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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 liabilities)

(Stock Code: 357)

### INTERIM RESULTS ANNOUNCEMENT AS AT 30 JUNE 2013

#### FINANCIAL HIGHLIGHTS

- Total revenue was RMB404.29 million  
(for the six months ended 30 June 2012: RMB354.60 million)
- Revenue from the aeronautical business was RMB231.47 million  
(for the six months ended 30 June 2012: RMB203.01 million)
- Revenue from the non-aeronautical business was RMB172.82 million  
(for the six months ended 30 June 2012: RMB151.59 million)
- Net profit attributable to shareholders was RMB188.26 million  
(for the six months ended 30 June 2012: RMB156.49 million)
- Earnings per share was RMB0.40 (for the six months ended 30 June 2012: RMB0.33)

#### BUSINESS HIGHLIGHTS

- The passenger throughput recorded 6.1773 million
- Aircraft movements reached 48,537.00
- Cargo throughput was 106,173.60 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 unaudited financial position and operating results of the Company and its subsidiaries (the “Group”) as at 30 June 2013 and for the six months ended 30 June 2013, which have been reviewed by the audit committee of the Company, together with the comparative figures for the corresponding period of 2012.

\* For identification purposes only

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

## CONSOLIDATED INCOME STATEMENT

	Note(s)	Six months ended 30 June	
		2013	2012
		RMB Unaudited	RMB Unaudited
<b>Revenue</b>	2	<b>404,294,391</b>	354,603,870
Less: Operating costs	3	<b>(137,785,956)</b>	(111,486,833)
Taxes and surcharges		<b>(14,395,767)</b>	(12,739,384)
General and administrative expenses	3	<b>(23,343,220)</b>	(40,121,463)
Finance expenses — net	4	<b>(21,847,004)</b>	(21,958,320)
(Provision for)/reversal of asset impairment losses		<b>(2,706,756)</b>	1,340,619
Add: Investment income	5	<b>14,028,240</b>	13,235,515
Including: Share of profit of associates		<b>14,028,240</b>	12,568,396
<b>Operating profit</b>		<b>218,243,928</b>	182,874,004
Add: Non-operating income		<b>562,821</b>	577,762
Less: Non-operating expenses		<b>(150,272)</b>	(315,180)
Including: Losses on disposal of non-current assets		<b>(114,508)</b>	(78,759)
<b>Total profit</b>		<b>218,656,477</b>	183,136,586
Less: Income tax expenses	6	<b>(26,693,814)</b>	(23,765,931)
<b>Net profit</b>		<b>191,962,663</b>	159,370,655
Attributable to shareholders of the Company		<b>188,255,025</b>	156,489,207
Minority interest		<b>3,707,638</b>	2,881,448
<b>Earnings per share</b>			
—Basic and diluted earnings per share	7	<b>0.40</b>	0.33
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive income</b>		<b>191,962,663</b>	159,370,655
<b>Dividends</b>	8	<b>46,374,800</b>	80,446,210

## CONSOLIDATED BALANCE SHEET

		As at <b>30 June</b> <b>2013</b> <i>RMB</i> <b>Unaudited</b>	As at 31 December 2012 <i>RMB</i> Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand	9	1,230,808,076	1,207,561,423
Accounts receivable	10	117,057,046	96,799,948
Advances to suppliers		3,255,297	2,331,951
Other receivables		6,625,089	2,970,111
Interest receivable		820,630	5,557,907
Inventories		130,834	16,401
Other current assets		<u>31,991</u>	<u>31,991</u>
<b>Total current assets</b>		<u><b>1,358,728,963</b></u>	<u>1,315,269,732</u>
<b>Non-current assets</b>			
Long-term equity investments		1,114,835,722	1,100,807,482
Fixed assets	11	841,927,416	858,272,009
Construction in progress		2,057,882	1,400,000
Intangible assets		142,493,930	144,075,524
Long-term prepaid expenses		—	4,186,725
Deferred tax assets		5,146,239	3,872,680
Other non-current assets		<u>439,361,200</u>	<u>439,361,200</u>
<b>Total non-current assets</b>		<u><b>2,545,822,389</b></u>	<u>2,551,975,620</u>
<b>Total assets</b>		<u><b>3,904,551,352</b></u>	<u><b>3,867,245,352</b></u>

		As at 30 June 2013 RMB Unaudited	As at 31 December 2012 RMB Audited
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	12	9,774,831	7,247,254
Advances from customers		7,426,813	15,086,286
Employee benefits payable		50,978,104	50,912,367
Taxes payable		13,392,302	19,987,066
Interest payable		20,115,738	52,695,667
Dividends payable		28,867,353	666,000
Other payables		72,345,709	81,485,375
Current portion of non-current liabilities		<u>111,216,600</u>	<u>115,139,000</u>
<b>Total current liabilities</b>		<u>314,117,450</u>	<u>343,219,015</u>
<b>Non-current liabilities</b>			
Long-term borrowings	13	222,392,884	282,806,487
Corporate bonds	14	791,815,834	791,253,935
Other non-current liabilities		<u>10,370,000</u>	<u>10,770,000</u>
<b>Total non-current liabilities</b>		<u>1,024,578,718</u>	<u>1,084,830,422</u>
<b>Total liabilities</b>		<u>1,338,696,168</u>	<u>1,428,049,437</u>
<b>Shareholders' equity</b>			
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		<u>1,126,589,394</u>	<u>1,003,637,763</u>
<b>Total capital and reserves attributable to shareholders of the Company</b>		<u>2,545,847,327</u>	<u>2,422,895,696</u>
Minority interest		<u>20,007,857</u>	<u>16,300,219</u>
<b>Total shareholders' equity</b>		<u>2,565,855,184</u>	<u>2,439,195,915</u>
<b>Total liabilities and shareholders' equity</b>		<u>3,904,551,352</u>	<u>3,867,245,352</u>
<b>Net current assets</b>		<u>1,044,611,513</u>	<u>972,050,717</u>
<b>Total assets less current liabilities</b>		<u>3,590,433,902</u>	<u>3,524,026,337</u>

## NOTES

### 1 BASIS OF PREPARATION

The consolidated financial statements of the Group were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC") on 15 February 2006, and the Application Guidance of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting (2010 revised) issued by the China Securities Regulatory Commission.

### 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.

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>RMB</b>	<b>RMB</b>
<b>Analysis of revenue (by segment)</b>		
Aeronautical:		
Passenger charges	<b>96,069,479</b>	82,797,683
Airport fee*	<b>72,347,425</b>	64,469,216
Aircraft movement fees and related charges	<b>31,953,472</b>	27,762,284
Ground handling services income	<b>31,102,362</b>	27,978,668
	<b><u>231,472,738</u></b>	<u>203,007,851</u>
Non-aeronautical:		
Franchise fee	<b>78,844,027</b>	74,336,983
Freight and packing	<b>43,200,664</b>	36,496,709
VIP room charge	<b>17,289,986</b>	14,201,776
Rental	<b>16,718,263</b>	13,344,446
Car parking	<b>6,362,792</b>	4,921,947
Others	<b>10,405,921</b>	8,294,158
	<b><u>172,821,653</u></b>	<u>151,596,019</u>
Total Revenue	<b><u>404,294,391</u></b>	<u>354,603,870</u>

\* Airport fee represents Civil Airport Construction Fee and Civil Aviation Development Fund, which is expected to be recovered 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, the 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.

### 3 COST/EXPENSE BY NATURE

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

	Six months ended 30 June	
	2013	2012
	RMB	RMB
Employee benefit expenses	42,160,546	34,365,033
Depreciation of fixed assets	24,178,915	25,735,650
Packaging materials expenses	18,216,100	16,768,603
Airport and logistic composite services fee	16,262,305	23,447,293
Utilities	12,344,481	10,643,251
Airlines subsidy expenses	6,579,000	3,603,715
Other taxes	3,736,703	3,420,510
Repairs and maintenance	3,349,652	2,441,402
Handling fees of CAAC Settlement Center	1,752,602	1,717,318
Amortisation of land use rights	1,581,594	1,581,594
Travel expenses	695,426	1,010,519
Audit fee	600,000	885,915

### 4 FINANCIAL EXPENSES — NET

	Six months ended 30 June	
	2013	2012
	RMB	RMB
Interest expenses	37,543,304	25,757,016
Including: Bank borrowings	7,209,971	8,077,016
Corporate bonds	30,333,333	17,680,000
Less: Interest income	(10,483,246)	(7,117,030)
Exchange (gains)/losses	(6,253,834)	1,768,833
Amortisation of finance charges	561,899	304,550
Others	478,881	1,244,951
	<u>21,847,004</u>	<u>21,958,320</u>

## 5 INVESTMENT INCOME

	Six months ended 30 June	
	2013	2012
	RMB	RMB
Share of profit of investees under equity method — Hainan Airlines Airport Holding (Group) Company Limited	14,028,240	12,568,396
Gain from disposal of equity interest — Hainan Meilan International Airport Travelling Co., Ltd.	—	667,119
	<u>14,028,240</u>	<u>13,235,515</u>

There is no significant restrictions on the repatriation of investment income.

Investment income from non-listed companies in the current period amounted to RMB14,028,240 for the Group (for the six months ended 30 June 2012: RMB13,235,515).

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2012: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2013	2012
	RMB	RMB
Current income tax	27,967,373	23,362,033
Deferred income tax	<u>(1,273,559)</u>	<u>403,898</u>
	<u>26,693,814</u>	<u>23,765,931</u>

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

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 the current period is 12.5% (for the six months ended 30 June 2012: 12.5%). The applicable tax rate for the Company’s subsidiaries in the current period is 25% (for the six months ended 30 June 2012: 25%).

## 7 EARNINGS PER SHARE

Basic earnings per share is 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	
	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company ( <i>RMB</i> )	<u>188,255,025</u>	<u>156,489,207</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>0.40</u>	<u>0.33</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. As there were no dilutive potential ordinary shares in current period (for the six months ended 30 June 2012: nil), diluted earnings per share equals to basic earnings per share.

## 8 DIVIDENDS

Pursuant to the resolution of shareholders' annual general meeting on 27 May 2013, a final cash dividend of RMB0.138 per share, amounting to RMB65,303,394 (for the six months ended 30 June 2012: nil) was paid to the shareholders.

An interim dividend of RMB0.098 per share, amounting to RMB46,374,800 was proposed by the Board of Directors on 29 August 2013 (2012 interim dividend: RMB0.17 per share, amounting to RMB80,446,210). This interim dividend has not been recognized as a liability in this interim financial information. It will be recognized in shareholders' equity in the second half year ending 31 December 2013.

## 9 CASH AT BANK AND ON HAND

	30 June 2013 <i>RMB</i>	31 December 2012 <i>RMB</i>
Cash on hand	89,735	106,603
Cash at bank	<u>1,230,718,341</u>	<u>1,207,454,820</u>
	<u>1,230,808,076</u>	<u>1,207,561,423</u>



## 10 ACCOUNTS RECEIVABLE

	<b>30 June 2013 RMB</b>	31 December 2012 RMB
Accounts receivable	<b>123,341,239</b>	100,377,385
Less: provision for bad debts	<u><b>(6,284,193)</b></u>	<u>(3,577,437)</u>
	<u><b>117,057,046</b></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 30 June 2013, the ageing analysis of accounts receivable, based on the dates of recognition as follows:

	<b>30 June 2013 RMB</b>	31 December 2012 RMB
Within 90 days	<b>88,595,865</b>	66,058,342
91 to 180 days	<b>5,026,854</b>	6,812,630
181 to 365 days	<b>5,317,405</b>	15,255,325
Over 365 days	<u><b>24,401,115</b></u>	<u>12,251,088</u>
	<u><b>123,341,239</b></u>	<u>100,377,385</u>

As at 30 June 2013, accounts receivable by customers is analysed below:

	<b>30 June 2013 RMB</b>	31 December 2012 RMB
Accounts receivable by customers		
— from third parties	<b>94,272,078</b>	74,018,098
Less: provision for bad debts	<u><b>(5,813,187)</b></u>	<u>(3,577,437)</u>
	<u><b>88,458,891</b></u>	<u>70,440,661</u>
— from related parties	<b>29,069,161</b>	26,359,287
Less: provision for bad debts	<u><b>(471,006)</b></u>	<u>—</u>
	<u><b>28,598,155</b></u>	<u>26,359,287</u>
	<u><b>117,057,046</b></u>	<u>96,799,948</u>

## 11 FIXED ASSETS

	<b>Buildings and structures</b> <i>RMB</i>	<b>Machinery and equipment</b> <i>RMB</i>	<b>Motor vehicles</b> <i>RMB</i>	<b>Office equipment and others</b> <i>RMB</i>	<b>Total</b> <i>RMB</i>
<b>Cost</b>					
31 December 2012	968,601,187	218,260,254	100,256,409	64,771,367	1,351,889,217
Transfer from CIP	—	—	—	1,400,000	1,400,000
Other increases	—	322,000	4,112,764	2,149,831	6,584,595
Other decreases	—	(97,096)	(1,643,228)	(628,131)	(2,368,455)
<b>30 June 2013</b>	<b><u>968,601,187</u></b>	<b><u>218,485,158</u></b>	<b><u>102,725,945</u></b>	<b><u>67,693,067</u></b>	<b><u>1,357,505,357</u></b>
<b>Accumulated depreciation</b>					
31 December 2012	(259,397,482)	(131,483,732)	(57,526,724)	(45,209,270)	(493,617,208)
Depreciation charged	(12,819,440)	(6,207,915)	(3,217,038)	(1,934,522)	(24,178,915)
Other decreases	—	82,973	1,543,429	591,780	2,218,182
<b>30 June 2013</b>	<b><u>(272,216,922)</u></b>	<b><u>(137,608,674)</u></b>	<b><u>(59,200,333)</u></b>	<b><u>(46,552,012)</u></b>	<b><u>(515,577,941)</u></b>
<b>Net book value</b>					
<b>30 June 2013</b>	<b><u>696,384,265</u></b>	<b><u>80,876,484</u></b>	<b><u>43,525,612</u></b>	<b><u>21,141,055</u></b>	<b><u>841,927,416</u></b>
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 RMB23,888,898 and RMB290,017 were charged to operating costs and general and administrative expenses in the current period (for the six months ended 30 June 2012: RMB 25,540,776 and RMB194,874), respectively.

## 12 ACCOUNTS PAYABLE

The ageing analysis of accounts payable, based on the dates of recognition, is as follows:

	<b>30 June 2013</b> <i>RMB</i>	31 December 2012 <i>RMB</i>
Within 90 days	<b>8,127,527</b>	5,152,321
91 to 180 days	<b>591,291</b>	316,553
Over 180 days	<b><u>1,056,013</u></b>	<u>1,778,380</u>
	<b><u>9,774,831</u></b>	<u>7,247,254</u>

### 13 LONG-TERM BORROWINGS

	<b>30 June 2013 RMB</b>	31 December 2012 RMB
Secured borrowings	<b>333,609,484</b>	397,945,487
Less: current portion of long-term borrowings	<u><b>(111,216,600)</b></u>	<u>(115,139,000)</u>
	<u><b>222,392,884</b></u>	<u>282,806,487</u>

As at 30 June 2013, the weighted average interest rate of long-term borrowings is 3.70% per annum (31 December 2012: 3.73% per annum).

As at 30 June 2013, bank borrowings of USD53,993,475, equivalent to RMB333,609,484 (31 December 2012: USD62,993,475, equivalent to RMB395,945,487) are secured by the 24.5% shares of HNA Airport held by the Company. Interest is payable every quarter and the principal is due for repayment by installments on 21 January and 21 July every year.

As at 30 June 2013, the bank borrowing from China Development Bank has been paid off (31 December 2012: RMB2,000,000).

### 14 CORPORATE BONDS

	<b>Par Value RMB</b>	<b>Issuance expenses during launch RMB</b>	<b>31 December 2012 RMB</b>	<b>Amortization of issuance expenses in current period RMB</b>	<b>30 June 2013 RMB</b>
Long term corporate bonds	<u>800,000,000</u>	<u>(9,600,000)</u>	<u>791,253,935</u>	<u>561,899</u>	<u>791,815,834</u>

Related information is as follows:

	<b>Par value RMB</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Issuance amount RMB</b>
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 follows:

	<b>Interest accrued</b>			
	<b>31 December 2012 RMB</b>	<b>Interest accrued in current period RMB</b>	<b>Interest paid in current period RMB</b>	<b>30 June 2013 RMB</b>
Corporate bonds	<u>49,746,667</u>	<u>30,333,333</u>	<u>(62,400,000)</u>	<u>17,680,000</u>

Under No. [2011]2082 approved by China Securities Regulatory Commission (“CSRC”), the Company issued corporate bonds with a total amount of RMB800,000,000 with a maturity of 7 years on 13 March 2012. Interest of the bonds is paid annually on 15 March and the interest rate is 7.8% per annum. The principal is due for repayment on the expiry day.

## 15 CAPITAL SURPLUS

	<b>30 June 2013 and 31 December 2012 RMB</b>
Share premium	598,983,655
Other capital surplus	100,500,999
Public demolition compensation of an associate	<u>166,048</u>
	<u><u>699,650,702</u></u>

## 16 SURPLUS RESERVE

	<b>31 December 2012 RMB</b>	<b>Additions RMB</b>	<b>Reductions RMB</b>	<b>30 June 2013 RMB</b>
Statutory surplus reserve	<u>246,394,231</u>	<u>—</u>	<u>—</u>	<u>246,394,231</u>

  

	<b>31 December 2011 RMB</b>	<b>Additions RMB</b>	<b>Reductions RMB</b>	<b>30 June 2012 RMB</b>
Statutory surplus reserve	<u>216,748,099</u>	<u>—</u>	<u>—</u>	<u>216,748,099</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, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 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. No statutory surplus reserve was appropriated for the current period (for the six months ended 30 June 2012: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013, the Group's total revenue amounted to RMB404,294,391, representing an increase of 14.01% as compared to the corresponding period of last year. Net profit attributable to shareholders amounted to RMB188,255,025, representing an increase of 20.30% as compared to the corresponding period of last year. Earnings per share amounted to RMB0.40 (corresponding period of last year: earnings per share of RMB0.33).

### Business Environment

#### *Civil Aviation Industry in the PRC*

During the first half of 2013, the euro-zone economy has shown signs of recovery and business confidence has risen in a certain degree. At the same time, crude oil prices have remained low due to growing fuel supply and slowing demand growth. The boycott of global civil aviation industry against the EU carbon emissions tax scheme has obtained certain results. The entire industry is reviving.

Against such a backdrop, China's civil aviation industry had a good performance. In the first half of 2013, China's civil aviation industry has registered total transport turnover volume of 31.871 billion ton-kilometers, passenger traffic volume of 168 million people (person-time) and cargo traffic volume of 2,625,000 tons, representing an increase of 10.4%, 11% and 3% respectively. The number of transport aircrafts in the industry reached 2,035, 94 more as compared to the number at the end of 2012, representing an increase of 5.6% as compared to the corresponding period of last year. RMB23 billion was invested in fixed assets. Six airport construction projects have been completed while nine have been launched. 510,000 flights completed flight time of 270,000 hours. 18 new general aviation companies have been established, with 74 more general aircrafts as compared to the number by the end of 2012.

In January 2013, the State Council of the PRC released the *Plan on the Division of Key Tasks on Promoting the Development of the Civil Aviation Industry* (促進民航業發展重點工作分工方案), which has provided more detailed explanation and division of work concerning objectives and tasks related to items in 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) announced by the State Council in July 2012. Such measures will definitely promote the development of China's civil aviation industry vigorously.

The Company will closely monitor the development of the civil aviation industry in China in the second half of 2013, prepare for any uncertainties in the industry and in-depthly study national policies with a view to attract additional transport capacity from airlines to further consolidate the position of Meilan Airport among major airports in China. The Company will maintain the safe operation of the airport while expanding its operations.

## *Hainan and Tourism in Northern Hainan (“Qiongbei”)*

In the first half of 2013, the tourism industry in Hainan has maintained strong momentum of growth. By the end of June, the total number of domestic and foreign overnight visitors to Hainan reached 16,974,700, representing an increase of 8.9% as compared to the corresponding period of last year. The total revenue from tourism amounted to RMB18.105 billion, representing an increase of 16.5% as compared to the corresponding period of last year. Since it has become a national strategy to develop Hainan into an international tourist island in the end of 2009, tourism industry in Hainan has grown rapidly with notable increase in the number of tourists to Hainan. From 2010 to 2012, the average annual growth rate of overnight visitors to Hainan reached 13.8%. According to the sample survey of 4,000 tourists to Hainan conducted by Hainan Provincial Bureau of Statistics, tourists are relatively satisfied with the consumption of tourism accommodation and transportation in Hainan and 68% of them expressed strong will to visit Hainan again.

In the first half of 2013, there were 75,700 overnight tourists from Taiwan who visited Hainan, making Taiwan surpass Russia as the largest source region of inbound tourists. The Ministry of Public Security of the PRC has authorized Hainan Entry and Exit Administration to issue the 5-year Mainland Travel Permit for Taiwan Residents since 1 July 2013, which has greatly facilitated Taiwan tourists' visit to Hainan and given a strong boost to the rapid growth of inbound tourists to Hainan.

The rapid growth of Hainan tourism industry is largely attributed to the strong support of the local government. In the first half of 2013, the Hainan government has launched a comprehensive improvement on local tourist markets to build integrity and credibility in the tourist industry environment. At the same time, it also promoted Hainan and its tourist resources to Canada, Kazakhstan and domestic cities such as Shanghai and Zhengzhou. These efforts have produced fruitful results.

In the first half of 2013, Qiongbei Tourist Cooperation Organization announced its global promotion campaign for Haikou (Qiongbei) tourist image and products. Led by Haikou Tourism Development Commission, local tourist enterprises jointly went to Guangzhou, Nanning, Shanghai, Taiwan and South Korea to host a series of special tourist promotion events and to introduce ten categories of tourist products under the theme of Know about Haikou, Eat in Haikou and Fall in Love with Haikou. After China (Haikou) Yachting Industry Forum and International Yachting Exhibition was held in Haikou on 10 May 2013, relevant departments began to formulate *Plans on Qiongbei Marine Leisure Tourism* (瓊北海上休閒旅遊規劃) to promote the transformation and upgrading of the tourism in Qiongbei. Meanwhile, Haikou Tourism Development Commission also organized aviation tourist information sharing meeting to strengthen the cooperation between airlines and tourist enterprises to expand and strengthen the tourism in Qiongbei.

In the first half of 2013, there were 7,667,400 domestic and foreign overnight tourists who visited eight cities and counties in Qiongbei, accounting for 45.2% of the total overnight tourists in Hainan. The number of tourists in Qiongbei increased by 11.8% over the corresponding period of last year, exceeding the growth rate of 8.9% of the whole Hainan province. 4,654,900 overnight tourists visited Haikou, achieving total tourism revenue of RMB5.326 billion.

A group of key tourism projects with a total investment of tens of billions of RMB are under construction and gradually put into use. These projects include: Hainan Wenchang Space Theme Park (海南文昌航天主題公園), Port of Haikou (海口港) which is the only designated departure port for Xisha tourist route, Changying Hainan Century City (長影海南世紀影城), Huayi Brothers, Feng Xiao Gang Movie-Themed Town (華誼馮小剛電影公社), Mission Hill Tourist Town, Hainan Tropical Wildlife Park and Botanic Garden, the development of Dong Zhai Gang Mangrove Eco-tourist Zone, the first phase of volcano cluster national geopark and renovation of arcaded old streets. Meanwhile, the first phase of Haikou Mission Hill Duty Free Shop will be completed in 2013. These projects will create a unique scenic cluster in Haikou, greatly increase the quality and attractiveness of tourism in Haikou and form a strong complementary with the tropical seaside resort tourism in Sanya.

### ***Key Tourism Projects in Hainan***

In the first half of 2013, the local government in Hainan has continued to promote key tourism projects vigorously. These projects include:

Hainan Wenchang Satellite Launching Center project, with a total investment of RMB6 billion, is expected to be invested by RMB2.5 billion in 2013 so that the site can be used for simulated launching exercise at the end of 2013 and for the first launch of the satellite and the rocket in 2014. It is estimated that 150,000 tourists will watch the launch of every rocket on-site;

The construction of the main body of the marine theme park located in Lingshui, Hainan, with a total investment of RMB6.5 billion, is in full swing. RMB1.2 billion is planned to be invested in this project in 2013;

The main structure of hotels of Haitang Bay International Shopping Centre, with a total investment of RMB3.37 billion, is under construction. The commercial area is expected to be completed by March 2014. RMB800 million is planned to be invested in this project in 2013;

The project of Changying Hainan Century City located in Haikou, with a total investment of RMB12 billion, is at the stage of land acquisition. RMB300 million is planned to be invested in this project in 2013;

Tourist routes to Sansha which have attracted worldwide attention was opened on 28 April 2013. With its abundant tourist resources and long-term commitment of the local government to the tourist market, tourism in Sansha will display its unique glamour.

The completion of these key tourism projects will inject new vitality to tourism in Hainan and change the situation where most of the tourist attractions concentrate in the southern part of Hainan.

### ***Offshore Duty Free Shop***

During the six months ended 30 June 2013, the Meilan Airport Offshore Duty Free Shop has achieved sales revenue of RMB283.55 million, up by 50.22% over the corresponding period of last year. There were 186,782 total customers and 504,394 sold products during the aforementioned period, representing an increase of 5.8% and 6.9% respectively over the corresponding period of last year.

The current operating area of the Meilan Airport Offshore Duty Free Shop is 3,632 m<sup>2</sup>. The ongoing third phase construction will provide additional floor space of approximately 1,130 m<sup>2</sup>. It is planned that after the new area is opened in November 2013, another approximately 1,400 m<sup>2</sup> of area will be renovated, adding up to a combined renovated and expanded area of approximately 2,530 m<sup>2</sup> under the third phase construction for the Meilan Airport Offshore Duty Free Shop. It is estimated that the total operating area of the Meilan Airport Offshore Duty Free Shop will reach 10,000 m<sup>2</sup> by 2015.

The notable growth of sales revenue of the Meilan Airport Offshore Duty Free Shop is not only attributed to the expansion of its operating area but also to the strong support of national duty free policy. After the new offshore duty free policy took effect on 1 November 2012, the cap value for each person per purchase of duty free products has risen to RMB8,000 and the categories of duty free products have increased. Such adjustment has strongly promoted the duty free shopping industry in Hainan. In the first half of 2013, the total value of duty free products priced over RMB8,000 in two duty free shops in Hainan amounted to RMB279 million, up by 240% over the corresponding period of last year.

The construction of Haikou Mission Hill Duty Free Shop goes on smoothly. It is located in the Lan Kwai Fong complex, covering an area of almost 100,000 m<sup>2</sup> with a total investment of more than ten billions of RMB. This project spans two phases. The first phase of the 10,000 m<sup>2</sup> commercial area will be opened for business by the end of December 2013. With more than 21 categories of duty free products, it will provide customers with comprehensive and world-class shopping experience.

At the same time, Sanya Duty Free Shop has witnessed hot selling scenes. Sales volume of Sanya shop reached RMB1.48 billion and the number of sold products grew to 1.843 million in the first half of 2013, up by 49% and 28% respectively over the corresponding period of last year.

The duty free shopping industry in Hainan has become a beautiful name card of the province. It has improved the public recognition of Hainan, and driven the growth of consumption in tourist shopping. It has also contributed to the steady growth of passenger traffic in Haikou Meilan International Airport.

### ***Transportation Inside the Island***

Hainan West Ring High-speed Railway is planned with a total investment of RMB27.1 billion, RMB2 billion of which will be in place in 2013. The section from Sanya to Phoenix International Airport is under construction. The section from Phoenix International Airport to Haikou is in the process of land acquisition and construction of which will strive to get started in 2013.

The pre-stage work of key highway projects in Hainan has sped up. The project of highway connecting Tunchang and Qiongzong has a total investment of RMB3.4 billion. Up until now, the cumulative realized investment has reached RMB1.58 billion and RMB1 billion is planned to be invested in 2013. It is expected to be open to traffic by 2014. The feasibility study report of the central highway project connecting Qiongzong, Wuzhishan and Ledong has been approved by experts in the initial review and will be submitted to the National Development and Reform Commission for further approval. Feasibility study reports and relevant special reports with regard to the construction of Wenchang-Qionghai highway and the highway connecting Wanning, Danzhou and Yangpu have been completed.



Boao Airport in Qionghai enjoys a total investment of RMB1.126 billion. The general plan has been approved in May 2013. It is expected that RMB400 million will be invested in 2013. The initial design plan for the airfield area has been completed, while the construction of the infrastructure in the settlement area has kicked off, marking Boao Airport's entry into the construction stage.

## **Business and Revenue Review**

### *Overview*

In the first half of 2013, the Group continued to improve the construction of its safety protection system, so as to maintain a safe and stable environment for the operation of Meilan Airport. During this period, the Group has also successfully fulfilled the transport security tasks for many China's national events including the National People's Congress, the Chinese People's Political Consultative Conference and the Boao Forum for Asia Annual Conference and was highly praised by the public.

With the aim to be recognized as a five-star airport by SKYTRAX, the Group has strengthened the service performance evaluation in all its units, and set up five "five-star positions" in external opening units to promote brand building. In the first half of 2013, the Company has received 11 awards (3 international awards, 2 state-level awards, 2 province-level awards and 4 others) including "Award for Best Airport Operations".

In the first half of 2013, Haikou Meilan International Airport received an international Carbon-Value Award, namely "China Green Benefit Enterprise — Best Practice Award", during the 6th United Nations World Economic and Environment Conference for its dedication to a sustainable, low-carbon green-growth development strategy. Meilan Airport is the first enterprise to receive this award in the aviation industry. Based on our efforts in striving for five-star airport recognized by SKYTRAX, the Group will continue improving its service and intensifying brand-building.

In 2013, the Group has commenced comprehensive intelligence construction of the airport through formulating the plans for intelligent airport construction, arranging and evaluating the projects to be executed in the upcoming three years. Completed projects in the first half of the year include the upgrade of broadcasting system at Haikou Meilan International Airport and tax-free partner system; great breakthroughs were made in major projects construction process, including upgrade of flight information display system, Best Airport and self-serviced check-in system. In a service quality survey conducted by the Consumer Affairs Center of the Civil Aviation Administration of China in 2013, our efforts have been highly recognized.

Thanks to the Group's active communication and boosting, the international terminal of Meilan Airport has passed architectural, environmental and lightening protection inspection procedures, and has been put into operation since 14 August 2013. The construction of West Gallery Expansion has also commenced in August 2013.

Apart from regular condolence visits on holidays and festivals, the Company has also initiated various cultural and sports activities such as outdoor development, country hikes and recreational sports games to enhance the cohesion and relation between staffs, so as to lay a solid foundation for creating a stable and united team.

### *Aeronautical Business Overview*

With overall recovery of the civil aviation industry, favourable policy, China's development of Hainan Island into an international tourist island, and offshore tax-free policy, passenger throughput of Haikou Meilan International Airport exceeded 10,000,000 for two consecutive years in 2011 and 2012. In the first half of 2013, it continued to strengthen its development in major aviation markets. Its Development methods include strengthening communication with local governments, actively revising and fine-tuning passenger incentives and attracting more airlines to increase capacity. It has also strived to drive the mutual development of tourism industry and air passenger market through engaging in tourism development of Qiongbai, integrating the resources in and around Haikou and appealing to tourists outside the island.

By the first half of 2013, Haikou Meilan International Airport has 106 aviation routes in operation, including 100 domestic routes, 3 regional routes and 3 international routes. It has flights to 70 destinations, including 65 domestic cities, 3 regional cities and 2 international cities. There are 26 airlines operating in this airport, including 18 domestic airlines, 5 regional airlines and 3 international airlines. At the turn of the 2013 summer flight season, Haikou Meilan International Airport has 17 new aviation routes as compared to the corresponding period in 2012. Overall flight execution rate stands at around 90% and passenger throughput grew over 21% as compared to summer flight season in 2012.

The international terminal building of Haikou Meilan International Airport has been put into use after an opening ceremony on 14 August 2013, dedicated to serving international flights. This further improves the hardware facilities of Meilan Airport and will therefore add more appeal to airlines. With the international terminal now in use, Haikou Meilan International Airport will have better capacity to secure international flights and provide passengers with more convenient flight transit process, both of which will greatly enhance the airport's competitiveness in the international aviation market. The Haikou Meilan International Airport has taken an important step in the strategic development as a gateway to the world in southern China and an aviation hub in the region.

In the first half of 2013, the Group has established a professional marketing team to design targeted marketing strategies and objectives scientifically. The team has proactively expanded international (regional) aviation markets for the airport, by visiting internationally renowned airlines for route marketing, and exploring the opportunity of international flight chartering cooperation with travel agencies. Therefore, the international (regional) transportation volume of the Group reached a record high and the total international and regional passenger throughput for the six months ended 30 June 2013 was 233,300 people (person-time), representing an increase of 5.14% as compared to the corresponding period of last year. During the year, the Group proactively focused on planning flights to Seoul, South Korea, Berlin, Germany and Moscow, Russia, etc, in order to further increase passenger traffic volume.

Aviation traffic throughput of the Group for the first half of 2013 and comparison figures for the corresponding period of last year are set out below:

	1H 2013	1H 2012	Change (%)
<b>Aircraft movement (flights)</b>	<b>48,537</b>	44,066	10.15
In which: Domestic	<b>46,460</b>	42,010	10.59
International and regional	<b>2,077</b>	2,056	1.02
<b>Passenger throughput (headcount in ten thousand)</b>	<b>617.73</b>	548.66	12.59
In which: Domestic	<b>594.40</b>	526.47	12.90
International and regional	<b>23.33</b>	22.19	5.14
<b>Cargo throughput (tons)</b>	<b>106,173.60</b>	93,624.40	13.40
In which: Domestic	<b>102,838.90</b>	90,701.50	13.38
International and regional	<b>3,334.70</b>	2,922.90	14.09

The Group's revenue from aeronautical business for the six months ended 30 June 2013 amounted to RMB231,472,738, representing an increase of approximately 14.02% over the corresponding period of 2012. Details of the figures are as follows:

	Amount (RMB)	Change over the same period of 2012 (%)
Passenger charges	96,069,479	16.03
Aircraft movement fees and related charges	31,953,472	15.10
Airport fee (former airport construction fee)	72,347,425	12.22
Ground handling services income	<u>31,102,362</u>	<u>11.16</u>
<b>Total revenue from aeronautical business</b>	<b><u>231,472,738</u></b>	<b><u>14.02</u></b>

Airport fee represents the Civil Airport Construction Fee and Civil Aviation Development Fund, which is expected to be recovered from government. Pursuant to the *Provisional Measures for the Collection, Use and Management of the Civil Aviation Development Fund* (民航發展基金徵收使用管理暫行辦法), promulgated by the Ministry of Finance of the PRC, the former Airport Construction Fee and Civil Aviation Infrastructure Construction Fund have been collectively replaced by the Civil Aviation Development Fund since 1 April 2012, which will be in effect until 31 December 2015. According to the *Notice Regarding the Grant of Subsidy of Civil Aviation Development Fund to Haikou Meilan Airport Co., Ltd.* (關於下達海口美蘭機場股份公司民航發展基金補貼的通知) issued by Civil Aviation Administration of China (“CAAC”) on 11 April 2012, the previous subsidies of airport construction

fee refund granted to the Group have been replaced by the subsidies of Civil Aviation Development Fund correspondingly. The charge rates of the airport fee were determined by CAAC. Given the basically same nature and refund method of both subsidies, and the actual refund rate of the airport construction fee was 48% since 2008, the Group has recognised the refund of Civil Aviation Development Fund at a rate of 48% for the period according to the best estimates made by the management, as the Group did not receive any notice of changing the refund percentage of the airport fee.

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

In the first half of 2013, driven by favourable factors such as the continuing growth in transportation volume and the satisfying operating performance of the Meilan Airport Offshore Duty Free Shop, 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 revenue of RMB172,821,653 for the six months ended 30 June 2013, representing an increase of 14.00% as compared to the corresponding period of 2012.

	<b>Amount</b> (RMB)	<b>Change over the same period of 2012</b> (%)
Franchise income	78,844,027	6.06
Rental	16,718,263	25.28
Freight and packing	43,200,664	18.37
Car parking	6,362,792	29.27
VIP room charge	17,289,986	21.75
Others	<u>10,405,921</u>	<u>25.46</u>
<b>Total revenue from non-aeronautical businesses</b>	<b><u>172,821,653</u></b>	<b><u>14.00</u></b>

### ***Franchise Income***

In the first half of 2013, the franchise income of the Group amounted to RMB78,844,027, representing an increase of 6.06% as compared to the corresponding period of last year. The increase was mainly attributable to the sales growth of the Meilan Airport Offshore Duty Free Shop, which contributes to the increasing franchise income of the Company.

### *Rental Income*

In the first half of 2013, the rental income of the Group amounted to RMB16,718,263, representing an increase of 25.28% as compared to the corresponding period of last year. The substantial increase in rental income of the terminal building was mainly attributable to strategic planning and utilisation of the spaces in terminal building in accordance with its actual situation, thus attracting more tenants even with concurrent increase of rental fees.

### *VIP Room Income*

In the first half of 2013, the VIP room service income of the Group amounted to RMB17,289,986, representing an increase of 21.75% as compared to the corresponding period of last year. The increase was mainly attributable to the increase in reception volume of VIP room services as a result of higher service quality and larger passenger volume, as well as various marketing strategies such as adding service items adopted by the Company.

### *Freight and Packing Income*

In the first half of 2013, the volume and income of freight and packing business continued to grow as a result of managing sales according to route and category, enhancing sales cooperation with airlines, adjusting some charging items and adding charging service items so as to further discover sales growth points. For the six months ended 30 June 2013, the freight and packing income of the Group amounted to RMB43,200,664, representing an increase of 18.37% as compared to the corresponding period of last year.

### *Parking Income*

In the first half of 2013, the car parking income of the Group amounted to RMB6,362,792, representing an increase of 29.27% as compared to the corresponding period of last year. The increase was mainly attributable to the Company's efforts including integrating parking resources, improving management system of toll facilities and equipment in car parks and raising the parking fees.

### *Progress of Acquisitions*

According to the Company's announcement dated 8 April 2010, the circular dated 13 May 2010 and disclosures on Page 8 of its interim report of 2012, the Company announced that it had entered into a conditional share transfer agreement with HNA Group Company Limited ("HNA Group") and Kingward Investment Limited ("Kingward Investment") respectively for the acquisition of 54.5% of the issued share capital of HNA Airport Holding (Group) Company Ltd. ("HNA Airport Holding") at a total consideration of RMB2,199,900,000. HNA Group and Kingward Investment respectively owned 30% and 24.5% of the equity interest of HNA Airport Holding. In early 2011, the Company completed the acquisition of the 24.5% of equity interest of HNA Airport Holding held by Kingward Investment with its own funds and bank borrowings upon satisfaction of all conditions precedent to the acquisition.

The Company originally intended to finance the acquisition of the 30% of equity interest of HNA Airport Holding held by HNA Group with the proceeds from the proposed issue of A shares in the PRC. One of the conditions precedent to such acquisition was that the Company has obtained the official approval for the issue of A shares from the relevant authority or department and such issue 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 HNA Group Agreement (“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 Holding held by HNA Group. The Board hereby notified the shareholders and potential investors of the Company that there is no new information about the acquisition. Upon arriving at any new agreement or supplemental agreement, the Company will submit a proposal to the Board and the general meeting of shareholders of the Company, and it will make timely disclosure pursuant to the requirements under the Listing Rules when unanimous consent is obtained in relation to the agreement.

## **Financial Review**

### **1. *Asset Analysis***

As at 30 June 2013, total assets of the Group amounted to RMB3,904,551,352, of which RMB1,358,728,963 were current assets and RMB2,545,822,389 were non-current assets. The total assets increased by 0.96% over those as at 31 December 2012.

### **2. *Cost and Expense Analysis***

In the first half of 2013, the Group’s operating expenses amounted to RMB137,785,956, and the general and administrative expenses amounted to RMB23,343,220, totaling RMB161,129,176, which represents an increase of 6.28% as compared to the corresponding period of last year. The increase in costs and expenses was mainly attributable to:

- (1) an increase of RMB7,795,513 in employee benefits as the staff headcount increased.
- (2) an increase of RMB2,975,285 in airline subsidy cost of the period, as the Company enhanced its aviation market development and airlines increased their transport capacity in our airport;
- (3) an increase of RMB1,701,230 in utilities as a result of the increase in electricity usage due to the extended service time of the central air-conditioning according to relevant standards, for the need of brand building by the Company;

In the first half of 2013, the Group’s finance expenses amounted to RMB21,847,004, which is flat as compared to that in the same period of 2012.

### **3. *Gearing Ratio***

As at 30 June 2013, the Group had total current assets of RMB1,358,728,963, total assets of RMB3,904,551,352, total current liabilities of RMB314,117,450 and total liabilities of RMB1,338,696,168. As at 30 June 2013, the Group's gearing ratio (total liabilities/total assets) was 34.29%, representing a decrease of 2.64% as compared to that as at 31 December 2012, as the Company repaid the borrowings of US\$9,000,000 to China Development Bank during the period.

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

The Group obtained a long-term borrowing of US\$72,500,000 from China Development Bank. Such borrowing was pledged by 24.5% equity interest in HNA Airport Holding held by the Group. As at 30 June 2013, the balance of such outstanding borrowing was US\$53,993,475 (equivalent to RMB333,609,484).

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

As at 30 June 2013, the total issued share capital of the Company was RMB473,213,000. The Group still has bank borrowing in the amount of US\$53,993,475 which is subject to the 3-month Libor +3.4% interest rate.

### **6. *Significant Investments Held and their Performance***

As at 30 June 2013, the Company held 24.5% equity interest in HNA Airport Holding. In the first half of 2013, HNA Airport Holding recorded a net profit attributable to the parent company in the amount of RMB57,258,122 (unaudited), and investment income of the Company was RMB14,028,240.

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

As at 30 June 2013, the Company has no new material acquisitions and disposals.

### **8. *Employees and Remuneration Policy***

As at 30 June 2013, the Group had a total of 707 employees, representing an increase of 144 employees as compared to 563 employees at the beginning of the year. The increase in number of employees was mainly due to normal staff recruitment. Employees of the Group 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 evaluation of their performance. All benefits are rewards for the efforts contributed by the individuals. For the six months ended 30 June 2013, the Group's total staff cost accounted for approximately 10.43% of its total turnover. The staff cost increased by 22.68% over the corresponding period of 2012, which was mainly due to the increase in the number of employees.

## **9. *Entrusted Deposits and Overdue Fixed Deposits***

As at 30 June 2013, the Group did not have any entrusted deposits and overdue fixed deposits.

## **10. *Contingent Liabilities***

As at 30 June 2013, the Group did not have any material contingent liabilities.

## **11. *Exposure to Foreign Exchange Risks***

The business of the Group is mainly settled in RMB, except for parts of the aeronautical revenue, equipment purchase and consultation fee payment which are settled in US dollar or HK dollar. The dividend of H shareholders is declared in RMB and paid in HK dollar. According to the overall purchase plan of the 24.5% interest in HNA Airport Holding, the Group will repay the interest and principal of the loan balance in the amount of US\$53,993,475 from China Development Bank in connection with the equity acquisition. Therefore, the exchange rate fluctuation of RMB against US dollar will affect the financial performance of the Group.

## **12. *Interest Rate Risk***

Except for the fixed-interest-rate corporate bonds, the Group has bank borrowings from China Development Bank with the balance of US\$53,993,475. Changes of the Libor will affect the Group's interest expenses and financial 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 2012 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 2013, with a strong demand for global passenger transport and the continuous declining of oil prices, the prospects for the global aeronautical market are promising on the whole, while the financial performance of the world's major airlines is gradually improving. In early 2013, the International Air Transport Association (IATA) estimated the revenue of global aeronautical business to be US\$700 billion with profits of US\$12.7 billion in 2013, representing US\$2.1 billion more than the profit of US\$10.6 billion estimated in March 2013, and US\$7.6 billion more than the annual profit of 2012.



In 2012, China's aeronautical industry suffered heavy losses, with unsatisfactory indicators, a weak market demand and sluggish airline performance. Due to low base numbers, the growth rate of the total turnover will be greatly improved in 2013. But in the overall situation, due to increasing competitive pressures and the remaining uncertainty of the global economy, it is highly unlikely that there will be an explosive growth of market demand, which is to have "modest recovery" together with the economy as a whole. In general, as the domestic economy continues to improve while the consumption and investment gradually pick up, the supply-demand relationship of the aeronautical market is expected to improve to a certain extent, while there will be a slight increase in the benefit of air transport. Meanwhile, the Civil Aviation Administration (CAA) has approved the establishment preparation of local airlines, such as Qingdao Airlines and Ruili Airlines, which shows that the CAA welcomes newcomers. Thus, the enthusiasm for the establishment of local airlines with long idle capital by varied parties is likely to be aroused, which will be favourable news for the airport industry in a long term.

According to the Cai Shui No. 37 [2013], *Notice on the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries* (關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知) jointly issued by the Ministry of Finance and the State Administration of Taxation, the pilot program of levying value-added tax on the transportation industry and some modern service industries in lieu of business tax will be officially implemented in Hainan from August 1, 2013 onwards. This tax reform will have some impacts on the Group's future operating results and financial conditions. The Group will further strengthen communication with relevant government departments, actively seek appropriate policy support and make preparations correspondingly.

Therefore, the Group believes that in the second half of 2013, with the ongoing further advancing of the construction of Hainan International Tourism Island by Hainan Province and the continuous substantial expansion of tax-free industries, the international and domestic airlines of the Haikou Meilan Airport will run smoothly, with steady growth of annual passenger throughput volume as well as other major indicators. In terms of operations management, the Company will focus on process management and mitigation of core risks and implement the safety pre-warning mechanism and safety performance management in a comprehensive manner, while vigorously promoting 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 on the extraordinary general meeting to be held on Monday, 28 October 2013 to recommend the payment of an interim dividend of RMB0.098 per share (before tax) (the "2013 Interim Dividend") on or before Friday, 27 December 2013 to shareholders of the Company whose names appear on the Company's Register of Members on Tuesday, 5 November 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's Register of Members will be closed from Friday, 27 September 2013 to Monday, 28 October 2013, 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, 26 September 2013.

The Company's Register of Members will be closed from Friday, 1 November 2013 to Tuesday, 5 November 2013, during which time no transfer of shares will be registered. To qualify for receiving the distribution of 2013 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 Thursday, 31 October 2013. After the approval is granted at the extraordinary general meeting, the Company will distribute the 2013 Interim Dividend on 27 December 2013.

## **MATERIAL LITIGATION OR ARBITRATION**

The Company had no material litigation or arbitration from 1 January 2013 to 30 June 2013.

## **OTHER INFORMATION**

### **Change of Directors**

The Board of the Company comprises eleven directors. During the period from 1 January 2013 to 30 June 2013, changes in the directorship of the Company are as follows:

Mr. Liu Lu and Ms. Xing Xihong both resigned as the Company's Executive Director due to job re-designation reasons, with effect from 4 March 2013. Mr. Zhang Han'an also resigned as the Company's Non-executive Director on 27 May 2013. At the same time, the Company's Nomination Committee recommended Mr. Yang Xiaobin and Mr. Yang Xuqiang to replace Mr. Liu Lu and Ms. Xing Xihong as the Company's Executive Directors, and Mr. Wang Zhen to replace Mr. Zhang Han'an as the Company's Executive Director.

Mr. Yang Xiaobin officially became an Executive Director on 4 March 2013 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 4 March 2013.

Mr. Yang Xuqiang officially became an Executive Director on 4 March 2013 for a term of three years. This was approved and ratified in the extraordinary general meeting held on 4 March 2013.

Mr. Wang Zhen officially became an Executive Director on 27 May 2013 for a term of three years. This was approved and ratified in the annual general meeting held on 27 May 2013.

## **Change of Members in Sub-committees of the Board**

Since Ms. Xing Xihong no longer served as an Executive Director of the Company, she no longer served as a member of the remuneration committee of the Board of the Company correspondingly. Mr. Yang Xuqiang replaced Ms. Xing Xihong as a remuneration committee member, with effect from 19 March 2013.

## **Change of Senior Management**

In order to regulate the operation of the Company, maintain balance of power and responsibility between the Company's Board and the senior management, and the respective powers and functions of the chairman and the president, Liang Jun, who was originally the chairman and president, resigned as the president; and Mr. Yang Xiaobin was appointed the president of the Company in place of Liang Jun with effect from 19 March 2013. This was approved in the 2nd meeting of the Fifth Session of the Board on 19 March 2013.

Based the Company's actual needs, Mr. Zhang Peihua was appointed as the vice president and chief financial officer of the Company, with effect from 19 March 2013. This was approved in the 2nd meeting of the Fifth Session of the Board on 19 March 2013.

Based on the Company's actual needs, Mr. Wu Jian was appointed as a new vice president of the Company with effect from 19 March 2013. This was approved in the 2nd meeting of the Fifth Session of the Board on 19 March 2013.

Based on the Company's actual needs, Mr. Wang Zhen officially became the vice chairman of the Company, with effect from 27 May 2013. This was approved in the 3rd meeting of the Fifth Session of the Board on 27 May 2013.

Based on the Company's actual needs, Mr. Xing Zhoujin was re-appointed as the secretary of the Board. This was approved in the 3rd meeting of the Fifth Session of the Board on 27 May 2013.

## **Directors' Remuneration**

As of 30 June 2013, 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 2012.

Mr. Liu Lu (Executive Director) waived 2012 remuneration of RMB28,342;

Mr. Liang Jun (Executive Director) waived 2012 remuneration of RMB70,000;

Mr. Dong Zhanbin (former Executive Director) waived 2012 remuneration of RMB41,658;

Ms. Xing Xihong (Executive Director) waived 2012 remuneration of RMB70,000;

Mr. Hu Wentai (Non-executive Director) waived 2012 remuneration of RMB50,000;

Mr. Zhang Han'an (Non-executive Director) waived 2012 remuneration of RMB50,000.

### **Supervisors' Remuneration**

Mr. Dong Guiguo (Chairman of the Supervisory Committee) waived 2012 remuneration of RMB20,000;

Mr. Han Aimin (Supervisor) waived 2012 remuneration of RMB20,000.

### **Company Secretary's Remuneration**

Mr. Xing Zhoujin (Company Secretary) waived 2012 remuneration of RMB30,000.

Meanwhile, the Company held the 2012 Annual General Meeting on 27 May 2013, where the "Resolution in Relation to the Remuneration Packages for the Directors and Supervisors of the Company in 2013" was considered and approved. It provided that Directors and Supervisors nominated by connected parties would not enjoy allowance for holding the position from the year 2013.

### **Share Capital Structure**

As at 30 June 2013, the total number of issued shares of the Company was 473,213,000 as follows:

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

## Substantial Shareholders

As at 30 June 2013, 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:

### Long Position in 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 (Note 1)	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 (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Zhang Zhiping (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Financial Services Group Limited (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Financial Group Limited (Note 2)	Interest of controlled corporation	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	6.93%
Oriental Patron Resources Investment Limited (Note 2)	Beneficial interest	94,343,000 (L)	41.58%	19.94%
		32,788,500 (S)	14.45%	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> )	Person having a security interest in shares and controlled corporate interest	29,326,400 (L)	12.92%	6.20%
		43,000 (S)	0.02%	0.01%
ARC Capital Holdings Limited ( <i>Note 4</i> )	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
ARC Capital Partners Limited ( <i>Note 4</i> )	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Asia Opportunity Fund L.P ( <i>Note 4</i> )	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Equity Partners Limited ( <i>Note 4</i> )	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Asset Management Limited ( <i>Note 4</i> )	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Holdings Limited ( <i>Note 4</i> )	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Limited ( <i>Note 4</i> )	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Investment Management Limited ( <i>Note 4</i> )	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Walden Ventures Limited ( <i>Note 4</i> )	Beneficial owner and person having a security interest in shares	98,365,500 (L)	43.35%	20.79%
Greenwoods Asset Management Limited ( <i>Note 5</i> )	Investment manager	11,686,000 (L)	5.15%	2.47%

*Notes:*

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Zhang Gaobo was holding 49.19% 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 29,326,400 shares in the Company, UBS AG was deemed to hold 2,384,000 shares through its security interest in those shares and was deemed to have equity interest in 26,727,400 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 19,128,100 shares, 3,584,300 shares and 4,015,000 shares in the Company, respectively).
4. 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.

5. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited, which in turn was held by Jiang Jinzhi. Greenwoods Asset Management Limited holds 11,686,000 in the capacity of investment manager.
6. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2013, 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 2013, 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 Issuers ("Model Code") 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 2013.

## **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 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 2013.

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

As at 30 June 2013, there were four Independent Non-executive Directors in the Board. As at 30 June 2013, 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

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 with 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 2013.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to complying with all the rules prescribed by China Securities Regulatory Commission and the Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2013, the Company had complied with the code provisions of the Code on 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 improving its governance and enhancing its transparency to shareholders.

## THE BOARD

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

### *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*

29 August 2013

Haikou, the PRC