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海南美蘭國際機場股份有限公司

Hainan Meilan International Airport Company Limited

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

(Stock Code: 357)

Interim results announcement as at 30 June 2014

FINANCIAL HIGHLIGHTS

- Total revenue was RMB457.06 million
(for the six months ended 30 June 2013: RMB404.29 million)
- Revenue from the aeronautical business was RMB265.40 million
(for the six months ended 30 June 2013: RMB231.47 million)
- Revenue from the non-aeronautical business was RMB191.67 million
(for the six months ended 30 June 2013: RMB172.82 million)
- Net profit attributable to shareholders was RMB166.47 million
(for the six months ended 30 June 2013: RMB188.26 million)
- Earnings per share was RMB0.35
(for the six months ended 30 June 2013: RMB0.40)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 7.19 million
(for the six months ended 30 June 2013: 6.1773 million)
- Aircraft movements reached 54,964
(for the six months ended 30 June 2013: 48,537)
- Cargo throughput was 120,448.90 tons
(for the six months ended 30 June 2013: 106,173.60 tons)

RESULTS

The Board of Directors (“the Board”) of Hainan Meilan International Airport Company Limited (the “Company” or “Meilan Airport”) is pleased to announce the unaudited financial position and operating results of the Company and its subsidiaries (the “Group”) as at 30 June 2014 and for the six months then ended, together with the comparative figures for the corresponding period of 2013.

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

CONSOLIDATED INCOME STATEMENT

	Note(s)	Six months ended 30 June	
		2014	2013
		RMB Unaudited	RMB Unaudited
Revenue	2	457,063,933	404,294,391
Less: Operating costs	3	(154,831,432)	(137,785,956)
Taxes and surcharges		(8,295,714)	(14,395,767)
General and administrative expenses	3	(28,254,506)	(23,343,220)
Finance expenses – net	4	(53,870,889)	(21,847,004)
Provision for asset impairment losses		–	(2,706,756)
Add: Investment income	5	11,812,933	14,028,240
Including: Share of profit of associates		11,812,933	14,028,240
Operating profit		223,624,325	218,243,928
Add: Non-operating income		1,076,919	562,821
Less: Non-operating expenses		(250,934)	(150,272)
Including: Losses on disposal of non-current assets		(184,323)	(114,508)
Total profit		224,450,310	218,656,477
Less: Income tax expenses	6	(53,801,605)	(26,693,814)
Net profit		170,648,705	191,962,663
Attributable to shareholders of the Company		166,467,595	188,255,025
Minority interest		4,181,110	3,707,638
Earnings per share			
– Basic and diluted earnings per share	7	0.35	0.40
Other comprehensive income		–	–
Total comprehensive income		170,648,705	191,962,663
Dividends	8	40,223,100	46,374,800

CONSOLIDATED BALANCE SHEET

		As at 30 June 2014 RMB Unaudited	As at 31 December 2013 RMB Audited
ASSETS			
Current assets			
Cash at bank and on hand	9	2,417,238,451	2,998,410,937
Accounts receivable	10	112,519,356	82,122,118
Advances to suppliers		2,226,540	1,194,222
Interest receivable		1,253,578	5,293,245
Other receivables		4,435,275	3,686,441
Inventories		159,283	7,187
Other current assets		<u>869,909</u>	<u>1,196,386</u>
Total current assets		<u>2,538,702,392</u>	<u>3,091,910,536</u>
Non-current Assets			
Long-term equity investments		1,139,552,079	1,127,739,146
Fixed assets	11	1,066,982,432	1,086,631,921
Construction in progress		59,828,784	6,772,310
Intangible assets		183,667,548	185,653,430
Deferred tax assets		4,775,259	9,066,924
Other non-current assets		<u>623,304,378</u>	<u>159,454,570</u>
Total non-current assets		<u>3,078,110,480</u>	<u>2,575,318,301</u>
Total assets		<u>5,616,812,872</u>	<u>5,667,228,837</u>

	<i>Note(s)</i>	As at 30 June 2014 RMB Unaudited	As at 31 December 2013 RMB Audited
LIABILITIES			
Current liabilities			
Accounts payable	12	12,448,405	12,010,624
Advances from customers		8,326,539	9,435,102
Employee benefits payable		17,348,902	20,779,889
Taxes payable		13,433,139	16,739,167
Interest payable		19,202,873	51,746,763
Dividends payable		17,652,133	666,000
Other payables		91,842,919	161,190,876
Current portion of non-current liabilities		<u>293,152,372</u>	<u>138,326,172</u>
Total current liabilities		<u>473,407,282</u>	<u>410,894,593</u>
Non-current liabilities			
Long-term borrowings	13	1,455,724,748	1,688,801,518
Corporate bonds	14	792,986,648	792,365,219
Long-term payables		77,072,911	87,488,063
Other non-current liabilities		<u>17,359,465</u>	<u>18,336,331</u>
Total non-current liabilities		<u>2,343,143,772</u>	<u>2,586,991,131</u>
Total liabilities		<u>2,816,551,054</u>	<u>2,997,885,724</u>
EQUITY			
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus	15	699,650,702	699,650,702
Surplus reserve	16	246,394,231	246,394,231
Undistributed profits		<u>1,360,731,518</u>	<u>1,233,993,923</u>
Total capital and reserves attributable to shareholders of the Company		<u>2,779,989,451</u>	<u>2,653,251,856</u>
Minority interest		<u>20,272,367</u>	<u>16,091,257</u>
Total equity		<u>2,800,261,818</u>	<u>2,669,343,113</u>
Total liabilities and equity		<u>5,616,812,872</u>	<u>5,667,228,837</u>
Net current assets		<u>2,065,295,110</u>	<u>2,681,015,943</u>
Total assets less current liabilities		<u>5,143,405,590</u>	<u>5,256,334,244</u>

NOTES

1 BASIS OF PREPARATION

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

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

2 REVENUES AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2014	2013
	RMB	RMB
Analysis of revenue (by nature)		
Aeronautical:		
Passenger charges	105,779,019	96,069,479
Airport fee*	84,605,787	72,347,425
Aircraft movement fees and related charges	36,696,198	31,953,472
Ground handling services income	38,317,205	31,102,362
	265,398,209	231,472,738
Non-aeronautical:		
Franchise fee	103,720,487	78,844,027
Freight and packing	34,136,151	43,200,664
Rental	17,655,068	16,718,263
VIP room charge	11,877,073	17,289,986
Car parking	7,513,916	6,362,792
Others	16,763,029	10,405,921
	191,665,724	172,821,653
Total Revenue	457,063,933	404,294,391

* Airport fee represents the portion of Civil Aviation Development Fund refundable from the PRC government. Civil Aviation Development Fund (formerly known as Civil Airport Construction Fee) is a fee charged to passengers taking domestic flights in the PRC. Pursuant to the Interim Measures for the Collection, Use and Management of the Civil Aviation Development Fund (《民航發展基金徵收使用管理暫行辦法》) promulgated by the Ministry of Finance of the PRC, effective from 1 April 2012 till 31 December 2015, the former Civil Airport Construction Fee was superseded by the Civil Aviation Development Fund, the charge rate remains the same.

According to the Notice Regarding the Grant of Subsidy of Civil Aviation Development Fund to Haikou Meilan Airport Company Limited issued by Civil Aviation Administration of China (“CAAC”) on 11 April 2012, the refund of Civil Airport Construction Fee granted to the Group was correspondingly superseded by the refund of Civil Aviation Development Fund, the refund rate should be determined by CAAC. Given the nature and refund method of both funds are same, the actual refund rate of the airport fee is 48% since 2008 and the Group did not receive any notice from relevant authorities in respect of change of the refund rate during the current period, the Group continued to recognise the refund of Civil Aviation Development Fund at a rate of 48%.

3 COSTS/EXPENSES BY NATURE

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

	Six months ended 30 June	
	2014	2013
	RMB	RMB
Employee benefit expenses	49,649,375	42,160,546
Depreciation of fixed assets	29,097,041	24,178,915
Airport and logistic services fee	20,923,150	16,262,305
Contract labour expenses	13,782,617	7,885,538
Utilities	12,598,542	12,344,481
Repairs and maintenance	5,552,177	3,349,652
Other taxes	4,821,578	3,736,703
Packaging materials	3,419,163	18,216,100
Handling fees of CAAC Settlement Center	1,997,157	1,752,602
Amortisation of land use rights	1,985,882	1,581,594
Travel expenses	1,007,620	695,426
Audit fee	600,000	600,000
Airlines subsidy expenses	–	6,579,000

4 FINANCIAL EXPENSE – NET

	Six months ended 30 June	
	2014	2013
	RMB	RMB
Interest expenses	85,328,526	37,543,304
Including: Bank borrowings	51,162,514	7,209,971
Corporate bonds	30,853,334	30,333,333
Finance lease	3,312,678	–
Net foreign exchange losses/(gains)	12,775,963	(6,253,834)
Less: Interest capitalisation	(35,792,758)	–
Less: Interest income	(9,411,494)	(1025,483,246)
Others	970,652	1,040,780
	<u>53,870,889</u>	<u>21,847,004</u>

5 INVESTMENT INCOME

	Six months ended 30 June	
	2014	2013
	RMB	RMB
Share of profit of investees under equity method – Hainan Airlines Airport Holding (Group) Company Limited (“HNA Airport Holding”)	<u>11,812,933</u>	<u>14,028,240</u>

No significant restrictions on the repatriation of investment income.

Investment income derived from unlisted companies in the current period amounted to RMB11,812,933 (for the six months ended 30 June 2013: RMB14,028,240).

6. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2013: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2014	2013
	RMB	RMB
Current income tax	49,509,940	27,967,373
Deferred income tax	4,291,665	(1,273,559)
	<u>53,801,605</u>	<u>26,693,814</u>

Pursuant to the relevant tax regulations of the PRC, the Company was entitled to the exemption of CIT from 2004 to 2008, and 50% deduction of CIT from 2009 to 2013. This tax preference treatment was expired on 31 December 2013, thus the effective tax rate of the Company in the current period is 25% (for the six months ended 30 June 2013: 12.5%). The applicable tax rate of the other group companies for the current period is 25% (for the six months ended 30 June 2013: 25%).

7 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	<u>166,467,595</u>	<u>188,255,025</u>
Weighted average number of outstanding ordinary shares of the Company (<i>share</i>)	<u>473,213,000</u>	<u>473,213,000</u>
Basic earnings per share (<i>RMB</i>)	<u>0.35</u>	<u>0.40</u>

Diluted earnings per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in current period (for the six months ended 30 June 2013: nil), diluted earnings per share equal to basic earnings per share.

8 DIVIDENDS

During the current period, 2013 final cash dividend of RMB0.084 per share (for the six months ended 30 June 2013: final cash dividend of RMB0.138 per share), totaling RMB39,730,000 (for the six months ended 30 June 2013: final cash dividend totalling RMB65,303,394) was declared to the shareholders of the Company.

An interim dividend of 2014 of RMB0.085 per share, totaling RMB40,223,100 was proposed by the Board of Directors on 28 August 2014 (2013 interim dividend: RMB0.098 per share, totaling RMB46,374,800). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the second half year ending 31 December 2014.

9 CASH AT BANK AND ON HAND

	30 June 2014 RMB	31 December 2013 RMB
Cash on hand	90,376	314,078
Cash at bank	<u>2,417,148,075</u>	<u>2,998,096,859</u>
	<u>2,417,238,451</u>	<u>2,998,410,937</u>

10 ACCOUNTS RECEIVABLE

	30 June 2014 RMB	31 December 2013 RMB
Accounts receivable	115,914,499	86,238,267
Less: provision for bad debts	<u>(3,395,143)</u>	<u>(4,116,149)</u>
	<u>112,519,356</u>	<u>82,122,118</u>

Credit terms granted to customers are determined on an individual basis by the management with a general range from 1 to 3 months. As at 30 June 2014, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	30 June 2014 RMB	31 December 2013 RMB
Within 90 days	101,014,010	69,513,807
91 to 180 days	4,374,914	3,432,256
181 to 365 days	4,099,947	1,898,418
Over 365 days	<u>6,425,628</u>	<u>11,393,786</u>
	<u>115,914,499</u>	<u>86,238,267</u>

11 FIXED ASSETS

	Buildings and structures <i>RMB</i>	Machinery and equipment <i>RMB</i>	Motor vehicles <i>RMB</i>	Office equipment and others <i>RMB</i>	Total <i>RMB</i>
Cost					
31 December 2013	1,209,238,913	89,783,278	77,968,272	68,936,940	1,445,927,403
Transferred from Construction in Progress	–	–	–	6,956,420	6,956,420
Other increases	14,084	–	1,400,956	1,790,537	3,205,577
Other decreases	–	(934,129)	(97,152)	(3,278,418)	(4,309,699)
30 June 2014	<u>1,209,252,997</u>	<u>88,849,149</u>	<u>79,272,076</u>	<u>74,405,479</u>	<u>1,451,779,701</u>
Accumulated depreciation					
31 December 2013	(286,940,665)	(8,166,561)	(23,413,798)	(40,774,458)	(359,295,482)
Depreciation charged	(15,745,625)	(6,114,031)	(4,079,038)	(3,158,347)	(29,097,041)
Other decreases	–	365,003	82,287	3,147,964	3,595,254
30 June 2014	<u>(302,686,290)</u>	<u>(13,915,589)</u>	<u>(27,410,549)</u>	<u>(40,784,841)</u>	<u>(384,797,269)</u>
Net book value					
30 June 2014	<u>906,566,707</u>	<u>74,933,560</u>	<u>51,861,527</u>	<u>33,620,638</u>	<u>1,066,982,432</u>
31 December 2013	<u>922,298,248</u>	<u>81,616,717</u>	<u>54,554,474</u>	<u>28,162,482</u>	<u>1,086,631,921</u>

Depreciation of RMB28,761,839 and RMB335,202 were charged to operating costs and general and administrative expenses in the current period (for the six months ended 30 June 2013: RMB23,888,898 and RMB290,017 respectively).

12 ACCOUNTS PAYABLE

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

	30 June 2014 <i>RMB</i>	31 December 2013 <i>RMB</i>
Within 90 days	7,975,436	9,732,312
91 to 180 days	547,260	1,492,839
Over 180 days	3,925,709	785,473
	<u>12,448,405</u>	<u>12,010,624</u>

13 LONG-TERM BORROWINGS

	30 June 2014 RMB	31 December 2013 RMB
Secured borrowings	1,720,295,148	1,798,545,718
Less: current portion of long-term borrowings	(264,570,400)	(109,744,200)
	<u>1,455,724,748</u>	<u>1,688,801,518</u>

As at 30 June 2014, the weighted average interest rate of long-term borrowings is 5.87%. (31 December 2013: 3.74%).

As at 30 June 2014, bank borrowings of USD250,000,000, equivalent to RMB1,538,200,000 (31 December 2013: USD250,000,000, equivalent to RMB1,524,225,000) are secured by the 51% interest in Hainan Meilan International Airport Cargo Co., Ltd. held by the Company and the Group's land use rights with a carrying amount of RMB8,841,124 (original cost: RMB11,852,138). Interest is payable every quarter and the principal is due for repayment on installment before 30 December 2016.

As at 30 June 2014, bank borrowings of USD35,993,475, equivalent to RMB221,460,654 (31 December 2013: USD44,993,475, equivalent to RMB274,320,718) are secured by the 24.5% interest of HNA Airport Holding held by the Company. Interest is payable every quarter and the principal is due for repayment on installment before 26 January 2016.

14 CORPORATE BONDS

	31 December 2013 RMB	Amortisation of issuance expenses in current period RMB	30 June 2014 RMB
Long-term corporate bonds	<u>792,365,219</u>	<u>621,429</u>	<u>792,986,648</u>

Related information is as follows:

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

Interest accrued of the bonds is analysed as below:

	Interest accrued			
	31 December 2013 RMB	Interest accrued in current period RMB	Interest paid in current period RMB	30 June 2014 RMB
Corporate bonds	49,746,667	30,853,333	(62,400,000)	18,200,000

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

15 CAPITAL RESERVE

	30 June 2014 and 31 December 2013 RMB
Capital premium	598,983,655
Other capital reserve	100,500,999
Share of the capital surplus of associate	166,048
	<u>699,650,702</u>

16 SURPLUS RESERVE

	31 December 2013 RMB	Additions RMB	Reductions RMB	30 June 2014 RMB
Statutory surplus reserve	246,394,231	–	–	246,394,231

	31 December 2012 RMB	Additions RMB	Reductions RMB	30 June 2013 RMB
Statutory surplus reserve	246,394,231	–	–	246,394,231

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 its registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. No statutory surplus reserve was appropriated for the current period (for the six months ended 30 June 2013: nil) as the Company's statutory surplus reserve has accumulated to more than 50% of its registered capital.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2014, the Group's total revenue amounted to RMB457,063,933, representing an increase of 13.05% as compared to the corresponding period of 2013. Net profit attributable to shareholders amounted to RMB166,467,595, representing a decrease of 11.57% as compared to the corresponding period of 2013. Earnings per share amounted to RMB0.35 (for the corresponding period of 2013: earnings per share is RMB0.40).

Business Environment

Civil Aviation Industry in the PRC

In the first half of 2014, the euro-zone economy experienced a mild recovery, which further raised the business confidence. But affected by the increasing crude oil demand caused by global economical growth and the intensified geographical politics in international partial areas such as Ukraine, international crude oil prices remained at a high standard and the global civil aviation was exposed to certain challenge.

In the first half of 2014, China's civil aviation industry continued the good performance of 2013. In the first half of 2014, China's civil aviation industry has completed a total of 3,634,000 safe flight hours, 1,604,000 flights, representing a year-on-year increase of 10.3% and 9.4% respectively. China's civil aviation industry has registered total transport turnover volume of 35.38 billion ton-kilometers, passenger traffic volume of 186 million people (person-time) and cargo traffic volume of 2,788,000 tons, representing a year-on-year increase of 11.1%, 10.7% and 6.0% respectively. Three new airline companies and 22 new general aviation companies were established; 5 airports were built and put in use, with the number of licensed transportation airports increasing to 198.

The Group will pay close attention to the development of the civil aviation industry in China in the second half of 2014, 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 under safe operating conditions.

Tourism in Hainan

In the first half of 2014, the tourism industry in Hainan has continuously maintained a strong momentum of growth. According to the data disclosed by Hainan Tourism Development Commission, as of 30 June 2014, the total number of domestic and foreign overnight visitors to Hainan reached 18.871 million, representing an increase of 11.17% as compared to the corresponding period of last year. The total revenue from tourism amounted to RMB21.05 billion, representing an increase of 14.3% as compared to the corresponding period of last year. Among which, growths of tourist hotel reception and the number of overnight visitors to municipalities and counties around Haikou such as Qionghai and Wenchang all exceeded the growth of Sanya in the corresponding period. Promotion of northern Hainan tourism begins to bring results.

Since the commencement of spring in 2014, north of China often met with hazy weather, while Hainan enjoyed the favorable climate and high quality air. Areas across Hainan grasped opportunities to develop new tourist products and carry out various types of tourist promotion activities, attracting batches of visitors to Hainan for holidays.

The rapid development of Hainan tourism can't be separated from vigorous support of local government. The people's government of Haikou city carried out Interim Measures for Encouraging the Development of the Passenger Transport Market of Aviation in Haikou (《海口市鼓勵航空客運市場開發暫行辦法》) to strengthen the tourist market development of aviation in Haikou and encourage and attract domestic and foreign airline companies to increase number of flights to Haikou. The measures set different award policies in respect of airline companies, new developed routes and charter flights and effectively advanced the tourism development of Hainan.

Key Tourism Projects in Hainan

In the first half of 2014, governments of all levels in Hainan province continued to promote key tourism projects in Hainan vigorously.

An on-site promotion meeting was held in Haikou in April 2014 in respect of the ecological restoration project of Chang Ying “Global 100” (長影「環球100」), currently the largest investment scale of cultural tourism project in Hainan with a total potential investment of RMB38 billion. Sino-American Film Festival panorama site, Chinese Forum site and New Zealand visual effect base all will be built in Haikou. The project has completed an injection of RMB3 billion. Various works, including ecological restoration, site formation and cultural film base construction, have commenced and Phase 1 of theme parks is expected to come into service before October 2016.

Boao Lecheng International Medical Tourism Pilot Zone, the first national development zone mainly consisting of international medical tourist service, low-carbon ecological community and international institutions gathering place, is located on the bank of Wanquan River between the urban area of the Jiaji town of Qionghai and the central area of Boao Asia Forum. The zone is planned to comprise “Big Lecheng” and “Small Lecheng”, with a potential investment of RMB1.5 billion in 2014. The infrastructure construction of Big Lecheng has commenced in June 2014, while “International Anti-cancer Center”, as the first medical program of Lecheng medical pilot zone, will commence in December 2014.

Hainan International Tourism Island Pioneer Area which is located in the area of Lingshui Li'an, the southeastern coast of Hainan island, is a provincial administrative territory established by Hainan government in November 2011, a going-first area constructed in international island, the largest cultural industry gathering zone, a demonstration plot of coastal city and a world-class tourism resort. The overall planning and land use planning of pioneer area have acquired the approval of Hainan government. Projects in the pioneer area such as Wenli Avenue, Li'an sea breeze town and ocean theme park have fully commenced, of which, major work of Li'an sea breeze town has been completed and will be equipped with living conditions by the end of 2014; ocean theme park will come into a trial operation by the end of 2014; and Wenli Avenue is expected to be completed soon. International Tourism Island Pioneer Area entered into a strategic cooperation frame agreement with Alibaba Group in February 2014, followed by an extensive cooperation, which was an important step forward in respect of investment attraction.

The high-profile “1942 Republic Street”, the first scenic region of Haikou Guanlan Lake Feng Xiaogang’s Film Commune, officially opened on 8 June 2014, and “Old Beijing Street” and “Nan Yang Street” are also under intense construction.

The gradual completion of these key tourism projects will inject a new driving force for Hainan tourism, especially the tourism of northern Hainan, and a new situation of “north and south co-prosperity” for Hainan tourism is expected to be achieved.

Offshore Duty Free Shop in Hainan

Pursuant to the Certain Opinion of the State Council of the PRC on Promoting the Construction and Development of Hainan International Tourism Island and approval of relevant departments, Hainan has established two offshore duty free shops at present, one of which is located in Sanya city and operated by China Duty Free Group Co., Ltd., (中國免稅品(集團)有限責任公司) and another is located in the domestic terminal of Haikou Meilan International Airport and jointly operated by Hainan Duty Free Shop Ltd. (海南省免稅品有限公司) and Hainan Commercial Management Company Ltd. (海南海島商業管理有限公司).

As of the six months ended 30 June 2014, the Meilan Airport Offshore Duty Free Shop has achieved a sales revenue of RMB458.11 million, up by 58.56% over the corresponding period of 2013. There were 270,848 total customers and 701,386 sold products during the aforementioned period, representing an increase of 45.01% and 39.05% respectively over the corresponding period of 2013.

Business area of Meilan Airport Offshore Duty Free Shop is 4,772 square meters currently, and will be expanded synchronously later according to the progress of the expansion of Meilan Airport West Gallery, which is expected to bring more substantial franchise revenues to Meilan Airport.

In order to meet shopping demand of visitors, Hainan Airlines Co., Ltd. (海南航空股份有限公司) (“Hainan Airlines”) allied with the official booking platform of Meilan Airport Offshore Duty Free Shop initiatively opened up offshore duty-free on-board booking service on some inbound flights to Haikou. Offshore duty-free on-board booking service has been in trial operation since 20 June 2014 and offered in Beijing – Haikou, Shanghai – Haikou airlines at the beginning of the Period. Subsequent to the trial run, Hainan Airlines will gradually provide such service on other domestic flights landing in Haikou port.

Hainan Haitang Bay International Shopping Mall is located in Sanya, with a total investment of over RMB5 billion. The business area is approximately 70,000 square meters, of which, the duty-free area is up to 45,000 square meters. It is featured with duty-free shopping, catering services and entertainment, and culture display functions as a whole, and is the largest monomer duty-free shop, which will come into trial operation in September 2014. Upon its official operation, the former duty-free shops in Sanya will cease operation.

The rapid development of the duty-free industry in Hainan has not only comprehensively improved the international reputation of Hainan, but also driven the rapid growth of local tourism and shopping, and directly or indirectly stimulated the sustained growth of passenger flow volume for Meilan Airport as well.

Transportation Inside the Island

Hainan West Ring High-speed Railway project, with a total investment of RMB27.1 billion, reached a cumulative realized investment of RMB5.25 billion in the first half of 2014 and is planned to get an injection of RMB11.7 billion in the whole year of 2014. Such project is expected to commence in February 2015 and be open to traffic by the end of 2015.

Hainan vigorously promotes the construction of key transportation projects. The project of highway connecting Tunchang and Qiongzhang has a total investment of RMB3.4 billion. Up until now, the cumulative realized investment has reached RMB2.5 billion and the subgrade project is drawing to a close. It is expected to be open to traffic in 2015. As an important hub connecting Haikou, Ding'an and Chengmai, Dinghai Bridge with a total investment of RMB0.5 billion now is under intense construction. The island highway reconstruction work is progressing gradually as well.

On 8 January 2014, a mobilization activity for airspace optimization in Hainan was held in Haikou. Such airspace optimization program of Hainan created and opened three airlines in west and southeast of Hainan, which opened wing-rooms of Hainan and effectively improved airspace capacity of Hainan region. In respect of the investment and construction of new airports in Hainan province, for Qionghai Boao Airport with a gross budget investment of RMB1.5 billion, currently all the land acquisition work has been completed, and housing demolition work in airport area started as well. Boao Airport is expected to operate in 2016.

Business and Revenue Review

Overview

In the first half of 2014, 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 "Two Sessions" of Chinese People's Political Consultative Conference and the Boao Forum for Asia Annual Conference and has been highly praised by the public.

The Group got an excellent performance in the work of brand creation in the first half of 2014. The Group won two international awards – "World Airport Award (世界最佳機場)" of ASQ (Airport Service Quality) among global airports with scales of 5-15 million and "(China) Regional Airport Award" ((中國)區域最佳機場) of SKYTRAX, and became one of the best airports of the world. The Group was granted "Social Responsibility Award for Green Low-carbon Airport of the Year (年度綠色低碳機場社會責任獎)" by China Airport Development Summit and our energy conservation and environment protection works were recognized across the industry. The international terminal of Meilan Airport obtained the five-star certification of SKYTRAX and became the second five-star terminal of China following Terminal T2 of Shanghai Hongqiao Airport and the sixth of the world, which indicated that our Group achieved a substantial result on the creation work of SKYTRAX five-star airport. In the second half of 2014, the Group will continue to improve service quality and strengthen our brand establishment on the creative way of SKYTRAX five-star airport.

In the first half of 2014, the Group continued to extend the intelligent airport construction and carried out 15 information-based projects through introducing advanced technology of the industry. The completed projects include 5 service projects such as self-service check-in system, Alipay service window and opening new free WIFI in waiting room, of which, the self-service machines reached to a usage rate of 13% with an evidently optimized service function. Meanwhile, intelligent working projects such as operation and management platform, intelligent scheduling system of wireless station sites and device operation monitoring system also have entered into the final stage and will come into service within 2014.

Since the official commencement of the West Gallery expansion project in August 2013, the construction work has been under an effective progress, and the main civil work of the West Gallery expansion project is expected to be completed within 2014. In order to ensure the construction progress of the project, the Group moved the former duty-free products warehouse, and the new warehouse was built and came into service in May 2014. Meanwhile, the Group is speeding up the upgrade and expansion work of the airport site. Meilan Airport will increase 30 parking lots at the end of 2014 compared to 2013.

In addition, in the first half of 2014, the Group continued to hold the corporate principle of “human-oriented” and invested over RMB1.3 million to carry out various employees caring activities such as visiting in the holidays, “sailing to happiness” outing and statutory holiday commemoration, which closely connected the staff, effectively raised concentration and laid a solid base for building a stable and united working team. Meanwhile, the Group continues to carry forward public activities, including visiting social welfare institutions, greening and planting, blood donation to actively perform our social responsibility.

Aeronautical Business Overview

In the first half of 2014, with the overall steady development of the civil aviation industry, 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 three consecutive years. It continued to strengthen its marketing efforts 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 the tourism industry and air passenger market through engaging in the tourism development of northern Hainan, integrating the resources in and around Haikou and appealing to tourists outside the island.

In the first half of 2014, Haikou Meilan International Airport has 169 aviation routes in operation, including 147 domestic routes, 3 regional routes and 19 international routes. It has flights to 95 destinations, including 76 domestic cities, 3 regional cities and 16 international cities. There are 35 airlines operating in this airport, including 22 domestic airlines, 4 regional airlines and 9 international airlines. Since the commencement of 2014 summer flight season, Haikou Meilan International Airport has 8 new aviation routes as compared to the corresponding period in 2013. The overall flight execution rate stands at around 87.25% and passenger throughput increased by 6.01% as compared to summer and autumn flight season in 2013.

In the first half of 2014, the Group scientifically and rationally formulated customized marketing strategy and target, actively visited international aviation companies to promote our airlines, extensively cooperated with tourism agents, charter providers with a theme of “Meilan Airport collects glamour for you”, and launched holiday products such as Cruises and aviation travel, with routes covering Taiwan, Hong Kong, Thailand, Korea, America, etc, and achieved a favorable result. Therefore, the international (regional) transportation capacity of the Group also achieved the best performance compared to the corresponding period of the history. For the six months ended 30 June 2014, international and regional passenger carrying capacity amounted to 265,400, representing a year-on-year growth of 13.76%.

Aviation traffic throughput of the Group in the first half of 2014 and comparison figures for the corresponding period of last year are set out below:

	1H 2014	1H 2013	Change (%)
Aircraft movement (flights)	54,964	48,537	13.24
In which: Domestic	52,538	46,460	13.08
International and regional	2,426	2,077	16.80
Passenger throughput (headcount in ten thousand)	719.60	617.73	16.49
In which: Domestic	693.06	594.40	16.60
International and regional	26.54	23.33	13.77
Cargo throughput (tons)	120,448.9	106,173.6	13.45
In which: Domestic	116,222.6	102,838.9	13.01
International and regional	4,226.3	3,334.7	26.74

The Group’s revenue from aeronautical business for the six months ended 30 June 2014 amounted to RMB265,398,209, representing an increase of approximately 14.66% over the corresponding period of 2013. Details of the figures are as follows:

	Amount	Change over the same period of 2013
	<i>(RMB)</i>	<i>(%)</i>
Passenger charges	105,779,019	10.11
Airport fee	84,605,787	16.94
Aircraft movement fees and related charges	36,696,198	14.84
Ground handling services income	38,317,205	23.20
Total revenue from aeronautical business	265,398,209	14.66

Non-Aeronautical Business Overview

In the first half of 2014, non-aeronautical business of the Group continues to maintain a good momentum of growth. The non-aeronautical business of the Group recorded a revenue of RMB191,665,724 for the six months ended 30 June 2014, representing an increase of 10.90% as compared to the corresponding period of 2013. Increase of non-aeronautical business revenue was primarily attributable to the franchising in Meilan Airport of Meilan Airport Offshore Duty Free Shop which recorded rapid sale revenue growth; the Group also strengthened business planning of terminal and actively expanded new business to ensure a sustained growth on non-aeronautical business revenue.

	Amount (RMB)	Change over the same period of 2013 (%)
Franchise fee	103,720,487	31.55
Freight and packing	34,136,151	-20.98
Rental	17,655,068	5.60
VIP room charge	11,877,073	-31.31
Car parking	7,513,916	18.09
Others	<u>16,763,029</u>	61.09
Total revenue from non-aeronautical businesses	<u><u>191,665,724</u></u>	10.90

Franchise income

In the first half of 2014, the franchise income of the Group amounted to RMB103,720,487, representing an increase of 31.55% 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 Group.

Rental income

In the first half of 2014, the rental income of the Group amounted to RMB17,655,068, representing an increase of 5.60% as compared to the corresponding period of last year.

Freight and packing income

In the first half of 2014, the freight and packing income of the Group amounted to RMB34,136,151, representing a decrease of 31.31% as compared to the corresponding period of last year. The decrease was mainly attributable to the decline in packing income as a result of the decrease in packing materials sales.

Parking income

In the first half of 2014, the parking income of the Group amounted to RMB7,513,916, representing a year-on-year growth of 18.09%, which was mainly because the Group strengthened the management of the parking lot and its surrounding areas and fully utilized the existing parking area. Meanwhile, the new international terminal parking lot was opened in August 2013 and brought an income growth to the Group.

VIP Room Income

In the first half of 2014, the VIP room income of the Group amounted to RMB11,877,073, representing a year-on-year decline of 31.31%. This was mainly due to the decrease in reception volume of VIP room services caused by relevant domestic policies.

Financial Review

1. Asset Analysis

As at 30 June 2014, total assets of the Group amounted to RMB5,616,812,872, of which RMB2,538,702,392 were current assets and RMB3,078,110,480 were non-current assets. The total assets decreased by 0.89% over those as at 31 December 2013.

2. Cost and Expense Analysis

In the first half of 2014, the Group's operating expenses amounted to RMB154,831,432, and the general and administrative expenses amounted to RMB28,254,506, totaling RMB183,085,938, which represents an increase of 13.63% as compared to the corresponding period of last year. The increase in costs and expenses was mainly attributable to:

- (1) Staff cost increased by RMB7,488,829 as compared to the corresponding period of 2013 due to the raised remuneration level;
- (2) Depreciation of assets increased by RMB4,918,126 as compared to the corresponding period of 2013 due to the new international terminal and other projects put into operation in August 2013 and the addition of other fixed assets;
- (3) The labor dispatching cost increased by RMB5,897,079 due to the increase in the number of labor dispatched and their raised charge standard.

In the first half of 2014, the Group's finance expenses amounted to RMB53,870,889, which represents an increase of RMB32,023,885 as compared to the corresponding period of 2013. The increase was mainly attributable to increased loans and losses in foreign exchange.

3. *Gearing Ratio*

As at 30 June 2014, the Group had total current assets of RMB2,538,702,392, total assets of RMB5,616,812,872, total current liabilities of RMB473,407,282 and total liabilities of RMB2,816,551,054. As at 30 June 2014, the Group's gearing ratio (total liabilities/total assets) was 50.15%, representing a decrease of 2.75% as compared to that as at 31 December 2013, as the Company repaid the borrowings of US\$9,000,000 to China Development Bank and the payment of interest payable in 2013.

4. *Pledge of the Group's Assets*

The Group obtained a long-term borrowing of US\$72,500,000 from China Development Bank. Such borrowing was secured by 24.5% equity interest in HNA Airport Holdings (Group) Co., Ltd. ("HNA Airport Holdings") held by the Group. As of 30 June 2014, the outstanding balance of the borrowing was US\$35,993,475 (equivalent to RMB221,460,654).

The Group obtained a long-term borrowing of US\$250,000,000 from Taiwan syndication secured by the 51% interest in Hainan Meilan International Airport Cargo Co., Ltd. held by the Group and certain land use rights of the Group with book value amounting to RMB8,841,124. As of 30 June 2014, balance of the borrowing was US\$250,000,000 (equivalent to RMB1,538,200,000).

5. *Capital Structure of the Group*

As at 30 June 2014, the total issued share capital of the Group was RMB473,213,000. The borrowings of the Group were consisted of a bank borrowing of US\$35,993,475 from China Development Bank, a loan of US\$250,000,000 from Taiwan syndication, corporate bonds of RMB800,000,000 and finance lease of RMB105,654,883 payable to Jiangsu Finance Leasing Co., Ltd.

6. *Significant Investments Held and their Performance*

As at 30 June 2014, the Company held 24.5% equity interest in the HNA Airport Holding. In the first half of 2014, HNA Airport Holding recorded a net profit attributable to its shareholders in the amount of RMB48,216,053 (unaudited), and an investment income of the Company was RMB11,812,933.

7. *Material Acquisitions and Disposals*

As at 30 June 2014, the Company has no new material acquisitions and disposals.

8. *Employees and Remuneration Policy*

As at 30 June 2014, the Group had a total of 706 employees, representing a decrease of 3 employees as compared to 709 employees at the beginning of the year. The decrease in the number of employees was mainly due to normal staff mobility. 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.

9. *Entrusted Deposits and Overdue Fixed Deposits*

As at 30 June 2014, the Group did not have any entrusted deposits or overdue fixed deposits.

10. *Contingent Liabilities*

As at 30 June 2014, the Group did not have any contingent liabilities.

11. *Exposure to Foreign Exchange Risks*

The business of the Group is mainly settled in RMB, except for certain aeronautical revenue, equipment purchase and consultation fee settled in US dollar or HK dollar. The dividend for H shareholders is declared in RMB and paid in HK dollar. Relevant interest and principle of the outstanding amount of US\$35,993,475 from China Development Bank dominated in US dollars in connection with the equity acquisition according to the overall purchase plan of the 24.5% interest in HNA Airport Holding and the outstanding amount of US\$250,000,000 from Taiwan syndication dominated in US dollar under the overall terminal complex arrangement, should be paid by the Group. Therefore, the exchange rate fluctuation of RMB against US dollar will affect the financial performance of the Group. The Group has not entered into any forward rate contracts to hedge foreign exchange risks.

12. *Interest Rate Risk*

The Group has to pay the principle and interest on outstanding bank borrowings of US\$35,993,475 from China Development Bank dominated in US dollar and US\$250,000,000 from Taiwan syndication dominated in US dollar. Changes of the Libor and interest rate adjustments of People's Bank of China will affect the Group's interest expenses and financial results.

NO OTHER MATERIAL CHANGE

Other than those discussed in this interim results announcement, there has been no material change in relation to the information disclosed in the Company's 2013 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").

PROGRESS OF TARGETED ADDITIONAL ISSUE AND ACQUISITION PROJECT

In accordance with the disclosures made in the announcement and circular issued by the Company on 2 July 2014 and 15 August 2014 respectively:

The Company and the Parent Company entered into the Subscription Agreement pursuant to which the Parent Company has agreed to subscribe for 66,615,016 new Domestic Shares in the Company in cash at the aggregate subscription price of RMB379,039,440 (equivalent to HK\$477,319,531.5).

The Company entered into the SPA with Xinhua Lianhang Airport Industry Investment Development Co., Ltd. (“Xinhua Lianhang”), HNA International Tourism Island Development (Group) Co., Ltd. (“Haidao Development”) and Hainan HNA Engineering Construction Co., Ltd. (“HNA Engineering”) as the Vendors pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Sale Shares of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. (“Wuhan Linkong”), representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash; and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell Sale Shares of the Hainan Haidao Commercial Management Co., Ltd. (“Haidao Commercial”), representing 100% equity interest in Haidao Commercial at an aggregate consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances and partly by the allotment and issue of the Consideration Shares. The completion of the sale and purchase of the Wuhan Linkong Sale Shares and the Haidao Commercial Sale Shares are inter-conditional and shall take place simultaneously.

Completion of the Subscription Agreement is conditional upon fulfillment of the following conditions: (a) the passing of resolutions by the Board and the meetings of the Shareholders (including Class Meetings) in accordance with the Articles and the Listing Rules approving the Subscription Agreement and the transactions contemplated thereunder; (b) the Parent Company having obtained the internal approvals from its competent decision making bodies; and (c) all necessary approvals, authorizations, consents having been obtained from and all necessary registrations and filings (if required) having been completed with all competent governmental authorities or regulatory bodies or other third parties in respect of the Subscription Agreement and the transactions contemplated thereunder by the Company and the Parent Company. None of the conditions precedent above is waivable. In the event any of the conditions precedent are not fulfilled on or before 31 December 2014 or such later date as may be agreed between the Company and the Parent Company, the Subscription Agreement shall automatically be terminated (save that the clauses relating to confidentiality, notices and governing law shall continue to have full force and effect).

The Company will seek the grant of the specific mandate from the Shareholders at the EGM and the Class Meetings on 30 September 2014, respectively, to issue and allot new Domestic Shares to satisfy the issue and allotment of the Consideration Shares.

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the first half of 2014, International Air Transport Association reported that, affected by the passengers' demand promoted by periodically up-trend economy, the overall prospect of global aviation industry in 2014 is positive, and the profitability will be improved for the second year in a row. While the international oil price fluctuated severely at a high level caused by Ukraine geographical politics risk and severe aviation accidents densely took place in Malaysia Airlines, Algeria airlines and Tran-Asia Airways in the first half of 2014 will remain some affection on the full-year profit of aviation industry.

Affected by the low basic number of data in 2012, the growth of total turnover of China aviation industry in 2013 was substantially improved. The total turnover of transportation reached 67.172 billion tonne km, representing a year-on-year growth of 10.1%. The first half of 2014 remained the rapidly growing momentum; the total turnover of transportation recorded a year-on-year growth of 11.1%. For the overall situation, because of the potential expansion of competitive stress, the uncertainties of the global economy still exist; the aviation market shows an extremely low possibility of explosive growth and will obtain a periodic recovery accompanied by the macro economy. In general, although affected by factors such as a weak economy, the Chinese market will still be supported by the improvement of travel ability of Chinese aviation passengers, and the transportation efficacy of Chinese aviation is expected to be improved slightly in 2014.

The Group believes that in the second half of 2014, with the ongoing further advancing of the construction of the 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 favorable results to the shareholders.

INTERIM DIVIDEND

The Board of the Company has passed the resolution to recommend the payment of an interim dividend of RMB0.085 per share (tax inclusive) on or before Monday, 29 December 2014 to shareholders of the Company whose names appear on the Company's Register of Members on Wednesday, 12 November 2014 at the extraordinary general meeting to be held on Monday, 3 November 2014.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Saturday, 4 October 2014 to Monday, 3 November 2014, during which time no transfer of shares will be registered. To attend and vote at the extraordinary general meeting to be held on 3 November 2014, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 3 October 2014.

The Company's Register of Members will be closed from Friday, 7 November 2014 to Wednesday, 12 November 2014, 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, 6 November 2014. After the approval is granted at the extraordinary general meeting, the Company will distribute the Interim Dividend on or before 29 December 2014.

MATERIAL LITIGATION OR ARBITRATION

The Group had no material litigation or arbitration from 1 January 2014 to 30 June 2014.

OTHER INFORMATION

Change of Directors

The Board of the Company comprises eleven directors. During the period from 1 January 2014 to 30 June 2014, changes in the directorship of the Company are as follows:

Mr. Liang Jun resigned as the Company's Chairman due to job re-designation reasons, with effect from 4 May 2014. Meanwhile, Mr. Wang Zhen was elected by the Board of the Company to serve as Chairman of the Company.

Mr. Zhang Peihua officially became an Executive Director on 20 May 2014 for a term of three years. This was approved and ratified at the extraordinary general meeting held on 20 May 2014.

Change of Members in Sub-Committees of the Board

Since Mr. Yang Xuqiang no longer served as an Executive Director of the Company, he no longer served as a member of the remuneration committee of the Board of the Company correspondingly. Mr. Zhang Peihua (an Executive Director of the Company) replaced Mr. Yang Xuqiang as a remuneration committee member, with effect from 2 July 2014.

Change of Senior Management

Based on the Company's actual needs, Mr. Wang Zhen was appointed as the chairman of the Company, with effect from 4 May 2014. This was approved at the 8th meeting of the Fifth Session of the Board of the Company on 4 May 2014.

Directors, Supervisors' Remuneration

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 Shareholders of connected parties would not enjoy allowance for the position from the year of 2013, but will receive appropriate wages depending on their respective positions taken in the Company.

Company Secretary's Remuneration

Mr Xing Zhoujin (the company secretary), will not enjoy allowance for holding the position of company secretary as nominated by Shareholders of connected parties, but will receive appropriate wages depending on his position taken in the Company.

Share Capital Structure

As at 30 June 2014, 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 2014, 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	The percentage of domestic shares issued	Percentage of total issued share capital
Haikou Meilan International Airport Company Limited	Beneficial owner	Corporate	237,500,000 (L)	96.43%	50.19%

H shares

Names of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo (<i>Note 2</i>)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Zhang Zhiping (<i>Note 2</i>)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited (<i>Note 2</i>)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Group Limited (<i>Note 2</i>)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (<i>Note 2</i>)	Beneficial interest	94,343,000 (L)	41.58%	19.94%
UBS AG (<i>Note 3</i>)	Beneficial owner	29,751,400 (L)	13.11%	6.29%
	The person has a security interest in shares and controlled corporate interest	109,000 (S)	0.05%	0.02%
ARC Capital Holdings Limited (<i>Note 4</i>)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
ARC Capital Partners Limited (<i>Note 4</i>)	Investment manager	32,788,500 (L)	14.45%	6.93%

Names of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Pacific Alliance Asia Opportunity Fund L.P (Note 4)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited (Note 4)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited (Note 4)	Investment manager	32,788,500 (L)	14.45%	6.93%
PAG Holdings Limited (Note 4)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Group Limited (Note 4)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Investment Management Limited (Note 4)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Walden Ventures Limited (Note 4)	Beneficial owner	32,788,500 (L)	14.45%	6.93%
Greenwoods Asset Management Limited (Note 5)	Investment manager	13,844,000 (L)	6.10%	2.90%
JPMorgan Chase & Co. (Note 6)	Beneficial owner and Custodian corporation/ approved lending agent	11,350,000 (L)	5.00%	2.40%

Notes:

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Zhang Gaobo and Zhang Zhiping held 49% and 51% interest in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.

3. Among the 29,751,400 shares in the Company, UBS AG was deemed to hold 6,451,000 shares through its security interest in those shares and held 114,000 shares as beneficial owner. In addition, UBS AG was deemed to have equity interest in 23,186,400 shares (UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Limited were all wholly-owned by UBS AG, and were beneficially holding 16,879,100 Shares, 2,411,300 Shares and 3,896,000 Shares in the Company, respectively).
4. PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 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 in turn held 32,788,500 H shares of the Company in its capacity as a beneficial owner.

Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which was in turn held 32,788,500 H shares of the Company.

5. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited, which in turn was held 81% by Jiang Jinzhi. Greenwoods Asset Management Limited holds 13,844,000 in the capacity of investment manager.
6. Among the 11,350,000 shares in the Company, JPMorgan Chase & Co. was deemed to hold 10,846,000 Shares as custodian corporation/approved lending agent and held 504,000 Shares as beneficial owner.
7. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as of 30 June 2014, 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 2014, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the listed securities of the Company during the six months ended 30 June 2014.

AUDIT COMMITTEE

The audit committee has, together with the management, reviewed the interim results announcement, 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 2014.

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

As of 30 June 2014, there were four Independent Non-executive Directors in the Board of the Company. As of 30 June 2014, the audit committee comprised three Independent Non-executive Directors, including personnel with appropriate professional qualifications of accounting and the membership of the Hong Kong Institute of Certified Public Accountants.

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

The Company has adopted a code for securities transaction by directors on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry 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 2014.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to complying with all the rules prescribed by the China Securities Regulatory Commission and the Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2014, the Company had complied with the code provisions of the Code on Corporate Governance 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 corporate and enhancing its transparency to shareholders.

THE BOARD

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

Executive Directors

Wang Zhen (*Chairman*)

Yang Xiaobin (*General Manager*)

Zhang Peihua (*Deputy General Manager*)

Liang Jun

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

Chairman and Executive Director

Wang Zhen

Haikou, the PRC

28 August 2014