315,269,732, RMB3,867,245,352, RMB343,219,015 and RMB1,428,049,437 respectively. The gearing ratio (total liabilities/total assets) of the Group was 36.93%, representing an increase of 14.54% over the previous year. This was mainly attributable to the issue of corporate bonds of RMB800 million by the Company in 2012, resulting in the increase of liabilities.

### ***Foreign Exchange Exposure Risks***

The Group's businesses are principally denominated in RMB, except that part of the aeronautical revenues, purchase of certain equipment and consultation fee are denominated in US dollars or HK dollars. The dividends payable to holders of H shares are denominated in RMB and paid in HK dollars. According to the arrangement for the acquisition of 24.5% equity interest in HNA Airport, the Group is obliged to repay the principal and interest of the loan of US\$62,993,475 provided by China Development Bank in connection with the equity acquisition. Consequently, the fluctuation of the exchange rate of RMB against US dollars will affect the Group's financial results. The Group has not entered into any forward rate contract to hedge its exposure to foreign exchange risk.

### ***Interest Rate Risks***

The Group is obliged to repay the principal and interests of the bank borrowings of US\$62,993,475 and RMB2,000,000 provided by China Development Bank. Changes in relevant Libor (London Interbank Offered Rate) and interest rate adjustments by the PBOC will affect the interest expense and results of the Group.



### ***Financial Instruments***

As at 31 December 2012, financial instruments of the Group mainly comprised bank borrowings, bond issuance, cash and bank deposits. The purpose of these financial instruments is to finance the Group's operations. Besides, the Group had other financial instruments in relation to daily operations, such as accounts receivable excluding prepayment, accounts payable excluding statutory liabilities.

### ***Contingent Liabilities***

As at 31 December 2012, neither the Group nor the Company had any significant contingent liabilities.

### ***Purchase, Sale or Redemption of Shares***

As at 31 December 2012, neither the Group nor the Company had purchased, sold or redeemed any of the Shares.

### ***Employment, Training and Development***

For the year ended 31 December 2012, the Group had a total of 563 employees, representing an increase of 98 employees over the previous year. The increase was mainly attributable to the merger of departments of the Group in order to optimize the operation and the recruitment of production support staff for the Company in order to fulfill the support requirement. With the manpower structure remaining unchanged, the Group re-organised various departments to enhance the efficiency of human resources allocation. The Group provided sufficient technical training for its staff based on the requirements of their positions to improve their quality. A total of 194 courses under the training schemes were completed with the participation of 4,904 staff (person-time). 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 Plan***

The Company and its subsidiaries have participated in the employee retirement scheme operated by the 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 salaries of its employees with permanent residence in the PRC. For the year ended 31 December 2012, the contribution for the pension made by the Group amounted to RMB4,833,520 (2011: RMB3,864,629).

### ***Other Information***

In 2012, the Group had no material change in other information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

## **Outlook**

In 2013, the global economic situation will still be full of challenges. The economic recovery of the United States will remain slow although it has avoided the fiscal cliff temporarily. The economies of the European countries will remain weak in general despite the mitigation of the European debt crisis as a result of their rescue plans and aids from the international community. There is a growing urgent demand for the emerging economies to promote the reform of economic structures and transform the economic growth pattern. In 2013, the global economy will continue to face the risk of higher inflation.

In 2013, as the overall domestic demand begins to rebound, the PRC government is expected to maintain its favourable fiscal policy and prudent monetary policy to ensure the continuity and stability of macroeconomic policy. The PRC government has determined to deepen the financial, fiscal and structural reforms in response to the challenge of the adjustment on rapid growth of overall liquidity to ensure the long-term stability of macroeconomy and the financial system. In addition, the PRC government will also enhance its hedging mechanism to cope with the risks brought by the fiscal policies of the Eurozone and the United States. It is anticipated that the economic growth in China will remain moderate in 2013.

Compared to the challenging international environment and the tamed domestic environment, the growth momentum of Hainan International Tourism Island is satisfactory. In 2013, the local government of Hainan will continue to vigorously promote its key tourism projects and fully capitalise on the development potential of its tourism industry with improved transportation facilities under the support of various favorable policies in tourist industry. It is expected that the number of domestic and overseas travellers visiting Hainan will continue to increase, laying a solid foundation for the development of Meilan Airport in 2013. In addition, the current trends of operation and sales revenue of Meilan Airport Offshore Duty-Free Shop are believed to be profitable to the Group.

The year of 2013 will be full of challenges and opportunities. The Group will adhere to its strategic development plan and promote the transformation of income model. It will actively acquire external resources and effectively carry out investment and financing. Efforts will be made to realize the Company's strategic development goals as soon as possible. It will also actively expand aeronautical and non-aeronautical businesses and strengthen assets and fund management, so as to achieve the sustainable and healthy development of Meilan Airport and strive for better performance for creating satisfactory return for all shareholders.

### **Enhancing Market Development and Improving Income from Non-aeronautical Business**

In 2013, the Group will fully capitalize on the incentive policies for the aviation market issued by the local government, such as the measures of encouraging the development of the air passenger market, to continuously enhance the marketing of the civil aviation market of Haikou. It will expand the capacity and airline network of Haikou, and actively introduce airlines to build their bases in Haikou. The Group will also ally with travel agencies and airline companies to further coordinate the operations of two airports as well as the airline and railway transportation on the island. The Group will put more efforts in introducing more international airlines to open up new routes with transfer flight in Haikou

by leveraging the favourable policy of opening the third, fourth and fifth aviation right of Hainan and permitting foreign airline companies to build their base in Hainan, with an ambition to build Meilan Airport as an aviation hub in southern China.

As the operation of Meilan Airport Offshore Duty-Free Shop is maturing, the proportion of the non-aeronautical revenue of the Group is likely to further increase. In 2013, the Group will continue to improve the supervising model of Meilan Airport Offshore Duty-Free Shop and assist Hainan DFS Retail Company Limited (“DFS”), which has a business presence at the airport, to adjust its development mode. The Group will also expand its VIP services, formulate business plans for the newly built international terminal and strengthen the procedures for acquiring high-quality commercial projects. Moreover, the Group will formulate business plans for the terminal buildings, especially with focus on the planning, monitoring and management of Meilan Airport Offshore Duty-Free Shop. These efforts will enhance the profitability and overall business image of Meilan Airport, increase sales revenue of Meilan Airport and contribute to the five-star standard of Meilan Airport.

### **Increasing Profitability by Raising Revenue and Reducing Expenditure**

The Group has always attached great importance to comprehensively optimizing its budget through cost controls in management and operations. It has achieved remarkable results, and the operating costs were under effective control under the high pressure of inflation and continuous growth of transportation volume. In 2013, the Company will further enforce its budget control to reduce costs and integrate resources to increase its profitability. Furthermore, grasping the opportunities arising from the government policy to boost domestic demand and the establishment of Hainan International Tourism Island, the Company will actively apply to the government for various preferential treatments, favorable policies and grants to create a favorable external environment for the development of the Group.

### **Improving Infrastructure Construction and Services to Establish a Five-star Airport**

In 2013, based on the facilities and ancillary equipment standards required for SKYTRAX five-star airport, the Group will urge the construction unit to accelerate the construction of the expansion of West Gallery (extension to the west) and the renovation and expansion of current terminal buildings to further improve the existing infrastructure and create a more comfortable waiting environment for travelers.

Adhering to its customer-oriented principle, the Group will continue its service innovation based on the concept of Star Meilan and Warm Service and provide active, caring and well-managed services instead of traditional passive, procedural and facial services. The Meilan Airport mascot design collection was completed on 5 December 2012, and Amei and Alan were selected as the mascots of Meilan Airport for enhancing its brand awareness and image. The Group commenced the establishment for becoming a SKYTRAX five-star airport in 2012. In 2013, based on the standard of Singapore Changi Airport, one of the three SKYTRAX five-star airports in the world, the Group will analyze its current status, locate its disparity, promote its service system establishment, absorb the advanced service models and experiences of domestic and international airports, strengthen its service awareness, enhance its service

and security skills, further improve its service quality and continue to promote the brand building of SKYTRAX and ASQ (Airport Service Quality) so as to become a SKYTRAX five-star airport in the near future.

### **Corporate Bonds Interest**

According to the announcement of the Company dated 19 March 2012, the Company completed the issuance of domestic corporate bonds with an aggregate principal amount of RMB800 million. Pursuant to the Announcement on Listing of Corporate Bonds of Hainan Meilan International Airport Company Limited in 2011 (海南美蘭國際機場股份有限公司2011年公司債券上市公告書) issued by the Company on the Shanghai Stock Exchange on 19 April 2012, the interest rate of the corporate bonds of the Company was 7.8% and the annual interest for 2012 of RMB62,400,000 was paid on 15 March 2013.

### **Terminal Expansion Project**

According to the announcement of the Company dated 12 December 2012 and the circular to shareholders dated 16 January 2013, the Company and the Parent Company entered into the Termination Agreement to terminate the Acquisition Agreement, which was executed on 26 August 2011, and entered into the Investment and Construction Agreement.

Pursuant to the Investment and Construction Agreement, the Parent Company shall continue to complete the construction of the terminal expansion project (the “Project”) according to the original schedule previously agreed by the Company and the Parent Company, unless the schedule of the Project is adjusted due to the reasons beyond the control of the Company and Parent Company. The construction of the Project shall be completed on or before 31 December 2015 at the latest. The construction of the customs regulatory warehouse project and ancillary project and the special garage project and ancillary project were completed in August and September 2011, respectively. The construction of main body of the international terminal project was completed as scheduled and the interior renovation was close to completion. It is expected to be put into use in May 2013 after inspection. For the construction of the West Gallery Expansion, the tendering of main contractor of airfield ground and runway construction is in progress and the construction is expected to commence in June 2013.

The Investment and Construction Agreement will provide more flexibility for both parties thereunder to seek possible alternative ways of acquisition after the completion of the Project with a view to minimise relevant financial costs.

### **Meilan Airport Offshore Duty-free Shop**

According to the announcement of the Company dated 21 January 2013, the Company entered into a franchise agreement with Meilan Airport Offshore Duty-Free Shop, pursuant to which the Company will charge franchise fee based on the sales realized by Meilan Airport Offshore Duty-Free Shop or the fixed fee determined with reference to the area leased by Meilan Airport Offshore Duty-Free Shop from the Company, whichever is higher.

Meilan Airport Offshore Duty-Free Shop currently leases an area of approximately 3,600 square meters from the Company. It realized sales of approximately RMB380 million for 2012. During the Chinese New Year holiday from 9 to 15 February 2013, the total sales of Meilan Airport Offshore Duty-Free Shop amounted to RMB20.31 million, representing an increase of 56% as compared with that of the Chinese New Year holiday in 2012, among which, its daily sales on 15 February reached a record high of RMB4.43 million since its opening. The third phase expansion of Meilan Airport Offshore Duty-Free Shop of approximately 2,500 square metres will commence construction in 2013. The existing shops will be renovated into a high-class duty-free shopping area in the airport.

## **FINAL DIVIDEND**

The Board has passed the resolution to recommend the payment of a final dividend on or before Friday, 26 July 2013 of RMB0.138 per share (tax inclusive) to shareholders of the Company whose names appear on the Company's Register of Members on Friday, 7 June 2013 ("2012 Final Dividend"). 2012 Final Dividend shall be subject to the approval by shareholders at the forthcoming annual general meeting to be held by the Company on Monday, 27 May 2013.

According to the Enterprise Income Tax Law of the People's Republic of China, which took effect on 1 January 2008, and its implementation rules and the relevant interpretation by tax authorities in the PRC, when a company makes distribution to non-resident enterprise shareholders whose names appear on the H-share register of the company, such company is required to withhold and pay on behalf of such shareholders an enterprise income tax at a rate of 10% in general (except as required otherwise by the laws, regulations and tax treaties regarding tax revenue). Any shares registered in the name of a non-individual shareholder, including HKSCC Nominees Limited, other nominee or trustee, or other organisation and group, are deemed as shares held by non-resident enterprise shareholders. As such, the dividends that such shareholder is entitled to are subject to the enterprise income tax.

The Company will strictly comply with the laws and/or requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its non-resident enterprise shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will not deal with any requests in relation to any delay or error in ascertaining the identities of shareholders, nor will the Company handle any disputes arising from the arrangement of withholding tax. However, the Company may provide assistance to the extent of its ability.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's Register of Members will be closed from Friday, 26 April 2013 to Monday, 27 May 2013, during which no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting of the Company, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 25 April 2013.

The Company's Register of Members will be closed from Tuesday, 4 June 2013 to Friday, 7 June 2013, during which time no transfer of shares will be registered. In order to qualify for the entitlement of 2012 Final Dividend, shareholders must deliver their instruments of transfer, accompanied by the relevant share certificates and forms of transfer, to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 3 June 2013. The Company will pay the final dividend on or before 26 July 2013 upon the approval of the annual general meeting.

## **MATERIAL LITIGATION OR ARBITRATION**

The Group had no material litigation or arbitration during the period from 1 January 2012 to 31 December 2012.

## **SHARE CAPITAL STRUCTURE**

As at 31 December 2012, the total number of issued share capital of the Company was 473,213,000 as follows:

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2012, 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:

### Domestic shares

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

### H Share

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo ( <i>Note 2</i> )	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Zhang Zhiping ( <i>Note 2</i> )	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 ( <i>Note 2</i> )	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%



<b>Name of Shareholders</b>	<b>Type of interest</b>	<b>Number of ordinary shares</b>	<b>Percentage of H shares issued</b>	<b>Percentage of total issued share capital</b>
Oriental Patron Financial Group Limited ( <i>Note 2</i> )	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 ( <i>Note 2</i> )	Beneficial interest	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
UBS AG ( <i>Note 3</i> )	Person having a security interest in shares and interest of controlled corporations	29,352,400 (L)	12.94%	6.20%
Utilico Emerging Markets Utilities Limited ( <i>Note 4</i> )	Investment manager	11,629,000 (L)	5.12%	2.46%
ARC Capital Holdings Limited ( <i>Note 5</i> )	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
ARC Capital Partners Limited ( <i>Note 5</i> )	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Asia Opportunity Fund L.P ( <i>Note 5</i> )	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Equity Partners Limited ( <i>Note 5</i> )	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Asset Management Limited ( <i>Note 5</i> )	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Holdings Limited ( <i>Note 5</i> )	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%



<b>Name of Shareholders</b>	<b>Type of interest</b>	<b>Number of ordinary shares</b>	<b>Percentage of H shares issued</b>	<b>Percentage of total issued share capital</b>
Pacific Alliance Group Limited ( <i>Note 5</i> )	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Investment Management Limited ( <i>Note 5</i> )	Interest of controlled corporations	98,365,500 (L)	43.35%	20.79%
Walden Ventures Limited ( <i>Note 5</i> )	Beneficial owner and person having a security interest in shares	98,365,500 (L)	43.35%	20.79%

*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 was holding 49% interest in Oriental Patron Financial Group Limited. Zhang Zhiping was holding 51% interest in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited was holding 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. Among the 29,352,400 shares in the Company, UBS AG was deemed to hold 141,000 shares through its securities interests in those shares and was deemed to have equity interests in 29,207,400 shares (UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd were wholly-owned by UBS AG, and beneficially held 20,497,400 shares, 4,695,000 shares and 4,015,000 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 held 99.17% interests in Pacific Alliance Group Limited, which in turn held 90% interests in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited held 61.8% interests in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interests 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 held 46.67% interests in Walden Ventures Limited, which in turn held 43.35% interest in H shares of the Company. In addition, Walden Ventures Limited held 32,788,500 H shares of the Company by virtue of its security interests in those shares, and held 65,577,000 H shares of the Company as beneficial owner.

Pacific Alliance Investment Management Limited also held 100% interests 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. held 36.67% interests in Walden Ventures Limited, which in turn held 43.35% interests in H shares of the Company.

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

Save as disclosed above, as at 31 December 2012, so far as is known to the directors, supervisors and 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 2012, no directors, supervisors and chief executive of the Company had 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 as set out in Appendix 10 to the Listing Rules ("Model Code").

#### **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES**

No directors, supervisors and chief executive of the Company or their spouses or children under the age of 18 were granted any rights to subscribe for shares in the Company.

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

During the 12 months ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's listed securities.

#### **AUDIT COMMITTEE**

The audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices, including review of relationships with external auditors, the Company's financial reporting, the internal control and risk

management systems, and there were no disagreement by the audit committee or the external auditors on the accounting policies adopted by the Company. The audit committee of the Company has reviewed the annual results for the year ended 31 December 2012.

### **PARTICULARS ON COMPLIANCE WITH RULES 3.10(1), 3.10(2) AND 3.21 OF THE LISTING RULES**

As at 31 December 2012, the Board of the Company comprised four independent non-executive directors. As at 31 December 2012, the audit committee of the Company comprised three independent non-executive directors, one of whom has obtained accounting qualification and is a member of the Hong Kong Institute of Certified Public Accountants.

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

The Company has adopted a code of conduct for securities transactions by directors with terms no less exacting than those set out in the Model Code in Appendix 10 to the Listing Rules. After making specific enquiries, all directors of the Company confirmed that they have complied with the Model Code and standards governing the securities transactions of directors according to the code of conduct during the 12 months ended 31 December 2012.

### **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board has always recognised the importance of good corporate governance to the healthy and sustainable development of the Group. The Company has endeavored to comply with all requirements of the CSRC and the Stock Exchange and other authorities. During the 12 months ended 31 December 2012, the Company has complied with the code provisions set out in the old Code on Corporate Governance Practices in Appendix 14 to the Listing Rules during 1 January 2012 to 31 March 2012, and the revised Code on Corporate Governance Practices since 1 April 2012 to 31 December 2012, and met reasonable governance and disclosure requirements. The Company will further improve the corporate governance and the transparency to shareholders.

### **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the Company's website [www.mlairport.com](http://www.mlairport.com). The 2012 annual report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company on or before 12 April 2013.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the members of the Board of the Company include:

### **Executive directors**

Liang Jun (*Chairman*)

Yang Xiaobin

Yang Xuqiang

### **Independent non-executive directors**

Xu Bailing

Fung Ching Simon

George F Meng

Feng Da'an

### **Non-executive directors**

Hu Wentai (*Vice Chairman*)

Zhang Han'an

Chan Nap Kee, Joseph

Yan Xiang

By Order of the Board

**Hainan Meilan International Airport Company Limited**

**Liang Jun**

*Chairman*

Haikou, the PRC

19 March 2013