



海南美蘭國際機場股份有限公司

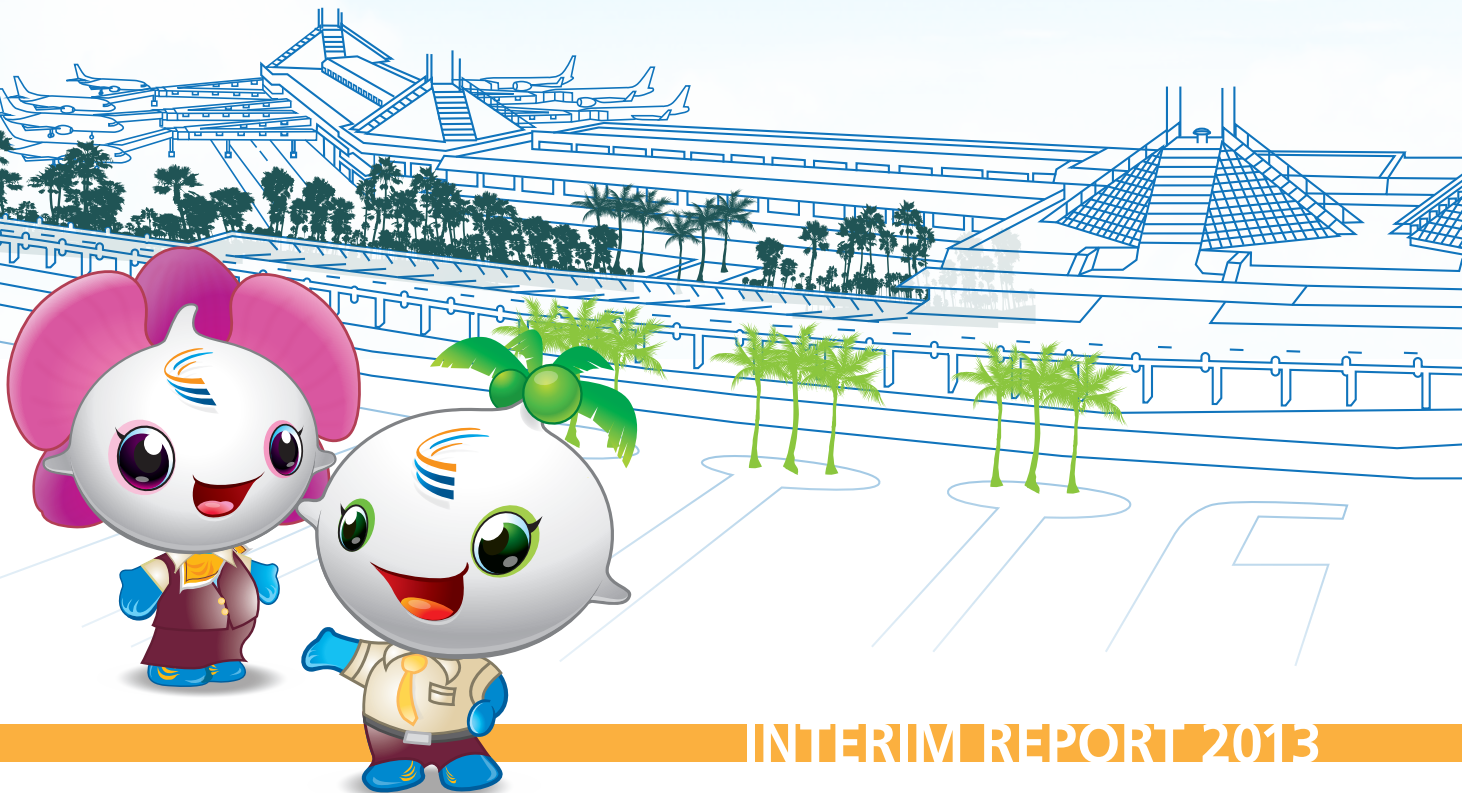
HAINAN MEILAN INTERNATIONAL AIRPORT COMPANY LIMITED

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

Stock Code : 0357

Reaching HIGHER with Service Excellence

星美蘭·馨服務



INTERIM REPORT 2013



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Corporate Information

CHINESE NAME

海南美蘭國際機場股份有限公司

ENGLISH NAME

Hainan Meilan International Airport Company Limited

COMPANY WEBSITE

www.mlairport.com

EXECUTIVE DIRECTORS

Liang Jun, Chairman
Wang Zhen, Vice Chairman
Yang Xiaobin, General Manager
Yang Xuqiang, Deputy General Manager

NON-EXECUTIVE DIRECTORS

Hu Wentai, Vice Chairman
Chan Nap Kee, Joseph
Yan Xiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Bailing
Fung Ching, Simon
George F. Meng
Feng Da'an

SUPERVISORS

Dong Guiguo, Chairman
Zhang Shusheng
Han Aimin

COMPANY SECRETARY

Xing Zhoujin

AUTHORISED REPRESENTATIVES

Liang Jun
Xing Zhoujin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Feng Da'an, Chairman
Fung Ching, Simon
Yang Xuqiang

NOMINATION COMMITTEE

Xu Bailing, Chairman
Feng Da'an
Liang Jun

STRATEGIC COMMITTEE

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



Corporate Information

LEGAL ADDRESS AND HEAD OFFICE

Office Building of Meilan Airport
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Hainan Province, the PRC

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STOCK CODE

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Financial Highlights

The board of directors (the “Board”) of Hainan Meilan International Airport Company Limited (“Meilan Airport” or the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the operating conditions, the unaudited financial results of the Company for the six months ended 30 June 2013, which have been reviewed by the audit committee of the Company (the “Audit Committee”), and the prospects for the second half of the year 2013.

FINANCIAL HIGHLIGHTS

(RMB'000)	As at 30 June 2013	As at 30 June 2012	Changes (%)
Turnover	404,294	354,604	14.01
Gross profit	252,113	230,378	9.43
Net profit attributable to shareholders	188,255	156,489	20.30
Earnings per share-basic (RMB)	0.40	0.33	21.21
Net operating cash flow	206,013	230,435	-10.60
EBITDA	281,960	236,211	19.37

(RMB'000)	As at 30 June 2013	As at 31 December 2012	Changes (%)
Total assets	3,904,551	3,867,245	0.96
Total liabilities	1,338,696	1,428,049	-6.26
Total equity	2,565,855	2,439,196	5.19
Current ratio	4.33	3.83	13.05
Gearing ratio	34.29%	36.93%	-2.64



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.



Management Discussion and Analysis

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 authorised 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 organised 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.



Management Discussion and Analysis

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 m². The ongoing third phase construction will provide additional floor space of approximately 1,130 m². It is planned that after the new area is opened in November 2013, another approximately 1,400 m² of area will be renovated, adding up to a combined renovated and expanded area of approximately 2,530 m² 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 m² by 2015.



Management Discussion and Analysis

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 m² with a total investment of more than ten billions of RMB. This project spans two phases. The first phase of the 10,000 m² 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 realised 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.



Management Discussion and Analysis

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 recognised 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 recognised 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 (an automatic service terminal featuring guidance for airport service facilities, Internet, flight and hotel search) 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 recognised.

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.



Management Discussion and Analysis

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.



Management Discussion and Analysis

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 (%)
Aircraft movement (flights)	48,537	44,066	10.15
In which: Domestic	46,460	42,010	10.59
International and regional	2,077	2,056	1.02
Passenger throughput (headcount in ten thousand)	617.73	548.66	12.59
In which: Domestic	594.40	526.47	12.90
International and regional	23.33	22.19	5.14
Cargo throughput (tons)	106,173.60	93,624.40	13.40
In which: Domestic	102,838.90	90,701.50	13.38
International and regional	3,334.70	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	31,102,362	11.16
Total revenue from aeronautical business	231,472,738	14.02

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.



Management Discussion and Analysis

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.

	Amount (RMB)	Change over the same period of 2012 (%)
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	10,405,921	25.46
Total revenue from non-aeronautical businesses	172,821,653	14.00

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 increasing service items adopted by the Company.



Management Discussion and Analysis

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 increasing 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 which the Group intended to acquire/acquired. 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.



Management Discussion and Analysis

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's long-term borrowing of US\$72,500,000 from China Development Bank was secured by pledge of 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 had long-term bank borrowing in the amount of US\$53,993,475 which is subject to the 3-month Libor +3.4% interest rate.



Management Discussion and Analysis

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 its shareholders 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 should be responsible to 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 which bear interests at a floating rate. Changes of the Libor will affect the Group's interest expenses and financial results.



Management Discussion and Analysis

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 1 August 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.



Management Discussion and Analysis

INTERIM DIVIDEND

The Board of the Company has passed the resolution 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 which is subject to the approval by the extraordinary general meeting to be held on Monday, 28 October 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 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 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 and Vice Chairman on 27 May 2013 for a term of three years. These were approved and ratified in the annual general meeting held on 27 May 2013 and the 3rd meeting of the Fifth Session of the Board, respectively.

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, the chairman, 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. 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.



Other Information

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.



Other Information

SHARE CAPITAL STRUCTURE

As at 30 June 2013, 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	226,913,000	48%
Total issued shares	473,213,000	100%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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 the 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 (Note 1)	Beneficial	Corporate	237,500,000 (L)	96.43%	50.19%



Other Information

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) 32,788,500 (S)	41.58% 14.45%	19.94% 6.93%
Zhang Zhiping (Note 2)	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 (Note 2)	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 (Note 2)	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 (Note 2)	Beneficial interest	94,343,000 (L) 32,788,500 (S)	41.58% 14.45%	19.94% 6.93%
UBS AG (Note 3)	Person having a security interest in shares and controlled corporate interest	29,326,400 (L) 43,000 (S)	12.92% 0.02%	6.20% 0.01%
ARC Capital Holdings Limited (Note 4)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
ARC Capital Partners Limited (Note 4)	Investment manager	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Asia Opportunity Fund L.P (Note 4)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Equity Partners Limited (Note 4)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Asset Management Limited (Note 4)	Investment manager	98,365,500 (L)	43.35%	20.79%



Other Information

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Pacific Alliance Group Holdings Limited (Note 4)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Group Limited (Note 4)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Pacific Alliance Investment Management Limited (Note 4)	Interest of controlled corporation	98,365,500 (L)	43.35%	20.79%
Walden Ventures Limited (Note 4)	Beneficial owner and person having a security interest in shares	98,365,500 (L)	43.35%	20.79%
Greenwoods Asset Management Limited (Note 5)	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% interest in Oriental Patron Financial Group Limited. Zhang Zhiping was holding 51% interest in Oriental Patron Financial Group Limited. Oriental Patron Financial Group Limited was holding 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited as to 100% interest.
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.



Other Information

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.

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

Save as disclosed above, as of 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.



Other Information

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 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 2013.

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

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



Other Information

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 2013 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

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



Consolidated and Company's Balance Sheets

As at 30 June 2013

(All amounts in Renminbi ("RMB") unless otherwise stated)

ASSETS	Note(s)	30 June	31 December	30 June	31 December
		2013	2012	2013	2012
		Consolidated (Unaudited)	Consolidated (Audited)	Company (Unaudited)	Company (Audited)
Current assets					
Cash at bank and on hand	5(1),10(1)	1,230,808,076	1,207,561,423	1,212,829,042	1,199,935,519
Accounts receivable	5(2),10(2)	117,057,046	96,799,948	113,945,277	93,389,312
Advances to suppliers	5(3)	3,255,297	2,331,951	3,216,608	2,097,679
Other receivables	5(4),10(3)	6,625,089	2,970,111	10,528,897	6,955,133
Interest receivable		820,630	5,557,907	820,630	5,557,907
Inventories		130,834	16,401	130,834	16,401
Other current assets		31,991	31,991	—	—
Total current assets		1,358,728,963	1,315,269,732	1,341,471,288	1,307,951,951
Non-current assets					
Long-term equity investments	5(5),10(4)	1,114,835,722	1,100,807,482	1,126,263,547	1,112,235,307
Fixed assets	5(6),10(5)	841,927,416	858,272,009	838,409,018	855,323,649
Construction in progress	5(7),10(6)	2,057,882	1,400,000	2,057,882	1,400,000
Intangible assets	5(8),10(7)	142,493,930	144,075,524	142,493,930	144,075,524
Long-term prepaid expenses		—	4,186,725	—	4,186,725
Deferred tax assets	5(9)	5,146,239	3,872,680	5,146,239	3,872,680
Other non-current assets	5(3),7(7)	439,361,200	439,361,200	439,361,200	439,361,200
Total non-current assets		2,545,822,389	2,551,975,620	2,553,731,816	2,560,455,085
Total assets		3,904,551,352	3,867,245,352	3,895,203,104	3,868,407,036



Consolidated and Company's Balance Sheets

As at 30 June 2013

(All amounts in Renminbi ("RMB") unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note(s)	30 June 2013 Consolidated (Unaudited)	31 December 2012 Consolidated (Audited)	30 June 2013 Company (Unaudited)	31 December 2012 Company (Audited)
Current liabilities					
Accounts payable	5(10), 10(8)	9,774,831	7,247,254	9,774,831	7,247,254
Advances from customers	5(11)	7,426,813	15,086,286	7,364,912	15,024,385
Employee benefits payable	5(12)	50,978,104	50,912,367	46,775,561	48,014,815
Taxes payable	5(13)	13,392,302	19,987,066	10,602,754	18,198,034
Interest payable	5(14)	20,115,738	52,695,667	20,115,738	52,695,667
Dividends payable	5(15)	28,867,353	666,000	28,867,353	666,000
Other payables	5(16)	72,345,709	81,485,375	98,016,747	108,514,578
Current portion of non-current liabilities	5(17)	111,216,600	115,139,000	111,216,600	115,139,000
Total current liabilities		314,117,450	343,219,015	332,734,496	365,499,733
Non-current liabilities					
Long-term borrowings	5(17)	222,392,884	282,806,487	222,392,884	282,806,487
Corporate bonds	5(18)	791,815,834	791,253,935	791,815,834	791,253,935
Other non-current liabilities	5(19)	10,370,000	10,770,000	10,370,000	10,770,000
Total non-current liabilities		1,024,578,718	1,084,830,422	1,024,578,718	1,084,830,422
Total liabilities		1,338,696,168	1,428,049,437	1,357,313,214	1,450,330,155
Equity					
Share capital	5(20)	473,213,000	473,213,000	473,213,000	473,213,000
Capital reserves	5(21)	699,650,702	699,650,702	699,650,702	699,650,702
Surplus reserves	5(22)	246,394,231	246,394,231	246,394,231	246,394,231
Retained earnings	5(23)	1,126,589,394	1,003,637,763	1,118,631,957	998,818,948
Total capital and reserves attributable to shareholders of the Company		2,545,847,327	2,422,895,696	2,537,889,890	2,418,076,881
Minority interests	5(24)	20,007,857	16,300,219	—	—
Total equity		2,565,855,184	2,439,195,915	2,537,889,890	2,418,076,881
Total liabilities and equity		3,904,551,352	3,867,245,352	3,895,203,104	3,868,407,036

The accompanying notes form an integral part of these financial statements.

Legal representative:
Liang Jun

Person in charge of accounting function:
Zhang Peihua

Person in charge of accounting department:
Lin Xiaosai



Consolidated and Company's Income Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

	Note(s)	Six months ended			
		30 June 2013 Consolidated (Unaudited)	30 June 2012 Consolidated (Unaudited)	30 June 2013 Company (Unaudited)	30 June 2012 Company (Unaudited)
Revenue	5(25),10(9)	404,294,391	354,603,870	353,596,457	311,884,969
Less: Operating costs	5(25)	(137,785,956)	(111,486,833)	(102,875,000)	(83,162,131)
Taxes and surcharges	5(26)	(14,395,767)	(12,739,384)	(12,460,544)	(10,868,064)
General and administrative expenses	5(25)	(23,343,220)	(40,121,463)	(20,094,209)	(35,892,448)
Financial expenses — net	5(27),10(10)	(21,847,004)	(21,958,320)	(21,768,176)	(22,004,876)
Add: (Provision for)/reversal of asset impairment losses	5(28)	(2,706,756)	1,340,619	(1,985,750)	1,340,619
Investment income	5(29),10(11)	14,028,240	13,235,515	14,028,240	16,761,385
Including: Share of profit of an associate		14,028,240	12,568,396	14,028,240	12,568,396
Operating profit		218,243,928	182,874,004	208,441,018	178,059,454
Add: Non-operating income	5(30),10(12)	562,821	577,762	562,821	577,762
Less: Non-operating expenses		(150,272)	(315,180)	(150,272)	(92,566)
Including: Losses on disposal of non-current assets		(114,508)	(78,759)	(114,508)	(78,759)
Total profit		218,656,477	183,136,586	208,853,567	178,544,650
Less: Income tax expenses	5(31),10(13)	(26,693,814)	(23,765,931)	(23,737,164)	(20,799,549)
Net profit		191,962,663	159,370,655	185,116,403	157,745,101
Attributable to shareholders of the Company		188,255,025	156,489,207	185,116,403	157,745,101
Minority interests		3,707,638	2,881,448	—	—
Earnings per share					
Basic earnings per share	5(32)	0.40	0.33	N/A	N/A
Diluted earnings per share	5(32)	0.40	0.33	N/A	N/A
Other comprehensive income		—	—	—	—
Total comprehensive income		191,962,663	159,370,655	185,116,403	157,745,101
Attributable to shareholders of the Company		188,255,025	156,489,207	185,116,403	157,745,101
Minority interests		3,707,638	2,881,448	—	—

The accompanying notes form an integral part of these financial statements.

Legal representative:
Liang Jun

Person in charge of accounting function:
Zhang Peihua

Person in charge of accounting department:
Lin Xiaosai

Dividends	5(33)	46,374,800	80,446,210	46,374,800	80,446,210
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Consolidated and Company's Cash Flow Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

	Note(s)	Six months ended			
		30 June 2013 Consolidated (Unaudited)	30 June 2012 Consolidated (Unaudited)	30 June 2013 Company (Unaudited)	30 June 2012 Company (Unaudited)
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		373,671,064	389,087,454	323,395,269	342,854,312
Cash received relating to other operating activities		79,885,274	45,334,768	79,924,398	67,886,773
Sub-total of cash inflows		453,556,338	434,422,222	403,319,667	410,741,085
Cash paid for goods and services		(91,250,737)	(63,906,072)	(67,951,754)	(48,396,338)
Cash paid to and on behalf of employees		(44,044,298)	(36,409,550)	(31,164,031)	(25,138,915)
Payments of taxes and surcharges		(52,694,607)	(39,718,670)	(48,803,250)	(35,809,642)
Cash paid relating to other operating activities	5(34), 10(14)	(59,553,903)	(63,952,558)	(60,555,199)	(75,465,210)
Sub-total of cash outflows		(247,543,545)	(203,986,850)	(208,474,234)	(184,810,105)
Net cash flows from operating activities	5(34), 10(14)	206,012,793	230,435,372	194,845,433	225,930,980
Cash flows from investing activities					
Cash received from investment income		—	—	—	4,080,000
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		35,765	374,037	35,765	278,621
Cash received from disposal of a subsidiary		—	10,595,274	—	13,319,000
Sub-total of cash inflows		35,765	10,969,311	35,765	17,677,621
Cash paid to acquire fixed assets and intangible assets		(17,670,072)	(231,294,892)	(16,855,842)	(240,964,092)
Net cash paid for acquisition of subsidiaries and other business units		—	—	—	(5,100,000)
Cash paid relating to other investing activities		—	(4,354,050)	—	(4,354,050)
Sub-total of cash outflows		(17,670,072)	(235,648,942)	(16,855,842)	(250,418,142)
Net cash flows from investing activities		(17,634,307)	(224,679,631)	(16,820,077)	(232,740,521)



Consolidated and Company's Cash Flow Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

Note(s)	Six months ended			
	30 June 2013 Consolidated (Unaudited)	30 June 2012 Consolidated (Unaudited)	30 June 2013 Company (Unaudited)	30 June 2012 Company (Unaudited)
Cash flows from financing activities				
Cash received from capital contributions	—	4,900,000	—	—
Including: Cash received from capital contributions by minority shareholders of subsidiaries	—	4,900,000	—	—
Cash received from issuing debentures	—	790,400,000	—	790,400,000
Sub-total of cash inflows	—	795,300,000	—	790,400,000
Cash repayments of borrowings	(58,037,600)	(5,162,250)	(58,037,600)	(5,162,250)
Cash payments for distribution of dividends or profits and interest expenses	(107,225,274)	(13,043,042)	(107,225,274)	(9,123,042)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	—	(3,920,000)	—	—
Cash payments for other financing activities	—	(39,999)	—	(39,999)
Sub-total of cash outflows	(165,262,874)	(18,245,291)	(165,262,874)	(14,325,291)
Net cash flows from financing activities	(165,262,874)	777,054,709	(165,262,874)	776,074,709
Effect of foreign exchange rate changes on cash and cash equivalents	131,041	89,563	131,041	64,957
Net increase in cash and cash equivalents	23,246,653	782,900,013	12,893,523	769,330,125
Add: Cash and cash equivalents at beginning of the period	1,207,561,423	366,887,159	1,199,935,519	322,579,699
Cash and cash equivalents at end of the period	1,230,808,076	1,149,787,172	1,212,829,042	1,091,909,824

The accompanying notes form an integral part of these financial statements.

Legal representative:
Liang Jun

Person in charge of accounting function:
Zhang Peihua

Person in charge of accounting department:
Lin Xiaosai



Consolidated Statement of Changes in Equity

For the six month ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

Note(s)	Attributable to shareholders of the Company					Minority interest	Total equity
	Share capital	Capital reserves	Surplus reserves	Retained earnings			
	5(20)	5(21)	5(22)	5(23)	5(24)		
Balances at							
1 January 2012	473,213,000	699,484,654	216,748,099	815,766,996	10,432,215	2,215,644,964	
Disposal of a subsidiary	—	—	—	—	(665,888)	(665,888)	
Net profit	—	—	—	156,489,207	2,881,448	159,370,655	
Capital injected by minority shareholders	—	—	—	—	4,900,000	4,900,000	
Profit distributed to shareholders	5(23)	—	—	—	(3,920,000)	(3,920,000)	
Balances at							
30 June 2012	473,213,000	699,484,654	216,748,099	972,256,203	13,627,775	2,375,329,731	
Balances at							
1 January 2013	473,213,000	699,650,702	246,394,231	1,003,637,763	16,300,219	2,439,195,915	
Net profit	—	—	—	188,255,025	3,707,638	191,962,663	
Profit distributed to shareholders	5(23)	—	—	(65,303,394)	—	(65,303,394)	
Balances at							
30 June 2013	473,213,000	699,650,702	246,394,231	1,126,589,394	20,007,857	2,565,855,184	

The accompanying notes form an integral part of these financial statements.

Legal representative:
Liang Jun

Person in charge of accounting function:
Zhang Peihua

Person in charge of accounting department:
Lin Xiaosai



Company's Statement of Changes in Equity

For the six month ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

	Note(s)	Share capital	Capital reserves	Surplus reserves 5(22)	Retained earnings 5(23)	Total equity
Balances at 1 January 2012		473,213,000	699,484,654	216,748,099	812,449,967	2,201,895,720
Net profit		—	—	—	157,745,101	157,745,101
Balances at 30 June 2012		473,213,000	699,484,654	216,748,099	970,195,068	2,359,640,821
Balances at 1 January 2013		473,213,000	699,650,702	246,394,231	998,818,948	2,418,076,881
Net profit		—	—	—	185,116,403	185,116,403
Profit distributed to shareholders	5(23)	—	—	—	(65,303,394)	(65,303,394)
Balances at 30 June 2013		473,213,000	699,650,702	246,394,231	1,118,631,957	2,537,889,890

The accompanying notes form an integral part of these financial statements.

Legal representative:
Liang Jun

Person in charge of accounting function:
Zhang Peihua

Person in charge of accounting department:
Lin Xiaosai



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi (“RMB”) unless otherwise stated)

1 GENERAL INFORMATION

Hainan Meilan International Airport Company Limited (the “Company”) was established as a joint stock company with limited liability in the People’s Republic of China (the “PRC”) on 28 December 2000. The legal address and head office is at Haikou City, Hainan Province, the PRC. The Company’s H-shares have been listed on The Stock Exchange of Hong Kong Limited since 18 November 2002. The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the operation of the Meilan Airport in Hainan Province, the PRC (the “Meilan Airport”) and certain ancillary commercial businesses. The parent company and the ultimate holding company of the Company is Haikou Meilan Airport Co., Ltd. (“Haikou Meilan”), a state-owned enterprise established in the PRC with limited liability.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 August 2013.

These consolidated interim financial statements have not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

2.1 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”).

2.2 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2013 and of their financial performance, cash flows and other information for the six months then ended.

2.3 Accounting year

The Company’s accounting year starts on 1 January and ends on 31 December. The actual accounting period for these financial statements is the six months ended 30 June 2013 the six months ended 30 June 2012 is referred to as “the corresponding period last year”).

2.4 Recording currency

The recording currency is Renminbi (RMB).



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.5 Business Combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserves (share premium). If the capital reserves (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at the fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the period in which the acquisition is incurred. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred.

2.6 Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits or losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated balance sheet within equity and net profits respectively.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.8 Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

2.9 Financial instrument

(a) Financial assets

(i) *Classification of financial assets*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

The financial assets of the Group are receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) *Recognition and measurement*

Financial assets are recognised at fair value when the Group becomes a party to the contractual provisions of the financial instrument, and transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Receivables are subsequently measured at amortised cost using the effective interest method.

(iii) *Impairment of financial assets*

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.9 Financial instrument (Continued)

(a) Financial assets (Continued)

(iii) *Impairment of financial assets (Continued)*

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

(iv) *Derecognition of financial assets*

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: The financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise other financial liabilities, including payables, borrowings and corporate bonds.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and corporate bonds are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.10 Receivables

Receivables comprise accounts receivable, other receivables and interest receivable. Accounts receivable arising from rendering of services or sales of goods are initially recognised at fair value of the contractual payments from the service recipients or buyers.

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances. The Group uses ageing analysis method to make provision for impairment of receivables with amounts that are not individually significant.

2.11 Inventories

Inventories include food and spare parts, and are presented at the lower of cost and net realisable value. Cost is determined using the first in first out method. Provision for declines in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

2.12 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries and the Group's long-term equity investments in its associates.

Subsidiaries are all investees over which the Company is able to control. Associates are the investees that the Company has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determining initial investment cost

Long-term equity investments of the Group, which were acquired by payment in cash, are initially measured at the fair value of cash consideration.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.12 Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of related profit or loss

For long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit declared by the investee.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss for the period in which the investment is acquired and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital reserves, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. The loss on the intra-group transaction amongst the Group and its investees, which is attributable to asset impairment, is not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable, etc.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.13 Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	15–40 years	3%	6.5%–2.4%
Machinery and equipment	14 years	3%	6.9%
Motor vehicles	10 years	3%	9.7%
Office equipment and others	6–15 years	3%	16.2%–6.5%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted as appropriate at least at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(d) Fixed assets disposal

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi (“RMB”) unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.14 Construction in progress (“CIP”)

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation cost, borrowing costs that are eligible for capitalization and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).

2.15 Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate which discounts the estimated future cash flows through the expected life of the borrowings or, when appropriate, a shorter period to the initial amount of the borrowings.

2.16 Intangible assets

Intangible assets are land use rights (“LUR”) and are measured at cost. LUR acquired are amortised on the straight-line basis over their estimated useful lives

For an intangible asset with a finite useful life, review and adjustment on useful life and amortization method are performed at each year-end.

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.17 Long-term prepaid expenses

Long-term prepaid expenses mainly include the expenditures have been incurred but should be recognised as expenses over more than one year in the current and subsequent period. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial periods and are presented at cost net of accumulated amortization.

2.18 Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

2.19 Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Employees of the Group participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions and not exceeding the stipulated upper limit, which is paid to local labour and social security institutions. Apart from this, the Group has no other post-retirement benefit commitments.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

Except for the compensation to employees for termination of the employment relationship, the employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.



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For the six months ended 30 June 2013
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.20 Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

2.21 Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

- (a) Provision of services
 - Services have been provided;
 - It is probable that the economic benefits associated with the transaction will flow to the Group; and
 - the relevant amount of revenue and costs can be measured reliably
- (b) Sales of goods
 - The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - It is probable that the economic benefits associated with the transaction will flow to the Group; and
 - The relevant amount of revenue and costs can be measured reliably.
- (c) Transfer of asset use rights

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from operating lease is recognised on a straight-line basis over the lease term.



Notes to Financial Statements

For the six months ended 30 June 2013
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.21 Revenue recognition (Continued)

(d) Airport Fee

Airport fee represents Civil Airport Construction Fee and Civil Aviation Development Fund (the "Airport Fee") which are recognised when the related services are rendered to the outbound passengers departing from the airport. The charge rates of the Airport Fee are regulated by relevant authorities. Revenues are recognised according to the authorised charge rates attributable to the Company collected from outbound passengers.

2.22 Government Grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including fire alarm system subsidies.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

2.23 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.23 Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the group and same fiscal authority, and;
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

2.24 Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

2.25 Segment information

The Group identify operating segments based on the internal organization structure, management requirement and internal reporting, then disclose segment information of reportable segment which is based on operating segment.

An operating segment is the component of the Group that all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance, and (3) for which the information of financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

2.26 Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi (“RMB”) unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

2.26 Critical accounting estimates and judgments (Continued)

Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below:

(a) *Fixed assets*

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

Management determines the residual values of its fixed assets based on all relevant factors (including the use of the current scrap value in current market as a reference value) at the end of each financial period.

(b) *Impairment of financial assets*

Whenever events or changes in circumstances indicate that the carrying amounts of financial assets may not be recoverable, the Group will test whether financial assets have suffered any impairment in accordance with the accounting policies stated in Note 2.9. In making its judgment, the Group considers information from a variety of sources including discounted cash flow projections based on reliable estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(c) *Airport fee return rates*

Pursuant to the 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 Airport Construction Fee and Civil Aviation Infrastructure Construction Fund have collectively replaced by the Civil Aviation Development Fund since 1 April 2012, which will be effective until 31 December 2015.

According to the notice about the subsidy of Civil Aviation Development Fund issued by Civil Aviation Administration of China (“CAAC”) on 11 April 2012, the previous refund of airport construction fee granted to the Group has been changed to the refund of Civil Aviation Development Fund correspondingly. As the charge rates of the Airport Fee were regulated by relevant authorities and the nature and refund method of the airport construction fee and the Civil Aviation Development Fund are basically the same, the Company did not receive any notice from relevant authorities for change of charge rates attributable to the Company on the Airport Fee collected from outbound passengers during the year, and the actual refund rate of the airport construction fee was 48% since 2008, the Group has, according to the best estimates made by the management, recognised the Airport Fee income at the refund rate of 48%.



Notes to Financial Statements

For the six months ended 30 June 2013
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3 TAXATION

(1) The types and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Enterprise income tax	Taxable income	25%
Business tax (Note a)	Taxable turnover amount	3% or 5%
City maintenance and construction tax	Business tax paid	5% or 7%
Surcharge for education	Business tax paid	3%
Local surcharge for education	Business tax paid	2%

- (a) Pursuant to the “Circular on the Pilot Plan for Levying Value Added Tax (“VAT”) in Place of Business Tax”, “Circular from the Ministry of Finance and the State Administration of Taxation of Carrying out the Pilot Practice of Levying VAT in Lieu of Business Tax of the Transportation Industry and Some Modern Service Industries in the Country” and “Notice of the General Office of People’s Government of Hainan Province on Issuing the Pilot Reform of Levying VAT in Lieu of Business Tax” issued by the Ministry of Finance of the PRC and the State Administration of Taxation, the airport service provided by the Company is subject to VAT since 1 August 2013, the applicable tax rates of the income from airport services and other airport related services are 6% and 5% respectively.

Input VAT from purchase of goods can be deducted from output VAT. VAT payable is calculated by the output VAT less deductible input VAT of current period.

(2) Preferential tax treatments and approval document

The enacted tax rate of the Company is 25%. Pursuant to the “Response of 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 applicable 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%).



Notes to Financial Statements

For the six months ended 30 June 2013
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4 BUSINESS COMBINATION AND CONSOLIDATION

(1) Subsidiaries

Subsidiaries obtained through incorporation or acquisition

	Place of registration	Principal activities	Paid up Capital RMB'000	Interest held (%)	Voting rights (%)	Consolidated or not
Haikou Meilan International Airport Advertising Co., Ltd. ("Meilan Advertising")	Haikou	Provision of advertising services	1,000	Directly 95.00 Indirectly 4.75	100	Yes
Haikou Meilan International Airport Duty Free Shop Ltd. ("Meilan Duty Free Shop")	Haikou	Retail sales	1,000	95.00	100	Yes
Hainan Meilan International Airport Cargo Co., Ltd. ("Meilan Cargo")	Haikou	Provision of cargo service	20,000	51.00	60	Yes

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

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



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable

	30 June 2013	31 December 2012
Accounts receivable by nature		
— from aeronautical services	99,521,524	76,642,082
— from non-aeronautical services	23,819,715	23,735,303
	123,341,239	100,377,385
Less: provision for bad debts	(6,284,193)	(3,577,437)
	117,057,046	96,799,948
Accounts receivable by customers		
— from third parties	94,272,078	74,018,098
Less: provision for bad debts	(5,813,187)	(3,577,437)
	88,458,891	70,440,661
— from related parties	29,069,161	26,359,287
Less: provision for bad debts	(471,006)	—
	28,598,155	26,359,287
	117,057,046	96,799,948

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



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

As at 30 June 2013, the ageing of accounts receivable is analysed below:

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

As at 30 June 2013, management has assessed the recoverability of individual significant accounts receivable from third parties, accounts receivable of RMB18,712,092 (31 December 2012: RMB21,801,229) were past due but not impaired. The ageing analysis of these accounts receivable is set out below:

	30 June 2013	31 December 2012
91 to 180 days	1,367,850	3,016,040
181 to 365 days	1,648,371	13,317,158
Over 365 days	15,695,871	5,468,031
	18,712,092	21,801,229

The balances aged within 365 days are related to certain clients who have no recent history of default, management estimated the balances can be recovered in one year. Balances aged over 365 days are related to two airline companies, the Group planned to settle most of the balances through off-set of airlines subsidies to be received by the Group on behalf these airline companies. During the period from 1 July 2013 to 29 August 2013, the Group has received amounts of RMB14,549,383 from these accounts.



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

As at 30 June 2013, accounts receivable from related parties of RMB6,524,959 (31 December 2012: RMB7,901,089) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	30 June 2013	31 December 2012
91 to 180 days	1,660,317	2,833,814
181 to 365 days	1,347,347	1,553,786
Over 365 days	3,517,295	3,513,489
	6,524,959	7,901,089

The balances aged within 365 days are receivable from certain related parties who have no recent history of default, management estimated the balances can be recovered in one year. In respect of the balances aged over 365 days, the Group are discussing the settlements with respective parties. Those above 365 days were under discussion of the repayment between the Company and the related parties.

The impairment of accounts receivable is as follows:

	31 December 2012	Additions	Reductions		30 June 2013
			Reversals	Written off	
Provision for bad debts	3,577,437	2,706,756	—	—	6,284,193

(3) Advances to suppliers

	30 June 2013	31 December 2012
Advances to suppliers	442,616,497	441,693,151
Less: Advances to Haikou Meilan related to the investment agreement recognised in other non-current assets (Note 7(7))	(439,361,200)	(439,361,200)
	3,255,297	2,331,951



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Advances to suppliers (Continued)

The ageing of advances to suppliers is analysed below:

	30 June 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	3,247,384	0.73	222,331,951	50.34
1 to 2 years	439,369,113	99.27	219,361,200	49.66
	442,616,497	100.00	441,693,151	100.00

(4) Other receivables

	30 June 2013	31 December 2012
Payments on behalf of clients	3,793,471	—
Other receivables due from related parties (Note 7(6)(d))	1,033,562	982,572
Deferred finance charges	790,893	1,049,382
Others	1,007,163	938,157
	6,625,089	2,970,111

The ageing of other receivables is analysed below:

	30 June 2013	31 December 2012
Within 90 days	4,722,721	300,266
91 to 180 days	136,310	1,074,491
181 to 365 days	240,680	205,372
Over 365 days	1,525,378	1,389,982
	6,625,089	2,970,111



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For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Long-term equity investments

Associates — Unlisted companies

	31 December 2012	Share of profit of investees under equity method	30 June 2013	Interest Held (%)	Voting Rights
Haikou Decheng Industrial and Development Co., Ltd. ("Haikou Decheng")	30,874,651	—	30,874,651	30	1/3
Hainan Airlines Airport Holding Group Company Limited ("HNA Airport")	1,069,932,831	14,028,240	1,083,961,071	24.5	1/7
	1,100,807,482	14,028,240	1,114,835,722		

There is no significant restriction on the long term equity investments.

	30 June 2013			1 January 2013 to 30 June 2013	
	Total assets	Total liabilities	Net assets	Revenue	Net profits/ (losses)
Associates					
Haikou Decheng	484,146,814	381,231,311	102,915,503	—	(14)
HNA Airport	13,711,480,134	7,702,639,984	6,008,840,150	588,187,861	88,087,879



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
Cost					
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 additions	—	322,000	4,112,764	2,149,831	6,584,595
Disposals	—	(97,096)	(1,643,228)	(628,131)	(2,368,455)
30 June 2013	968,601,187	218,485,158	102,725,945	67,693,067	1,357,505,357
Accumulated Depreciation					
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)
Disposals	—	82,973	1,543,429	591,780	2,218,182
30 June 2013	(272,216,922)	(137,608,674)	(59,200,333)	(46,552,012)	(515,577,941)
Net book value					
30 June 2013	696,384,265	80,876,484	43,525,612	21,141,055	841,927,416
31 December 2012	709,203,705	86,776,522	42,729,685	19,562,097	858,272,009

Depreciation of RMB23,888,898 and RMB290,017 was charged in operating costs and general and administrative expenses in the current period (for the six months ended 30 June 2012 : RMB25,540,776 and RMB 194,874), respectively.



Notes to Financial Statements

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Construction in progress

	31 December 2012	Increase in current period	Transfer to fixed assets in current period	30 June 2013
Airport broadcasting system renovation	1,400,000	—	(1,400,000)	—
Expansion chillers and accessories—western board aisle	—	924,000	—	924,000
Staff kitchen project	—	698,750	—	698,750
Sightseeing elevator in International Terminal	—	269,520	—	269,520
Others	—	165,612	—	165,612
	1,400,000	2,057,882	(1,400,000)	2,057,882

(8) Intangible assets

	Land use right
Cost	
31 December 2012 and 30 June 2013	179,637,283
Accumulated amortisation	
31 December 2012	(35,561,759)
Amortisation in current period	(1,581,594)
30 June 2013	(37,143,353)
Net book amount	
30 June 2013	142,493,930
31 December 2012	144,075,524

Amortisation of RMB1,581,594 (for the six months ended 30 June 2012: RMB 1,581,594) was charged in operating costs in the current period.



Notes to Financial Statements

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Intangible assets (Continued)

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

	30 June 2013	31 December 2012
Inside Mainland China —		
between 10 to 50 years	59,039,040	59,844,117
over 50 years	83,454,890	84,231,407
	142,493,930	144,075,524

(9) Deferred tax assets

	30 June 2013		31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for asset impairment	1,390,797	5,563,187	447,180	3,577,437
Provision of staff redundancy	1,059,323	5,353,400	1,166,880	6,375,492
Accrued bonus for directors, supervisors and key management	2,696,119	21,568,956	2,258,620	18,068,956
	5,146,239	32,485,543	3,872,680	28,021,885

As at 30 June 2013, deferred tax liability is nil (31 December 2012: nil).



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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Accounts payable

The ageing of accounts payable is analysed below:

	30 June 2013	31 December 2012
Within 90 days	8,127,527	5,152,321
91 to 180 days	591,291	316,553
over 180 days	1,056,013	1,778,380
	9,774,831	7,247,254

(11) Advances from customers

	30 June 2013	31 December 2012
Progress payment of transfer of land use rights (note 7(7))	3,128,973	3,128,973
Deposits of lease of VIP room	2,686,678	4,682,250
Landing fees	1,611,162	2,724,922
Airport fee	—	4,550,141
	7,426,813	15,086,286



Notes to Financial Statements

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Employee benefits payable

	31 December 2012	Additions	Reductions	30 June 2013
Wages and salaries, bonuses, allowances and subsidies	42,095,655	33,636,071	(32,265,484)	43,466,242
Staff welfare	—	590,030	(590,030)	—
Social security contributions	575	4,967,015	(4,905,241)	62,349
Including: Basic pensions	—	3,249,218	(3,210,954)	38,264
Medical insurance	—	1,294,737	(1,291,702)	3,035
Unemployment insurance	—	261,666	(241,061)	20,605
Work injury insurance	—	64,957	(64,957)	—
Maternity insurance	575	96,437	(96,567)	445
Housing funds	531,567	2,150,417	(2,146,568)	535,416
Labor union and employee education funds	859,698	882,750	(972,644)	769,804
Termination costs	7,424,872	—	(1,280,579)	6,144,293
	50,912,367	42,226,283	(42,160,546)	50,978,104

(13) Taxes payable

	30 June 2013	31 December 2012
Corporate income tax payable	7,373,818	11,037,359
Business tax payable	3,856,558	6,245,380
Real estate tax payable	1,694,011	2,170,700
Individual income tax payable	153,368	97,545
Others	314,547	436,082
	13,392,302	19,987,066



Notes to Financial Statements

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Interest payable

	30 June 2013	31 December 2012
Interest of long-term borrowings with repayable by instalments	2,435,738	2,949,000
Interest of corporate bonds	17,680,000	49,746,667
	20,115,738	52,695,667

(15) Dividends payable

	Six months ended 30 June	
	2013	2012
Dividends payable of ordinary shares at the beginning of the period	666,000	666,000
Add: Dividends declared to ordinary shareholders in current period (Note 5(23))	65,303,394	—
Less: Dividends and withholding tax paid in current period	(37,102,041)	—
Dividends payable at the end of the period	28,867,353	666,000

(16) Other payables

	30 June 2013	31 December 2012
Construction fee and retention fee payables	19,684,616	24,536,724
Guarantee deposits	14,976,502	11,408,455
Airline subsidies payable	11,279,000	4,700,000
Airport ground services fees payable	6,822,362	18,648,934
Repair and maintenance fee payable	552,262	6,085,105
Others	19,030,967	16,106,157
	72,345,709	81,485,375



Notes to Financial Statements

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Long-term borrowings

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

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 Group. Interest is payable every quarter and the principal is repayables by installments on 21 January and 21 July every year.

During the six months 30 June 2013, the RMB bank borrowing from China Development Bank of RMB2,000,000 has been fully repaid.

(18) Corporate bonds

	Par Value	Issuance costs	31 December 2012	Amortization of issuance costs in current period	30 June 2013
Long term corporate bonds	800,000,000	(9,600,000)	791,253,935	561,899	791,815,834

Related information is as follows:

	Par value	Issuance date	Maturity	Principal
Corporate bonds	800,000,000	13 March 2012	7 years	800,000,000



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Corporate bonds (Continued)

Interest accrued of the bonds is analysed as below:

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

Pursuant to the approval No. [2011]2082 issued 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 of each year, the interest rate is 7.8% per annum. The principal is due for repayment on the expiry day.

(19) Other non-current liabilities

	Six months ended 30 June	
	2013	2012
Government grants related to assets — Fire alarm system		
At the beginning of the period	10,770,000	8,370,000
Amortisation in current period	(400,000)	(300,000)
At the end of the period	10,370,000	8,070,000

Government grants related to assets are amortised over the expected useful life of the assets, i.e. 15 years.



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For the six months ended 30 June 2013
(All amounts in Renminbi (“RMB”) unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Share capital

	30 June 2013 and 31 December 2012 (Number of shares)	30 June 2013 and 31 December 2012 (RMB)
Shares held by domestic legal entities (“holders of domestic shares”)		
Haikou Meilan	237,500,000	237,500,000
HNA Group company Limited (“HNA Group”)	3,512,500	3,512,500
Hainan Airlines Company Limited (“Hainan Airlines”)	5,287,500	5,287,500
Shares held by foreign investors	226,913,000	226,913,000
	473,213,000	473,213,000

(21) Capital reserves

	30 June 2013 and 31 December 2012
Share premium	598,983,655
Other capital reserves	100,500,999
Public demolition compensation of an associate	166,048
	699,650,702

(22) Surplus reserves

	31 December 2012	Additions	Reductions	30 June 2013
Statutory surplus reserves	246,394,231	—	—	246,394,231

	31 December 2011	Additions	Reductions	30 June 2012
Statutory surplus reserves	216,748,099	—	—	216,748,099



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Surplus reserves (Continued)

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 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 period ended 30 June 2012: nil).

(23) Retained earnings

As at 30 June 2013, included in the retained earnings, RMB1,350,439 is subsidiaries' surplus reserve attributable to the Company (31 December 2012: RMB1,350,439), no appropriation of surplus reserve was made by the subsidiaries for the current period (for the six months ended 30 June 2012: nil).

Pursuant to the resolution of annual general meeting on 27 May 2013, a final cash dividend for 2012 of RMB0.138 per share, amounting to RMB65,303,394 (for the six months ended 30 June 2012: nil) was declared to the shareholders (note 5(15)).

(24) Minority interests

Minority interests of the subsidiaries are set out below:

Subsidiaries	Minority shareholders	30 June 2013	31 December 2012
Meilan Cargo	Baixiang Logistic	20,090,649	16,381,082
Meilan Advertising	Haikou Meilan	257	2,062
Meilan Duty Free Shop	Haikou Meilan	(83,049)	(82,925)
		20,007,857	16,300,219



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Revenue and cost of sales, general and administrative expenses

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

* 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 and 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.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Revenue and cost of sales, general and administrative expenses (Continued)

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

	Six months ended 30 June	
	2013	2012
Employee benefit expenses	42,160,546	34,365,033
Depreciation of fixed assets	24,178,915	25,735,650
Packaging materials	18,216,100	16,768,603
Airport and logistic services fee	16,262,305	23,447,293
Utilities	12,344,481	10,643,251
Airlines subsidies	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
Travelling expenses	695,426	1,010,519
Audit fee	600,000	885,915

(26) Taxes and surcharges

	Six months ended 30 June	
	2013	2012
Business tax	12,780,965	11,408,524
City maintenance and construction tax	958,726	764,499
Educational surcharge	656,076	566,361
	14,395,767	12,739,384



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Financial expenses – net

	Six months ended 30 June	
	2013	2012
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
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
	21,847,004	21,958,320

Interest expenses are analysed by the repayment terms of bank borrowings and corporate bonds as follows:

	30 June 2013		30 June 2012	
	Bank borrowings	Corporate bonds	Bank borrowings	Corporate bonds
Wholly repayable within five years	7,209,971	—	8,077,016	—
Not wholly repayable within five years	—	30,333,333	—	17,680,000
	7,209,971	30,333,333	8,077,016	17,680,000

(28) Provision for/(reversal of) asset impairment losses

	Six months ended 30 June	
	2013	2012
Provision for/(reversal of) account receivable impairment losses	2,706,756	(1,340,619)



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(29) Investment income

	Six months ended 30 June	
	2013	2012
Share of profit of investees under equity method		
— HNA Airport	14,028,240	12,568,396
Gain from disposal of equity interest		
— Hainan Meilan International Airport Travelling Co., Ltd.	—	667,119
	14,028,240	13,235,515

There is no significant restriction 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).

(30) Non-operating income

	Six months ended 30 June	
	2013	2012
Government grants	400,000	300,000
Gains on disposal of fixed assets	—	268,292
Others	162,821	9,470
	562,821	577,762

(31) 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 2012: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax ("CIT").



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Income tax expenses (Continued)

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

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

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is as below:

	Six months ended 30 June	
	2013	2012
Total profit	218,656,477	183,136,586
Income tax expenses calculated at applicable tax rates	54,845,190	45,784,147
Effect of tax incentive	(26,106,696)	(22,318,081)
Effect of change in the tax rates	(1,085,546)	(356,307)
Income not subject to tax	(1,753,530)	(1,563,144)
Costs and expenses not deductible for tax purposes	794,396	1,663,333
Under provision in previous year	—	555,983
	26,693,814	23,765,931



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Earnings per share

- (a) Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Six months ended 30 June	
	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company (RMB)	188,255,025	156,489,207
Weighted average number of outstanding ordinary shares of the Company (share)	473,213,000	473,213,000
Basic earnings per share (RMB)	0.40	0.33

- (b) 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 the current period (for the six months ended 30 June 2012: nil), diluted earnings per share equals to basic earnings per share.

(33) Dividends

Pursuant to the resolution of shareholders' annual general meeting on 27 May 2013, a final cash dividend for 2012 of RMB0.138 per share, amounting to RMB65,303,394 (for the six months ended 30 June 2012: nil) was declared 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 recognised as a liability in this interim financial information. It will be recognised as a deduction to equity in the second half year ending 31 December 2013.



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Supplementary information to the consolidated cash flow statement

- (a) Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June	
	30 June 2013	30 June 2012
Net profit	191,962,663	159,370,655
Add: Provisions for/(reversal of) asset impairment	2,706,756	(1,340,619)
Depreciation of fixed assets	24,178,915	25,735,650
Amortisation of intangible assets	1,581,594	1,581,594
Losses/(gains) on disposal of fixed assets	114,508	(189,533)
Financial expenses	31,675,759	28,198,829
Investment income	(14,028,240)	(12,568,396)
(Increase)/decrease in deferred tax assets	(1,273,559)	403,898
Increase in inventories	(114,433)	(113,846)
(Increase)/decrease in operating receivables	(18,629,413)	16,922,692
(Decrease)/increase in operating payables	(12,161,757)	12,434,448
Net cash flows from operating activities	206,012,793	230,435,372

- (b) Net increase in cash and cash equivalents

	Six months ended 30 June	
	2013	2012
Cash and cash equivalents at end of the period	1,230,808,076	1,149,787,172
Less: cash and cash equivalents at beginning of the period	(1,207,561,423)	(366,887,159)
Net increase in cash and cash equivalents	23,246,653	782,900,013



Notes to Financial Statements

For the six months ended 30 June 2013
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Supplementary information to the consolidated cash flow statement (Continued)

- (c) Cash paid relating to other operating activities

	Six months ended 30 June	
	2013	2012
Payments of Ground Service Fee collected on behalf of Haikou Meilan	50,462,283	55,991,429
Payments of travel expenses and other expenses	9,091,620	7,961,129
	59,553,903	63,952,558

6 SEGMENT INFORMATION

The chief operating decision-maker of the Group has been identified as the senior management lead by the general manager. The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports.

The management considers the Group conducts its business within one business segment — the operation an airport and provision of related services in the PRC and the Group also operates in one geographical segment because its revenues are primarily generated from the PRC and its assets are located in the PRC.

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

- (a) General information of the parent company:

	Place of registration	Nature of business
Haikou Meilan	Haikou, Hainan Province	Transportation and ground handling services

- (b) Registered capital and changes in registered capital of the parent company:

	30 June 2013 and 31 December 2012
Haikou Meilan	2,028,913,102



Notes to Financial Statements

For the six months ended 30 June 2013
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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(1) The parent company (Continued)

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	30 June 2013 and 31 December 2012	
	Interest held (%)	Voting rights (%)
Haikou Meilan	50.19	50.19

(2) Information of subsidiaries

The general information and other related information of the subsidiaries is set out in Note 4.

(3) Information of associates

	Place of registration	Nature of business	Registered capital	Interest held (%)	Voting rights
Haikou Decheng	Haikou, Hainan Province	Property development, resort operation, eco-agriculture development and gardening	101,681,000	30	1/3
HNA Airport	Haikou, Hainan Province	Airport operation and ground handling services; airport investment, holding, construction and restructuring	3,020,151,992	24.5	1/7



Notes to Financial Statements

For the six months ended 30 June 2013
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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Information of other related parties:

	Relationship with the Group
HNA Group	Has significant influence on Haikou Meilan
Hainan Developing Holding Company Limited (“Hainan Developing”)	Has significant influence on Haikou Meilan
Hainan Airlines	Under control of Hainan Developing
Hainan Airlines Food Company Co., Ltd. (“Hainan Food”)	Under control of HNA Group
Hainan HNA Property Management Co., Ltd. (“HNA Property”)	Under control of HNA Group
Beijing Capital Airlines Co.,Ltd. (“Capital Airlines”)	Under control of HNA Group
HNA Group Finance Co., Ltd. (“HNA Group Finance”)	Under control of HNA Group
Hainan Eking Technology Co., Ltd. (“Hainan Eking Technology”)	Under control of HNA Group
HNA Safe Car Rental Co., Ltd. (“HNA Safe”)	Under control of HNA Group
Tianjin Airlines Co., Ltd. (“Tianjin Airlines”)	Under control of HNA Group
Western Airlines Co.,Ltd. (“Western Airlines”)	Under control of HNA Group
Grand China Aviation Ground Service Co.,Ltd. (“Grand China”)	Under control of HNA Group
Hainan Meilan International Airport Travelling Co.,Ltd. (“Meilan Travelling”)	Under control of HNA Group
Hainan HNA China Duty Free Merchandise Co.,Ltd. (“HNA China Duty Free”)	Under common control of HNA Group

(5) Significant related party transactions

- (a) Pricing policies
The Group’s pricing on raw materials purchased from related parties, and services provided to or received from related parties are based on market price.
- (b) Purchases of goods and services

	Six months ended 30 June	
	2013	2012
Hainan Airlines	18,216,100	16,768,603
Haikou Meilan	8,971,070	9,831,767
HNA Property	7,004,233	5,448,500
Hainan Eking Technology	1,628,747	1,331,192
HNA Safe	883,080	—
HNA Group	—	8,489,400
Grand China	—	3,466,227
	36,703,230	45,335,689



Notes to Financial Statements

For the six months ended 30 June 2013
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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Significant related party transactions (Continued)

(c) Provision of services

	Six months ended 30 June	
	2013	2012
Hainan Airlines	62,181,879	56,265,565
Capital Airlines	22,477,287	15,918,934
Tianjin Airlines	7,213,185	4,168,264
HNA China Duty Free	2,876,967	2,717,566
Meilan Travelling	2,020,000	2,000,000
Western Airlines	1,648,247	1,516,886
Hainan Food	420,000	504,000
Others	187,600	218,220
	99,025,165	83,309,435

(d) Key management personnel's emoluments

Key management personnel include Executive directors, Non-executive directors, President, Vice president, Company Secretary, Chief Financial Officer and Supervisors.

Key management personnel's emoluments for the current period are as follows:

Name	Remuneration	Salary and allowance	Pension	Total
Liang Jun	—	107,200	11,016	118,216
Hu Wentai	—	99,900	11,016	110,916
Zhang Peihua	—	92,200	11,016	103,216
Han Aimin	—	81,450	11,016	92,466
Yang Xiaobin	—	80,200	11,016	91,216
Xing Zhoujin	—	78,830	11,016	89,846
Yang Xuqiang	—	69,900	11,016	80,916
Wang Zhen	—	51,600	11,016	62,616
Wu Jian	—	44,490	11,016	55,506
Xu Bailing	50,000	—	—	50,000
Feng Da'an	50,000	—	—	50,000
Fung Ching, Simon	50,000	—	—	50,000
George F. Meng	50,000	—	—	50,000
Chan Nap Kee, Joseph	25,000	—	—	25,000
Yan Xiang	25,000	—	—	25,000
Zhang Shusheng	10,000	—	—	10,000
Liu Lu	—	—	—	—
Dong Guiguo	—	—	—	—



Notes to Financial Statements

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Significant related party transactions (Continued)

(d) Key management personnel's emoluments (Continued)

Key management personnel's emoluments for the period ended 30 June 2012 are as follows:

Name	Remuneration	Salary and allowance	Pension	Total
Liang Jun	35,000	115,000	9,306	159,306
Dong Zhanbin	35,000	109,500	9,306	153,806
Hu Wentai	25,000	98,750	9,306	133,056
Xing Zhoujin	15,000	73,200	9,306	97,506
Han Aimin	10,000	73,800	9,306	93,106
Yang Xiaobin	—	82,000	9,306	91,306
Xing Xihong	35,000	42,000	4,653	81,653
Liu Jiyao	—	64,000	—	64,000
Xu Bailing	50,000	—	—	50,000
Feng Da'an	50,000	—	—	50,000
Fung Ching, Simon	50,000	—	—	50,000
George F. Meng	50,000	—	—	50,000
Xiong Yan	—	31,800	4,653	36,453
Yang Xuqiang	—	26,800	3,102	29,902
Zhang han'an	25,000	—	—	25,000
Chan Nap Kee, Joseph	25,000	—	—	25,000
Yan Xiang	25,000	—	—	25,000
Dong Guiguo	10,000	—	—	10,000
Zhang Shusheng	10,000	—	—	10,000
Liu Lu	—	—	—	—

By 30 June 2013, the Directors, Supervisors and Company Secretary nominated by the holders of domestic shares of the Company have submitted written declarations to the Company to confirm that they voluntarily waive their remuneration for the year of 2012, including Mr. Liang Jun, Mr. Liu Lu, Mr. Dong Zhanbin, Ms. Xing Xihong, Mr. Hu Wentai, Mr. Zhang Han'an, Mr. Dong Guiguo, Mr. Han Aimin and Mr. Xing Zhoujin.

(e) The five individuals whose emoluments are the highest

All the five individuals whose emoluments were the highest in the Group for the current period are key management personnel (including three directors), whose emoluments are reflected in the analysis presented above (for the period ended 30 June 2012: five key management personnel, including three directors).



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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Significant related party transactions (Continued)

(f) Interest Income

	Six months ended 30 June	
	2013	2012
HNA Group Finance	5,118,713	5,028,624

The above interest income is calculated in accordance with deposit rates of commercial banks over the same period.

(6) Significant receivables from and payables to related parties

(a) Cash at bank

	30 June 2013	31 December 2012
HNA Group Finance	419,216,328	422,874,660

(b) Accounts receivable

	30 June 2013	31 December 2012
Capital Airlines	14,294,924	9,882,856
Tianjin Airlines	4,948,983	2,119,818
Meilan Travelling	3,020,000	3,000,000
Hainan Airlines	2,800,965	5,469,005
Hainan Food	1,871,514	1,486,469
Western Airlines	218,279	565,326
HNA Safe	205,000	80,000
HNA China Duty Free	68,310	1,944,162
HNA Group	59,786	29,176
Others	1,581,400	1,782,475
	29,069,161	26,359,287



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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Significant receivables from and payables to related parties (Continued)

(c) Advances to suppliers

	30 June 2013	31 December 2012
Haikou Meilan (Note 7(7))	439,361,200	439,361,200

(d) Other receivables

	30 June 2013	31 December 2012
Hainan Airlines	810,139	818,564
Others	223,423	164,008
	1,033,562	982,572

(e) Interest receivable

	30 June 2013	31 December 2012
HNA Group Finance	820,630	5,197,468

(f) Accounts payable

	30 June 2013	31 December 2012
HNA Property	5,982,577	2,453,473



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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Significant receivables from and payables to related parties (Continued)

(g) Other payables

	30 June 2013	31 December 2012
Haikou Meilan	6,822,362	18,648,934
Meilan Travelling	4,171,754	3,906,541
HNA Property	1,271,788	1,126,134
Others	1,113,663	902,493
	13,379,567	24,584,102

(h) Advances from customers

	30 June 2013	31 December 2012
Haikou Meilan (Note 7(7))	3,128,973	3,128,973
HNA China Duty Free	61,901	61,901
	3,190,874	3,190,874

(i) Directors' emolument payable

	30 June 2013	31 December 2012
Directors' emolument	1,630,128	2,002,095



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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(7) Significant commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Transfer of assets	30 June 2013	31 December 2012
Land Use Right Transfer Agreement and Terminal and its Ancillary Project Acquisition Agreement with Haikou Meilan		
— Receivable of Land Use Right Transfer to Haikou Meilan (note a-1)	(28,160,761)	(28,160,761)
— Payable of Terminal and its Ancillary Project acquisition from Haikou Meilan (note a-2)	587,318,800	587,318,800
	559,158,039	559,158,039

(a) On 26 August 2011, the Company entered into the Land Use Right Transfer Agreement and Terminal and its Ancillary Project Acquisition Agreement (hereinafter "the Project") with Haikou Meilan respectively.

(a-1) Pursuant to the Land Use Right Transfer Agreement, in order to facilitate the construction of the Project and obtain of relevant property ownership certificate(s) as a whole by Haikou Meilan, the Company will transfer the usage right of the land with a site area of 125 acres at a consideration of RMB31,289,734 to Haikou Meilan. By 30 June 2013, the Company has received a progress payment of land use right transfer consideration, amounting to RMB3,128,973 from Haikou Meilan (31 December 2012: RMB3,128,973).

(a-2) Pursuant to the Terminal and its Ancillary Project Acquisition Agreement, Haikou Meilan agreed to sell all assets comprising the Project upon completion of construction of the Project, including but not limited to, the land use rights of the Project, and all buildings, equipment, facilities and other related assets, at a consideration of RMB1,096,806,000. On 12 December 2012, the Company terminated the Terminal and its Ancillary Project Acquisition Agreement and re-signed an investment agreement for the construction of the Project with Haikou Meilan. According to the investment agreement, total investment amount of the Project was changed to RMB1,026,680,000, including the estimated construction cost of RMB876,500,000 and land use rights of RMB150,180,000. The construction of the Project will be completed by 31 December 2015. The above resolution has been approved by the special shareholders' meeting held on 4 March 2013.

As at 30 June 2013, the Company has paid RMB439,361,200 to Haikou Meilan in relation to the investment agreement (31 December 2012: RMB439,361,200) (note 5(3)).



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies, to mitigate the foreign exchange risk. During the current period and the corresponding period of 2012, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2013 and 31 December 2012, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

	30 June 2013		Total
	USD	Others	
Financial assets denominated in foreign currency			
— Cash at bank and on hand	2,288,513	34,387	2,322,900
Financial liabilities denominated in foreign currency			
— Long-term borrowings	333,609,484	—	333,609,484
	31 December 2012		Total
	USD	Others	
Financial assets denominated in foreign currency			
— Cash at bank and on hand	2,420,282	34,998	2,455,280
Financial liabilities denominated in foreign currency			
— Long-term borrowings	395,945,487	—	395,945,487



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at 30 June 2013, if the RMB had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB28,990,585 (31 December 2012: RMB34,433,455) higher/lower.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and corporate bonds. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate instruments depending on the prevailing market conditions. As at 30 June 2013, the Group's long-term interest bearing borrowings with floating rates were mainly USD-denominated bank loans, amounting to USD53,993,475, equivalent to RMB333,609,484 (31 December 2012: USD62,993,475, equivalent to RMB395,945,487) (Note 5(17)).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During the current period, the Group has not entered into any interest rate swap agreements (for the six months ended 30 June 2012: nil).

For the six months ended 30 June 2013, if interest rates on the floating rate borrowings had been 10% higher/lower while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately USD174,898, equivalent to RMB1,080,645 (for the period ended 30 June 2012: USD240,135, equivalent to RMB1,518,831).



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK (Continued)

(2) Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, and other receivables etc.

Most of cash are deposited at city commercial banks with good credit quality or HNA Group Finance. As at 30 June 2013, the Group placed current deposits of RMB770,000,000 in a city commercial bank (31 December 2012: fixed deposits of RMB700,000,000 in two city commercial banks). The Group expects that there is no significant credit risk associated with these deposits and no significant losses from non-performance by the bank.

In addition, as at June 30, 2013, the Group placed deposits of RMB 419,216,328 in the Group's related parties HNA Group Finance (31 December 2012: RMB422,874,660). In order to further standardise the transaction with HNA Group Finance and safeguard the Group's financial security to prevent funds from being occupied by related parties, the Group carried out deposits, loans, trust management, settlement and other financial services with HNA Group Finance under a principle of equality and volunteer, to ensure the Group's financial independence. The Group shall not provide entrusted loans or trust management to other related parties through HNA Group Finance and shall not place proceeds of share issuances in HNA Group Finance.

In addition, the Group has policies to limit the credit exposure on accounts receivable and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to manage the overall credit risk of the Group.



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet needs of working capital, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

The financial assets and liabilities of the Group at 30 June 2013 are analysed by their maturity date below at their undiscounted contractual cash flows :

	30 June 2013				Total
	Within 1 year	1 to 2 years	2 to 5 years	Beyond 5 years	
Financial assets					
Cash at bank and on hand	1,230,808,076	—	—	—	1,230,808,076
Accounts receivable	117,057,046	—	—	—	117,057,046
Other receivables	6,625,089	—	—	—	6,625,089
Interest receivable	820,630	—	—	—	820,630
	1,355,310,841	—	—	—	1,355,310,841
Financial liabilities					
Accounts payable	9,774,831	—	—	—	9,774,831
Other payables	72,345,709	—	—	—	72,345,709
Interest payable	20,115,738	—	—	—	20,115,738
Corporate bonds	—	—	—	800,000,000	800,000,000
Long-term borrowings	111,216,600	111,216,600	111,176,284	—	333,609,484
Interest payable for long-term borrowings and corporate bonds in the remaining period of loans/bonds	71,925,340	67,808,101	188,491,506	44,720,000	372,944,947
	285,378,218	179,024,701	299,667,790	844,720,000	1,608,790,709



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk (Continued)

	31 December 2012				Total
	Within 1 year	1 to 2 years	2 to 5 years	Beyond 5 years	
Financial assets					
Cash at bank and on hand	1,207,561,423	—	—	—	1,207,561,423
Accounts receivable	96,799,948	—	—	—	96,799,948
Other receivables	2,970,111	—	—	—	2,970,111
Interest receivable	5,557,907	—	—	—	5,557,907
	1,312,889,389	—	—	—	1,312,889,389
Financial liabilities					
Accounts payable	7,247,254	—	—	—	7,247,254
Other payables	81,485,375	—	—	—	81,485,375
Interest payable	52,695,667	—	—	—	52,695,667
Corporate bonds	—	—	—	800,000,000	800,000,000
Long-term borrowings	115,139,000	113,139,000	169,667,487	—	397,945,487
Interest payable for long-term borrowings and corporate bonds in the remaining period of the loans/bonds	74,283,445	70,012,622	190,727,891	75,053,333	410,077,291
	330,850,741	183,151,622	360,395,378	875,053,333	1,749,451,074

Bank borrowings and corporate bonds are analysed by repayment terms as follows:

	30 June 2013		31 December 2012	
	Bank borrowings	Corporate bonds	Bank borrowings	Corporate bonds
Wholly repayable within five years-borrowings	333,609,484	—	397,945,487	—
Not wholly repayable within five years-bonds	—	800,000,000	—	800,000,000
	333,609,484	800,000,000	397,945,487	800,000,000



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

8 FINANCIAL INSTRUMENT AND RISK (Continued)

(4) Fair value

Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent accounts receivable, interest receivable, accounts payable, interest payable, long-term borrowings and corporate bonds.

Except for financial liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	30 June 2013		31 December 2012	
	Book value	Fair value	Book value	Fair value
Financial liabilities — Corporate bonds	791,815,834	864,000,000	791,253,935	831,920,000

The fair value of corporate bonds in an active market is determined at the quoted price in the active market. The fair value of the corporate bonds of the Company as at 30 June 2013 is determined to the quoted prices of Shanghai Stock Exchange in the last trading day prior to 30 June 2013. The fair value of long-term borrowings not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

9 COMMITMENTS

Capital commitments

Capital expenditures contracted for but not yet necessary to be recognised on the balance sheet

	30 June 2013	31 December 2012
Land use rights, buildings, machinery and equipment related to the investment agreement with Haikou Meilan	587,318,800	587,318,800



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2013	31 December 2012
Cash on hand	87,807	76,551
Cash at bank	1,212,741,235	1,199,858,968
	1,212,829,042	1,199,935,519

(2) Accounts receivable

	30 June 2013	31 December 2012
Accounts receivables		
— from aeronautical services	99,521,524	76,642,083
— from non-aeronautical services	19,986,940	20,324,666
	119,508,464	96,966,749
Less: provision for bad debts	(5,563,187)	(3,577,437)
	113,945,277	93,389,312



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

	30 June 2013	31 December 2012
Accounts receivable by customers		
— from third parties	93,711,273	73,553,469
Less: provision for bad debts	(5,563,187)	(3,577,437)
	88,148,086	69,976,032
— from related parties	25,797,191	23,413,280
	113,945,277	93,389,312

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

The ageing of accounts receivable is analysed below:

	30 June 2013	31 December 2012
Within 90 days	87,959,095	65,843,712
91 to 180 days	5,026,854	6,812,630
181 to 365 days	5,317,405	15,255,325
Over 365 days	21,205,110	9,055,082
	119,508,464	96,966,749



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

As at 30 June 2013, management has assessed the recoverability of individual significant accounts receivable from third parties, accounts receivable of RMB18,712,092 (31 December 2012: RMB21,801,229) were past due but not impaired. The ageing analysis of these accounts receivable is set out below:

	30 June 2013	31 December 2012
91 to 180 days	1,367,850	3,016,040
181 to 365 days	1,648,371	13,317,158
Over 365 days	15,695,871	5,218,031
	18,712,092	21,551,229

The balances aged within 365 days are related to certain clients who have no recent history of default, management estimated the balances can be recovered in one year. Balances aged over 365 days are related to two airline companies, the Company planned to settle most of the balances through off-set of airlines subsidies to be received by the Company on behalf these airline companies. During the period from 1 July 2013 to 29 August 2013, the Company has received amounts of RMB14,549,383 from these accounts.

As at 30 June 2013, accounts receivable from related parties amounting to RMB4,049,959 (31 December 2012: RMB4,955,083) were past due but not impaired. The ageing of these accounts receivable is as below:

	30 June 2013	31 December 2012
91 to 180 days	1,660,317	2,833,814
181 to 365 days	1,347,347	1,553,786
Over 365 days	1,042,295	567,483
	4,049,959	4,955,083

The balances aged within 365 days are receivable from certain related parties who have no recent history of default, management estimated the balances can be recovered in one year. In respect of the balances aged over 365 days, the Company are discussing the settlements with respective parties.



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(2) Accounts receivable (Continued)

The impairment of accounts receivable is as follows:

	31 December 2012	Addition	Reduction		30 June 2013
			Reversal	Written off	
Provision for bad debts	3,577,437	1,985,750	—	—	5,563,187

(3) Other receivables

	30 June 2013	31 December 2012
Franchise fee from intragroup companies	4,566,018	4,566,018
Payments on behalf of clients	3,131,261	—
Other receivables from related parties (note 7 (6)(d))	1,033,562	982,572
Deferred financial charges	790,893	1,049,382
Others	1,007,163	357,161
	10,528,897	6,955,133

The ageing of other receivables is analysed below:

	30 June 2013	31 December 2012
Within 90 days	4,237,893	300,266
91 to 180 days	136,310	3,075,031
181 to 365 days	2,644,833	205,372
Over 365 days	3,509,861	3,374,464
	10,528,897	6,955,133



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Long-term equity investments

	30 June 2013	31 December 2012
Subsidiaries (a)		
— Unlisted companies	11,427,825	11,427,825
Associates (b)		
— Unlisted companies	1,114,835,722	1,100,807,482
	1,126,263,547	1,112,235,307

(a) Subsidiaries

	31 December 2012	Increase in Current period	Decrease in Current period	30 June 2013	Interest held (%)	Voting rights (%)
Meilan Advertising	950,000	—	—	950,000	95	100
Meilan Duty Free Shop	277,825	—	—	277,825	95	100
Meilan Cargo	10,200,000	—	—	10,200,000	51	60
	11,427,825	—	—	11,427,825		

(b) Associates

	31 December 2012	Share of profit of investees under equity method	30 June 2013	Interest held (%)	Voting rights
Haikou Decheng	30,874,651	—	30,874,651	30	1/3
HNA Airport	1,069,932,831	14,028,240	1,083,961,071	24.5	1/7
	1,100,807,482	14,028,240	1,114,835,722		

There is no significant restriction on the long term equity investments.



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(5) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
Cost					
31 December 2012	968,601,187	218,260,254	99,077,479	58,242,128	1,344,181,048
Transfer from CIP	—	—	—	1,400,000	1,400,000
Other additions	—	322,000	3,933,264	1,515,100	5,770,364
Disposals	—	(97,097)	(1,643,227)	(628,130)	(2,368,454)
30 June 2013	968,601,187	218,485,157	101,367,516	60,529,098	1,348,982,958
Accumulated depreciation					
31 December 2012	(259,397,482)	(131,483,732)	(57,362,351)	(40,613,834)	(488,857,399)
Depreciation charged	(12,819,440)	(6,207,915)	(3,156,958)	(1,750,409)	(23,934,722)
Disposals	—	82,972	1,543,429	591,780	2,218,181
30 June 2013	(272,216,922)	(137,608,675)	(58,975,880)	(41,772,463)	(510,573,940)
Net book value					
30 June 2013	696,384,265	80,876,482	42,391,636	18,756,635	838,409,018
31 December 2012	709,203,705	86,776,522	41,715,128	17,628,294	855,323,649

Depreciation of RMB23,644,705 and RMB290,017 was charged in operating costs and general and administrative expenses in the current period (for the six months ended 30 June 2012: RMB25,460,289 and RMB182,894), respectively.



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Construction in progress

	31 December 2012	Increase in current period	Transfer to fixed assets in current period	30 June 2013
Airport broadcasting system renovation	1,400,000	—	(1,400,000)	—
Expansion chillers and Accessories-western board aisle	—	924,000	—	924,000
Staff kitchen project	—	698,750	—	698,750
Sightseeing elevator in International Terminal	—	269,520	—	269,520
Others	—	165,612	—	165,612
	1,400,000	2,057,882	(1,400,000)	2,057,882

(7) Intangible assets

	Land use right
Cost	
31 December 2012 and 30 June 2013	179,637,283
Accumulated amortisation	
31 December 2012	(35,561,759)
Amortisation in current period	(1,581,594)
30 June 2013	(37,143,353)
Net book amount	
30 June 2013	142,493,930
31 December 2012	144,075,524

Amortisation of RMB1,581,594 (for the six months ended 30 June 2012: RMB1,581,594) was charged in cost of sales in the current period.



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(7) Intangible assets (Continued)

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

	30 June 2013	31 December 2012
Inside Mainland China —		
between 10 to 50 years	59,039,040	59,844,117
over 50 years	83,454,890	84,231,407
	142,493,930	144,075,524

(8) Accounts payable

The ageing of accounts payable is analysed below:

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



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(9) Revenue

	Six months ended 30 June	
	2013	2012
Aeronautical:		
Passenger charges	96,069,479	82,797,683
Airport fee	72,347,425	64,469,216
Aircraft movement fees and related charges	31,953,472	27,762,284
Ground handling services income	22,157,892	20,297,975
	222,528,268	195,327,158
Non-aeronautical:		
Franchise fee	78,844,027	74,336,983
Rental	18,218,263	14,844,446
VIP room charges	17,289,986	14,201,776
Car parking	6,362,792	4,921,947
Others	10,353,121	8,252,659
	131,068,189	116,557,811
	353,596,457	311,884,969

(10) Financial expenses – net

	Six months ended 30 June	
	2013	2012
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
Interest income	(10,441,156)	(6,990,903)
Exchange (gains)/losses	(6,256,016)	1,768,833
Amortisation of finance charges	561,899	304,550
Others	360,145	1,165,380
	21,768,176	22,004,876



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Financial expenses — net (Continued)

Interest expenses are analysed by the repayment terms of bank borrowings and corporate bonds as follows:

	30 June 2013		30 June 2012	
	Bank borrowings	Corporate bonds	Bank borrowings	Corporate bonds
Wholly repayable within five years	7,209,971	—	8,077,016	—
Not wholly repayable within five years	—	30,333,333	—	17,680,000
	7,209,971	30,333,333	8,077,016	17,680,000

(11) Investment income

	Six months ended 30 June	
	2013	2012
Share of profit of investees under equity method — HNA Airport	14,028,240	12,568,396
Dividend income under cost method — Meilan Cargo	—	4,080,000
Gains from disposal of equity interest — Meilan Travelling	—	112,989
	14,028,240	16,761,385

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

(12) Non-operating income

	Six months ended 30 June	
	2013	2012
Government grants	400,000	300,000
Gains on disposal of fixed assets	—	268,292
Others	162,821	9,470
	562,821	577,762



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(13) 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 period ended 30 June 2012: nil). Income tax expenses in the income statement represent provision for the PRC corporate income tax ("CIT").

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

	Six months ended 30 June	
	2013	2012
Current income tax	25,010,723	20,395,651
Deferred income tax	(1,273,559)	403,898
	23,737,164	20,799,549

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	Six months ended 30 June	
	2013	2012
Total profit	208,853,567	178,544,650
Income tax expenses calculated at applicable tax rates	52,213,392	44,636,163
Effect of tax incentive	(26,106,696)	(22,318,081)
Effect of change in tax rates	(1,085,546)	(356,307)
Income not subject to tax	(1,753,530)	(2,444,579)
Costs and expenses not deductible for tax purposes	469,544	1,282,353
	23,737,164	20,799,549



Notes to Financial Statements

For the six months ended 30 June 2013
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10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(14) Supplementary information to the Company's cash flow statement

- (a) Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June	
	2013	2012
Net profit	185,116,403	157,745,101
Add: Provisions for/(reversal of) asset impairment	1,985,750	(1,340,619)
Depreciation of fixed assets	23,934,722	25,643,183
Amortisation of intangible assets	1,581,594	1,581,594
Losses/(gains) on disposal of fixed assets	114,508	(189,533)
Financial expenses	31,675,759	28,315,899
Investment income	(14,028,240)	(12,681,385)
(Increase)/decrease in deferred tax assets	(1,273,559)	403,898
Increase in inventories	(114,433)	(113,846)
(Increase)/decrease in operating receivables	(14,134,918)	27,540,004
Decrease in operating payables	(20,012,153)	(973,316)
Net cash flows from operating activities	194,845,433	225,930,980

- (b) Net increase in cash and cash equivalents

	Six months ended 30 June	
	2013	2012
Cash and cash equivalents at end of the period	1,212,829,042	1,091,909,824
Less: cash and cash equivalents at beginning of the period	(1,199,935,519)	(322,579,699)
Net increase in cash and cash equivalents	12,893,523	769,330,125



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

10 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(14) Supplementary information to the Company's cash flow statement (Continued)

(c) Cash paid relating to other operating activities

	Six months ended 30 June	
	2013	2012
Payment of Ground Service Fee collected on behalf of Haikou Meilan	50,462,283	55,991,429
Payment of travel expenses and other expenses	10,092,916	19,473,781
	60,555,199	75,465,210

11 NET CURRENT ASSETS

	The Group	
	30 June 2013	31 December 2012
Current assets	1,358,728,963	1,315,269,732
Less: Current liabilities	(314,117,450)	(343,219,015)
Net current assets	1,044,611,513	972,050,717

	The Company	
	30 June 2013	31 December 2012
Current assets	1,341,471,288	1,307,951,951
Less: Current liabilities	(332,734,496)	(365,499,733)
Net current assets	1,008,736,792	942,452,218



Notes to Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi ("RMB") unless otherwise stated)

12 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	30 June 2013	31 December 2012
Total assets	3,904,551,352	3,867,245,352
Less: Current liabilities	(314,117,450)	(343,219,015)
Total assets less current liabilities	3,590,433,902	3,524,026,337

	The Company	
	30 June 2013	31 December 2012
Total assets	3,895,203,104	3,868,407,036
Less: Current liabilities	(332,734,496)	(365,499,733)
Total assets less current liabilities	3,562,468,608	3,502,907,303

