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**瑞港國際機場集團股份有限公司**  
**Regal International Airport Group Company Limited\***  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 357)**

**INTERIM RESULTS ANNOUNCEMENT AS OF 30 JUNE 2019**

**FINANCIAL HIGHLIGHTS**

- Total revenue was RMB813.64 million  
(for the six months ended 30 June 2018: RMB926.34 million)
- Revenue from aeronautical business was RMB371.80 million  
(for the six months ended 30 June 2018: RMB487.27 million)
- Revenue from non-aeronautical business was RMB441.84 million  
(for the six months ended 30 June 2018: RMB439.07 million)
- Net profit attributable to shareholders was RMB275.35 million  
(for the six months ended 30 June 2018: RMB371.84 million)
- Earnings per share was RMB0.58  
(for the six months ended 30 June 2018: RMB0.79)

**BUSINESS HIGHLIGHTS**

- The passenger throughput recorded 12.4994 million  
(for the six months ended 30 June 2018: 12.3459 million)
- Aircraft takeoff and landing reached 83,631 times  
(for the six months ended 30 June 2018: 83,103 times)
- Cargo throughput was 178,875.30 tons  
(for the six months ended 30 June 2018: 179,308.30 tons)

\* For identification purposes only

## RESULTS

The board of directors (the “**Directors**”) of Regal International Airport Group Company Limited (the “**Company**” or “**Meilan Airport**”) (the “**Board**”) is pleased to announce the unaudited financial position and operating results of the Company and its subsidiaries (the “**Group**”) as at 30 June 2019 and for the six months then ended which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative figures for the corresponding period of 2018 as follows:

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

### CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2019	2018
	Note(s)	RMB	RMB
		Unaudited	Unaudited
<b>Revenue</b>	2	<b>813,635,900</b>	926,341,233
Less: Cost of sales		<b>(358,128,083)</b>	(339,646,053)
Taxes and surcharges		<b>(14,568,155)</b>	(15,877,336)
Selling and distribution expenses		<b>(2,143,245)</b>	(1,642,992)
General and administrative expenses		<b>(35,342,767)</b>	(38,368,024)
Finance expenses – net	3	<b>(4,070,680)</b>	(80,519,643)
Expected credit loss of financial assets		<b>(795,387)</b>	(1,004,207)
Add: Gain/(Loss) on disposals of assets		<b>1,136,364</b>	(59,227)
Investment (loss)/income	4	<b>(21,434,521)</b>	39,635,316
Including: Investment (loss)/income on associates		<b>(21,434,521)</b>	39,635,316
Other income		<b>1,207,419</b>	3,873,131
<b>Operating profit</b>		<b>379,496,845</b>	492,732,198
Add: Non-operating income		<b>31,679</b>	777,272
Less: Non-operating expenses		<b>(282)</b>	(23,551)
<b>Total profit</b>		<b>379,528,242</b>	493,485,919
Less: Income tax expenses	5	<b>(99,469,545)</b>	(117,705,550)

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
<i>Note(s)</i>	<b>RMB</b>	<b>RMB</b>
	<b>Unaudited</b>	Unaudited
<b>Net profit</b>	<b><u>280,058,697</u></b>	<u>375,780,369</u>
Attributable to shareholders of the Company	<b>275,345,170</b>	371,841,595
Minority interests	<b>4,713,527</b>	3,938,774
<b>Other comprehensive income, net of tax</b>	<b><u>338,408</u></b>	<u>961,533</u>
Attributable to shareholders of the Company	<b>338,408</b>	961,533
Other comprehensive income that will be subsequently reclassified to profit or loss	<b>338,408</b>	961,533
Share of the other comprehensive income of the investee accounted for using equity method that will be subsequently reclassified to profit and loss	<b><u>338,408</u></b>	<u>961,533</u>
<b>Total comprehensive income</b>	<b><u><u>280,397,105</u></u></b>	<u><u>376,741,902</u></u>
<b>Earnings per share</b>		
– Basic and diluted earnings per share	6	<b><u><u>0.58</u></u></b>
		<b><u><u>0.79</u></u></b>

## CONSOLIDATED BALANCE SHEET

		<b>30 June</b>	31 December
		<b>2019</b>	2018
	<i>Note(s)</i>	<b>RMB</b>	<b>RMB</b>
		<b>Unaudited</b>	Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand		<b>264,297,005</b>	81,958,509
Accounts receivable	8	<b>401,755,972</b>	371,857,289
Prepayments		<b>5,591,202</b>	10,140,900
Other receivables		<b>15,510,925</b>	13,042,752
Inventories		<b>835,038</b>	615,299
Other current assets		<b>8,190,366</b>	9,398,072
<b>Total current assets</b>		<b><u>696,180,508</u></b>	<u>487,012,821</u>
<b>Non-current assets</b>			
Long-term equity investments		<b>1,375,475,797</b>	1,396,571,910
Investment properties		<b>1,236,423,425</b>	1,254,387,683
Fixed assets		<b>2,287,703,677</b>	2,459,476,620
Construction in progress		<b>1,992,580,431</b>	1,471,487,020
Right-of-use asset		<b>128,048,815</b>	–
Intangible assets		<b>159,076,061</b>	160,944,155
Long-term prepaid expenses		<b>7,310,633</b>	7,608,487
Deferred tax assets		<b>6,054,620</b>	6,520,866
Other non-current assets		<b>1,046,604,250</b>	1,622,131,422
<b>Total non-current assets</b>		<b><u>8,239,277,709</u></b>	<u>8,379,128,163</u>
<b>Total assets</b>		<b><u><u>8,935,458,217</u></u></b>	<u><u>8,866,140,984</u></u>

		<b>30 June</b>	31 December
		<b>2019</b>	2018
	<i>Note(s)</i>	<b>RMB</b>	<b>RMB</b>
		<b>Unaudited</b>	<b>Audited</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings		<b>379,450,000</b>	379,450,000
Accounts payable	9	<b>241,124,471</b>	191,749,574
Advances from customers		<b>140,138,806</b>	63,868,312
Contract liabilities		<b>1,514,932</b>	14,134,576
Employee benefits payable		<b>33,788,125</b>	26,760,811
Taxes payable		<b>368,530,530</b>	317,157,645
Other payables		<b>715,514,859</b>	770,652,096
Non-current liabilities due within one year	10	<b><u>611,352,606</u></b>	<u>1,899,553,213</u>
<b>Total current liabilities</b>		<b><u>2,491,414,329</u></b>	<u>3,663,326,227</u>
<b>Non-current liabilities</b>			
Lease liability		<b>13,335,159</b>	–
Long-term payables		<b>1,362,900,929</b>	384,015,088
Long-term employee benefits payable		<b>70,601</b>	82,704
Other non-current liabilities		<b>215,384,033</b>	246,777,344
Deferred tax liability		<b><u>16,440</u></b>	<u>–</u>
<b>Total non-current liabilities</b>		<b><u>1,591,707,162</u></b>	<u>630,875,136</u>
<b>Total liabilities</b>		<b><u>4,083,121,491</u></b>	<u>4,294,201,363</u>
<b>Shareholders' equity</b>			
Share capital		<b>473,213,000</b>	473,213,000
Capital surplus		<b>813,135,400</b>	813,135,400
Surplus reserve		<b>246,394,231</b>	246,394,231
Other comprehensive income		<b>(11,945,888)</b>	(12,284,296)
Retained earnings		<b><u>3,289,019,898</u></b>	<u>3,013,674,728</u>

	<b>30 June</b>	31 December
	<b>2019</b>	2018
<i>Note(s)</i>	<b>RMB</b>	<b>RMB</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Total equity attributable to shareholders of the Company</b>	<b>4,809,816,641</b>	4,534,133,063
Minority interests	<u>42,520,085</u>	<u>37,806,558</u>
<b>Total equity</b>	<b><u>4,852,336,726</u></b>	<b><u>4,571,939,621</u></b>
<b>Total liabilities and equity</b>	<b><u>8,935,458,217</u></b>	<b><u>8,866,140,984</u></b>
<b>Net current (liabilities)/assets</b>	<b><u>(1,795,233,821)</u></b>	<b><u>(3,176,313,406)</u></b>
<b>Total assets less current liabilities</b>	<b><u>6,444,043,888</u></b>	<b><u>5,202,814,757</u></b>

Notes:

## 1. BASIS OF PREPARATION

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance of the People’s Republic of China (the “**PRC**”) on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as “**the Accounting Standards for Business Enterprises**” or “**CAS**”). The financial statements are prepared and disclosed in accordance with CAS 32 “Interim Financial Reporting”, which shall be read in conjunction with the financial statements of the Group for the year ended 31 December 2018.

The Ministry of Finance released the CAS 21 – Lease (hereinafter referred to as the “**New Lease Standards**”) in December 2018 and the Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2019 (Cai Kuai [2019] No. 06) in 2019. The Group has adopted the above standards since 1 January 2019. The adoption of these standards has no significant impact on the Group’s financial statements. Apart from adopting New Lease Standards, the accounting policies adopted in these interim financial statements are consistent with those adopted in preparing the annual financial statements for the year ended 31 December 2018.

As at 30 June 2019, the Group recorded net current liabilities of RMB1,795,233,821 (31 December 2018: net current liabilities of RMB3,176,313,406), amongst which the Guohai Private Placement Debentures II of RMB520 million is due for repayment in September 2019. Meanwhile, the Company and Haikou Meilan International Airport Co., Ltd. (“**Haikou Meilan**”, the parent company of the Company) are jointly constructing Meilan Airport Phase II Expansion Project, amongst which the capex of the part that the Company being responsible to construct is estimated to be approximately RMB7.2 billion. As at 30 June 2019, capital commitment of the Group is RMB3,467,491,221, The Group needs funds to support the construction of these projects and settle its debts in due course. Haikou Meilan as the borrower and the Company as co-borrower have jointly obtained a syndicated loan facility of RMB7.8 billion from China Development Bank Limited (as the mandated lead manager), Industrial and Commercial Bank of China Limited and Agricultural Bank of China Limited (as the participating banks) specifically to finance the construction of the Meilan Airport Phase II Expansion Project. Pursuant to an agreement entered into between the Company and Haikou Meilan, the Company was assigned the loan facility of RMB3.9 billion, which the Company has not yet drawn down. The Company will manage the construction progress and payments of construction fees according to the availability of the funding. At the same time, operating activities of the Company are stable, and it is expected to generate sustained net cash inflows from operating activities. In addition, Haikou Meilan has confirmed to continue to provide long-term interest-free loans to the Company, if needed, to support the Company to settle its liabilities in due course. Furthermore, the Company proposes to issue new shares to Haikou Meilan and placement of H shares. According to the latest circular of the Company on 18 April 2019, the placement of H shares is subject to the approval of the China Securities Regulatory Commission. The Directors of the Company have reviewed the cash flow forecast of the Group for not less than 12 months from the date of issue of these interim financial statements prepared by the management. The Directors of the Company are of the view that the Group will be able to obtain sufficient working capital and funds to settle its debts when they falls due in the 12 months from 30 June 2019. Therefore, The Board of Directors considers it is appropriate to prepare these interim financial statements on a going concern basis.

The new Hong Kong Companies Ordinance was effective on 3 March 2014. Certain notes to these financial statements have been supplemented in accordance with the requirements of the new Hong Kong Companies Ordinance.

The Ministry of Finance released the CAS 21 – Lease in 2018 and released the Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2019 (Cai Kuai [2019] No. 6) in 2019. The financial statements for the period ended 30 June 2019 are prepared in accordance with the above standards and circular, and the impacts on the financial statements of the Group are as follows:

**(a) Lease**

According to the relevant requirements of new lease standards, the Group and the Company recognise the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings as at 1 January 2019 and related items in the financial statements. The comparative financial statements for the year 2018 are not restated.

<b>The nature and the reasons of the changes in accounting policies</b>	<b>The line items affected</b>	<b>The amounts affected to the consolidated financial statements</b>
		<b>1 January 2019</b> <i>RMB</i> Increase/(decrease)
Due to the adoption of the new lease standards, the Group and the Company reclassified financing leases originally included in fixed assets into the right-of-use assets, and financial leases payables which were originally included in long-term payables are reclassified to lease liability.	Right-of-use assets	119,968,145
	Fixed assets	(119,968,145)
	Long-term payables	(65,294,938)
	Lease liability	65,294,938



## 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 president of the Company. 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 business within one business segment operations of the Meilan Airport and provision of services in connection with the airport operations and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB</b>	<b>RMB</b>
<b>Analysis of revenue (by nature)</b>		
Aeronautical:		
Passenger service charges	<b>185,661,699</b>	181,727,691
Ground handling service income	<b>117,207,856</b>	94,653,271
Fees and related charges on aircraft takeoff and landing	<b>68,929,105</b>	64,717,505
Refund of Civil Aviation Development Fund (a)	<u>–</u>	<u>146,175,936</u>
	<b><u>371,798,660</u></b>	<u>487,274,403</u>
Non-aeronautical:		
Franchise income	<b>199,934,440</b>	272,108,641
Freight and packaging income	<b>59,512,817</b>	55,790,886
Hotel income	<b>50,728,133</b>	7,278,565
VIP room income	<b>36,678,491</b>	14,571,432
Rental income	<b>34,342,671</b>	31,461,960
Car parking income	<b>7,290,329</b>	13,471,810
Other income	<b><u>53,350,359</u></b>	<u>44,383,536</u>
	<b><u>441,837,240</u></b>	<u>439,066,830</u>
Total revenue	<b><u><u>813,635,900</u></u></b>	<u><u>926,341,233</u></u>

- (a) According to the Notice of the Ministry of Finance on Abolition of the Policy of Recognition of Refund of the Civil Aviation Development Fund to the Three Listed Airports including the Capital Airport as Revenue (Cai Jian [2018] No. 238) promulgated by the Ministry of Finance of the People's Republic of China on 29 May 2018, the policy previously enjoyed by the Company to recognize the refund of the Civil Aviation Development Fund as the revenue of the Company was cancelled on 29 November 2018.

### 3. FINANCIAL EXPENSES-NET

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Interest expenses	59,778,026	101,992,330
Including: Debentures payable	43,415,356	66,671,833
Bank borrowings	12,905,883	32,027,355
Finance lease	3,456,787	3,293,142
Net foreign exchange losses	1,854	15,768
Less: Interest expenses and exchange losses capitalisation	(36,230,856)	(5,574,176)
Interest income	(20,264,854)	(16,332,784)
Others	786,510	418,505
	<u>4,070,680</u>	<u>80,519,643</u>

### 4. INVESTMENT (LOSS)/INCOME

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Investment (losses)/income from long-term equity investment in unlisted companies under equity method	<u>(21,434,521)</u>	<u>39,635,316</u>

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

### 5. 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 six months ended 30 June 2019 (for the six months ended 30 June 2018: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Current income tax calculated based on tax law and related regulations	98,986,859	117,723,083
Deferred income tax	482,686	(17,533)
	<u>99,469,545</u>	<u>117,705,550</u>

The applicable CIT rate of the Group for the current period is 25% (for the six months ended 30 June 2018: 25%).

## 6. 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 outstanding ordinary shares of the Company:

	Six months ended 30 June	
	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company ( <i>RMB</i> )	<u>275,345,170</u>	<u>371,841,595</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><u>0.58</u></u>	<u><u>0.79</u></u>

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. As there were no dilutive potential ordinary shares in this period (for the six months ended 30 June 2018: nil), diluted earnings per share equal to basic earnings per share.

## 7. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
Proposed not to distribute 2019 interim dividend (2018 interim dividend: RMB0.150 per share)	<u><u>–</u></u>	<u><u>70,981,950</u></u>

On 18 August 2019, the Board proposed not to distribute 2019 interim cash dividend (2018 interim cash dividend: RMB0.150 per share, totaling RMB70,981,950).

## 8. ACCOUNTS RECEIVABLE

	30 June	31 December
	2019	2018
	<i>RMB</i>	<i>RMB</i>
Accounts receivable	403,075,379	373,030,984
Less: Provision for bad debts	<u>(1,319,407)</u>	<u>(1,173,695)</u>
	<u><u>401,755,972</u></u>	<u><u>371,857,289</u></u>

Credit terms granted to customers are generally ranged from 1 to 3 months. As at 30 June 2019, the ageing analysis of accounts receivable, based on the timing of recognition, is set out as follows:

	<b>30 June 2019 RMB</b>	31 December 2018 RMB
Within 90 days	<b>267,923,903</b>	295,469,447
91 to 180 days	<b>37,192,531</b>	26,526,638
181 to 365 days	<b>55,384,637</b>	47,606,079
Over 365 days	<b>42,574,308</b>	3,428,820
	<b><u>403,075,379</u></b>	<b><u>373,030,984</u></b>

## 9. ACCOUNTS PAYABLE

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

	<b>30 June 2019 RMB</b>	31 December 2018 RMB
Within 90 days	<b>45,487,047</b>	114,311,262
91 to 180 days	<b>65,384,450</b>	48,021,859
Over 180 days	<b>130,252,974</b>	29,416,453
	<b><u>241,124,471</u></b>	<b><u>191,749,574</u></b>

## 10. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

	<b>30 June 2019 RMB</b>	30 June 2018 RMB
Debentures payable due within one year (a)	<b>519,607,063</b>	1,818,276,483
Long-term payables due within one year (b)	<b>27,775,918</b>	81,276,730
Lease liability due within one year (c)	<b>63,969,625</b>	–
	<b><u>611,352,606</u></b>	<b><u>1,899,553,213</u></b>

(a) **Debentures payable**

	<b>31 December 2018</b>	<b>Repayment of principal</b>	<b>Amortization of premium</b>	<b>30 June 2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Long-term debentures payable	1,818,276,483	(1,300,000,000)	1,330,580	519,607,063
Less: Debentures payable due within one year	<u>(1,818,276,483)</u>			<u>(519,607,063)</u>
	<u>—</u>			<u>—</u>

In March 2019, the Meilan debentures with principal amount of RMB800,000,000 was repaid by the Company at maturity. In April 2019, the Guohai Private Placement Debentures I with principal amount of RMB500,000,000 was repaid by the Company at maturity.

Related information of the debentures is as follows:

	<b>Par value</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Issuance amount</b>
Guohai Private Placement Debentures II	<u>520,000,000</u>	2 September 2016	3 years	<u>520,000,000</u>

Interest accrued for the debentures is analysed as below:

	<b>Interest accrued</b>			
	<b>31 December 2018</b>	<b>Interest accrued in current period</b>	<b>Interest paid in current period</b>	<b>30 June 2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Guohai Private Placement Debentures II	<u>11,356,080</u>	<u>17,284,776</u>	<u>—</u>	<u>28,640,856</u>

On 2 September 2016, the Company issued Guohai Private Placement Debentures II of RMB520,000,000 to qualified investors which were listed on the Shenzhen Stock Exchange. The maturity of the debentures is 3 years. The interest is calculated per annum by adopting the simple interest method, with fixed interest rate of 6.7% per annum, and is payable annually on 2 September of each year, the principal is repayable upon maturity.

- (b) Long-term payables due within one year include entrusted loans and entrusted management fee due within one year.
- (c) Lease liability due within one year include rental payment of plant and equipment for freight station and finance lease payment due within one year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 June 2019, the Group's total revenue amounted to RMB813,635,900, representing a decrease of 12.17% as compared to the corresponding period of 2018. Net profit attributable to shareholders amounted to RMB275,345,170, representing a decrease of 25.95% as compared to the corresponding period of 2018. Earnings per share amounted to RMB0.58 (the corresponding period of 2018: earnings per share of RMB0.79).

### **OPERATING ENVIRONMENT**

#### ***CIVIL AVIATION INDUSTRY OF CHINA***

In the first half of 2019, the whole industry conscientiously implemented the requirements of 26 measures in nine aspects formulated by the Civil Aviation Administration of China (the "CAAC") and further improved the safety risk prevention and control system. Civil aviation safety operation was stable and controllable, service quality was improved continuously, high-quality development was comprehensively promoted, and the effect of deepening civil aviation reform was further highlighted. As of the end of June 2019, in respect of transport aviation, a safety record of 106 months was achieved. At the same time, based on the goal of preventing and resolving aviation safety risks and in view of the pattern and characteristics of changes of safety risks of the industry in over 100 months, inspection and governance of potential safety hazards were carried out. The construction work of "focusing on the local communities, laying foundation, strengthening basic capabilities" was consolidated. A series of safety promotional and educational activities were organized and 4,500 safety management personnel received training. Cabin crews were safeguarded and protected and urged to perform safety duties. With a focus on improving the efficiency of supervision, attention were paid to the supervision of front-line capacity building of supervision, and the construction of SES (Supervision and Enforcement System) was accelerated. Precise supervision was taken as the direction of reforming the mode of supervision.

In terms of service quality, as of the end of June 2019, in the context of the total number of flights growing by 7% year-on-year, more frequent extreme weather events and the sharp increase in other user activities, the flight punctuality rate of China reached 80.35%. Security check channels for domestic flights of 219 airports supported "paperless". The pilot projects of "differential security check", "credible security check" and service of direct tagging of baggage for transit passengers across airlines have been carried out in an orderly manner. The first RFID (Radio Frequency Identification) baggage tracking system in domestic civil aviation industry was officially launched in January 2019. In terms of airport catering, the "same price and quality in the same city" initiative was issued and included in the evaluation indicators of airport service quality. "Step rate" has been fully implemented for refund and change. About 340 aircrafts of 13

airlines have opened cabin wireless local area network (WLAN), of which nearly 180 aircrafts are equipped with cabin air-ground communication capability and provided internet access services at an altitude of 10,000 meters for 6.18 million passengers. Electronic freight project for civil aviation was launched. The 12326 civil aviation service quality supervision hotline commenced operation. Domestic airlines and airports complaint response rate reached 100% and service quality continued to improve.

On 29 April 2019, CAAC issued Framework System for High-Quality Civil Aviation Development in China (Trial), which further clarified the specific indicators for the high-quality development of civil aviation and required all departments and units of civil aviation system to implement the same conscientiously. The system is designed to guide, evaluate and standardize all aspects of high-quality civil aviation development, and promote the real rooting of high-quality civil aviation development. From the indicators of industry development in the first half of 2019, it could be seen that great progress has been made in the high-quality development of domestic civil aviation industry. According to a series of basic indicators such as total traffic volume, passenger traffic volume and cargo and mail traffic volume, the overall strength of domestic civil aviation industry has been further strengthened. In terms of characteristic indicators, significant efforts were made to promote the application of new technologies such as PBN (Performance Based Navigation) and HUD (Head Up Display) and intensify the top-level design of the “Four Types of Airports” (i.e. safe airport, green airport, smart airport, humanistic airport), which gave further impetus to industry development and innovation. The coordinated development of world-class airports in the Yangtze River Delta, Greater Bay Area and Beijing-Tianjin-Hebei region was further promoted. The proportion of total traffic volume of civil aviation in integrated transportation reached 32.8%. Industry development coordination requirements were further strengthened. The construction of a green development system with multiple participation, complete systems, and clear rights and responsibilities was promoted. Fuel consumption per ton kilometer in the whole industry decreased by approximately 1% year-on-year, and energy consumption per passenger in the airport decreased by approximately 0.2% year-on-year. Green industrial development has been more common. 102 new international routes were opened, reflecting the growing degree of openness of industrial development. Aviation services covered 91.7% of the prefecture-level administrative units nationwide, an increase of 1.3 percentage point year-on-year, and the scope of industry development and sharing has further expanded.

In the first half of 2019, Chinese civil aviation industry recorded a total traffic volume of 62.76 billion ton kilometers, an increase of 7.4% year-on-year; passenger traffic volume of 320 million passengers, an increase of 8.5% year-on-year; cargo and mail traffic volume of 3.512 million, a decrease of 1.3% year-on-year; and flight punctuality rate of 80.35%, an increase of 0.83 percentage point year-on-year. There were 27 new licensed general airports, 38 new general aviation enterprises and 75 new general aircrafts. As of the first half of 2019, in China, there were 236 civil aviation certified transport airports; 3,722 aircrafts for civil aviation purpose; 2,570 general aircrafts; and 339,000 registered UAV.

The Group will pay close attention to the development trend of China's civil aviation industry in the second half of 2019, plan ahead and study national policies in depth, and strive to increase the capacity of the airlines under the premise of ensuring safe operation, and continuously improve and consolidate the status of Meilan Airport among major airports in China.

### ***TOURISM IN HAINAN PROVINCE***

In the first half of 2019, the tourism of Hainan Province maintained steady growth. For the period ended 30 June 2019, the number of domestic and foreign tourists received in Hainan Province amounted to 38.5698 million, representing a year-on-year growth of 6.0%. The total revenue from tourism was RMB49.062 billion, representing a year-on-year increase of 9.1%.

On 12 May 2019, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council released the Implementation Plan for the National Ecological Civilization Pilot Zone (Hainan) (the “**Plan**”). The Plan clearly proposes to promote the transformation, upgrading and integration of eco-tourism; speed up the building of a demonstration province in all-for-one tourism, give full play to the unique advantages of Hainan of having tropical island tourism resources, promote the development and construction of ecological scenic spots and new products in new forms of eco-tourism, and build an eco-tourism industry system featuring sightseeing tourism as the basis, leisure and vacation as the focus, cultural tourism and healthy tourism as the characteristics; coordinate the eco-tourism development and ecological resource protection, carry out unified planning and overall guidance regarding key tourist attractions and tropical rain forests, coastal zones and island tourism resources at the province level, and prohibit low-level and low-quality development and construction; explore and establish an eco-tourism development mechanism with clear ownership of resources, integrated development of industries and rational sharing of interests, encourage the transformation and utilization of rural homesteads and idle houses, develop new forms of accommodation such as vacation accommodation, and build a number of well-equipped and versatile leisure and sightseeing parks, forest homes, fishing villages and healthcare bases, establish a number of characteristic eco-tourism demonstration villages and towns, Li and Miao ethnic-featured villages and high-quality tourism routes.

In addition, on 4 July 2019, the Ministry of Public Security and the National Immigration Administration held a press conference to announce the immigration policies and measures to support comprehensive deepening of reform and opening-up of Hainan. The first is to implement a more open visa-exemption entry policy. In addition to the existing policy for 59 countries visa exemption, the visa-exemption policy has been further optimised, including expanding the visa-free entry channel for foreigners, under which foreigners who meet the requirements of visa-free entry may declare on their own or enjoy visa-free treatment through receiving invitation of unit. The second is to implement a more attractive policy for introducing talents. Foreign senior management personnel and foreigners who have worked or invested for a long period of time in Hainan are provided with port visas, long-term visas, residence permits and easier permanent



residence. The third is to implement more convenient high-end tourism clearance service measures. 15-day entry visa-free policy for foreign cruise tour groups has been implemented and the clearance (port) procedures for yachts from Hainan, Hong Kong and Macau were simplified. The above policy measures will further promote the exchange of Chinese and foreign personnel, enhance Hainan's competitiveness in attracting international talents, and promote and facilitate the development of Hainan as an international tourism consumption center.

As the largest special economic zone in China, Hainan has the unique advantage of being a national experimental base for reform and opening up. The comprehensive promotion of the construction of China (Hainan) Pilot Free Trade Zone is a major measure to demonstrate China's determination to expand its opening up and actively promote economic globalization, and has brought new and important historical opportunities for the development of Hainan and even the whole country. On the occasion of the 70th anniversary of the founding of the People's Republic of China in 2019, Hainan will actively expand its international and regional links and accelerate the construction of China (Hainan) Pilot Free Trade Zone.

### ***KEY TOURISM PROJECTS IN HAINAN***

In the first half of 2019, governments at all levels in Hainan Province continued to push forward the construction of key tourism projects.

In 2019, Hainan Tourism, Culture & Broadcasting Bureau, focusing on the development of Hainan as an international tourism consumption center and taking product supply as the core, will promote the integration and development of tourism, culture and sports industries and accelerate the construction of various tourism projects.

On 20 January 2019, a grand opening ceremony was held in the Sanya Haichang Fantasy Town, located in the core area of Haitang Bay of Sanya. As a key tourism project in Hainan Province, Sanya Haichang Fantasy Town is also an innovative work of Haichang Ocean Park targeting South China. It accurately grasps the needs of consumers, gives full play to its core competence of marine biological conservation resources, fully integrates maritime silk road culture, marine culture and Hainan local culture with innovative products, and through open cultural and leisure blocks and all-day and all-season "immersive" enjoyment experience, integrates natural marine environment with biological exhibition and entertainment consumption, which has become the unique feature of the Fantasy Town project.

In April 2019, Mytikas Waterpark of R&F Ocean Paradise in Lingshui held a trial operation preview ceremony. It is reported that the overall construction of the Mytikas Waterpark project was 80% completed, and has now entered the stage of full packaging and equipment commissioning. It is expected that the first phase of the park will be opened for trial operation this year. As one of the five major parks of R&F Ocean Paradise, Mytikas Waterpark is mainly based on water-play checkpoint projects, with 16 sets of slides and 13 large-scale water-play projects and a capacity of more than ten thousands visitors per day, and is the largest water theme park in Hainan Province. After being put into use, the park will greatly enrich the leisure and holiday tourism products of Lingshui and even Hainan, satisfying the holiday needs of different tourists inside and outside of the island, and become a leisure place for residents and tourists on the island.

Haikou International Duty-Free City project is located on the west coast of Haikou City. It is planned to build a large-scale international tax-free complex with an area of approximately 900,000 square meters, covering tax-free businesses, tax-paying businesses, offices, hotels, and talent apartments. The project is expected to be completed in 2023.

The Group will pay close attention to the development trend of Hainan international tourism, seize development opportunities, and bring passenger throughput of Meilan Airport to a new record high.

#### ***TRANSPORTATION WITHIN THE ISLAND***

- In terms of railways, in order to further improve the train operation plans of Hainan Roundabout High-speed Railway and bring convenience to travelers, a new train schedule has been put into effect in Hainan Province since 30 June 2019. After the Hainan Roundabout High-speed Railway adjusts its train schedule, 40 pairs of EMU trains will be opened, which is 1 pair less than the old schedule. There will be 26 pairs of trains for the eastern section of Roundabout High-speed Railway, 8 pairs of Sanya-Sanya Roundabout trains, and 6 pairs of Haikou East-Haikou East Roundabout trains. Trains for main line of the western section of Roundabout High-speed Railway will be cancelled. The EMU trains to Haikou Station will be reduced from 8 pairs to 3.5 pairs. The main transportation work to and from Haikou Station will be handed over to Haikou City Trains.

With the acceleration of the urbanization process in Haikou City, urban traffic problem has become a bottleneck restricting the construction and development of Haikou City. In order to accelerate the construction of China (Hainan) Pilot Free Trade Zone, and actively develop large capacity urban rail transit, Haikou Municipal Government, together with railway companies in Hainan, made use of the surplus transport capacity of the Haikou section of the Roundabout High-speed Railway to operate the high-speed railway“as-frequent-as-buses” project, i.e. Haikou City Trains, running between Haikou Station and Meilan Airport Station. The operation line has a total length of approximately 38.054 kilometers, with six stations including Meilan Station, Haikou East Station, Chengxi Station, Xiuying

Station, Changliu Station and Haikou Station. The line connects Haikou's major outbound transportation hubs, linking airports, docks, radiation centers and peripheral industrial parks. In the future, it will be planned to become one of the backbone routes in Haikou's rail transit network. Haikou City Trains were officially launched in July 2019.

- As for water transport, Hainan has been speeding up the construction of the foreign trade gate of China (Hainan) Pilot Free Trade Zone through measures such as expansion and upgrading, integration and reorganization, and adjustment of positioning of port shipping resources. Hainan Island has many types of ports, among which, for freight ports, there are Haikou Port and Macun Port in the north, Yangpu Port and Basuo Port in the west, and Nanshan Port in the south; passenger ports are concentrated in Haikou and currently Xiuying Port Area, New Port Area and Guangdong-Hainan Railway South Port undertake the transportation of Qiongzhou Strait; ports for cruises and yachts will be constructed in both Sanya and Haikou, and in the future, in Hainan, Sanya Phoenix Island in the south will serve as a home port for cruises and Haikou in the north will serve as a departure and transit port for cruises. Through optimizing and integrating port resources and promoting coordinated development of port, shipping and tourism, opportunities for cross-border and cross-regional port integration and resource sharing are created.
  
- As for the highways, on 28 September 2018, the Qiongzhou-Ledong Expressway was officially opened to traffic, marking the thorough connection of Hainan Central Expressway and the completion of an extremely important part in the main framework of "Tian (田)" type expressway network in Hainan. In addition, as another important part of expressway network in Hainan, the Wanyang Expressway, with a total length of 164 kilometers, passes through five cities and counties, including Wanning, Qionghai, Qiongzhou, Tunchang and Danzhou, from east to west. Main road surface of the project has been basically completed, and other supporting facilities are under construction. It is expected to be completed and opened to traffic in 2019. Haiwen Bridge (Puqian Bridge), located at the outlet of Dongzhai Port at the northeastern end of Hainan Island, is a cross-sea bridge connecting Haikou City and Wenchang City. The bridge starts from Puqian Town of Wenchang City, passes through Beigang Island, stops at Tashi Village, Yanfeng Town, Haikou City and connects Jiangdong Avenue, Haikou City. Haiwen Bridge was officially opened to traffic on 18 March 2019. After its opening, The travel time from Puqian, Wenchang to Haikou was shortened from 1.5 hours to about 20 minutes.

## ***OFFSHORE DUTY-FREE***

Offshore tourist duty-free shopping policy is a special preferential policy granted by the state to Hainan. Since its implementation, it has achieved remarkable results and exerted a positive influence on accelerating the development of Hainan as an international tourist consumption center and promoting local economic development of Hainan. In the first half of 2019, under the influence and drive of favourable factors such as the adjustment of the offshore duty-free policy by the state, the offshore duty-free of Hainan continued to maintain the momentum of rapid development and has achieved better policy effects.

During the six months ended 30 June 2019, in Sanya Haitangwan Duty-Free Shop, Haikou Meilan Airport Offshore Duty-Free Shop (“**Meilan Airport Offshore Duty-Free Shop**”), Haikou Riyue Square Duty-Free Shop and Qionghai Bo’ao Duty-Free Shop recorded a total number of duty-free goods sold of 8.9365 million, sales amount of RMB6.582 billion and number of shopping tourists of 1.6979 million, representing an increase of 27.54%, 26.56% and 15.98% over the same period last year, respectively.

On 19 January 2019, Haikou Riyue Square Duty-Free Shop and Qionghai Bo’ao Duty-Free Shop, located in Riyue Square in the center of Haikou City and in the scenic area of Bo’ao Forum for Asia respectively, officially opened, jointly bringing new offshore duty-free supply with the existing Sanya Haitangwan Duty-Free City and Meilan Airport Offshore Duty-Free Shop.

Meilan Airport Offshore Duty-Free Shop, being the last stop for boarding tourists to shop, there is a continuous flow of tourists shopping for duty-free goods. During the Spring Festival in 2019, daily sales exceeded RMB10 million for 12 consecutive days. Since its opening, Meilan Airport Offshore Duty-Free Shop has accumulated sales of more than RMB10 billion.

With the continuous rise in consumption power of the population in China, the attraction of Hainan Province to tourists is increasing, and duty-free in Hainan is facing huge market potential. As the carrier of the offshore duty-free policy for Hainan, in the first half of 2019, Meilan Airport Offshore Duty-Free Shop actively catered to consumer demand, introduced best-selling brand items one after another, enriched its product mix, and met the diversified shopping choices of tourists; launched the “World Flower Goddess Season”, “Goddess Treasure Chest”, “Lips Love 520”, “66 Duty-Free Festival”, “Imported Goods Movement”, “Crossover with TRANSFORMERS”, “Hainan’s First Duty-Free Shopping Carnival 2019” and other fun marketing activities, which stimulated consumers’ enthusiasm and created a high-quality offshore duty-free shopping experience.

In addition, in the first half of 2019, Meilan Airport Offshore Duty-Free Shop actively participated in the TFWA China's Century Conference 2019 (Sanya), Asia-Pacific Expo (Singapore) and other well-known domestic and international exhibitions for demonstrating the merits of off-shore duty-free shopping in Hainan as well as the charm of shopping in Meilan Airport Offshore Duty-Free Shop to different brand owners, domestic and foreign industry professionals and visitors, enhancing its corporate brand profile and improving the profit-making capability of Hainan's tourism industry.

In the first half of 2019, Meilan Airport Offshore Duty-Free Shop won the awards of "Best Employer in Haikou" by zhaopin.com and "Best Employer in China for 2018". Meilan Duty-Free "Warm-Heart Action for the Rural" public welfare project won honors such as the "Public Welfare Project Award for 2018" at the 8th China Public Welfare Festival.

With the continued growth of China's economy and the continuous improvement of disposable income per capita, Chinese tourism consumption has gradually shifted from "purchasing goods" to "purchasing experience", from "emphasizing price" to "emphasizing quality". Quality of service has become the focus of consumers' attention. Meilan Airport Offshore Duty-Free Shop will actively practice the idea of "Searching the World for Better" and make use of the airport's geographical advantages to provide distinctive and convenient one-stop offshore duty-free service, optimise the core power of operation and market influence in an all-round way, and provide high-quality products and convenient shopping experience for the vast number of passengers; based on consumers' needs, grasp the development opportunities of the construction of China (Hainan) Pilot Free Trade Zone and international tourism consumption center in Hainan, target global consumers, continuously upgrade its management and services with international standards, develop a first-class tourism retail operator integrating tourism, shopping and fashion, and help to enhance the international competitiveness of duty-free industry of China.

## **BUSINESS AND REVENUE REVIEW**

### ***OVERVIEW***

In the first half of 2019, in compliance with the national and industrial safety work arrangement, the Group has strengthened and improved its safety management and actively carried out internal refined management to ensure a safe and stable operation of Meilan Airport. The Group also successfully completed the transportation security tasks for major events, including the Spring Festival, the Two Sessions, Bo'ao Forum for Asia and One Belt One Road Forum for International Cooperation and has won high recognition from various sectors.

In the first half of 2019, Meilan Airport achieved encouraging results in terms of brand building: won 24 awards at industrial, provincial and ministerial levels or above, including 5 important international awards, 3 national awards, 5 provincial awards and 11 industrial awards. Internationally, Meilan Airport won four major awards in the world, including “SKYTRAX Best Regional Airport in China” for 2019 and Best Airport in Asia Pacific (by Size 15–25 Million Passengers) for 2018. For domestic awards, it also won several heavyweight ones such as the “Award for Public Welfare Practice of 2018” and “Customer Satisfaction Enterprise of Hainan Province of 2018”. Furthermore, Meilan Airport successfully passed the SKYTRAX five-star airport review and won the honor of SKYTRAX five-star airport again. These honors indicated that the service quality of Meilan Airport has been highly recognized by authoritative organizations at home and abroad as well as the vast number of passengers, which has improved the brand awareness and industry influence of Meilan Airport.

In December 2018, the Intelligent Airport Construction Project of Meilan Airport was selected as the “Four Types of Airports” benchmarking project by the Department of Airports, CAAC. In May 2019, Meilan Airport won the “Smart Airport Technology Achievement Award” at the 9th International Summit on Airport Construction and Development, which marked the recognition from the industry on the intelligent airport construction of Meilan Airport. As of June 2019, Meilan Airport began trial operation of “Airport 3.0” intelligent travel information service platform project at a total of 131 spots in departure lounge, terminal area, east gallery, west gallery, baggage carousel and arrival hall of the domestic terminal. Meanwhile, Meilan Airport completed the preliminary trial operation of A-CDM (Airport-Collaborative Decision-Making) system in the first half of 2019, integrating relevant data of airport ground operation, realizing horizontal ground collaboration, and laying a foundation for achieving information interconnection among Hainan Air Traffic Management Bureau of CAAC (the “ATMB”), airport, airlines, and supervising units and establishing a comprehensive coordination linkage mechanism.

As of June 2019, the runway, taxiway and platform of Phase II Expansion Project of Meilan Airport have been basically completed, and outline of the supporting loop-shaped traffic system has been preliminarily formed. Main project of the terminal has entered the stage of indoor professional construction. According to the project schedule, main part of the airport project is expected to be basically completed in 2019, and various preparatory work such as commissioning, completion acceptance, calibration flight and trial flight are expected to be carried out. According to the work deployment of Hainan Provincial Committee and Provincial Government, Phase II Expansion Project of Meilan Airport will be included in the key node projects of the construction of China (Hainan) Pilot Free Trade Zone. After completion, the project will integrate various modes of transportation, such as aviation, railway and highway, and will build an efficient and convenient solid traffic and transfer system and facilitate the flourish development of headquarters economy and airport industry of Haikou Jiangdong New District, actively contributing to the construction of China (Hainan) Pilot Free Trade Zone.

In January 2019, the outlet store at the terminal complex of Meilan Airport opened for trial operation. Situated on the third and fourth floors of the terminal complex, the outlet store is currently undergoing branding and interior decoration. There were approximately 68 new outlet commercial brands, covering a number of well-known brands such as ASH, LOUIS QUATORZE, CALVIN KLEIN, Kenzo, Ferragni, Armani, Burberry, MCM, Marc Jacobs, KIPLING. The opening of the outlet store further transformed the terminal complex into an integrated business district of services, leisure and shopping.

2019 marks the 20th anniversary of Meilan Airport's opening for navigation. Over the past 20 years, the scale of Meilan Airport has been continuously expanding. The Company is committed to enhancing service quality and improving service facilities in order to repay the society for their support to the Company. In addition, the Company never forgets its sense of mission and responsibility, pays attention to social public welfare, and actively transmits positive energy. On 18 May 2019, Meilan Airport, in conjunction with Haikou Disabled Persons' Federation, Haikou Association of Persons with Intellectual Disability and their Relatives, International Education Institute and Music Institute of Hainan Normal University, successfully organized the "Public Welfare Flash Mob Activity for Down's Syndrome Children cum Airport Open Day", which was well received by all walks of life and also received praise from core party media such as Xinhua News Agency, People's Daily Online, Hainan Daily and Haikou Daily, further enhancing the brand image of Meilan Airport. Meanwhile, the Group continued to carry out social welfare activities such as blood donation, visiting charity houses and tree planting and actively implemented its social responsibility.

## ***OVERVIEW OF AVIATION BUSINESS***

At the backdrop of rapid development of the civil aviation industry, coupled with the construction of Hainan Tourism International Island and the favourable offshore duty-free policy, Meilan Airport maintained steady growth in passenger throughput. In the first half of 2019, in order to break through the bottleneck of current support capacity, Meilan Airport continued to make efforts to promote refined evaluation of flight schedules and optimise flight schedules based on the result, actively coordinate with CAAC to adjust the problem flight schedules, strengthen communication with airlines, and urge airlines to improve flight execution rate and increase capacity of large aircraft. Through continuous progress of such work, as of June 2019, the number of flights of wide-body passenger aircraft of Meilan Airport increased by more than 25.80% year-on-year, while those of small aircrafts such as EMBRAER-ERJ decreased by 10.84% year-on-year, making outstanding contributions in stabilizing the passenger flow of Meilan Airport. The passenger throughput amounted to 12.4994 million in the first half of the year, representing an increase of 1.24 percentage points over the same period of last year.

In addition, international transit check-in port operations was officially approved by the General Administration of Customs in July 2018. Taking “Haikou = Sydney” route as a pilot, the operation will be conducted in four cities, i.e. Beijing/Shanghai/Taiyuan/Zhengzhou (the route was subsequently extended to be Taiyuan = Haikou = Sydney). In June 2019, the Customs approved the application for the adjustment of domestic connecting cities for Taiyuan = Haikou = Sydney route check-in. The route is now open to check-in operation in five cities (Beijing/Shanghai/Guangzhou/Hangzhou/Zhengzhou). In the future, Meilan Airport will continue to exert more efforts in the development of Haikou’s domestic and international aviation markets, with a focus on overseas routes and flights between Haikou and countries along the “One Belt One Road” and 59 countries granted visa-free access to China, so as to provide strong support for the construction of China (Hainan) Pilot Free Trade Zone.

In the first half of 2019, Meilan Airport operated 251 originating routes, 61 more routes than the same period of last year, comprising 220 domestic routes, 4 regional routes and 27 international routes. These routes cover 141 navigable cities, comprising 111 domestic cities, 4 regional cities and 26 international cities. There are 54 airlines operating at Meilan Airport, comprising 33 domestic airlines, 4 regional airlines and 17 international airlines.

On 15 September 2017, the CAAC issued the “Notice regarding the Promulgation of Several Policy Measures for Controlling the Total Amount of Operation, Adjusting the Flight Structure and Increasing Flight Punctuality (《關於發佈把控運行總量調整航班結構提升航班正點率若干政策措施的通知》)” (Min Hang Fa 2017 Document No. 115) to impose restrictions on domestic airport increments. For Meilan Airport which acts as the main coordination airport, its total airport increment is controlled within 3%. Therefore, the growth rate of aircraft movements and passenger throughput of Meilan Airport has slowed down in the first half of 2019 as compared with previous years.

The Group scientifically and rationally formulated customized marketing strategies and targets, actively participated in various domestic tourism market promotion and overseas routes forums to introduce Haikou air travel market, resulting in constantly optimised coverage density and service range of our route network, thus attracting 21 domestic and foreign airlines to operate 31 international and regional routes in Meilan Airport. In the first half of 2019, Meilan Airport launched 4 new international routes, namely “Haikou = Kuching, Haikou = Osaka, Haikou = Almaty and Haikou = Mandalay”, and re-launched 1 international route, namely “Haikou = Moscow”. Aviation market coverage rate in the ten ASEAN countries reached 100%. The route network now covers 30 countries and regions, including Hong Kong, Macau and Taiwan, Italy, Australia, South Korea and Japan. For the six months ended 30 June 2019, international and regional passenger throughput amounted to 690,400, representing a year-on-year growth of 30.17%.



Details of the aviation traffic throughput for the six months ended 30 June 2019 and the comparative figures in the corresponding period of last year are set out below:

	<b>Six months ended 30 June</b>		
	<b>2019</b>	2018	Change
<b>Aircraft takeoff and landing (flights)</b>	<b>83,631</b>	83,103	0.64%
in which: domestic	<b>77,984</b>	78,636	-0.83%
international and regional	<b>5,647</b>	4,467	26.42%
<b>Passenger throughput (headcount in ten thousand)</b>	<b>1,249.94</b>	1,234.59	1.24%
in which: domestic	<b>1,180.90</b>	1,181.55	-0.06%
international and regional	<b>69.04</b>	53.04	30.17%
<b>Cargo and mail traffic throughput (tons)</b>	<b>178,875.30</b>	179,308.30	-0.24%
in which: domestic	<b>166,803.50</b>	170,353.40	-2.08%
international and regional	<b>12,071.80</b>	8,954.90	34.81%

The Group's revenue from aviation business for the six months ended 30 June 2019 was RMB371,798,660, representing a decrease of 23.70% as compared to the corresponding period of 2018, which was mainly due to the decrease in revenue from the Civil Aviation Development Fund as the policy of recognition of the refund of the Civil Aviation Development Fund as the revenue of the Company was cancelled on 29 November 2018. Details are as follows:

	<b>Six months ended 30 June 2019 RMB</b>	<b>Changes over the corresponding period of 2018</b>
Passenger service charges	185,661,699	2.16%
Ground handling service income	117,207,856	23.83%
Fees and related charges on aircraft takeoff and landing	68,929,105	6.51%
Refund of Civil Aviation Development Fund	—	-100%
<b>Total revenue from aviation business</b>	<b><u>371,798,660</u></b>	<b><u>-23.70%</u></b>

## *Refund of Civil Aviation Development Fund*

According to the Notice of the Ministry of Finance on Abolition of the Policy of Recognition of Refund of the Civil Aviation Development Fund to the Three Listed Airports including the Capital Airport as Revenue (《財政部關於取消民航發展基金用於首都機場等三家上市機場返還作企業收入處理政策的通知》) promulgated by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) (the “**Ministry of Finance**”) on 29 May 2018 received by the Company from the CAAC on 15 June 2018, the policy of recognition of the refund of the Civil Aviation Development Fund as the revenue of the Company 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》) and other relevant laws, regulations and documents was cancelled upon the expiry of the half-year transition period (i.e. 29 November 2018).

### **OVERVIEW OF NON-AVIATION BUSINESS**

For the six months ended 30 June 2019, the Group achieved a revenue from its non-aviation business of RMB441,837,240, representing an increase of 0.63% as compared with the corresponding period of 2018.

	<b>Six months ended 30 June 2019 RMB</b>	<b>Changes over the corresponding period of 2018</b>
Franchise income	199,934,440	-26.52%
Freight and packaging income	59,512,817	6.67%
Hotel income	50,728,133	596.95%
VIP room income	36,678,491	151.72%
Rental income	34,342,671	9.16%
Car parking income	7,290,329	-45.88%
Other income	53,350,359	20.20%
<b>Total revenue from non-aviation business</b>	<b><u>441,837,240</u></b>	<b><u>0.63%</u></b>

### *Franchise Income*

In the first half of 2019, the franchise income of the Group aggregated to RMB199,934,440, representing a year-on-year decrease of 26.52%, which was mainly attributable to the decline in sales of Meilan Airport Offshore Duty-Free Shop, leading to a decline in the franchise income of the Group.

### *Freight and Packaging Income*

In the first half of 2019, the freight and packaging income of the Group aggregated to RMB59,512,817, representing a year-on-year increase of 6.67%, which was mainly due to the fact that the Group strengthened domestic and international air freight forwarding and SF Express agent business cooperation and actively expanded the express mail and direct mail business and whole cargo flight cooperation business, and thus achieved continuous growth of freight business.

### *Hotel Income*

In the first half of 2019, the hotel income of the Group amounted to RMB50,728,133, representing a year-on-year increase of 596.95%, which was mainly due to the fact that the hotel of the Group was in trial operation in the same period last year but the hotel rooms and supporting facilities were in full operation during the period.

### *VIP Room Income*

In the first half of 2019, the VIP room income of the Group aggregated to RMB36,678,491, representing a year-on-year increase of 151.72%, which was mainly attributable to the increase in passenger throughput of the Company and increase in sales of Xinyi membership card as a result of more intensified sales effort, leading to a significant increase in VIP room income.

### *Rental Income*

In the first half of 2019, the rental income of the Group aggregated to RMB34,342,671, representing a year-on-year increase of 9.16%, which was mainly attributable to the Company's further optimisation on the layout of the terminal site and improvement over the efficiency of commercial tenancy and the fully putting into use of the terminal complex, thus promoting the continuous growth of rental income.

### *Car Parking Income*

In the first half of 2019, the car parking income of the Group aggregated to RMB7,290,329, representing a year-on-year decrease of 45.88%, which was mainly attributable to the leasing of carpark operation rights of the Company, leading to a change in revenue recognition model.

## **FINANCIAL REVIEW**

### ***ASSET ANALYSIS***

As at 30 June 2019, the total assets of the Group amounted to RMB8,935,458,217, among which, the current assets amounted to RMB696,180,508, and the non-current assets amounted to RMB8,239,277,709. The total assets increased by 0.78% as compared with that as at 31 December 2018.

### ***COST AND EXPENSE ANALYSIS***

For the six months ended 30 June 2019, the Group's operating costs amounted to RMB358,128,083, sales expenses amounted to RMB2,143,245 and the administrative expenses amounted to RMB35,342,767, totalling RMB395,614,095, which represented an increase of 4.20% as compared with that of the corresponding period of 2018. The increase in costs and expenses was attributable to:

- (1) depreciation costs increased by RMB6,480,913 as compared with that of the corresponding period of 2018, mainly due to the fully putting into use of the terminal complex after the completion of construction and the completion of upgrade and renovation of the terminal building;
- (2) operating expense of VIP rooms increased by RMB2,568,843 as compared with that of the corresponding period of 2018, mainly due to an increase in sales of Xinyi membership card, which in turn increased the relevant costs;
- (3) airport and logistic comprehensive services fee increased by RMB2,290,286 as compared with that of the corresponding period of 2018, mainly due to an increase in areas requiring cleaning as the commercial building of terminal complex has been fully put into use; and
- (4) water and electricity costs increased by RMB1,528,671 as compared with that of the corresponding period of 2018, mainly due to the fully putting into use of the terminal complex.

For the six months ended 30 June 2019, the finance expenses of the Group amounted to RMB4,070,680, representing a decrease of RMB76,448,963 as compared with that of the corresponding period of 2018, which was mainly due to the repayment of borrowings by the Company during the six months ended 30 June 2019 and an increase in capitalized interest expense.

## ***GEARING RATIO***

As at 30 June 2019, the Group had total current assets of RMB696,180,508, total assets of RMB8,935,458,217, total current liabilities of RMB2,491,414,329 and total liabilities of RMB4,083,121,491. As at 30 June 2019, the Group's gearing ratio (total liabilities/total assets) was 45.70%, representing a decrease of 2.73% as compared to that as at 31 December 2018, which was mainly due to the repayment of borrowings by the Company, leading to a decrease in liabilities.

## ***PLEDGE OF THE GROUP'S ASSETS***

As mentioned in the announcement of the Company dated 1 February 2018, the Company and Haikou Meilan International Airport Company Limited\* (海口美蘭國際機場有限責任公司) (the "Parent Company"), as co-borrowers, pledged the lands and buildings owned by the Company and the Parent Company as security for a long-term borrowing of RMB7.8 billion from China Development Bank, ICBC Hainan Branch and ABC Hainan Branch, as co-lenders, with maturity of 20 years, which shall be solely used for the construction of the airport project.

## ***CAPITAL STRUCTURE OF THE GROUP***

The major objective of the Group's capital management is to ensure the ability of ongoing operations and to maintain a healthy capital ratio in order to support its business and maximize shareholders' interests. The Group continued to emphasize the appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 30 June 2019, the interest-bearing debts of the Group mainly included bank loans, debentures payable, finance lease liabilities and entrusted loans payable, amounting to approximately RMB1,061,718,277, and cash and cash equivalents were approximately RMB264,297,005. The gearing ratio (net liabilities/total capital) of the Group was 14.08% as at 30 June 2019 (31 December 2018: 33.34%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 30 June 2019, the Group had no long-term borrowings with floating rates.

The Group aimed to keep the balance between the continuity and flexibility of funds by capitalizing on its total borrowings. As at 30 June 2019, 92.48% of the Group's total borrowings would become due within one year, and the debentures payable would become due on 2 September 2019. As at 30 June 2019, the Group's total borrowings were denominated in Renminbi, while cash and cash equivalents were held in Renminbi.

Currently, the Group has three-year corporate bonds of RMB520,000,000 with coupon rate of 6.7% per annum issued in September 2016; finance leases liabilities of RMB5,981,467; and long-term entrusted loan payables of RMB9,900,788.

## ***SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCES***

As of 30 June 2019, the Company held 24.5% equity interests in Hainan Airlines Airport Holding (Group) Company Limited. For the six months ended 30 June 2019, the Company recorded an investment loss of RMB21,434,521 from share of loss attributable to the shareholders of the Company of Hainan Airlines Airport Holding (Group) Company Limited.

## ***MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES***

During the six months ended 30 June 2019, the Company did not carry out any major acquisitions and disposals of subsidiaries, associated companies and joint ventures.

## ***EMPLOYEES AND REMUNERATION POLICY***

As at 30 June 2019, the Group had a total of 965 employees, representing an increase of 73 employees as compared to the beginning of 2019. The reason for increase in employees was the introduction of personnel due to an increase in business volume. Employees of the Group are remunerated based on their performances, seniority 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 performance assessment.

## ***ENTRUSTED DEPOSITS AND OVERDUE FIXED DEPOSITS***

As at 30 June 2019, the Group did not have any entrusted deposits or overdue fixed deposits.

## ***CONTINGENT LIABILITIES***

As at 30 June 2019, the Group did not have any contingent liabilities.

## ***EXPOSURE TO FOREIGN EXCHANGE RISKS***

The businesses of the Group are principally conducted in RMB, except certain revenue from the aviation business, purchase of equipment and consultation fee which are denominated in US\$ or HK\$. The dividends to H-share holders are declared in RMB but paid in HK\$. As at 30 June 2019, the deposit denominated in US\$ of the Group amounted to US\$10,762 (equivalent to RMB73,984). The Group has not entered into any forward contract to hedge its exposure to foreign exchange risk.

## ***INTEREST RATE RISK***

The Group's interest rate risk arises from long-term interest bearing borrowings including long term borrowings, corporate bonds and long-term payables. 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.

## ***EVENT AFTER THE REPORTING PERIOD***

There were no important events affecting the Group that have occurred since 30 June 2019.

## ***NO OTHER MATERIAL CHANGE***

Other than those discussed in this announcement, there has been no material change in relation to the information disclosed in the 2018 annual report in accordance with Rule 32 set out in Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”).

## **THE PROGRESS OF ISSUANCE OF DOMESTIC SHARES AND PROPOSED PLACING OF NEW H SHARES**

As disclosed in the announcement of the Company dated 30 December 2016, 27 April 2017, 1 February 2018 and 21 December 2018:

- (1) the Company and the Parent Company entered into the 2018 Supplemental Domestic Shares Subscription Agreement after negotiation, pursuant to which the Parent Company agreed to subscribe 189,987,125 new domestic shares of the Company as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company and 12,500,000 new domestic shares of the Company by cash at an aggregate subscription price of RMB100,000,000;
- (2) the Company and HNA Infrastructure Investment Group Co., Ltd.\* (海航基礎設施投資集團股份有限公司) (“**Hainan HNA**”) entered into the Termination Agreement after negotiation, pursuant to which, the Company and Hainan HNA mutually agreed to terminate the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement with immediate effect from the effective date of the Termination Agreement. Both parties have confirmed that there are no unsettled matters, disputes or potential disputes in relation to the Hainan HNA Domestic Shares Subscription Agreement and the Supplemental Hainan HNA Domestic Shares Subscription Agreement;

- (3) the grant of the proposed Specific Mandate to the Board to issue not more than 200,000,000 new H shares; and
- (4) proposed consequential amendments to the articles of association of the Company.

The Company convened an extraordinary general meetings, an H shares class meeting and a domestic shares class meeting on 26 June 2017 and 20 March 2018, respectively, to consider and approve the relevant proposals for the proposed issuance of domestic shares and proposed issuance of new H shares. As the approval of the China Securities Regulatory Commission (the “CSRC”) was still in progress, the Company convened an annual general meeting, H shares class meeting and domestic shares class meeting on 3 June 2019, where the above proposed adjustment and extension of authorization were considered and approved, and the validity period of such shareholders’ resolutions and authorization granted to the Board was further extended by nine months (i.e. from 26 December 2018 to 25 September 2019). As of the date of this announcement, the Company was still awaiting the approval from the CSRC. The Company will notify the shareholders of the Company and potential investors with the information on the progress of the proposed issuance of domestic shares and proposed issuance of new H shares in the future (if necessary).

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

In the first half of 2019, the Group has actively conducted scientific analysis and teased out the operational deficiencies or potential risks identified during the course of work, in order to organize systematically, mitigate and monitor potential risks and to build a governance environment with risks under control and compliant operation.

In the second half of 2019, the Group will proceed with “Promotion Work over the Risk Management and Internal Control System”, further optimise the framework, refine schemes, and carry out this task as the routine work of the Group. The Group will pay attention to, keep track of and effectively fix problems to lay a solid foundation for the healthy, rapid and sustainable development of the Group in the future.



No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2019	Effect of risk-counter measures
1	Operation risks – Major safety risks	The major safety risks Meilan Airport facing are mainly bird strike risk, aircraft damage risk and flight zone construction management risk. Failure to effectively drive birds away may result in collisions with aircraft, damage to aircraft, and even the risk of aircraft damage; during the flight operation guarantee process, damage to the aircraft due to improper human operation may cause economic loss, flight delay or even cancellation; failure to effectively manage relevant personnel, vehicles and related materials during the construction and maintenance work in the flight area of Meilan Airport may increase the risks associated with foreign objects and flight area intrusion.	<p>(1) The bird control was listed as the Company’s major safety risk, and it was included in the special monitoring plan to check the implementation and effectiveness of various bird damage prevention measures in the flight area, and issue safety warnings in time for migratory bird migration or high incidence of bird strikes. At the same time, animal science professionals were introduced to form a team with good technical skills. Regular inspections were carried out to clear the abandoned areas in the west end of the airport and surrounding trees to avoid the detention of birds in the runway area to ensure the safety of inbound and outbound flights;</p> <p>(2) Improved the vehicle support work flow in the flight area, standardized the daily inspection system of vehicles, and implemented the comprehensive inspection and maintenance work of vehicles; increased the investment in special vehicle equipment and eliminated the aging of unavailable vehicles; regularly carried out training skills such as driving skills, vehicle basic knowledge, industry road traffic regulations (CAAC Order No. 191 and Order 170), strengthened FOD prevention publicity, improved driver safety responsibility, and prevented fatigue driving; and</p>	<p>In the first half of 2019, Meilan Airport took various measures to comprehensively control and strictly monitor each core safety risk, and there were no unsafe incidents due to aircraft damage caused by responsibility and affecting safety of aircraft operations. Effect of risk-counter measures are set out below:</p> <p>(1) Bird strike risk : While Meilan Airport Phase II Expansion Project led to some changes in the ecological environment and frequent bird activities, there was no loss caused by bird strikes. As of the first half of 2019, there was no damage caused by bird strikes at Meilan Airport for 12 consecutive years. There was 7 other minor accidents, which was within the control range;</p> <p>(2) Risk of aircraft damage: There was no aircraft damage due to improper human operation at Meilan Airport in the first half of 2019; and</p> <p>(3) Risk of construction management of flight area: In the first half of 2019, there was no unsafe problems and losses caused by construction at Meilan Airport.</p>

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2019	Effect of risk-counter measures
			<p>(3) Ensured that the communication between the construction unit and the apron tower during the construction period was smooth, carried out daily inspection of the implementation of various safety measures on the construction site in the flight area, strictly controlled the construction scope and construction time, and strictly prevented the risk of illegal intrusion of the runway; improved the construction assessment system for flight areas and strengthened the supervision and assessment of construction supervision units and construction units; attached importance to construction supervision and training, and regularly checked the implementation of construction supervision and construction unit safety training.</p>	

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2019	Effect of risk-counter measures
2	Operation risks – Risk regarding punctuality rate of flight release	Reduced punctuality rate of flight release or flight on time rate due to any reason attributable to the airlines (including aircraft maintenance, mechanical failure, flight dispatching, etc.) or any reason not attributable to the airlines factors (such as weather conditions, air traffic control, ground facility breakdown, passenger, etc.) may result in a reduction of the flight number or a restriction upon the increase in the flight number of Meilan Airport by the CAAC, which may reduce or prevent the passenger traffic volume from growing, thus significantly and adversely affecting the economic benefit of the Company.	<p>(1) Arranged the work of front-line staff in a rational way, increased the support force during the peak period, and set up functional channels to meet the demand, guided the rapid inspection of the urgency, assisted in the control of over-regulated baggage, and helped improve the punctuality rate of the flight;</p> <p>(2) Integrated the airline, ATMB and airport-stationed units into a comprehensive platform for flight on-time performance management, to jointly push forward the flight on-time performance management efforts and to summarise and analyse the sound experiences developed, and the weakness identified, during the flight supporting process; and</p> <p>(3) The monthly coordination meeting of the airport-stationed units was held to coordinate and solve problems in the operation of each airline and airport-stationed units in a timely manner to improve operational efficiency.</p>	<p>In the first half of 2019, Meilan Airport took the Coordination Committee for Flight Operation Management as a platform to intensify the construction of “flight support management system with operational efficiency as the core”, made efforts to optimise the “Six Mechanisms” in the direction of operation support, cooperated with airlines, ATMB and airport-stationed units. Through adopting a series of measures, such as optimisation of assurance standards and procedures of flight operation, classification and control of critical flights, application of new navigation and information technology and coordination and deployment of key resources, the punctuality rate of flight release was steadily improved. Effect of risk-counter measures are set out below:</p> <p>(1) As of 30 June 2019, the punctuality rate of flight release of Meilan Airport was 83.41%, an increase of 1.25% year-on-year, ranking the 13 among 21 slot-coordinated airports in China; and</p> <p>(2) In the first half of 2019, the monthly punctuality rate of flight release at Meilan Airport was higher than 75%. There were no notification and criticisms from the CAAC, restrictions on flight increment and restrictions on the regulation and control of the total number of flights due to below-standard punctuality rate of flight release.</p>

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2019	Effect of risk-counter measures
3	Compliance and regulatory risk – Risks of Business environment and market demand change	The airport construction has a large financing scale, a long debt repayment time and the investment income is uncertain. Assume that due to factors such as economic environment, international political factors and changes in passenger demand, the Company's income (especially non-aeronautical business income) declines or growth is weak, and investment costs and income do not match, it will have an impact on the Company's profitability and may even put pressure on debt repayment.	<p>(1) Re-planned and designed the terminal building, which has greatly improved the appearance and use efficiency of the terminal building, and further increased the income of non-aviation business through diversified investment methods;</p> <p>(2) Strengthened the analysis of various formats and brand income of the terminal building, and replaced or adjusted the relevant formats and brands according to the income situation; and</p> <p>(3) In combination with the actual operation, dugged deep into the non-aeronautical business income such as advertising and parking lots at Meilan Airport, and guaranteed revenue generation with multi-channels.</p>	<p>Given the advantages of port barriers in the airport industry, revenue from non-aviation business of Meilan Airport was not significantly affected by the international political and economic environment in the first half of 2019. Effect of risk-counter measures are set out below:</p> <p>(1) After investigation and opening preparation, the outlet project at the terminal complex fully commenced operation, with a significant increase in business income over the same period of last year; and</p> <p>(2) Through mature operation and refined management measures, under the background of unstable international political and economic environment in the first half of the year, the Group explored the commercial potential of the airport and maintained stable and positive development in terms of commercial income.</p>

## PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the first half of 2019, downward pressure on global economy brought by trade frictions, geopolitical risks and other factors remained. Under the complex global economic situation, China's economy experienced steady progress accompanied with worries. Especially under the background of Sino-US economic and trade frictions, China's economy was facing critical external environment, coupled with insufficient and imbalanced domestic development, making it more difficult to maintain steady growth and prevent risks. In the first half of 2019, various risk spillovers under the macro-situation affected the development of various industries and regions. China's civil aviation industry calmly responded to the increasing downward pressure of macro-economy and other challenges, concentrated on the implementation of various tasks, and achieved stable and controllable safe operation, continuous improvement of service quality, overall progress of high quality development and more in-depth reform of civil aviation. China's civil aviation industry has demonstrated a positive development trend.

The Group believes that, in the second half of 2019, Hainan Province will accelerate the process of exploring the construction of China (Hainan) Pilot Free Trade Zone, make every effort to promote the development of international tourism consumption center in Hainan, and the duty-free shopping policy for offshore tourists will continue to play a positive role in Hainan's economy. Under the leadership of Hainan provincial governments at all levels, Meilan Airport will actively cooperate with domestic and foreign tourism market promotion, grasp the development opportunities brought by various opening measures such as the visa-free entry policy, and open up the international market of Meilan Airport. Through effective time management and other measures, Meilan Airport will reduce the restriction of limited support capacity on passenger throughput, and ensure that major indicators such as annual passenger throughput will continue to grow steadily. In terms of operation management, the Company will be governed strictly through atmosphere creation, compliance training, institution construction and process optimization, self-examination and self-correction and compliance system construction. The Group will follow closely the work deployment of the CAAC for the second half of 2019, strictly implement the responsibility system for safe production, enhance the efficiency of system management, implement safety performance management and strictly adhere to the bottom line of safety; continue to provide sincere services for passengers, optimize passengers' flight experience and improve operational efficiency; thoroughly practice the Opinions on Implementing Green Development of Civil Aviation, take energy saving and carbon reduction of aircrafts as the core, take improvement in efficiency of air traffic control as the focus and take green airport construction as the guarantee, so as to form a new model of green development from ground to air, from inside to outside, from production to management, from sector to industry. In addition to ensuring safety and service quality, the Group will continue to control costs and generate new income sources so as to maintain annual profit level and strive for fruitful return to shareholders.

## **INTERIM DIVIDENDS**

In view of the actual capital needs of the Company's future development, the Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from Tuesday, 10 September 2019 to Thursday, 10 October 2019 (both days inclusive), 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 Monday, 9 September 2019.

## **MATERIAL LITIGATION OR ARBITRATION**

The Group had not involved in any material litigation or arbitration from 1 January 2019 to 30 June 2019.

## **OTHER INFORMATION**

### ***CHANGE OF DIRECTORS***

The Board comprises eleven Directors. During the period from 1 January 2019 to 30 June 2019, changes in the directorship of the Company are as follows:

Mr. Wang Hong had taken over the role of executive Director of Mr. Tu Haidong from 3 June 2019, with a term of 3 years. His appointment was approved at the annual general meeting held on 3 June 2019.

Mr. Wang Hexin has served as an executive Director from 3 June 2019, with a term of 3 years. His appointment was approved at the annual general meeting held on 3 June 2019. Mr. Liao Hongyu resigned as a non-executive Director on the same day.

### ***CHANGE OF SENIOR MANAGEMENT***

During the period from 1 January 2019 to 30 June 2019, changes in the senior management of the Company are as follows:

In accordance with the actual working requirements of the Company, Mr. Wang Hong had officially taken over the role of the president of the Company of Mr. Tu Haidong from 25 March 2019, which was approved at the second meeting of the seventh session of the Board held on 25 March 2019.

### ***REMUNERATION OF DIRECTORS AND SUPERVISORS***

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 party shareholders would not enjoy allowance for the position from the year of 2013, but will receive appropriate wages depending on their specific duties in the Company. Other Directors and supervisors will receive their remuneration according to the remuneration package approved by the general meeting.

## **REMUNERATION OF COMPANY SECRETARY**

Mr. Xing Zhoujin, being the company secretary nominated by the connected party shareholder, will not enjoy any allowance for holding the position, but will receive appropriate wages depending on his specific duties in the Company.

## **SHARE CAPITAL STRUCTURE**

As at 30 June 2019, the total number of issued shares of the Company was 473,213,000, of which:

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

## **INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES**

As at 30 June 2019, so far as known to the Directors, supervisors and chief executives of the Company, the following persons (other than a Director, Supervisor and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong).

### *Domestic shares*

Name of shareholders	Capacity	Class of shares	Number of ordinary shares	Percentage to domestic shares issued	Percentage to total issued share capital
Haikou Meilan International Airport Company Limited (Note 1)	Beneficial owner	Corporate	237,500,000(L)	96.43%	50.19%

*H shares*

<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Number of ordinary shares</b>	<b>Percentage to H shares issued</b>	<b>Percentage to total issued share capital</b>
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 owner	94,343,000(L)	41.58%	19.94%
UBS Group AG ( <i>Note 3</i> )	Security interests in shares and interest of controlled corporations	21,796,012(L)	9.61%	4.61%
UBS AG ( <i>Note 4</i> )	Beneficial owner, security interests in shares and interest of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%
ARC Capital Holdings Limited ( <i>Note 5</i> )	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited ( <i>Note 5</i> )	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. ( <i>Note 5</i> )	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%



<b>Name of shareholders</b>	<b>Type of interests</b>	<b>Number of ordinary shares</b>	<b>Percentage to H shares issued</b>	<b>Percentage to total issued share capital</b>
Pacific Alliance Equity Partners Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited <i>(Note 5)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited <i>(Note 5)</i>	Beneficial owner	32,788,500(L)	14.45%	6.93%
JP Morgan Chase & Co. <i>(Note 6)</i>	Beneficial owner and custodian corporation/ approved lending agent	13,607,488(L)	5.99%	2.88%
Greenwoods Asset Management Limited <i>(Note 7)</i>	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Unique Element Corp. <i>(Note 7)</i>	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi <i>(Note 7)</i>	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited <i>(Note 7)</i>	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%

*Notes:*

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. According to the disclosure of interest on the website of the HK Stock Exchange, 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. According to the disclosure of interest filed by UBS Group AG on the website of the HK Stock Exchange, UBS Group AG was deemed to hold 3,937,143 shares through its security interest and hold 17,858,869 shares through its interest in a controlled corporation. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A. and UBS AG were wholly-owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 440,000, 660,300, 16,749,100 and 9,469 long position shares in the Company, respectively.
4. According to the disclosure of interest filed by UBS AG on the website of the HK Stock Exchange, among the 27,174,400 shares in the Company, UBS AG was deemed to hold 8,896,000 shares through security interest, and 18,263,400 shares through interests of a controlled corporation and 15,000 long position shares and 15,000 short position shares as beneficial owner. UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd were wholly-owned by UBS AG. UBS AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 14,194,100 shares, 1,905,000 shares, and 2,164,300 shares in the Company, respectively.
5. According to the disclosure of interest on the website of the HK Stock Exchange, 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 pursuant to Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company. 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 pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company.
6. According to the disclosure of interest filed by JP Morgan Chase & Co. on the website of the HK Stock Exchange, among the 13,607,488 shares in the Company, JP Morgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and hold 643,900 shares as beneficial owner.

7. According to the disclosure of interest on the website of the HK Stock Exchange, Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited. 81% interest in Greenwoods Assets Management Holdings Limited was held by Unique Element Corp., which in turn was wholly owned by Jiang Jinzhi. Greenwoods Asset Management Limited held 13,549,000 shares through its interests in controlled corporations.
8. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as of 30 June 2019, so far as known to the Directors, supervisors and chief executives of the Company, no other person (not being the Directors, Supervisors, and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register to be kept by the Company under section 336 of the SFO.

### **INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES**

As at 30 June 2019, 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 required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”).

### **THE RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES TO PURCHASE SHARES**

None of the Director, supervisor 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 LISTED SECURITIES OF THE COMPANY**

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 2019.

### **AUDIT COMMITTEE**

The Audit Committee has, together with the management, reviewed the interim results, 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 review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019.

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

As of 30 June 2019, there were four independent non-executive Directors in the Board. As of 30 June 2019, the Audit Committee comprised three independent non-executive Directors, including one 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 the 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 enquiries with the Directors, the Company confirmed that all of the Directors have complied with the required standard set out in the Model Code and the code of conduct regarding directors' securities transaction during the six months ended 30 June 2019.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE PRACTICES**

The Company is committed to complying with all the rules prescribed by the CSRC and the HK Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2019, the Company had complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules and met with all reasonable governance and disclosure requirements. The Company will continue to improve its corporate governance and enhance its transparency to shareholders.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement will be published on the website of the HK Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the Company's website [www.mlairport.com](http://www.mlairport.com). The 2019 interim report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the HK Stock Exchange and the Company on or before 6 September 2019.

## THE BOARD

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

*Executive directors*

Wang Zhen (*Chairman*)

Wang Hong (*President*)

Wang Hexin

Yu Yan

Xing Zhoujin

*Independent non-executive directors*

Deng Tianlin

Fung Ching, Simon

George F Meng

He Linji

*Non-executive directors*

Chan Nap Kee, Joseph

Yan Xiang

By order of the Board

**Regal International Airport Group Company Limited\***

**Wang Zhen**

*Chairman and Executive Director*

Haikou, the PRC

18 August 2019

\* *For identification purposes only*