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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited

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

(Stock Code: 357)

Final results announcement as of 31 December 2013

FINANCIAL HIGHLIGHTS

- Total revenue was RMB760.28 million
(2012: RMB684.07 million)
- Revenue from aeronautical business was RMB433.64 million
(2012: RMB393.85 million)
- Revenue from non-aeronautical business was RMB326.64 million
(2012: RMB290.22 million)
- Net profit attributable to shareholders was RMB342.03 million
(2012: RMB297.96 million)
- Earnings per share was RMB0.72 (2012: RMB0.63)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 11.9355 million
- Aircraft movements reached 94,434.00 flights
- Cargo throughput was 196,300.60 tons

RESULTS

The Board of Directors (“the Board”) of Hainan Meilan International Airport Company Limited (the “Company” or “Meilan Airport”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013, together with the comparative figures for the corresponding period of 2012.

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

CONSOLIDATED INCOME STATEMENT

| | <i>Note(s)</i> | 2013 <i>RMB</i> | 2012 <i>RMB</i> |
|--------------------------------------------------------|----------------|---------------------------|--------------------|
| Revenue | 2 | 760,276,774 | 684,069,464 |
| Less: Operating costs | 3 | (280,221,602) | (221,370,584) |
| Taxes and surcharges | | (21,871,094) | (24,405,747) |
| Administrative expenses | 3 | (42,984,268) | (78,053,227) |
| Financial expenses – net | 4 | (50,228,086) | (50,166,226) |
| (Provision)/reversal of provision for asset impairment | | (538,712) | 1,146,194 |
| Add: Investment income | 5 | 26,931,664 | 33,143,811 |
| Including: Share of profit of associates | | 26,931,664 | 32,476,692 |
| Operating profit | | 391,364,676 | 344,363,685 |
| Add: Non-operating income | | 2,628,132 | 2,781,516 |
| Less: Non-operating expenses | | (219,301) | (387,577) |
| Including: Losses on disposal of non-current assets | | (183,536) | (139,282) |
| Total profit | | 393,773,507 | 346,757,624 |
| Less: Income tax expenses | 6 | (46,662,142) | (43,240,623) |
| Net profit | | 347,111,365 | 303,517,001 |
| Attributable to shareholders of the Company | | 342,034,354 | 297,963,109 |
| Minority interest | | 5,077,011 | 5,553,892 |
| Earnings per share | | | |
| – Basic and diluted earnings per share | 7 | 0.72 | 0.63 |
| Other comprehensive income | | – | 166,048 |
| Total comprehensive income | | 347,111,365 | 303,683,049 |
| Dividends | 8 | 86,104,800 | 145,749,604 |

CONSOLIDATED BALANCE SHEET

| | | 31 December | 31 December |
|---------------------------------|----------------|----------------------|---------------|
| | | 2013 | 2012 |
| | <i>Note(s)</i> | RMB | RMB |
| ASSETS | | | |
| Current assets | | | |
| Cash at bank and on hand | 9 | 2,998,410,937 | 1,207,561,423 |
| Accounts receivable | 10 | 82,122,118 | 96,799,948 |
| Advances to suppliers | | 1,194,222 | 2,331,951 |
| Interest receivable | | 5,293,245 | 5,557,907 |
| Other receivables | | 3,686,441 | 2,970,111 |
| Inventories | | 7,187 | 16,401 |
| Other current assets | | 1,196,386 | 31,991 |
| | | <hr/> | <hr/> |
| Total current assets | | 3,091,910,536 | 1,315,269,732 |
| | | <hr/> | <hr/> |
| Non-current Assets | | | |
| Long-term equity investments | | 1,127,739,146 | 1,100,807,482 |
| Fixed assets | 11 | 1,086,631,921 | 858,272,009 |
| Construction in progress | | 6,772,310 | 1,400,000 |
| Intangible assets | | 185,653,430 | 144,075,524 |
| Long-term prepaid expenses | | – | 4,186,725 |
| Deferred tax assets | | 9,066,924 | 3,872,680 |
| Other non-current assets | | 159,454,570 | 439,361,200 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 2,575,318,301 | 2,551,975,620 |
| | | <hr/> | <hr/> |
| Total assets | | 5,667,228,837 | 3,867,245,352 |
| | | <hr/> <hr/> | <hr/> <hr/> |

| | | 31 December | 31 December |
|-----------------------------------------------------------------|----------------|----------------------|----------------------|
| | | 2013 | 2012 |
| | <i>Note(s)</i> | RMB | RMB |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 12 | 12,010,624 | 7,247,254 |
| Advances from customers | | 9,435,102 | 15,086,286 |
| Employee benefits payable | | 20,779,889 | 50,912,367 |
| Taxes payable | | 16,739,167 | 19,987,066 |
| Interest payable | | 51,746,763 | 52,695,667 |
| Dividends payable | | 666,000 | 666,000 |
| Other payables | | 161,190,876 | 81,485,375 |
| Current portion of non-current liabilities | | 138,326,172 | 115,139,000 |
| Total current liabilities | | 410,894,593 | 343,219,015 |
| Non-current liabilities | | | |
| Long-term borrowings | 13 | 1,688,801,518 | 282,806,487 |
| Corporate bonds | 14 | 792,365,219 | 791,253,935 |
| Long-term payables | | 87,488,063 | – |
| Other non-current liabilities | | 18,336,331 | 10,770,000 |
| Total non-current liabilities | | 2,586,991,131 | 1,084,830,422 |
| Total liabilities | | 2,997,885,724 | 1,428,049,437 |
| EQUITY | | | |
| Shareholders' equity | | | |
| Share capital | | 473,213,000 | 473,213,000 |
| Capital surplus | 15 | 699,650,702 | 699,650,702 |
| Surplus reserve | 16 | 246,394,231 | 246,394,231 |
| Undistributed profits | | 1,233,993,923 | 1,003,637,763 |
| Total equity attributable to shareholders of the Company | | 2,653,251,856 | 2,422,895,696 |
| Minority interest | | 16,091,257 | 16,300,219 |
| Total equity | | 2,669,343,113 | 2,439,195,915 |
| Total liabilities and equity | | 5,667,228,837 | 3,867,245,352 |
| Net current assets | | 2,681,015,943 | 972,050,717 |
| Total assets less current liabilities | | 5,256,334,244 | 3,524,026,337 |

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Group were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) issued by the Ministry of Finance of the People’s Republic of China (the “PRC”) on or after 15 February 2006.

The Ministry of Finance of the PRC issued CAS 39 “Fair Value Measurement”, CAS 40 “Joint Arrangement”, CAS 9 “Employee Benefits” (revised), CAS 30 “Presentation of Financial Statements” (revised), and CAS 33 “Consolidated Financial Statements” (revised). These new or revised standards are effective on 1 July 2014 and the Ministry of Finance encourages companies listed outside the Mainland China to early adopt these new or revised standards. As the Company is listed on The Stock Exchange of Hong Kong Limited, the Group has early adopted the above new and revised standards in preparing the consolidated financial statements for the year ended 31 December 2013.

2 REVENUE AND SEGMENT INFORMATION

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

| Analysis of revenue (by nature) | 2013 RMB | 2012 <i>RMB</i> |
|--------------------------------------------|---------------------------|--------------------|
| Aeronautical: | | |
| Passenger charges | 174,616,062 | 159,726,149 |
| Airport fee* | 138,593,584 | 124,448,235 |
| Aircraft movement fees and related charges | 59,571,701 | 53,978,284 |
| Ground handling services income | 60,853,790 | 55,694,277 |
| | 433,635,137 | 393,846,945 |
| Non-aeronautical: | | |
| Franchise fee | 159,177,174 | 136,888,777 |
| Freight and packing | 67,893,912 | 63,184,677 |
| Rental | 33,713,717 | 27,396,888 |
| VIP room charge | 29,067,147 | 31,691,201 |
| Car parking | 13,312,073 | 10,216,059 |
| Others | 23,477,614 | 20,844,917 |
| | 326,641,637 | 290,222,519 |
| Total Revenue | 760,276,774 | 684,069,464 |

* *Airport fee represents Civil Aviation Development Fund (2012: airport fee represents Civil Airport Construction Fee and Civil Aviation Development Fund), which is expected to be refunded from government. 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 of the PRC effective on 1 April 2012, and is effective until 31 December 2015. The former Civil Airport Construction Fee was abolished and replaced by the Civil Aviation Development Fund which is charged to passengers at the same rate as the former airport construction fee.*

According to the Notice Regarding the Grant of Subsidy of Civil Aviation Development Fund to Haikou Meilan Airport Co., Ltd. issued by Civil Aviation Administration of China (“CAAC”) on 11 April 2012, the previous airport construction fee refund granted to the Group was superseded by the Civil Aviation Development Fund correspondingly, the refund rate should be determined by CAAC. Given the same refund method and nature of Civil Aviation Development Fund and former civil airport construction fee, and as the Group did not receive any notice from relevant authorities regarding any change of the refund rate of the airport fee attributable to the Group during the year and the actual refund rate of the airport construction fee is 48% since 2008. The Group recognized the refund of Civil Aviation Development Fund at a rate of 48% according to the best estimates made by the management.

3 COSTS/EXPENSES BY NATURE

Operating costs and administrative expenses mainly include the following items:

| | 2013 | 2012 |
|---------------------------------------------|-------------------|------------|
| | RMB | RMB |
| Employee benefit expenses | 82,827,947 | 66,771,155 |
| Depreciation of fixed assets | 51,694,955 | 51,144,518 |
| Airport and logistic composite services fee | 32,690,001 | 46,292,222 |
| Packaging materials expenses | 25,583,397 | 26,182,067 |
| Utilities | 24,104,441 | 23,806,717 |
| Repairs and maintenance | 11,029,376 | 11,906,261 |
| Airlines subsidy expenses | 10,200,000 | 4,071,134 |
| Other taxes | 8,398,937 | 7,444,049 |
| Handling fees of CAAC Settlement Center | 3,619,096 | 2,992,785 |
| Amortisation of land use rights | 3,500,094 | 3,163,189 |
| Audit fee | 1,730,119 | 2,136,048 |
| Other service fee charged by CPA firm | - | 170,000 |
| Travel expense | 1,692,060 | 2,027,786 |

4 FINANCIAL EXPENSES – NET

| | 2013 <i>RMB</i> | 2012 <i>RMB</i> |
|----------------------------|--------------------|--------------------|
| Interest expenses | 78,911,770 | 69,110,654 |
| Including: Bank borrowings | 12,485,727 | 17,009,954 |
| Corporate bonds | 63,511,284 | 52,100,700 |
| Finance leases | 2,914,759 | – |
| Less: Interest income | (18,904,641) | (19,240,059) |
| Net foreign exchange gains | (10,553,440) | (600,078) |
| Others | 774,397 | 895,709 |
| | <u>50,228,086</u> | <u>50,166,226</u> |

5 INVESTMENT INCOME

| | 2013 <i>RMB</i> | 2012 <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 Holdings”) | 26,931,664 | 32,476,692 |
| | <u>26,931,664</u> | <u>33,143,811</u> |

No significant restrictions on the repatriation of investment income.

Investment income derived from unlisted companies for the year amounted to RMB26,931,664 (2012: RMB33,143,811).

6 INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group had no assessable profits generated in Hong Kong during the year (2012: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

| | 2013 <i>RMB</i> | 2012 <i>RMB</i> |
|---------------------|--------------------|--------------------|
| Current income tax | 51,856,386 | 42,691,563 |
| Deferred income tax | (5,194,244) | 549,060 |
| | <u>46,662,142</u> | <u>43,240,623</u> |

Pursuant to the approval document in respect of CIT treatment of Hainan Meilan International Airport Company Limited (Hai Guo Shui Han [2008] No.13) issued by the 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 of the Company for the year is 12.5% (2012: 12.5%). The applicable tax rate of the other group companies for the year is 25% (2012: 25%).

7 EARNINGS PER SHARE

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

| | 2013 | 2012 |
|---------------------------------------------------------------------------------------------|--------------------|--------------------|
| Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>) | <u>342,034,354</u> | <u>297,963,109</u> |
| Weighted average number of outstanding ordinary shares of the Company (<i>share</i>) | <u>473,213,000</u> | <u>473,213,000</u> |
| Basic earnings per share (<i>RMB</i>) | <u>0.72</u> | <u>0.63</u> |

Diluted earnings per share is 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 of the Company. As there were no dilutive potential ordinary shares for the year (2012: nil), diluted earnings per share equals to basic earnings per share.

8 DIVIDENDS

In the year, 2013 interim dividend of RMB0.098 per share (2012: interim dividend of RMB0.17 per share), totaling RMB46,374,800 (2012: interim dividend totaling RMB80,446,210) was declared and paid to the shareholders of the Company.

A final dividend of 2013 of RMB0.084 per share, totaling RMB39,730,000 was proposed by the Board of Directors on 24 March 2014 (2012 final dividend of RMB0.138 per share, totaling RMB65,303,394). This dividend has not been recognised as liability in the consolidated financial statements for the year ended 31 December 2013. It will be recognised in shareholders' equity in the year ending 31 December 2014.

9 CASH AT BANK AND ON HAND

| | 31 December 2013 RMB | 31 December 2012 RMB |
|--------------|-------------------------------------|-----------------------------|
| Cash on hand | 314,078 | 106,603 |
| Cash at bank | <u>2,998,096,859</u> | <u>1,207,454,820</u> |
| | <u>2,998,410,937</u> | <u>1,207,561,423</u> |

10 ACCOUNTS RECEIVABLE

| | 31 December 2013 RMB | 31 December 2012 RMB |
|-------------------------------|-------------------------------------|----------------------------|
| Accounts receivable | 86,238,267 | 100,377,385 |
| Less: provision for bad debts | <u>(4,116,149)</u> | <u>(3,577,437)</u> |
| | <u>82,122,118</u> | <u>96,799,948</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 2013, the ageing of accounts receivable based on their recording dates is analysed as follows:

| | 31 December 2013 RMB | 31 December 2012 RMB |
|-----------------|-------------------------------------|----------------------------|
| Within 90 days | 69,513,807 | 66,058,342 |
| 91 to 180 days | 3,432,256 | 6,812,630 |
| 181 to 365 days | 1,898,418 | 15,255,325 |
| Over 365 days | <u>11,393,786</u> | <u>12,251,088</u> |
| | <u>86,238,267</u> | <u>100,377,385</u> |

11 FIXED ASSETS

| | House and Buildings <i>RMB</i> | Machinery and equipment <i>RMB</i> | Motor vehicles <i>RMB</i> | Office equipment and others <i>RMB</i> | Total <i>RMB</i> |
|--------------------------------------------|--------------------------------------|---------------------------------------------|---------------------------------|-------------------------------------------------|-----------------------------|
| Cost | | | | | |
| 31 December 2012 | 968,601,187 | 218,260,254 | 100,256,409 | 64,771,367 | 1,351,889,217 |
| Transfers from construction in progress | 698,750 | 1,260,900 | – | 1,400,000 | 3,359,650 |
| Other increase in current year | 239,938,976 | 83,065,386 | 54,311,681 | 13,847,305 | 391,163,348 |
| Decrease in current year | <u>–</u> | <u>(212,803,262)</u> | <u>(76,599,818)</u> | <u>(11,081,732)</u> | <u>(300,484,812)</u> |
| 31 December 2013 | <u>1,209,238,913</u> | <u>89,783,278</u> | <u>77,968,272</u> | <u>68,936,940</u> | <u>1,445,927,403</u> |
| Accumulated depreciation | | | | | |
| 31 December 2012 | (259,397,482) | (131,483,732) | (57,526,724) | (45,209,270) | (493,617,208) |
| Depreciation charged in current year | (27,543,183) | (12,007,841) | (7,200,013) | (4,943,918) | (51,694,955) |
| Decrease in current year | <u>–</u> | <u>135,325,012</u> | <u>41,312,939</u> | <u>9,378,730</u> | <u>186,016,681</u> |
| 31 December 2013 | <u>(286,940,665)</u> | <u>(8,166,561)</u> | <u>(23,413,798)</u> | <u>(40,774,458)</u> | <u>(359,295,482)</u> |
| Carrying amount | | | | | |
| 31 December 2013 | <u>922,298,248</u> | <u>81,616,717</u> | <u>54,554,474</u> | <u>28,162,482</u> | <u>1,086,631,921</u> |
| 31 December 2012 | <u>709,203,705</u> | <u>86,776,522</u> | <u>42,729,685</u> | <u>19,562,097</u> | <u>858,272,009</u> |

Depreciation of RMB50,926,506 and RMB768,449 has been charged to operating costs and administrative expenses for the year (2012: RMB50,516,015 and RMB628,503) respectively.

12 ACCOUNTS PAYABLE

The ageing of accounts payable based on their recording dates is analysed as follows:

| | 31 December 2013 RMB | 31 December 2012 RMB |
|----------------|-------------------------------------|----------------------------|
| Within 90 days | 9,732,312 | 5,152,321 |
| 91 to 180 days | 1,492,839 | 316,553 |
| Over 180 days | 785,473 | 1,778,380 |
| | <u>12,010,624</u> | <u>7,247,254</u> |

13 LONG-TERM BORROWINGS

| | 31 December 2013 RMB | 31 December 2012 RMB |
|------------------------------------------------|-------------------------------------|----------------------------|
| Secured borrowings | 1,798,545,718 | 397,945,487 |
| Less: Long-term borrowings due within one year | (109,744,200) | (115,139,000) |
| | <u>1,688,801,518</u> | <u>282,806,487</u> |

As at 31 December 2013, the weighted average interest rate of long-term borrowings is 3.74% per annum (31 December 2012: 3.73%).

As at 31 December 2013, bank borrowings of USD250,000,000 (equivalent to RMB1,524,225,000) (31 December 2012: nil) are secured by the 51% interest in Hainan Meilan International Airport Cargo Co., Ltd. held by the Company and land use rights with a carrying amount of RMB8,965,065 (a cost of RMB11,852,138) held by the Group. Interest is payable every quarter and the principal is due for repayment on installment before 30 December 2016.

As at 31 December 2013, bank borrowings of USD44,993,475 (equivalent to RMB274,320,718) (31 December 2012: USD62,993,475, equivalent to RMB395,945,487) are secured by the 24.5% interest in HNA Airport holdings held by the Company. Interest is payable every quarter and the principal is due for repayment on installment before 26 January 2016.

The bank borrowing of RMB2,000,000 as at 31 December 2012, which is secured by the Company's revenue has been repaid in the year ended 31 December 2013.

14 CORPORATE BONDS

| | Par value <i>RMB</i> | Issuance expenses <i>RMB</i> | 31 December 2012 <i>RMB</i> | Amortisation of issuance expenses in current year <i>RMB</i> | 31 December 2013 <i>RMB</i> |
|---------------------------|--------------------------------|----------------------------------------|---------------------------------------|------------------------------------------------------------------------|---------------------------------------|
| Long-term corporate bonds | <u>800,000,000</u> | <u>(9,600,000)</u> | <u>791,253,935</u> | <u>1,111,284</u> | <u>792,365,219</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> |

Interest accrued of the bonds is analysed as below:

| | Interest accrued | | | 31 December 2013 <i>RMB</i> |
|-----------------|---------------------------------------|-------------------------------------------------------|----------------------------------------------------|---------------------------------------|
| | 31 December 2012 <i>RMB</i> | Interest accrued in current year <i>RMB</i> | Interest paid in current year <i>RMB</i> | |
| Corporate bonds | <u>49,746,667</u> | <u>62,400,000</u> | <u>(62,400,000)</u> | <u>49,746,667</u> |

Under Zheng Jian Xu Ke [2011] No. 2082 approved by the China Securities Regulatory Commission, the Company issued corporate bonds of RMB800,000,000 on 13 March 2012. The maturity of the bonds is 7 years, interest rate is 7.8% per annum, interest is repayable annually on 15 March of the years and the principal is repayable upon maturity.

15 CAPITAL SURPLUS

| | 31 December 2013 and 2012 <i>RMB</i> |
|------------------------------------------------|------------------------------------------------|
| Share premium | 598,983,655 |
| Other capital surplus | 100,500,999 |
| Public demolition compensation of an associate | <u>166,048</u> |
| | <u>699,650,702</u> |

16 SURPLUS RESERVE

| | 31 December 2012 | Withdraw | Decrease | 31 December 2013 |
|---------------------------|-----------------------------|-------------------|-----------------|-----------------------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Statutory surplus reserve | <u>246,394,231</u> | <u>–</u> | <u>–</u> | <u>246,394,231</u> |
| | 31 December 2011 | Withdraw | Decrease | 31 December 2012 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Statutory surplus reserve | <u>216,748,099</u> | <u>29,646,132</u> | <u>–</u> | <u>246,394,231</u> |

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, until the statutory surplus reserve accumulated to 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. Since the accumulated statutory surplus reserve of the Company is more than 50% of the registered capital, the Company has not made appropriation of statutory surplus reserve in 2013 (2012: appropriate 10% of net profit, totaling RMB29,646,132).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Revenue Review

Aviation Business Overview

In 2013, with the overall recovery of China's civil aviation industry and under the promotion of favorable policies such as the Division Program of Key Work of Chinese State Council to Promote the Development of the Aviation Industry and favorable factors such as construction of Hainan International Tourism Island and offshore duty free, the passenger throughput of Meilan Airport exceeded 10 million for three consecutive years.

For the year ended 31 December 2013, Meilan Airport operated a total of 159 originating routes, including 146 domestic routes, 10 international routes and 3 regional routes; developed 85 navigable cities, including 73 domestic cities, 9 international cities and 3 regional cities; and attracted 39 airline companies to operate at Meilan Airport, including 25 domestic airlines, 8 international airlines and 6 regional airlines.

Throughout the year of 2013, Meilan Airport opened 57 new routes, with overall flight execution rate up to 88.3%, increased by 5.4 percentage points as compared with last year, showing an outstanding performance in market development.

Details of the aviation traffic throughput of Meilan Airport of 2013 and comparison figures of last year are set out below:

| | 2013 | 2012 | Change (%) |
|---------------------------------------------------------|-------------------|-----------|---------------|
| Passenger throughput (headcount in ten thousand) | 1,193.55 | 1,069.67 | 11.58 |
| In which: Domestic | 1,146.09 | 1,026.67 | 11.63 |
| International and regional | 47.46 | 43 | 10.37 |
| Aircraft movement (flights) | 94,434 | 87,247 | 8.24 |
| In which: Domestic | 90,227 | 83,363 | 8.23 |
| International and regional | 4,207 | 3,884 | 8.32 |
| Cargo throughput (tons) | 196,300.60 | 175,364.5 | 11.94 |
| In which: Domestic | 189,678.80 | 169,769 | 11.73 |
| International and regional | 6,621.80 | 5,595.5 | 18.34 |

The Group's revenue from aviation business for 2013 was approximately RMB433,635,137, representing an increase of approximately 10.10% as compared to that of the corresponding period of 2012. A breakdown of the Group's revenue from aviation business is as follows:

| | Amount (RMB) | Change over 2012 (%) |
|--------------------------------------------|---------------------------|------------------------------------|
| Passenger service charges | 174,616,062 | 9.32 |
| Aircraft movement fees and related charges | 59,571,701 | 10.36 |
| Airport fee | 138,593,584 | 11.37 |
| Ground handling service income | 60,853,790 | 9.26 |
| Total revenue from aviation business | <u><u>433,635,137</u></u> | 10.10 |

Non-aviation Business Overview

In 2013, the performance of non-aviation business of the Group was outstanding, showing a good momentum of development. Annual revenue from the non-aviation business was RMB326,641,637, representing a year-on-year increase of 12.55% and accounting for up to 42.96% of the Group's total revenue. Such significant growth was mainly due to the franchise operation of Haikou Meilan Airport Duty-Free Shop of Haikou Meilan Airport Duty-Free Shop Co., Ltd in Meilan Airport. In addition, the Group enhanced its communication with the retailers by offering advice to help them increase their sales effectively. In 2013, the Group recorded accumulated franchise fee of RMB159,177,174 and rental fee of RMB33,713,717, representing a year-on-year increase of 16.28% and 23.06%, respectively. And revenue from car park also reached RMB13,312,073, representing a significant year-on-year increase of 30.31%. Moreover, other non-aviation businesses such as freight income showed improvements as well.

| | Amount (RMB) | Change over 2012 (%) |
|----------------------------------------------------|------------------------|------------------------------------------|
| Franchise income | 159,177,174 | 16.28 |
| Freight and packing income | 67,893,912 | 7.45 |
| Rental income | 33,713,717 | 23.06 |
| VIP room income | 29,067,147 | -8.28 |
| Parking income | 13,312,073 | 30.31 |
| Other income | 23,477,614 | 12.63 |
| In which: extended service income | 8,625,594 | 23.65 |
| departure system income | 6,465,014 | 9.67 |
| Total revenue from non-aeronautical businesses | <u>326,641,637</u> | 12.55 |

Franchise Income

In 2013, the franchise income of the Group amounted to RMB159,177,174, representing a year-on-year growth of 16.28%, which was mainly attributable to factors such as expansion of the business area of Meilan Airport Offshore Duty-Free Shop, increased types of duty-free commodities and diversified promotion means, resulting in the substantial growth. In 2013, revenue from offshore duty-free franchise of the Group amounted to RMB91,778,400.

Rental Income

In 2013, the rental income of the Group amounted to RMB33,713,717, representing a year-on-year growth of 23.06%, which was because the Company made full use of the existing venue resources of the terminal and increase the income from terminal rental through re-planning, enhancing investment attraction and appropriately increasing the rental rate.

Freight and Packaging Income

In 2013, the Group maintained a sustained growth momentum in freight volume and revenue by adopting sales management through division of routes and varieties, strengthening sales cooperation with airline companies, adjusting some charge items, increasing service charge items and exploring market potential. Through the year of 2013, the total freight and packaging income of the Group amounted to RMB67,893,912, representing a year-on-year growth of 7.45%.

Parking Income

In 2013, the parking income of the Group amounted to RMB13,312,073, representing a year-on-year growth of 30.31%, which was mainly because the Company strengthened the management of the parking lot and its surrounding areas and fully utilized the existing parking resources, and the new international terminal parking lot was opened this year.

Financial Review

Asset Analysis

As of 31 December 2013, the total assets of the Group amounted to RMB5,667,228,837, representing an increase of 46.54% over last year, among which, current assets amounted to RMB3,091,910,536, approximately 54.56% of the total assets, non-current assets amounted to approximately RMB2,575,318,301, approximately 45.44% of the total assets. The reason was mainly due to the syndicated loans of US\$250,000,000 (equivalent to RMB1,524,225,000) raised by the Company in December 2013, which increased the cash at bank.

Costs Analysis

The operation cost and administrative expenses of the Group were RMB323,205,870 in 2013, representing an increase of RMB23,782,059 or 7.94% as compared to that of 2012, mainly because:

- (1) Staff cost increased by RMB16,056,792 due to the raised remuneration level and increased headcount.
- (2) The Company strengthened the development of aviation market, and the airport companies increased their capacity operations at our airport. The cost of the airline subsidy increased by RMB6,128,866 for the year.

In 2013, the Group's finance expenses amounted to RMB50,228,086, which was approximate to that of last year.

Cash Flow

In 2013, the Group's net cash inflow from operating activities was RMB504,966,557, representing an increase of 12.78% over last year. The increase was mainly due to the increase of the operating revenue of the Group for the year.

In 2013, the Group's net cash outflow from investing activities was RMB39,326,422, which was mainly used for acquisition of equipment, facilities and other fixed assets as required for operation for the year.

In 2013, the Group's net cash inflow from financing activities was RMB1,325,121,558, which was mainly due to the syndicated loan of US\$250,000,000 (equivalent to RMB1,524,225,000) raised by the Group during the year.

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 secured by 24.5% equity interest in HNA Airport Holdings held by the Group. As of 31 December 2013, the outstanding balance of the borrowing was US\$44,993,475 (equivalent to RMB274,320,718).

The Group obtained a long-term borrowing of US\$250,000,000 from Taiwan syndication secured by the 51% interest in Hainan Meilan International Airport Cargo Co., Ltd. held by the Group and certain land use rights of the Group with book value amounting to RMB8,965,065. As of 31 December 2013, balance of the borrowing was US\$250,000,000 (equivalent to RMB1,524,225,000). Please refer to the Company's announcement on 4 December 2013 for further details of the loans.

Gearing Ratio

As of 31 December 2013, current assets of the Group were RMB3,091,910,536, total assets were RMB5,667,228,837, current liabilities were approximately RMB410,894,593 and total liabilities were RMB2,997,885,724. The gearing ratio (total liabilities/total assets) of the Group was 52.90%, representing an increase of 15.97% over last year which is attributable to the new syndicated loan of US\$250,000,000 (equivalent to RMB1,524,225,000) for the year.

Foreign Exchange Risks

The businesses of the Group are principally conducted in RMB, except that certain aeronautical revenue, purchase of equipment and consulting service fee are denominated in US\$ or HK\$. The dividends to H-share holders are declared in RMB but paid in HK\$. According to the overall arrangement of acquisition of the 24.5% equity interests in HNA Airport Holdings, the Group has raised a US\$ denominated loan from China Development Bank to finance the said acquisition, the balance of the loan amounted to US\$44,993,475 as at 31 December 2013; the Group has also raised a US\$ denominated syndicated loan of US\$250,000,000 from Taiwan investors to finance the construction of a complex building adjacent to Meilan Airport; the principal and interests of these two loans should be settled in US\$. Thus, the exchange fluctuation of RMB against US\$ will affect the financial performance of the Group. The Group has not entered into any forward contract to hedge its exposure of foreign exchange risk.

Interest Rate Risks

The Group is obliged to repay the principal and interests of the bank borrowings of US\$44,993,475 (equivalent to RMB274,320,718) and US\$250,000,000 (equivalent to RMB1,524,225,000) provided by China Development Bank and Taiwan syndication respectively. Relevant changes in Libor "London Inter-Bank Offer Rate" and interest rate adjustments by the PBOC will affect the interest expense and results of the Group.

Financial Instruments

As at 31 December 2013, financial instruments of the Group mainly comprised bank loans, corporate bonds, 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.

Contingent Liability

As at 31 December 2013, neither the Group nor the Company had any significant contingent liability.

Purchase, Sale or Redemption of the Shares

As at 31 December 2013, neither the Group nor the Company had purchased, sold or redeemed any of the shares of the Company.

Employment, Remuneration Policy and Training

As at 31 December 2013, the Group had a total of 709 employees, representing an increase of 146 employees over the last year, it is within the scope of normal employment. 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. The Group determined its training schemes for the year based on the requirement of the positions of its employees, in order to provide technical training for an upgrade the talent of its staffs. A total of 142 courses under the training scheme were completed, and 3,621 staffs participated in.

Retirement Pension

The Company and its subsidiaries shall participate 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 a contribution at a rate of 20% of the salary of the employees with permanent residence in the PRC.

For the year ended 31 December 2013, the contribution to the pension amounted to approximately RMB6,666,516 (2012: RMB4,833,520).

Outlook

In 2014, stimulated by the easing policies in various countries, the global economic situation is expected to be further improved, and the overall pace of economic recovery will be accelerated. Driven by recovery in manufacturing and real estate and other factors, the United States will again become the main driving force of world economic growth; with the forceful regulation of policy measures and gradual reduction of fiscal drag, the European economy will get way out of continuing decline and achieve positive growth; and emerging economies will have a slow process of economic structural reform, with growth rate slowed down. In 2014, global inflation situation is expected to remain stable.

In 2014, with the further deepening of China's economic reform, the basis for overall economic recovery will be effectively consolidated, and it is expected that the PRC government will maintain its proactive fiscal policy and prudent monetary policy to ensure the continuity and stability of macroeconomic policy, will actively deal with the relationship among stabilizing growth, adjusting structure, promoting reform, controlling risk and improving people's livelihood, and will work hard to reduce the negative impact of labile factor from outside on the Chinese economy. Under the condition of adhering to the keynote of seek improvement in stability, it is expected that China's economic growth will remain relatively stable in 2014.

Compared to the challenging international environment and the tamed domestic environment, Hainan International Tourism Island will continue to maintain a good momentum of development. In 2014, driven by the accelerated transformation and upgrading of the tourism industry, the local government of Hainan will continue to vigorously promote its key tourism projects, fully capitalize on the development potential of its tourism industry, and further improve transportation and other infrastructure construction. It is expected that the number of domestic and overseas travelers visiting Hainan will continue to increase, laying a solid foundation for the development of Meilan Airport in 2014. In addition, affected by popular tourism market and other factors, Hainan Island achieved offshore duty-free sales totally amounted to RMB226 million and attracted 56,000 shopping travelers during the Spring Festival Golden Week of 2014, representing an increase of 33% and 30% respectively; wherein, the sales amount of RMB10,413,400 on 6 February once again refreshed the single-day sales record of Meilan Airport Offshore Duty-Free Shop. The current trends of operation and sales revenue of Meilan Airport Offshore Duty-Free Shop are believed to be more profitable to the Group.

In 2014, in the face of the business needs brought by the comprehensive promotion of Hainan International Tourism Island construction, the Group will seize this rare opportunity for development to actively expand aviation and non-aviation business markets, strengthen assets and fund management, adhere to its strategic development plan, promote the transformation of income model, actively acquire external resources, effectively carry out investment and financing, enhance the management of market value of the Company and strive to develop into an investment management group which integrates investment and development and forms strategic complementation and chain clusters with "asset management as the core", so as to achieve the sustainable and healthy development of Meilan Airport and strive for better performance for creating satisfactory return for all the shareholders.

Enhance Market Development and Improve Income-generating Capacity

In 2014, the Group will fully capitalize on the favorable policy of increasing subsidy support to the aviation industry newly issued by the local government, strengthen the development of the main markets especially international and regional markets, strive to expand the transport capacity of airline companies in Haikou market, improve the distribution of airline network, and actively introduce the third airline company to build their bases in Haikou; under the organization of local government, the Group will further strengthen the in-depth cooperation with travel agencies, airline companies and tourist attractions in the northern area of Hainan, to fully develop the air travel new markets in the northern area of Hainan; the Group will harmoniously promote the airspace structural optimization and adjustment of “opening wing-rooms to ease the center” in Hainan to relieve the congestion status of the routes and further improve airport airspace capacity, with an ambition to build Meilan Airport into an aviation hub in southern China.

As the operation of Meilan Airport Offshore Duty-Free Shop is maturing, the proportion of the non-aviation revenue of the Group is likely to further increase. In 2014, the Group will continue to push forward the business plans for the terminal buildings, further increase the business area of Offshore Duty-Free Shop while optimizing the layout of service functions, and strive to improve the overall sales floor efficiency; furthermore, the Group will enrich business model through development of commercial trading companies, e-commerce platform, cellular hotels and other innovative projects, thereby enhancing the business model and promoting the income-generating capacity of Meilan Airport.

Enhance Operational Quality with “Performance Management” as the Starting Point

In 2014, continuing to strive for an international leading operation quality management level, the Group will promote the full realization of safety performance indicators through the combination of performance management objectives and safety assessment; will improve construction of aviation security management system through security performance monitoring and assessment as well as risk management and control, thereby realizing a security closed-loop management system; will manage and control the key indicators in service management by referring to the idea of safety performance management, thereby forming a service quality management model mainly oriented to performance management, so as to promote the operation quality of Meilan Airport to achieve greater improvement.

Establish a five-star Airport, Improve the Hardware Facilities and Increase Soft Power Simultaneously

In 2014, based on the ancillary hardware facilities standards required for SKYTRAX five-star airport, the Group will accelerate the expansion of West Gallery and the renovation of current terminal buildings; will adhere to the intelligent airport construction blueprint with “happy e-travel, efficient e-use, e-control security and e-earning efficiency” as the theme and “construction in sections and steady implementation” as the principle, gradually integrate new technologies and airport production and operation, and change the traditional business model with flight security and

ground service, so as to comprehensively raise the production and operation management quality of Meilan Airport; will complete the parking lot renovation in phases based on the construction requirements of the terminal complex project and the actual operation needs of the airport, 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. In 2013, adhering to “grasping the building of hard power and maintaining the upgrade of soft power” as the guiding principle, Meilan Airport comprehensively improved the service quality with “teambuilding”, “establishment of five-star positions” and “service culture building” as an entry point, thereby establish a good image for the Group. In 2014, Meilan Airport will focus on enhancing its position and social influence in the industry, and enhance the brand influence of Meilan Airport by improving the training system, introducing third-party service quality evaluation, continuing to promote the rectification for SKYTRAX five-star construction and the brand building of ASQ (Airport Service Quality), so as to become a SKYTRAX five-star airport in the near future.

Terminal Expansion Project

On 14 August 2013, the international terminal with a designed flow of 1.06 million was formally opened. As of 31 December 2013, the international terminal received a total of 177,600 international and domestic travelers and completed 1,612 aircraft movements, representing a year-on-year growth of 10% and 10.6% respectively.

The West Gallery expansion project with a construction area of 28,000 square meters started construction on 24 December 2013, and will be completed by the end of 2015. By then, it will increase 11 gallery bridge seats and 4.6 million passengers for Meilan Airport.

US\$250,000,000 Taiwan Syndicated Loan

As disclosed the announcement of the Company dated 4 December 2013, the Company has signed a three-year loan agreement with a total amount of US\$250,000,000 (equivalent to RMB1,524,225,000) with 14 financial institutions such as Cooperative Bank, Mega International Commercial Bank, Taishin International Bank, for the main purpose of meeting the needs of terminal complex project construction and the Company’s daily operation.

Terminal Complex Project

The Company plans to construct the terminal complex with total estimated investment of RMB1,903,874,000 to further improve the development and expansion of Meilan Airport. It is expected that the station complex will comprise two layers of underground floors and six layers of ground floors with total covering area of 120 mu, of which the construction area on the ground is approximately 152,900 square meters (among which 40,000 square meters, 77,900 square meters and 35,000 square meters are for star-rated hotel, commercial district and surface parking lot

respectively) and the construction area underground is approximately 122,500 square meters and there are total 4,000 parking spaces. It is expected that the station complex will be divided into two parts, east part of which will be star-rated hotel and the west the comprehensive large commercial building including duty-free shops, brand flagships, boutique department store, brand shopping center, themed restaurants, specialty restaurants and film studios. Implementing such plan shall meet certain conditions including relevant government approvals.

As per the announcement of the Company dated 18 December 2013 and the Circular to the Company's Shareholders dated 31 December 2013, the Company entered into a construction service agreement with Yangpu Guoxing Construction Co., Ltd. ("Yangpu Guoxing").

Signing of the service agreement will benefit the Company from the efficient service provided by Yangpu Guoxing and financial cost saving.

Acquisition Progress

According to the announcement of the Company dated 8 April 2010, the circular issued on 13 May 2010 as well as Page 8 of 2012 Interim Report and Page 13 of 2013 Interim Report, the Company announced that it has entered into a conditional share transfer agreement ("Acquisition Agreement") with HNA Group Company Limited ("HNA Group") and Qihe Investment Limited ("Qihe Investment") respectively for the acquisition of 54.5% of the issued share capital of HNA Airport Holdings at a total consideration of RMB2,199,900,000. HNA Group and Qihe Investment respectively held 30% and 24.5% of the equity proposed to acquire/acquired by the Group in HNA Airport Holdings. In early 2011, the Company completed the acquisition of 24.5% equity in HNA Airport Holdings from Qihe Investment by using its own funds and bank loans and all the preconditions of the acquisition had been met.

The Company originally intended to finance the acquisition of the 30% equity interest in HNA Airport Holdings held by HNA Group with the proceeds from the proposed issue of A shares in the PRC. One of the conditions precedents to such acquisition was that the Company has obtained the official approval for the issuance of A shares from the relevant authority or department and such issuance of A shares has been completed. In the event that not all of the above precedent conditions are satisfied or fulfilled within 2 years after the passing of the resolution relating to the issue of A shares at the extraordinary general meeting and class general meetings, the Acquisition Agreement shall be terminated automatically unless the Company and HNA Group agree on such other date to satisfy or fulfill the above conditions, and neither the Company nor HNA Group shall assume any responsibility under the Acquisition Agreement. On 31 May 2010, the Company held the H shareholders class meeting, domestic shareholders class meeting and extraordinary general meeting in relation to the above matters.

Currently the Company is negotiating with HNA Group on the extension of relevant terms of the Acquisition Agreement in order to reach new agreement or supplemental agreement (if possible), with a view to continue to fulfill the agreement in relation to the acquisition of the 30% of equity interest of HNA Airport Holdings held by HNA Group.

The Board hereby informs the shareholders and potential investors of the Company that there is not any new information relating to the 30% equity interest in HNA Airport Holdings held by HNA Group so far; should any new agreement is reached, the Company will report such agreement to the Board and the General Meeting of Shareholders of the Company for consideration, and make a timely disclosure to the market pursuant to the listing rules after the unanimous consent about the acquisition agreement.

Intelligentized Airport Construction

In 2013, intelligentization of Meilan Airport was started in an all-around manner. There were 7 new projects started in 2013, with initiation amount of RMB41.3 million and project initiation rate of 100%; and 12 projects under construction since previous years, of which five projects completed acceptance inspection and formally started operation; with the launch and promotion of the “micro-letter check-in and one-card clearance” project, Meilan Airport became the first airport to offer micro-letter check-in service in China. In 2014, Meilan Airport will start construction of 13 new projects such as operating management platform, traffic management and monitoring system, airfield lighting system and equipment operation monitoring system.

Route Exploration

According to the Hainan Airspace Optimization and Adjustment Program which was officially implemented on 16 January 2014, the civil aviation authority intends to explore three new routes on east and west sides of Hainan Island for the flights from Sanya to and from other regions. Such airspace optimization will not only effectively alleviate the present problems of route congestion and flight delay for Hainan, but also have a positive effect for Meilan Airport to expand capacity and improve flight release rate. After 30 June 2014, the civil aviation sector will make further adjustment and optimization according to the actual situation on Hainan airspace.

FINAL DIVIDEND

The Board has passed the resolution to recommend the payment of a final dividend on or before Friday, 18 July 2014 of RMB0.084 per share (tax inclusive) to shareholders of the Company whose names appear on the Company’s Register of Members on Sunday, 1 June 2014 (“2013 Final Dividend”). 2013 Final Dividend shall be subject to the approval by shareholders at the forthcoming annual general meeting to be held by the Company on Tuesday, 20 May 2014.

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 Thursday, 17 April 2014 to Tuesday, 20 May 2014, both days inclusive, 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 Wednesday, 16 April 2014.

The Company's Register of Members will be closed from Tuesday, 27 May 2014 to Sunday, 1 June 2014, both days inclusive, during which time no transfer of shares will be registered. In order to qualify for the entitlement of 2013 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, 26 May 2014. The Company will pay the final dividend on or before 18 July 2014 upon the approval of the annual general meeting.

MATERIAL LITIGATION OR ARBITRATION

The Group had no material litigation or arbitration for the year ended 31 December 2013.

SHARE CAPITAL STRUCTURE

As at 31 December 2013, the total number of issued share capital 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 | <u>473,213,000</u> | <u>100%</u> |

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, 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) 32,788,500 (S) | 41.58% 14.45% | 19.94% 6.93% |
| Zhang Zhiping (<i>Note 2</i>) | Interest of controlled corporations | 94,343,000 (L) 32,788,500 (S) | 41.58% 14.45% | 19.94% 6.93% |
| Oriental Patron Financial Services Group Limited (<i>Note 2</i>) | Interest of controlled corporations | 94,343,000 (L) 32,788,500 (S) | 41.58% 14.45% | 19.94% 6.93% |
| Oriental Patron Financial Group Limited (<i>Note 2</i>) | Interest of controlled corporations | 94,343,000 (L) 32,788,500 (S) | 41.58% 14.45% | 19.94% 6.93% |
| Oriental Patron Resources Investment Limited (<i>Note 2</i>) | Beneficial interest | 94,343,000 (L) 32,788,500 (S) | 41.58% 14.45% | 19.94% 6.93% |

| Name of Shareholders | Type of interest | Number of ordinary shares | Percentage of H shares issued | Percentage of total issued share capital |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------|-------------------------------------------------|
| UBS AG <i>(Note 3)</i> | Beneficial owner | 30,359,400 (L) | 13.38% | 6.42% |
| | Person having a security interest in shares and Interest of corporation controlled by the substantial shareholder | 112,000 (S) | 0.05% | 0.02% |
| Greenwoods Asset Management Limited <i>(Note 4)</i> | Investment manager | 11,686,000 (L) | 5.15% | 2.47% |
| 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% |
| 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 and Zhang Zhiping held 49% and 51% interest in Oriental Patron Financial Group Limited respectively. Oriental Patron Financial Group Limited held 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 30,359,400 shares in the Company, UBS AG was deemed to hold 3,602,000 shares through its security interest in those shares and held 225,000 shares as beneficial owner. In addition, UBS AG was deemed to hold 26,644,400 shares as interest of corporation controlled by the substantial shareholder (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 19,045,100 shares, 3,584,300 shares and 4,015,000 shares in the Company, respectively).
4. Greenwoods Asset Management Limited holds such shares in the capacity of an investment manager. Greenwoods Asset Management Limited was 100% owned Greenwoods Asset Management Holdings Limited, which was in turn held 76% by Jiang Jinzhi.
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 of 31 December 2013, 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 2013, interest 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 (Model Code): 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.

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 2013, 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 relationship with external auditors, the Company's financial reporting, the internal control and risk management system, 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 2013.

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

As of 31 December 2013, the Board of the Company comprised four independent non-executive directors. As of 31 December 2013, 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 Board has always recognized the importance of good corporate governance to the healthy and sustainable development of the Group. 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 2013.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has endeavored to comply with all requirements of the CSRS and the Stock Exchange and other authorities. During the 12 months ended 31 December 2013, 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, 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 as well as the Company's website www.mlairport.com. The 2013 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 4 April 2014.

BOARD OF DIRECTORS

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

Executive directors

Liang Jun (*Chairman*)

Wang Zhen (*Vice Chairman*)

Yang Xiaobin (*General Manager*)

Yang Xuqiang (*Deputy General Manager*)

Independent non-executive directors

Xu Bailing

Fung Ching Simon

George F Meng

Feng Da'an

Non-executive directors

Hu Wentai (*Vice Chairman*)

Chan Nap Kee, Joseph

Yan Xiang

By Order of the Board

Hainan Meilan International Airport Company Limited

Liang Jun

Chairman and Executive Director

Haikou, the PRC

24 March 2014