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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)

INTERIM RESULTS ANNOUNCEMENT AS AT 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Total revenue was RMB354,603,870
- Revenue from the aeronautical business was RMB203,007,851
- Revenue from the non-aeronautical business was RMB151,596,019
- Net profit attributable to shareholders was RMB156,489,207
- Earnings per share were RMB0.33

RESULTS

The Board of Directors (the “Board”) of Hainan Meilan International Airport Company Limited (the “Company” or “Meilan Airport”), together with its subsidiaries (the “Group”), is pleased to announce the unaudited financial position and operating results of the Group as at 30 June 2012 and for the six months ended 30 June 2012, which have been reviewed by the audit committee of the Board of the Company (the “Audit Committee”), together with the comparative figures for the corresponding period of 2011.

* For identification purposes only

The following selected consolidated financial information was prepared in accordance with China Accounting Standards for Business Enterprises:

CONSOLIDATED BALANCE SHEET

	<i>Note(s)</i>	As at 30 June 2012 RMB Unaudited	As at 31 December 2011 RMB Audited
ASSETS			
Current assets			
Cash at bank and on hand		1,149,787,172	366,887,159
Accounts receivable	3	111,572,581	145,125,372
Advances to suppliers		5,435,965	6,076,495
Other receivables		3,495,250	3,696,823
Interest receivable		3,509,718	1,793,832
Inventories		140,018	26,172
Other current assets		<u>31,991</u>	<u>1,293,397</u>
Total current assets		<u>1,273,972,695</u>	<u>524,899,250</u>
Non-current assets			
Long-term equity investments		1,080,733,137	1,068,164,742
Fixed assets		864,723,198	885,230,061
Construction in progress		2,618,155	—
Intangible assets		145,657,119	147,238,713
Long-term prepaid expenses		4,936,773	5,686,823
Deferred tax assets		4,017,842	4,421,740
Other non-current assets		<u>439,361,200</u>	<u>219,361,200</u>
Total non-current assets		<u>2,542,047,424</u>	<u>2,330,103,279</u>
Total assets		<u>3,816,020,119</u>	<u>2,855,002,529</u>

	<i>Note(s)</i>	As at 30 June 2012 RMB Unaudited	As at 31 December 2011 RMB Audited
LIABILITIES			
Current liabilities			
Accounts payable	4	12,552,782	17,575,257
Advances from customers		8,475,711	8,885,537
Employee benefits payable		49,639,157	51,683,674
Taxes payable		12,372,260	11,967,808
Interest payable		20,142,328	3,508,354
Dividends payable		666,000	666,000
Other payables		80,633,274	75,885,685
Current portion of non-current liabilities		<u>115,848,200</u>	<u>61,858,550</u>
Total current liabilities		<u>300,329,712</u>	<u>232,030,865</u>
Non-current liabilities			
Long-term borrowings		341,586,126	398,956,700
Debentures payable		790,704,550	—
Other non-current liabilities		<u>8,070,000</u>	<u>8,370,000</u>
Total non-current liabilities		<u>1,140,360,676</u>	<u>407,326,700</u>
Total liabilities		<u>1,440,690,388</u>	<u>639,357,565</u>
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		699,484,654	699,484,654
Surplus reserve		216,748,099	216,748,099
Undistributed profits		<u>972,256,203</u>	<u>815,766,996</u>
Total equity attributable to equity holders of the Company		<u>2,361,701,956</u>	<u>2,205,212,749</u>
Minority interest		<u>13,627,775</u>	<u>10,432,215</u>
Total shareholders' equity		<u>2,375,329,731</u>	<u>2,215,644,964</u>
Total liabilities and shareholders' equity		<u>3,816,020,119</u>	<u>2,855,002,529</u>
Net current assets		<u>973,642,983</u>	<u>292,868,385</u>
Total assets less current liabilities		<u>3,515,690,407</u>	<u>2,622,971,664</u>

CONSOLIDATED INCOME STATEMENT

	Note(s)	Six months ended 30 June	
		2012	2011
		RMB Unaudited	RMB Unaudited
Revenue	2	354,603,870	289,044,705
Less: Operating costs	5	(111,486,833)	(91,465,765)
Taxes and surcharges		(12,739,384)	(9,139,770)
Sales expenses		—	(97,391)
General and administrative expenses	5	(40,121,463)	(29,937,467)
Financial expenses — net	6	(21,958,320)	7,080,815
Add: Reversal of asset impairment losses		1,340,619	749,484
Investment income		13,235,515	14,486,169
Including: Share of profit of associates		12,568,396	14,486,169
Operating profit		182,874,004	180,720,780
Add: Non-operating income		577,762	375,023
Less: Non-operating expenses		(315,180)	(389,972)
Including: Losses on disposal of non-current assets		(78,759)	(389,972)
Total profit		183,136,586	180,705,831
Less: Income tax expenses	7	(23,765,931)	(22,362,598)
Net profit		159,370,655	158,343,233
Attributable to shareholders of the Company		156,489,207	155,089,246
Minority interest		2,881,448	3,253,987
Earnings per share			
— Basic and diluted earnings per share	8	0.33	0.33
Dividends	9	80,446,210	70,981,950

NOTES

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”), the Companies Ordinance in Hong Kong and the disclosure requirements regarding interim reports of SEHK.

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 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.

	Six months ended 30 June	
	2012	2011
	RMB	RMB
Analysis of revenue (by category)		
Aeronautical:		
Passenger charges	82,797,683	80,784,443
Civil Aviation Development Fund (former airport construction fee)	64,469,216	60,506,802
Aircraft movement fees and related charges	27,762,284	26,196,725
Ground handling services income	27,978,668	24,079,151
	<u>203,007,851</u>	<u>191,567,121</u>
Non-aeronautical:		
Franchise fee	74,336,983	32,353,091
Freight and packing	36,496,709	32,948,520
Rental	13,344,446	11,257,728
VIP room charge	14,201,776	10,872,256
Car parking	4,921,947	3,637,594
Others	8,294,158	6,408,395
	<u>151,596,019</u>	<u>97,477,584</u>
Total revenue	<u><u>354,603,870</u></u>	<u><u>289,044,705</u></u>

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 and the rate of charges remains the same as the former airport construction fee. Meanwhile, the former airport construction fee was abolished correspondingly.

3. ACCOUNTS RECEIVABLE

	30 June 2012 RMB	31 December 2011 RMB
Accounts receivable	114,955,593	149,849,003
Less: provision for bad debts	<u>(3,383,012)</u>	<u>(4,723,631)</u>
	<u>111,572,581</u>	<u>145,125,372</u>

The Group's credit terms given to customers are approved on an individual basis by the management, with a normal credit period ranging from 1 to 3 months.

As at 30 June 2012, the ageing analysis of accounts receivable, based on the timing of recognition, is as follows:

	30 June 2012 RMB	31 December 2011 RMB
Within 90 days	81,054,551	88,419,162
91 to 180 days	3,652,868	10,473,887
181 to 365 days	10,530,067	33,044,367
Over 365 days	<u>19,718,107</u>	<u>17,911,587</u>
	<u>114,955,593</u>	<u>149,849,003</u>

4. ACCOUNTS PAYABLE

As at 30 June 2012, the ageing analysis of accounts payable, based on the dates of recognition, is as follows:

	30 June 2012 RMB	31 December 2011 RMB
Within 90 days	3,684,872	12,297,551
91 to 180 days	3,128,984	745,955
Over 181 days	<u>5,738,926</u>	<u>4,531,751</u>
	<u>12,552,782</u>	<u>17,575,257</u>

5. COST/EXPENSE BY NATURE

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

	Six months ended 30 June	
	2012	2011
	RMB	RMB
Employee benefit expenses	34,365,033	23,136,239
Depreciation of fixed assets	25,735,650	28,225,234
Airport and logistic composite services fee	23,447,293	19,584,627
Packaging materials expenses	16,768,603	15,918,190
Utilities	10,643,251	7,746,646
Labour costs of dispatched staff	6,615,950	640,476
Other taxes	3,420,510	3,131,389
Repairs and maintenance	2,441,402	5,283,158
Handling fees of CAAC Settlement Center	1,717,318	—
Amortisation of land use rights	1,581,594	1,581,594
Travelling expenses	1,010,519	2,263,678
Audit fee	885,915	638,800

6. FINANCIAL EXPENSES — NET

	Six months ended 30 June	
	2012	2011
	RMB	RMB
Interest expenses	25,757,016	7,293,202
Including: Bank borrowings	8,077,016	7,293,202
Corporate debentures	17,680,000	—
Less: Interest income	(7,117,030)	(4,277,526)
Exchange losses/(gains)	1,768,833	(10,951,116)
Amortisation of financial charges	1,054,599	660,750
Others	494,902	193,875
Financial expenses — net	21,958,320	(7,080,815)

7. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2011: nil). Income tax expenses in the consolidated income statement represent provision for PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2012	2011
	RMB	RMB
Current income tax	23,362,033	23,296,560
Deferred income tax	<u>403,898</u>	<u>(933,962)</u>
	<u>23,765,931</u>	<u>22,362,598</u>

Income tax expenses are recognised based on management’s best estimate of the annual income tax rates expected for the full financial year.

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.

In accordance with the Corporate Income Tax (“CIT”) Law of the People’s Republic of China, effective from 1 January 2008, and the relevant regulations as approved by the National People’s Congress on 16 March 2007, the CIT rate applicable to the Company will be gradually increased from 15% to 25% in a 5-year period from 2008 to 2012. The 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 is 12.5% (2011: 12%).

8. 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:

	Six months ended 30 June	
	2012	2011
Consolidated net profit attributable to ordinary shareholders of the Company (RMB)	156,489,207	155,089,246
Weighted average number of ordinary shares outstanding (share)	<u>473,213,000</u>	<u>473,213,000</u>
Basic earnings per share (RMB)	<u>0.33</u>	<u>0.33</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 current period (for the six months ended 30 June 2011: nil), diluted earnings per share equal to basic earnings per share.

9. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB	RMB
Interim dividend proposed of RMB0.17 (for the six months ended 30 June 2011: RMB0.15) per share	<u>80,446,210</u>	<u>70,981,950</u>

An interim dividend of RMB0.17 (for the six months ended 30 June 2011: RMB0.15) per share was proposed by the Board of Directors on 23 August 2012. This interim dividend totalling RMB80,446,210 (for the six months ended 30 June 2011: RMB70,981,950) has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012, the Group's total revenue amounted to RMB354,603,870, representing an increase of 22.68% as compared to the corresponding period of last year. Net profit attributable to shareholders of the Company increased by 0.90% over the corresponding period of last year to RMB156,489,207. Earnings per share amounted to RMB0.33 (corresponding period of last year: earnings per share of RMB0.33).

BUSINESS ENVIRONMENT

Civil Aviation Industry in the PRC

In the first half of 2012, global economic uncertainties continued as a result of the lingering European sovereign debt crisis and high inflation pressure in emerging economies. Given concerns on global economic recession, slowing down of the tourism market, EU's policy on charging carbon emissions tax and global crude oil prices fluctuations at high levels, the International Air Transport Association ("IATA") downgraded its 2012 profit forecast on the global aviation industry for several times since the end of 2011.

Albeit the pessimistic profit forecast of IATA on the aviation industry this year, the PRC aviation industry market is anticipated to deliver positive results. Currently, China ranks seventh and fourth, respectively, in the global aviation industry in terms of passenger volume and freight volume. According to the "12th Five-year Plan" for China's civil aviation industry, China will invest over RMB1.5 trillion in the civil aviation sector in the "12th Five-year Plan" period, during which passenger traffic will reach 450 million, airports for civil aviation use will reach at least 230 and fleet size, including general aviation aircraft, will surpass 4,500 planes.

In early July 2012, the State Council of the PRC promulgated the *Opinions on Promoting the Development of the Civil Aviation Industry* (《關於促進民航業發展的若干意見》) (the "Opinions"). As the first general guidelines on the development of the civil aviation industry promulgated by the PRC on the national strategic level, which clearly stated the development targets, missions and policy measures for the civil aviation industry in China, the Opinions have marked an important milestone and will have deep influence on the development of the civil aviation industry in China in the long run. The Opinions were an important and favourable policy to China's civil aviation industry.

With continual economic growth in China and bright prospects for the subdivided field of civil aviation market, a promising outlook is still ahead for the airport industry in China.

Tourism Industry in Hainan

In the first half of 2012, the tourism industry in Hainan maintained its steady growth. As at late June, the aggregate number of overnight visitors to Hainan was 15.5823 million, representing an increase of 8.1% as compared to the corresponding period of last year; total revenue from the tourism industry amounted to RMB18.087 billion, representing an increase of 18% as compared to the corresponding period of last year. Currently, Hainan Province has a total of 36 national A-level scenic spots, two of which are 5A-level scenic spots and 15 of which are 4A-level scenic spots. According to the *Opinions on the Planning and Construction of Major Scenic Spots and Resorts in the Province* (《全省重點旅遊景區和度假區規劃建設的若干意見》) promulgated by the Hainan government in 2011, the number of national 5A-level scenic spots in Hainan will reach 8 to 10 by 2015. Preparation work for the construction of various projects, such as a large-scale tropical paradise forest park, Xisha National Marine Park (西沙海洋國家公園), a large-scale wetland park, a large-scale wildlife park and botanical garden, an aerospace theme park zone, a marine theme park, a movie theme park, a large-scale amusement park and Airbus Visit (「空中巴士」觀光), are also in progress.

Development of the tourism industry in Hainan and establishment of the International Tourism Island in Hainan are pressed forward through efforts of the local government. During the first half of the year, the Hainan government visited various cities and countries including Inner Mongolia, Shaanxi, Shandong, Hunan, Hong Kong, Korea, the United States and Malaysia to promote tourist attractions in Hainan. In May 2012, the Hainan government finalised and issued the “12th Five-year Plan for Development of the Tourism Industry in Hainan” (《海南省旅遊業發展「十二五」規劃》) (the “12th Five-year Tourism Plan”), which has set the target of building Hainan into the pilot zone for reformation and innovation of China’s tourism industry and a world-class island resort destination. According to the “12th Five-year Tourism Plan”, a detailed plan has been formulated for the development of major tourism attractions in Hainan, which included the projects in store for coming four years for the tourism industry in Hainan, whereby transformation and upgrade of the tourism industry will be realised through construction of specific projects, and also provided an important reference for relevant work arrangement in different parts of Hainan in the 2012 Tourism Projects Construction Year (二零一二「旅遊項目建設年」).

In June 2012, the State Council approved the establishment of Sansha City, the third prefectural-level city in Hainan Province, which consists of islands covering an area of 130,000 km² and manages over 2 million km² of surrounding waters. It is the youngest city in China, the city with the southernmost latitude, the smallest in terms of land size and population and the largest in terms of total area. Leveraging upon the abundant tourism resources of the South China Sea, the establishment of Sansha City will be beneficial to infrastructure construction and centralised planning of tourism resources, and is expected to boost the tourism industry in Hainan as a whole.

In the first half of 2012, economic activities, sports and cultural events were held in Hainan, such as Boao Forum for Asia, “Aloha Cup” of Hainan International Regatta, Tour of Hainan International Cycling Race, Volvo Ocean Race, Hainan Riyue Bay International Surfing Festival, Hainan Snooker

Classic, FIVB Beach Volleyball World Tour (Sanya Open) and Hainan Danzhou Super Grand Master Chess Tournament, etc. These eye-catching events also helped to promote the tourism industry in Hainan.

Offshore Duty Free Store

Haikou Meilan Airport Duty-free Shop Co. LTD (海免海口美蘭機場免稅店), the first offshore duty free store in airport in China, commenced its operation on 21 December 2011. As at 30 June 2012, visitor spending per capita at the Meilan Airport Offshore Duty Free Store was over RMB2,000 and the total sales amounted to over RMB200 million. The Airport Offshore Duty Free Store has an operating area of 2,200 m². Main construction of phase two, which will provide an additional operating area of 1,500 m², has been completed. Famous and first-tier international brands, including Gucci, Giorgio Armani, Prada, Salvatore Ferragamo and Versace, have set up their stores in the Offshore Duty Free Store, offering an increasing variety of products and attracting a large number of tourists from off the island and overseas. With the coverage of the duty free operation gradually extending to the northern and southern parts of Hainan, tourist consumption in Hainan and the influence of the International Tourism Island have been boosted, and the passenger volume of Haikou Meilan International Airport has significantly increased.

Transportation and Aviation Industry in Hainan

In respect of railways, the passenger carrying capacity of Hainan East Ring Railway, with a total length of 308 km, continued to increase. According to statistics, the Hainan East Ring Railway has an average daily passenger flow volume increased from 26,000 passengers in 2011 to almost 30,000 passengers, and even increased up to 50,000 passengers on peak days during holidays. As for the West Ring Railway with a total length of 344 km, land acquisition and relocation work have begun in the first half of 2012. It is expected that the construction of the route from Sanya Phoenix International Airport to Sanya of the West Ring Railway will commence in the year and will be completed in 2014 at the earliest.

In respect of highways, the construction of the central highway connecting Haikou to Tunchang is in full swing, following the construction progress of the grid-shaped highway under the “12th Five-year Development Plan of Hainan Province”. It is expected that the highway will commence operation at the end of this year. The part of the highway connecting Tunchang to Qiongzong has commenced construction in May 2012, and is expected to commence operation in 2015. Upon completion, the central highway will become the main transportation route connecting all counties and cities in central Hainan.

In respect of marine transportation, Hainan Province has a coastline of 1,617 km long and 68 natural bays. Currently, Haikou Port to the north, Yangpu Port and Basuo Port to the west, Sanya Port to the south and Qinglan Port to the east together formed the “Five Ports in Four Directions” (四方五港). There are 137 berths used for production at costal ports in Hainan, among which 34 are deep-water berths with a capacity of over 10,000 tons. Cargo throughput already surpassed 100 million tons and container throughput even surpassed 1 million TEUs. According to the “12th Five-year Development

Plan of Hainan Province”, the Yangpu-Haikou comprehensive port will be a major part of the next stage of ports construction in Hainan. The Yangpu Port and the Haikou Port, both with a capacity of 100 million tons, will be built to form the Yangpu-Haikou comprehensive port, an international shipping hub in the region.

In respect of aviation, preliminary preparation work, including selection of location, scientific demonstration and land planning, for relocation of Sanya Phoenix International Airport has been kick-started during the first half of 2012. According to information, the project has been reported to the National Development and Reform Commission of the PRC and listed as part of the “Integrated Transportation System Development and Planning for the 12th Five-year Plan of Hainan Province” (海南省「十二五」綜合交通體系發展規劃). According to the Plan, upon expansion, Sanya Phoenix International Airport will have a planned passenger reception capacity of 25 million people per year. Moreover, the Qionghai government also commenced the land acquisition work of the site for Boao Airport in full gear in June 2012. This represented that the construction project of Boao Airport has reached the concrete operational stage.

With increasing income levels and consumption power of residents in Hainan Island and Mainland China at large, the passenger throughput of marine transportation in Hainan as a percentage to total passenger throughput in the Province has been decreasing in recent years, while the passenger throughput of air transportation in Hainan as a percentage to total passenger throughput in the Province has been increasing year-on-year. Coupled with the change in passenger structure, diversion of passenger throughput of ports has minimal impacts on the aviation industry in Hainan Province. Continual increase in operational capacity of the East Ring Railway and accelerated construction of the central highway will significantly shorten the travel time by land transportation between cities and counties in Hainan and Haikou, providing a convenient access for travellers travelling through Meilan Airport. In addition, upon commencement of operations after 3 to 5 years of construction, Boao Airport, which mainly focuses on providing services to business aircrafts and chartered planes, will have only limited impact on Meilan Airport as it has a planned passenger reception capacity of only 0.4 million people per year. As the construction period of Sanya Phoenix International Airport is expected to be 5 to 10 years, it will also have minimal short-term impacts on Meilan Airport. The Company will seize the opportunities brought by the construction of the International Tourism Island in Hainan and speed up infrastructure construction such as the international terminal and expansion of the existing terminal buildings, so as to develop its aviation business in Hainan. It will also grasp new opportunities to cooperate with other domestic airports in order to maintain its stable development.

BUSINESS AND REVENUE REVIEW

Overview

In the first half of 2012, the Group continued to step up its efforts on building a safety protection system in order to ensure safe production and smooth operation of Meilan Airport. The Group also received appreciation from all sectors in respect of its quality logistics and security services in large events such as the “Two Meetings” of the National People’s Congress of the PRC, the CPPCC and the Boao Forum for Asia.

In the first half of 2012, the Company completely secured the National Civil Aviation Flight Schedule Meeting (全國民航航班時刻會議) held in Haikou, actively participated in relevant meetings held by the Civil Aviation Administration of China (“CAAC”) and the China Civil Airport Association and visited various airline companies, in an aim to promote and introduce the development of Hainan’s International Tourism Island and the preferential policies launched by Haikou Meilan International Airport. Through participation in a series of meetings, visits and promotions, perception and influence of the Group in the civil aviation industry in China and the attractiveness of Meilan Airport have been effectively enhanced.

In the first half of 2012, the Company received a total of 9 major awards (consist of 4 national awards and 5 provincial awards), including the “National Civilised Unit” award. After being listed as a SKYTRAX Four-star Airport, with a view to becoming a SKYTRAX Five-star Airport, Meilan Airport launched initiatives in early May 2012 to enhance its service quality and strengthen its brand building efforts.

The Group strived to enhance efficiency by diversifying income streams and reducing expenses in the first half of 2012. Stringent operating cost controls were implemented through the streamlining of production and operational processes and the creation of new income streams. Technology upgrade were conducted to increase the energy utilisation rate with satisfactory results achieved in saving water and electricity, giving Meilan Airport the title of “Haikou Advanced Unit in Saving Water”. The Company also took an active role in innovation in workforce and enhancement of staff efficiency of Meilan Airport by deploying dispatched staff for ground services and freight transportation. At present, there are a total of 219 dispatched staff, and our labour costs have been effectively lowered. Currently, the Company has implemented over 20 income stream diversification projects in total, among which, the highest revenue was generated from the payment for use of VIP cars for tourists. Such revenue amounted to RMB1.2125 million for the first half of the year, delivering outstanding results in terms of efficiency enhancement.

In the first half of 2012, the Company also organised and implemented the “Quality Enhancement Program for Listed Companies” (上市公司質量提升計劃), whereby a committee for construction of an internal control system has been established to examine and assess the integrity, reasonableness and effectiveness of the internal control system, prevent non-compliance, strictly control operational and management risks and continually improve the internal control system. At the same time, the relevant system for related party transactions was revised and improved to clearly define the departments responsible for different procedures, including confirmation of related party transactions, transaction negotiation, consideration and authorisation, and settlement of payments, and ensure lawful authorisation of, fair pricing for and timely disclosure of related party transactions. In addition, the Company further optimised the fund management system in respect of related parties, whereby fund transfers between related parties were regulated and disclosed pursuant to regulatory requirements to mitigate the risk of misappropriation of funds. Through the aforesaid means, the Company enhanced its level of standard operation and strengthened operational management, thereby achieving a circular interaction and cooperation among standard operation, results improvement and capital operation.

The expansion of existing terminal buildings of Meilan Airport (including the new international terminal building, customs warehouse, special garage, the expansion of the west side of the existing terminal building, etc.) was in smooth progress with capacities designed to meet the passenger throughput, cargo throughput and aircraft movement of 15 million headcount, 180,000 tons and 111,000 flights per annum, respectively, by 2013. Currently, main constructions of the international terminal have been completed, and interior and exterior decoration and outdoor constructions are in progress. It is expected that the international terminal will be completed in October 2012 and commence operation in early 2013 upon inspection and approval.

Furthermore, the Company enhanced its care for and the happiness of employees by establishing a “Loving Home” (愛心家園), renovating the staff canteen and building a new staff dormitory.

Aeronautical Business Overview

In the first half of 2012, the aeronautical market business experienced relatively substantial decline due to regulation of CAAC and the corresponding reduction in capacity of airline companies. However, under the auspices of the preferential policies of the aviation industry issued by the government in Hainan, such as the Provisional Measures on Further Encouraging Operation of Air Passenger Transport in Haikou (《海口市鼓勵航空客運市場開發暫行辦法》) and favourable factors such as the construction of Hainan International Tourism Island and the opening of the offshore duty free store, the Group pressed ahead by implementing various marketing plans for niche markets. Various measures and channels were also adopted for its aviation market expansion.

In the first half of 2012, Meilan Airport successfully established 19 aviation routes, including Haikou-Hefei-Tianjin, Haikou-Luoyang-Tianjin, Haikou-Chongqing-Xiangfan, Haikou-Xi’an-Baotou, Haikou-Wuhan-Xiangfan, Haikou-Nanning-Shantou, Haikou-Kaohsiung, Haikou-Singapore-Perth and Taiyuan-Haikou-Singapore, further optimising the aviation route network of Haikou.

As for the international aviation sector, Meilan Airport launched one new domestic aviation route and two new international aviation routes in the first half of 2012, including the new “Haikou-Singapore-Perth” route, the first regular intercontinental route of Meilan Airport. The Company also put efforts to expand its transit aviation business in Southeast Asia and successfully launched the first “Taiyuan-Haikou-Singapore” transit/stop over route in May 2012, marking an important step towards building Meilan Airport as the gateway airport of Southeast Asia. The (regional) international transportation volume of the Group also reached a historic high over the past periods. During the six months ended 30 June 2012, the international and regional passenger throughput reached a total of 221,900 people, representing an increase of 15.57% as compared to the corresponding period of the previous year.

Aviation traffic throughput of the Group for the first half of 2012 and comparison figures for the corresponding period of last year are set out below:

	1H 2012	1H 2011	Change (%)
Aircraft movement (flights)	44,066	41,658	5.78
In which: Domestic	42,010	40,041	4.92
International and regional	2,056	1,617	27.15
Passenger throughput (headcount in ten thousand)	548.66	507.15	8.18
In which: Domestic	526.47	487.95	7.89
International and regional	22.19	19.20	15.57
Cargo throughput (tons)	93,624.40	88,201.70	6.15
In which: Domestic	90,701.50	85,857.60	5.64
International and regional	2,922.90	2,344.10	24.69

The Group's revenue from aeronautical business for the six months ended 30 June 2012 amounted to RMB203,007,851, representing an increase of approximately 5.97% over the same period of 2011. Details of which are as follows:

	Amount	Change over
	<i>(RMB)</i>	the same
		period of 2011
		<i>(%)</i>
Passenger charges	82,797,683	2.49
Aircraft movement fees and related charges	27,762,284	5.98
Ground handling services income	27,978,668	16.19
Civil Aviation Development Fund (former airport construction fee)	<u>64,469,216</u>	<u>6.55</u>
Total revenue from aeronautical business	<u><u>203,007,851</u></u>	<u><u>5.97</u></u>

Pursuant 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 (“MOF”), the airport construction fee and Civil Aviation Infrastructure Construction Fund have been collectively replaced by the Civil Aviation Development Fund since 1 April 2012.

According to the notice about the subsidy of Civil Aviation Development Fund issued by CAAC on 11 April 2012, the previous subsidies of airport construction fee refund granted to the Group has been changed to the subsidies of Civil Aviation Development Fund correspondingly. As the nature and refund method of both subsidies are basically the same, and the actual refund rate of the airport construction fee for the Group was 48% since 2008, the Group has, according to the best estimates

made by the management, recognised the refund percentage of Civil Aviation Development Fund as 48% for the period and received most of the refund amount from CAAC based on such refund percentage up to the end of the period.

Non-aeronautical Business Overview

In the first half of 2012, driven by favourable factors such as the continuing growth in transportation volume and the official opening of the Meilan Airport Offshore Duty Free Store, the Group achieved a substantial growth with its non-aeronautical business revenue through strengthening of marketing efforts, exploration of potential resources and proactive expansion into new business. The non-aeronautical business of the Group recorded a revenue of RMB151,596,019 for the six months ended 30 June 2012, representing an increase of 55.52% as compared to the same period of 2011.

	Amount <i>(RMB)</i>	Change over the same period of 2011 <i>(%)</i>
Franchise fee	74,336,983	129.77
Rental	13,344,446	18.54
Freight and packing	36,496,709	10.77
Car parking	4,921,947	35.31
VIP room charge	14,201,776	30.62
Others	<u>8,294,158</u>	<u>29.43</u>
Total revenue from non-aeronautical businesses	<u><u>151,596,019</u></u>	<u><u>55.52</u></u>

Franchise income

In the first half of 2012, the franchise income of the Group amounted to RMB74,336,983, representing an increase of 129.77% as compared to the corresponding period of the previous year. The increase was mainly attributable to the franchise income from an airport offshore duty free store, namely, the Haikou Meilan Airport Duty-free Shop Co., LTD. The store commenced operation at Meilan Airport at the end of last year.

VIP room charge

In the first half of 2012, the VIP room service charge of the Group maintained fast growth and amounted to RMB14,201,776, representing an increase of 30.62% as compared to the corresponding period of the previous year, which was mainly attributable to the increase in usage of VIP room services as a result of the higher quality service and passenger volume as well as the increases in charges for VIP service since late 2011 through various marketing strategies such as raising service rates and increasing service offerings.

Freight and packing income

In the first half of 2012, the freight and packing income increased as a result of the gradual picking up of freight volume of seafood and provision of new freight services by utilising the Company's internal resources. For the six months ended 30 June 2012, the freight and packing income of the Group amounted to RMB36,496,709, representing an increase of 10.77% as compared to the corresponding period of the previous year.

Car parking income

In the first half of 2012, the car parking income of the Group amounted to RMB4,921,947, representing an increase of 35.31% as compared to the corresponding period of the previous year. The substantial increase in car parking income of the Group was mainly due to efforts including raising the fees since late 2011, as well as consolidating car park resources and increasing the number of overnight car parking spaces.

FINANCIAL REVIEW

1. Asset Analysis

As at 30 June 2012, total assets of the Group amounted to RMB3,816,020,119, representing an increase of 33.66% over 31 December 2011, of which RMB1,273,972,695 were current assets and RMB2,542,047,424 were non-current assets. The increase in assets was mainly due to the increase in cash at bank and on hand due to RMB0.8 billion raised from the issue of corporate debentures by the Company during the period.

2. Cost and Expense Analysis

In the first half of 2012, the Group's operating expense amounted to RMB111,486,833, representing an increase of 21.89% or RMB20,021,068 as compared to the corresponding period of 2011. The Group's general and administrative expenses amounted to RMB40,121,463, representing an increase of 34.02% or RMB10,183,996 as compared to the corresponding period of 2011. The increase in costs and expenses was mainly attributable to:

- (1) an increase of RMB11,228,794 in labour costs caused by an increase in employees' remuneration;
- (2) an increase of RMB5,975,474 in labour costs of dispatched staff as a result of the increased number of dispatched staff, since the Company took an active role in innovation in workforce by deploying dispatched staff; and
- (3) an increase of RMB2,896,605 in utilities as a result of the increase in utility rates in the year, and the increase in electricity usage due to the use of refrigeration equipment according to relevant standards for the need of brand building by the Company.

In the first half of 2012, the Group's finance expenses amounted to RMB21,958,320, representing an increase of RMB29,039,135 as compared to the corresponding period of 2011, which was mainly due to a significant decrease in US dollar exchange gains as compared to the corresponding period of 2011 and the increase in interest expenses arising from increased loan amounts for the period.

3. Gearing Ratio

As at 30 June 2012, the Group had total current assets of RMB1,273,972,695, total assets of RMB3,816,020,119, total current liabilities of RMB300,329,712 and total liabilities of RMB1,440,690,388. As at 30 June 2012, the Group's gearing ratio (total liabilities/total assets) was 37.75%, representing an increase of 15.36% compared to that as at 31 December 2011, which was mainly due to an increase in liabilities arising from the issue of corporate debentures of RMB0.8 billion by the Company during the period.

4. Pledge of the Group's Assets

The Group pledged its 24.5% equity interests in HNA Airport Holding (Group) Company Ltd ("HNA Airport Holding") to secure a long-term bank borrowings of USD72,500,000 from China Development Bank. As at 30 June 2012, the balance of the bank borrowings was USD72,000,000 (equivalent to RMB455,434,326).

5. Capital Structure of the Group

As at 30 June 2012, the total issued share capital of the Company was RMB473,213,000. As at 30 June 2012, the Group still had bank borrowing in the amount of USD72,000,000 which is subject to the Libor + 3.4% interest rate and borrowing in the amount of RMB2,000,000 which is subject to the current floating interest rates of the People's Bank of China.

6. Significant Investments Held and their Performance

As at 30 June 2012, the Company held 24.5% equity interests in HNA Airport Holding. In the first half of 2012, HNA Airport Holding realised a net profit attributable to the parent company in the amount of RMB51,299,573 (unaudited), and investment income of the Company was RMB12,568,396.

7. Material Acquisitions and Disposals

As at 30 June 2012, the Company has no new material acquisitions and disposals.

8. Employees and Remuneration Policy

As at 30 June 2012, the Group had a total of 609 employees, representing an increase of 144 employees as compared to 465 employees at the beginning of the year. The increase in number of employees was mainly due to the Company's decision to return airport passenger services business and relevant employees to the Company since Grand China Aviation Ground Service, the previous

outsource service supplier, underwent corporate transformation and no longer operated such business, while there was no other professional company suitable to take up the business. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group reviews its remuneration policy and packages on a regular basis. Bonuses and commissions may be awarded to employees as incentives based on their performance. All benefits are rewards for the efforts contributed by the individuals. For the six months ended 30 June 2012, the Group's total staff cost accounted for approximately 9.69% of its total turnover. The staff cost increased by 48.53% over the corresponding period of 2011, which was mainly due to increase in employee benefits costs caused by an increase in employees' remuneration.

9. Entrusted Deposits and Overdue Fixed Deposits

As at 30 June 2012, the Group did not have any entrusted deposits and overdue fixed deposits.

10. Contingent Liabilities

As at 30 June 2012, the Group did not have any contingent liabilities.

11. Exposure to Foreign Exchange Risks

The business of the Group is mainly settled in RMB, except for part of the aeronautical revenue, equipment purchase and consultation fee which are settled in U.S. or HK dollar. The dividend of H shareholders is declared in RMB, paid in Hong Kong dollar. According to the overall purchase plan of the 24.5% equity interests in HNA Airport Holding, the Group will repay the interest and principal of the loan in the amount of USD72,000,000 from China Development Bank in connection with the equity acquisition. Therefore, the exchange rate fluctuation of RMB against U.S. dollar will affect the financial performance of the Group.

12. Interest Rate Risk

The Group has the liability to repay the principal and interest of the USD72,000,000 bank borrowing balance and the RMB2,000,000 borrowing borrowed from China Development Bank. Changes of the Libor and adjustments to the benchmark interest rate of the People's Bank of China will affect the Group's interest expenses and results.

NO OTHER MATERIAL CHANGE

Other than those discussed in this interim results announcement, there has been no material change in relation to the information disclosed in the Company's 2011 Annual Report in accordance with Rule 32 set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the first half of 2012, real economic growth of the PRC continued to slow down. It was a direct result of the austerity measures adopted by the Chinese government for curbing the trend of inflation and adjusting economic structure and altering the form of economic growth. Currently, the PRC is pushing ahead the implementation of major projects under the 12th Five-year Plan, and embarking upon a number of major projects which are considered to involve wide coverage and provide strong momentum. Infrastructural construction focusing on railways, highways, airports and agricultural waterworks, future energy projects, as well as energy-saving and emission-reducing projects will be the major directions for investment. Expedition in infrastructural investment will still be the most effective means to drive economic growth in the future. In the second half of the year, the proactive fiscal policy of the PRC will continue to step up efforts in expanding expenditure and investment. The PRC will stress structural transformation and reduce reliance on investment for driving economic growth. Such initiative will be significant for the steady economic growth in the long run. With implementation of a series of monetary and fiscal policies, it is anticipated that the real economy will be gradually revitalised, and the nation is expected to report healthy and steady economic growth for the entire year as a whole.

The aviation industry is closely linked to economic performance. Under the European sovereign debt crisis, slowdown in the travel market, and the EU's implementation of the policy to levy on carbon emission, the global aviation industry will experience a lot of challenges in the second half of the year. Profitability of airlines will undergo immense pressure in view of the volatility and persistently high level of oil prices. Albeit recent drops in international oil prices which to a certain extent have alleviated the cost pressure exerted on airline companies, the trend of oil prices is still uncertain for the second half of the year. According to IATA, it is estimated that the aggregate profit of the global aviation industry for 2012 will be less than one half of 2011. Notwithstanding the economic downturn and high level of oil prices both at home and abroad, the civil aviation industry of the PRC still outperforms its peers in the global aviation industry. In the second half of the year, with the revitalisation of demand, alleviation of cost pressure, the PRC government's substantial investment in infrastructure, as well as the launch of favourable policies, such as Certain Opinions of the State Council on Promoting the Development of the Civil Aviation Industry (《關於促進民航業發展的若干意見》), it is expected that the number of passengers throughout China's aviation industry will be on a steady rise.

In 2012, Hainan Province continues to solidify and intensify the establishment of Hainan's International Tourism Island. 70 items of sports and cultural programs will be rolled out to promote and push ahead the sports and cultural construction of the island, creating spiritual enrichment for both local residents and tourists from inside and outside the country. In addition to the ten key projects such as the Phase II construction of the Hainan Provincial Museum, those 70 key items of sports and cultural programs also include nine cultural events such as China Gold Disc Award Ceremony, and 31 major sports events such as Mission Hills Star Trophy, and ten cultural expos such as the exhibition showcasing the artistic works of Qi Baishi and the exhibition of pre-historical creatures etc. With the intensified implementation of policies such as tax rebates and concession schemes enjoyed by tourists leaving the

island, the enhanced overseas marketing and promotion of the island, as well as the development of new routes of flights, the travel economy of Hainan reported healthy growth for the first half of the year and is expected to perform well for the entire year.

In the first half of 2012, tax-free travel to Hainan has become a new favourite in the tourism market of the country. This has greatly propelled and ensured the sustainable growth of Hainan's tourism market, and has brought Hainan Province into an unprecedented upsurge in tourism and consumption amidst economic downturn and the traditional low season. Meilan Airport Offshore Duty Free Store, of which the main construction of phase two has been completed, is expected to commence operation during the year. Larger operating area and richer product variety of the Offshore Duty Free Store are going to attract more tourists for shopping in the Store, which will in turn create favourable impacts on the growth of passenger throughput and revenue from non-aeronautical business.

The Group therefore considers that the international and domestic routes of Haikou Meilan International Airport will run smoothly and achieve the targets set for major indicators including passenger throughput in the second half of 2012. In terms of operation management, the Company will focus on process management and mitigation of core risks and implement the safety warning mechanism and safety performance management in a comprehensive manner, while pushing ahead the construction of a SKYTRAX Five-star Airport and enhancing the overall soft competitiveness of our service, as well as brand image and service quality of the Airport. In addition to ensuring safety and service quality, the Group will also put forth efforts to diversify income streams, increase income and reduce expenditures, strictly control cost, maintain the annual income level and strive to bring favourable results to the shareholders.

INTERIM DIVIDEND

The Board of the Company has passed the resolution to recommend the payment of an interim dividend of RMB0.17 per share (before tax) (the "2012 Interim Dividend") on or before Friday, 21 December 2012 on the extraordinary general meeting to be held on Monday, 22 October 2012 to shareholders of the Company whose names appear on the Company's Register of Members on Wednesday, 31 October 2012. The 2012 Interim Dividend is subject to approval by shareholders at the extraordinary general meeting to be held by the Company.

According to the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法》), which took effect on 1 January 2008, its implementation rules and the relevant interpretation by tax authorities in the PRC, when a company distributes dividends to non-resident enterprise shareholders whose names appear on the H-share register of a company, such company is required to withhold and pay on behalf of such shareholders an enterprise income tax at the 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 the shareholder is entitled to are subject to the enterprise income tax.

The Company will strictly comply with the laws or the 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 in respect of 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 or paying tax. However, the Company may provide assistance to the extent of its ability as appropriate.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Friday, 21 September 2012 to Monday, 22 October 2012, during which time no transfer of shares will be registered. To attend and vote at the extraordinary general meeting, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Thursday, 20 September 2012.

The Company's Register of Members will be closed from Monday, 29 October 2012 to Wednesday, 31 October 2012, during which time no transfer of shares will be registered. To qualify for receiving the distribution of 2012 Interim Dividend, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 26 October 2012. After the approval is granted at the extraordinary general meeting, the Company will distribute the interim dividend on or before 21 December 2012.

MATERIAL LITIGATION OR ARBITRATION

The Company had no material litigation or arbitration from 1 January 2012 to 30 June 2012.

OTHER INFORMATION

Change of Directors

The Board of the Company comprises 11 Directors. Changes in the directorship of the Company are as follows:

Mr. Dong Zhanbin resigned as the Company's Executive Director and President due to job re-designation reasons, with effect from 20 August 2012 and 5 July 2012, respectively. Mr. Liang Jun also resigned as the Company's Chairman on 23 August 2012. At the same time, the Company's nomination committee recommended Mr. Liu Lu to replace Mr. Liang Jun as the Company's Chairman and Mr. Dong Zhanbin as the Company's Executive Director and President.

Mr. Liu Lu officially became an Executive Director on 20 August 2012 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 20 August 2012.

Mr. Liang Jun was re-appointed as Executive Director on 29 May 2012 for a term of three years. This was approved and ratified in the annual general meeting held on 29 May 2012.

Mr. Hu Wentai was re-appointed as Non-executive Director on 29 May 2012 for a term of three years. This was approved and ratified in the annual general meeting held on 29 May 2012.

Change of Supervisor

Mr. Dong Guiguo was re-appointed as the Company's Supervisor on 29 May 2012 for a term of three years. This was approved and ratified in the annual general meeting held on 29 May 2012.

Change of Senior Management

Ms. Xing Xihong resigned as the Company's chief financial controller due to job re-designation reasons with effect from 27 March 2012.

Ms. Xiong Yan officially became the Company's chief financial controller on 27 March 2012. This was approved in the 11th meeting of the Fourth Session of the Board on 27 March 2012.

Mr. Liu Ji Yao resigned as the Company's Vice President due to job re-designation reasons with effect from 9 May 2012.

Mr. Yang Xuqiang officially became the Company's Vice President on 9 May 2012. This was approved in the 12th meeting of the Fourth Session of the Board on 9 May 2012.

Directors' Remuneration

As at 30 June 2012, the Directors, Supervisors and Company Secretary nominated by the holders of domestic shares of the Company to hold positions in the Company have submitted written declarations to the Company, stating that they voluntarily waive their remuneration for the year of 2011.

Mr. Zhao Yahui (originally Executive Director and Chairman) waived 2011 remuneration of RMB4,834;

Mr. Liang Jun (Executive Director and Vice Chairman) waived 2011 remuneration of RMB70,000;

Mr. Dong Zhanbin (Executive Director) waived 2011 remuneration of RMB65,166;

Ms. Xing Xihong (Executive Director) waived 2011 remuneration of RMB70,000;

Mr. Hu Wentai (Non-executive Director and Vice Chairman) waived 2011 remuneration of RMB50,000;

Mr. Zhang Han'an (Non-executive Director) waived 2011 remuneration of RMB50,000.

Supervisors' Remuneration

Mr. Dong Guiguo (Chairman of the Supervisory Committee) waived 2011 remuneration of RMB20,000;

Mr. Han Aimin (Supervisor) waived 2011 remuneration of RMB7,120;

Ms. Zeng Xuemei (originally Supervisor) waived 2011 remuneration of RMB12,880.

Company Secretary's Remuneration

Mr. Xing Zhoujin (Company Secretary) waived 2011 remuneration of RMB30,000.

Share Capital Structure

As at 30 June 2012, the total number of issued shares of the Company was 473,213,000 as follows:

	Number of Shares	Percentage to total issued shares
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 30 June 2012, so far as is 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	Corporate	237,500,000(L)	96.43%	50.19%

H shares

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 corporation	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 corporation	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 corporation	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 corporation	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	94,343,000(L) 32,788,500(S)	41.58% 14.45%	19.94% 6.93%
UBS AG (<i>Note 3</i>)	Person having a security interest in shares and controlled corporate interest	31,537,400(L)	13.90%	6.66%
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 corporation	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 corporation	98,365,500(L)	43.35%	20.79%

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Pacific Alliance Equity Partners Limited (Note 5)	Interest of controlled corporation	98,365,500(L)	43.35%	20.79%
Pacific Alliance Group Asset Management Limited (Note 5)	Investment manager	98,365,500(L)	43.35%	20.79%
Pacific Alliance Group Holdings Limited (Note 5)	Interest of controlled corporation	98,365,500(L)	43.35%	20.79%
Pacific Alliance Group Limited (Note 5)	Interest of controlled corporation	98,365,500(L)	43.35%	20.79%
Pacific Alliance Investment Management Limited (Note 5)	Interest of controlled corporation	98,365,500(L)	43.35%	20.79%
Walden Ventures Limited (Note 5)	Beneficial owner and person having a security interest in shares	98,365,500(L)	43.35%	20.79%

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 was holding 49% and 51% interest in Oriental Patron Financial Group Limited, respectively. 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 as to 100% interest. Zhang Gaobo was holding 49.19% interest in Oriental Patron Financial Group Limited. Zhang Zhiping was holding 49.92% 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 as to 100% interests.
3. Among the 31,537,400 shares in the Company, UBS AG was deemed to hold 60,000 shares through its securities interest in those shares and was deemed to have equity interest in 31,472,400 shares (UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Ltd were all wholly-owned by UBS AG, and were beneficially holding 21,987,400 shares, 5,271,000 shares and 4,214,000 shares in the Company, respectively).

4. Utilico Emerging Markets Utilities Limited is a company listed on the Alternative Investment Market of the London Stock Exchange and the Bermuda Stock Exchange.
5. Pacific Alliance Group Holdings Limited was holding 99.17% interest in Pacific Alliance Group Limited, which was in turn holding 90% interest in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited was holding 61.8% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited was holding 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 98,365,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited for the purpose of Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which was in turn holding 43.35% interest of H shares in the Company, among which, Walden Ventures Limited was interested in 32,788,500 H shares of the Company in its capacity as a person having a security interest in shares, and 65,577,000 H shares of the Company in its capacity as a beneficial owner.

Pacific Alliance Investment Management Limited was also holding 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 98,365,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. was holding 36.67% interest in Walden Ventures Limited which was in turn holding 43.35% interest of H shares in the Company.

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

Save as disclosed above, as at 30 June 2012, so far as is known to the Directors, Supervisors or chief executive of the Company, no other person (not being a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

Directors', Supervisors' and Chief Executive's Interests in Shares

As at 30 June 2012, the interests of the Directors, Supervisors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules. No Directors, Supervisors and chief executive of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

The Rights of Directors, Supervisors and Chief Executive to Purchase Shares

None of the Directors, Supervisors or chief executive of the Company or their respective spouses or children under the age of 18 was granted any rights to subscribe for shares of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the listed securities of the Company during the six months ended 30 June 2012.

AUDIT COMMITTEE

The Audit Committee has, together with the management, reviewed the interim report, including the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal control, financial reporting and non-exempt continuing connected transactions, including a review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2012.

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

As at 30 June 2012, there were four Independent Non-executive Directors in the Board. As at 30 June 2012, the Audit Committee comprised three Independent Non-executive Directors, including personnel with appropriate professional qualifications of accounting and the membership of the Hong Kong Institute of Certified Public Accountants.

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

The Company has adopted a code for securities transaction by directors on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors of the Company, all of the Directors have complied with the required standard set out in the Model Code regarding directors' securities transaction during the six months ended 30 June 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance practices to the healthy and sustainable development of the Group. The Company is committed to complying with all the rules prescribed by China Securities Regulatory Commission and the Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2012, the Company had complied with the code provisions of the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules and met with all reasonable governance and disclosure requirements. The Company will strive for continuously enhancing its governance standard and transparency to shareholders.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.mlairport.com as well as the website of the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2012 containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the said websites in due course.

THE BOARD

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

Executive Directors

Liu Lu (*Chairman*)
Liang Jun (*Vice Chairman*)
Xing Xihong

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

Liu Lu
Chairman

Haikou, the PRC
23 August 2012