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海南美蘭國際空港股份有限公司
Hainan Meilan International Airport Company Limited*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 357)

INTERIM RESULTS ANNOUNCEMENT AS OF 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Total revenue was RMB608.50 million
(for the six months ended 30 June 2019: RMB813.64 million)
- Revenue from aeronautical business was RMB188.02 million
(for the six months ended 30 June 2019: RMB371.80 million)
- Revenue from non-aeronautical business was RMB420.48 million
(for the six months ended 30 June 2019: RMB441.84 million)
- Net profit attributable to shareholders was RMB79.61 million
(for the six months ended 30 June 2019: RMB275.35 million)
- Earnings per share was RMB0.17
(for the six months ended 30 June 2019: RMB0.58)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 6.0432 million
(for the six months ended 30 June 2019: 12.4994 million)
- Aircraft takeoff and landing reached 50,830 times
(for the six months ended 30 June 2019: 83,631 times)
- Cargo throughput was 108,577.70 tons
(for the six months ended 30 June 2019: 178,875.30 tons)

* For identification purposes only

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hainan Meilan International Airport Company Limited (the “**Company**” or “**Meilan Airport**”) is pleased to announce the unaudited financial position and operating results of the Company and its subsidiaries (the “**Group**”) as at 30 June 2020 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 2019 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	
		2020	2019
	Note	RMB	RMB
		Unaudited	Unaudited
Revenue	3	608,501,938	813,635,900
Less: Cost of sales		(323,500,834)	(358,128,083)
Taxes and surcharges		(5,960,489)	(14,568,155)
Selling and distribution expenses		(1,868,956)	(2,143,245)
General and administrative expenses		(36,197,319)	(35,342,767)
Finance expenses – net		(7,625,277)	(4,070,680)
Credit impairment loss		(53,569,026)	(795,387)
Add: (Loss)/gain on disposals of assets		(71,266)	1,136,364
Investment loss	4	(75,316,232)	(21,434,521)
Including: Shares of loss of associates		(75,748,825)	(21,434,521)
Other income		8,996,643	1,207,419
Operating profit		113,389,182	379,496,845
Add: Non-operating income		20,254	31,679
Less: Non-operating expenses		(1,222)	(282)
Total profit		113,408,214	379,528,242
Less: Income tax expenses	5	(28,922,661)	(99,469,545)
Net profit		84,485,553	280,058,697
Attributable to shareholders of the Company		79,606,292	275,345,170
Minority interests		4,879,261	4,713,527

		Six months ended 30 June	
		2020	2019
		RMB	RMB
		Unaudited	Unaudited
		<i>Note</i>	
Other comprehensive income, net of tax		<u>2,389,945</u>	<u>338,408</u>
Attributable to shareholders of the Company, net of tax		2,389,945	338,408
Other comprehensive income that will be subsequently reclassified to profit or loss		2,389,945	338,408
Other comprehensive income that can be transferred to profit and loss under the equity method		<u>2,389,945</u>	<u>338,408</u>
Total comprehensive income		<u><u>86,875,498</u></u>	<u><u>280,397,105</u></u>
Total comprehensive income attributable to shareholders of the Company		<u>81,996,237</u>	<u>275,683,578</u>
Total comprehensive income attributable to minority interests		<u>4,879,261</u>	<u>4,713,527</u>
Earnings per share			
– Basic and diluted earnings per share	6	<u><u>0.17</u></u>	<u><u>0.58</u></u>

CONSOLIDATED BALANCE SHEET

		30 June 2020 RMB Unaudited	31 December 2019 RMB Audited
	<i>Note</i>		
ASSETS			
Current assets			
Cash at bank and on hand		731,734,186	1,511,749,849
Accounts receivable	8	448,112,709	490,502,979
Prepayments		11,078,439	7,611,309
Other receivables		4,528,178	13,857,129
Inventories		1,104,608	696,083
Other current assets		5,694,438	9,459,706
Total current assets		<u>1,202,252,558</u>	<u>2,033,877,055</u>
Non-current assets			
Long-term equity investments		1,330,190,955	1,402,716,902
Investment properties		1,199,021,099	1,217,722,262
Fixed assets		2,201,785,607	2,237,698,184
Construction in progress		4,776,559,221	3,247,884,622
Right-of-use asset		105,373,942	116,963,234
Intangible assets		155,339,873	157,207,967
Long-term prepaid expenses		6,502,899	7,092,273
Deferred tax assets		18,491,500	14,734,598
Other non-current assets		1,025,128,379	1,020,265,841
Total non-current assets		<u>10,818,393,475</u>	<u>9,422,285,883</u>
Total assets		<u><u>12,020,646,033</u></u>	<u><u>11,456,162,938</u></u>

		30 June 2020 RMB Unaudited	31 December 2019 RMB Audited
	<i>Note</i>		
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		910,412,500	902,665,000
Accounts payable	9	322,634,759	310,339,099
Advances from customers		30,682,203	131,599,610
Contract liabilities		75,630,384	638,204
Employee benefits payable		35,955,214	30,324,318
Taxes payable		463,846,638	491,065,149
Other payables		1,780,411,505	1,229,632,236
Non-current liabilities due within one year		2,917,471,062	2,050,929,447
Total current liabilities		<u>6,537,044,265</u>	<u>5,147,193,063</u>
Non-current liabilities			
Lease liabilities		7,753,937	2,480,339
Long-term payables		31,565,273	904,340,770
Deferred revenue		50,808,889	52,225,556
Long-term employee benefits payable		471,440	58,498
Other non-current liabilities		152,700,088	196,995,053
Deferred tax liabilities		2,976	278,925
Total non-current liabilities		<u>243,302,603</u>	<u>1,156,379,141</u>
Total liabilities		<u>6,780,346,868</u>	<u>6,303,572,204</u>
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		820,494,880	819,661,947
Surplus reserve		246,394,231	246,394,231
Other comprehensive income		(17,134,542)	(19,524,487)
Retained earnings		3,668,693,565	3,589,087,273
Total equity attributable to shareholders of the Company		<u>5,191,661,134</u>	<u>5,108,831,964</u>
Minority interests		48,638,031	43,758,770
Total equity		<u>5,240,299,165</u>	<u>5,152,590,734</u>
Total liabilities and equity		<u>12,020,646,033</u>	<u>11,456,162,938</u>
Net current liabilities		<u>(5,334,791,707)</u>	<u>(3,113,316,008)</u>
Total assets less current liabilities		<u>5,483,601,768</u>	<u>6,308,969,875</u>

Notes:

1. GENERAL INFORMATION

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") on 28 December 2000. The registered address and headquarters of the Company is at Haikou City, Hainan Province, the PRC. The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 18 November 2002. The Company and its subsidiaries (collectively "**the Group**") are mainly engaged in the operation of the Meilan Airport and certain ancillary commercial businesses at Haikou City, Hainan Province, the PRC ("**Meilan Airport**"). The parent company of the Company is Haikou Meilan International Airport Co., Ltd. ("**Haikou Meilan**"), an enterprise established in the PRC with limited liability. These financial statements were authorized for issue by the Board on 21 August 2020.

2. 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 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 2019. 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.

As at 30 June 2020, the Group recorded net current liabilities of RMB5.33 billion (31 December 2019: net current liabilities of RMB3.11 billion), including short-term borrowings of RMB0.91 billion, amounts due to related parties of RMB0.87 billion, and other non-current liabilities due within one year of RMB2.04 billion.

The Company and Haikou Meilan are jointly constructing Meilan Airport Phase II Expansion Project ("**Phase II Expansion Project**"). Haikou Meilan (as the borrower) and the Company (as the co-borrower) have obtained a syndicated loan (the "**Syndicated Loan**") specific for the construction of the Phase II Expansion Project with total facility of RMB7.8 billion and maturity of 20 years. Pursuant to the Syndicated Loan Agreement, the Company and Haikou Meilan are jointly liable for repayment of the Syndicated Loan. During the year ended 31 December 2019, the overdue of debts of Haikou Meilan has constituted a default event as defined in the Syndicated Loan Agreement, resulting in the loan syndicate has the right to suspend loan offering to the Company and request the Company to early repay the Syndicated Loan drawn down by the Company amounting to RMB1.95 billion as at 30 June 2020 and the Syndicated Loan drawn down by Haikou Meilan amounting to RMB3.23 billion as at 30 June 2020, which the Company is jointly liable for repayment as the co-borrower. Up to the date of this announcement, the Company and Haikou Meilan have not obtained the written waiver from the loan syndicate, nor have they received any notice from the loan syndicate to take any measures mentioned above.

The capital expenditure of the Phase II Expansion Project which the Company being responsible for is estimated to be approximately RMB7.65 billion. As at 30 June 2020, the construction fee payable of the Company relating to the Phase II Expansion Project amounted to approximately RMB0.94 billion which is to be paid within 12 months, the Company's unrecognised capital commitment relating to the Phase II Expansion Project amounted to approximately RMB1.47 billion, of which approximately RMB0.8 billion is expected to be paid within 12 months according to the construction plan of the project.

Following the outbreak of pneumonia epidemic (the “**Epidemic**”) caused by the novel coronavirus in January 2020, a series of strict control measures including alert of emergency public health event and travel restrictions have been implemented by China and other countries in the world in response to the spread of the virus, which would be of an adverse impact to Group's revenue and operating cash inflow for 2020.

The above events or circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The Board has cautiously taken into account the Group's future working capital, operation results and available sources of financing to assess whether the Group has sufficient working capital and financing sources to repay matured debts and continue as a going concern within the 12 months after 30 June 2020. The Group and Haikou Meilan is trying to take certain measures to improve its working capital position, including but not limited to:

- 1) Haikou Meilan and the Company are coordinating with the syndicated lender, with the attempt to obtain a written commitment from the loan syndicate, under which, for the default mentioned above, the loan syndicate will not exercise the right to request Haikou Meilan or the Company to repay the principal and interest of the loans issued within a time limit or request the Company as the co-borrower to bear the joint repayment liability;
- 2) Haikou Meilan and the Company are constantly deliberating with the government of Hainan Province, Haikou Meilan's shareholders and the loan syndicate to seek continuance funding of the Phase II Expansion Project, including but not limited to issuance of local government bonds. The Company has drawn down the Syndicated Loan of RMB1.944 billion in December 2019, and is seeking loan syndicate's agreement to release the facilities according to the Syndicated Loan Agreement;
- 3) The Company is applying for the Subscription by Haikou Meilan and New H Shares Issue, so that the Company could obtain a financing of no less than RMB1.674 billion. At present, the Subscription by Haikou Meilan and New H Shares Issue are pending for the approval of the shareholders' meeting as well as the related authorities and/or regulators, which is expected to be completed within 2021;
- 4) In respect of the loans other than the Syndicated Loan, the Company will negotiate with relevant banks or lenders to renew or extend loan contracts before the maturity, in addition, continue to seek other external funding such as bond issuance and constantly seek new financing resources; and

- 5) The Group has timely taken a number of measures to mitigate the adverse impact of the Epidemic, including but not limited to a) implement staff rotation and working schedule adjustments to reduce the utilities expenses and labor costs; b) with the accelerated construction of Hainan Free Trade Port and the further implementation of off-shore duty-free policy, as well as the effective control over the epidemic around China, the resumption of work and production is progressing in an orderly manner. In July 2020, the Group recorded a recovery of passenger throughput by 85% and a recovery of aircraft taking-off and landing by 80% comparing with the same period in last year, as well as a rapid growth in income from non-aeronautical duty-free royalties.

The Board has reviewed the Group's cash flow forecast for no less than 12 months from the issue date of these financial statements which prepared by the management of the Company. According to the Board, taking into account the available internal resources (including internally generated funds, available bank and other financing resources), and taking into account the above important assumptions, without the unforeseeable circumstances, the Group will have sufficient working capital to meet its current needs for at least 12 months from the issue date of these financial statements.

Notwithstanding, significant uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- 1) Haikou Meilan and the Company can obtain a written commitment from the syndicated lender, under which, for the default mentioned above, the loan syndicate will not exercise the right to request Haikou Meilan or the Company to repay the principal and interest of the loans issued within a time limit or request the Company as the co-borrower to bear the joint repayment liability;
- 2) The remaining capital injections of the Phase II Expansion Project would be timely received, the loan syndicate would continue to release the unutilized facilities in accordance with the Syndicated Loan Agreement;
- 3) Approval of the Subscription by Haikou Meilan and New H Shares Issue would be granted and completed in time; and
- 4) The Group would be able to renew or extend the loans on or before they are matured, obtain new bank borrowings and other facility lines to repay matured debts and support its future operations when necessary.

The Group will not have sufficient working capital for its present requirements that is for at least 12 months from the issue date of these financial statements, when the above-mentioned conditions could not be satisfied and the Group fails to take other measures to defer the repayment of bank borrowings and construction costs payable due within the next 12 months.

3. 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.

	Six months ended 30 June	
	2020	2019
	RMB	RMB
Analysis of revenue (by nature)		
Aeronautical:		
Passenger service income	91,250,299	185,661,699
Ground handling service income	60,313,982	117,207,856
Fees and related charges on aircraft takeoff and landing	36,455,872	68,929,105
	<u>188,020,153</u>	<u>371,798,660</u>
Non-aeronautical:		
Franchise income	234,237,148	199,934,440
Freight and packaging income	59,439,882	59,512,817
VIP room income	39,135,868	36,678,491
Hotel income	32,856,880	50,728,133
Rental income	15,636,114	34,342,671
Car parking income	7,374,771	7,290,329
Other income	31,801,122	53,350,359
	<u>420,481,785</u>	<u>441,837,240</u>
Total revenue	<u>608,501,938</u>	<u>813,635,900</u>

4. INVESTMENT LOSS

	Six months ended 30 June	
	2020	2019
	RMB	RMB
Investment loss from long-term equity investment in unlisted companies under equity method	(75,748,825)	(21,434,521)
Investment income from disposal subsidiary	<u>432,593</u>	<u>–</u>
	<u>(75,316,232)</u>	<u>(21,434,521)</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 2020 (for the six months ended 30 June 2019: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2020	2019
	RMB	RMB
Current income tax calculated based on tax law and related regulations	32,955,512	98,986,859
Deferred income tax	<u>(4,032,851)</u>	<u>482,686</u>
	<u>28,922,661</u>	<u>99,469,545</u>

According to the notice on preferential policies for enterprise income tax of Hainan Free Trade Port (CS [2020] No. 31) and relevant regulations issued by Hainan Provincial Finance Department and Hainan Taxation Bureau of State Administration of Taxation, the Group levies enterprise income tax at a reduced rate of 15% during the period from 1 January 2020 to 31 December 2024. The applicable CIT rate of the Group for the current period is 15% (for the six months ended 30 June 2019: 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	
	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	<u>79,606,292</u>	<u>275,345,170</u>
Weighted average number of outstanding ordinary shares of the Company (<i>share</i>)	<u>473,213,000</u>	<u>473,213,000</u>
Basic earnings per share (<i>RMB</i>)	<u>0.17</u>	<u>0.58</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 2019: nil), diluted earnings per share equal to basic earnings per share.

7. DIVIDENDS

On 21 August 2020, the Board proposed not to distribute 2020 interim cash dividend (2019 interim cash dividend: nil).

According to the resolution of the Annual General Meeting of shareholders on 22 May 2020, the Company did not distribute the final dividend in 2019 (for the six months ended 30 June 2019: the Company did not distribute the final dividend in 2018).

8. ACCOUNTS RECEIVABLE

	30 June 2020 <i>RMB</i>	31 December 2019 <i>RMB</i>
Accounts receivable	493,383,363	493,134,607
Less: Provision for bad debts	<u>(45,270,654)</u>	<u>(2,631,628)</u>
	<u>448,112,709</u>	<u>490,502,979</u>

Credit terms granted to customers are generally ranged from 1 to 3 months. As at 30 June 2020, the ageing analysis of accounts receivable, based on their recording dates, is set out as follows:

	30 June 2020 RMB	31 December 2019 RMB
Within 90 days	217,834,710	297,140,419
91 to 180 days	71,448,725	52,692,116
181 to 365 days	66,412,069	47,025,547
Over 365 days	137,687,859	96,276,525
	<u>493,383,363</u>	<u>493,134,607</u>

9. ACCOUNTS PAYABLE

The ageing analysis of accounts payable, based on their recording dates, is as follows:

	30 June 2020 RMB	31 December 2019 RMB
Within 90 days	66,034,878	50,118,416
91 to 180 days	40,166,656	50,369,848
Over 180 days	216,433,225	209,850,835
	<u>322,634,759</u>	<u>310,339,099</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the Group's total revenue amounted to RMB608,501,938, representing a decrease of 25.21% as compared to the corresponding period of 2019. Net profit attributable to shareholders amounted to RMB79,606,292, representing a decrease of 71.09% as compared to the corresponding period of 2019. Earnings per share amounted to RMB0.17 (the corresponding period of 2019: earnings per share of RMB0.58).

Operating Environment

Civil Aviation Industry of China

The sudden outbreak of pneumonia epidemic (the “**Epidemic**”) caused by COVID-19 at the beginning of 2020 has a huge impact on the global aviation industry, and the aviation industry of China is also facing an unprecedented serious situation. The civil aviation of China has always maintained high consistence with the Party Central Committee with Comrade Xi Jinping as the core in thought and action, resolutely implemented the Party Central Committee's requirements on epidemic prevention and control work with a high degree of executive force, and provided strong support and guarantee for the strategic deployment and tactical actions for the country's overall epidemic prevention and control.

Since 20 January 2020, the civil aviation of China has provided support for about 76,000 flights involved in epidemic prevention and control, and has transported more than 73,000 medical personnel and nearly 300,000 tons of epidemic prevention and control materials; it retrieved 19,787 Chinese citizens from the countries severely affected by the Epidemic, and completed the transportation of 698 tons of materials consisting of 895,000 “health packs” for overseas students; the peak of international cargo flights reached 5,399 per week, 4.1 times the average level last year. To support the development of airlines and ease their operational pressure, the Civil Aviation Administration of China (the “**CAAC**”) has issued a package of “16+8” policies to reduce airlines' annual burden by approximately RMB10 billion.

In the first half of 2020, the civil aviation of China continued to maintain its safe flight record, and the entire industry achieved 84.16 million hours of continuous safe flight in 118 months, and recorded a total traffic volume of 31.91 billion ton kilometers, representing 50.8% of that for the corresponding period of last year; passenger traffic volume of 150 million passengers, representing 45.8% of that for the corresponding period of last year; cargo and mail traffic volume of 2.997 million, representing 85.2% of that for the corresponding period of last year; and flight punctuality rate of 91.57%, representing an increase of 11.22 percentage points year-on-year.

In terms of service quality, the CAAC continued to promote the construction of smart civil aviation. In particular, the construction of a full-process baggage tracking system is an important task to promote the development quality of civil aviation and is listed as a major landmark project for the practice of “genuine services”. As of now, no country in the world has been able to realize the full-process baggage tracking for the entire civil aviation industry. In January 2020, the CAAC convened the “Kick-off Meeting for Pilot Implementation of the Full-process Baggage Tracking System for the Civil Aviation” in Shanghai, at which the project implementation idea and scheme of “connecting points into lines, connecting lines into networks, and gradual realisation” was clarified. According to the “three-step” strategy, the CAAC will strive to take the initiative to achieve full-process baggage tracking for domestic routes between airports with an annual passenger traffic volume of more than 10 million passengers across the country by the end of 2021, achieve full coverage of domestic routes by the end of 2025, and make breakthroughs in respect of international routes.

Since 1 May 2020, the CAAC has carried out an eight-month “Civil Aviation Service Quality Brand Building” special campaign, and launched a series of new initiatives for enhancing passenger experience that focus on serving “large processes” and “small details” to further improve the civil aviation service quality management system centering on genuine services and build civil aviation service brands. The special campaign mainly focuses on three aspects, i.e. enhancement of normal management of flights, consolidation of the effectiveness of previous service measures, and launch of new initiatives to improve passenger experience, striving to achieve three goals: first, to consolidate and improve the punctuality rate of flights, stabilize the punctuality rate of domestic passenger airlines at above 80% throughout the year, and achieve the average punctuality rate of flight release and punctuality rate of originating flights of the airports with an annual passenger traffic volume of more than 10 million passengers across the country of 85%; second, to further regulate passenger service management, and implement and promote key service measures such as facilitation of passenger transfer, full-process baggage tracking, and comprehensive transportation transfer; third, to cultivate a group of civil aviation service brands recognized by the society and industry, to further improve aviation travel experience of passengers.

The Group will strictly follow the unified deployment of national epidemic prevention and control. Under the new situation of normalizing epidemic prevention and control, the Group will adhere to the general principle of seeking progress while maintaining stability, and further consolidate the foundation of “stability” and improve the quality of “progress” in the process of promoting epidemic prevention and control and its own development; and will further improve the service quality of Meilan Airport, and implement multiple measures to improve quality and efficiency and fully promote the restoration of routes while ensuring safe operations.

Tourism in Hainan Province

In the first half of 2020, due to the Epidemic, the tourism in Hainan Province was severely impacted. For the six months ended 30 June 2020, the number of domestic and foreign tourists received in Hainan Province amounted to 19.6643 million, representing a year-on-year decrease of 49.0%. The total revenue from tourism was approximately RMB22.768 billion, representing a year-on-year decrease of 53.6%.

In order to fully promote the comprehensive recovery and high-quality development of the tourist economy and accelerate the construction of Hainan Free Trade Port and the international tourism consumption center in Hainan, the People's Government of Hainan Province issued the Plan on Rejuvenation of Tourism Industry in Hainan Province after the Epidemic – Thirty Action Measures to Rejuvenate the Tourism Industry (2020–2021) (《海南省旅遊業疫後重振計劃-振興旅遊業三十條行動措施(2020–2021年)》) on 20 March 2020, which indicates the ways to rejuvenate the tourism industry in Hainan after the Epidemic in terms of improving the top-level design, stabilizing enterprises and reducing their pressure and burden, enriching tourism products, stimulating tourist consumption, and activating market vitality.

On 1 June 2020, the Central Committee of the Communist Party of China and the State Council formally announced the Overall Plan on the Construction of Hainan Free Trade Port (《海南自由貿易港建設總體方案》) (the “**Plan**”), marking that the major strategy for building Hainan Free Trade Port has entered the all-sided implementation stage. The release of the Plan provided a “booster” for the development of tourism, culture, and sports industries of Hainan. At the same time, many industry leaders and leading enterprises in the industries including tourism, culture, and sports have stepped up their deployment in the Hainan market, and the tourism, culture, and sports industries of Hainan will release huge development potential.

As the largest special economic zone in China, Hainan has the unique advantage to become a pilot field for reform and opening-up of the country. The overall advancement of the construction of the Hainan Free Trade Port is a major initiative that demonstrates China's determination to expand its opening-up and actively promote economic globalization, and brings new and major historical opportunities for the development of Hainan and the whole country. In 2020, Hainan Province will thoroughly learn and implement the spirit of General Secretary Xi Jinping's important instructions on the construction of Hainan Free Trade Port and always adhere to and strengthen the Party's leadership. It will highlight system integration and innovation, continue to improve risk prevention and control systems and mechanisms, and solidly and steadily propel the implementation of the Plan, to accomplish the goals and tasks in a high-quality and high-standard way and ensure early achievements in the construction of Hainan Free Trade Port.

Key Tourism Projects in Hainan

In the first half of 2020, the Epidemic caused slow progress in the construction of key projects in Hainan Province. After the resumption of work and production, the governments at all levels in Hainan Province made every effort to promote the construction of key tourism projects.

In order to accommodate the continuous optimization of Hainan's off-shore duty-free shopping policy and boost the new trend of tourist consumption upgrading, the construction of Haikou International Duty-free City project with a total investment of approximately RMB12.86 billion has been fully commenced. The project is located on the east side of the new seaport on the west coast of Haikou City with a total site area of approximately 675 Mu and a gross floor area of approximately 926,000 square meters, and is a provincial key project of Hainan Province. The project is a compound tourism retail complex with duty-free as its core, covering multiple elements including taxed retail, culture and entertainment, business office, catering and accommodation, and is expected to be completed and put into operation by the end of 2024. Upon completion, the project will become a "new landmark" in the duty-free shopping map of Hainan Province. In the future, this project will form a south-north pattern with Sanya Haitangwan International Duty-free City, helping Hainan build an international tourist consumption center.

The Boao Caijiazhai Cultural Tourism Zone and Beautiful Village Construction Project, located in Liuke Village, Boao Town, Qionghai City, was officially launched in August 2019. With a total investment of RMB1 billion, the project will be constructed in three phases, and consists of Wanquan River Live-action Performance, high-end homestay, Fengqing Village, pastoral wellness center, boutique hot spring hotel, etc. This project intends to effectively promote the local economic development through the integration of agricultural tourism and cultural tourism. At the same time, the cultural tourism zone will also become a new business card for Qionghai tourism and an important service place for Boao Forum for Asia, to enhance the attraction of the tourism market in northern Hainan.

In accordance with the unified work deployment on resumption of work and production in Hainan Province, the Group will speed up the restoration of routes, to provide guarantee for the passenger transportation during the peak tourist season, pay close attention to the tourism development trend in Hainan and seize development opportunities, to help the rebound of passenger throughput of Meilan Airport.

Transportation within the Island

- In terms of railways, efforts will be made to commence the construction of the Zhanjiang-Haikou High-speed Rail linking Zhanjiang and Haikou within this year. It is planned to open to traffic in 2024 together with the Guangzhou-Zhanjiang High-speed Rail linking Guangzhou and Zhanjiang. After the two high-speed railways open to traffic, Hainan Free Trade Port will be closely linked to the Guangdong-Hong Kong-Macao Greater Bay Area. It will be faster to enter the Guangdong-Hong Kong-Macao Greater Bay Area, and even Jiangsu, Zhejiang, Shanghai, Beijing, Tianjin and Hebei from Hainan. It also means that Hainan Province will soon integrate into the national “high-speed rail life circle” to effectively break the external traffic bottleneck and reduce logistics costs.
- As for the highways, the construction of the G360 Wenchang-Lingao Expressway project commenced in September 2019, and the project is currently proceeding in an orderly manner. This project is one of the “Double Hundred” transportation poverty alleviation projects during the “13th Five-Year” period as determined by the National Development and Reform Commission, the Ministry of Transport, and the Poverty Alleviation Office of the State Council, and also a major transportation infrastructure project during the “13th Five-Year” period in Hainan Province and the first horizontal line in the main highway network consisting of “three horizontal lines and one longitudinal line” in Hainan Province. The project starts from the east side of Qinglan Interchange on G9812 Wenchang-Qionghai Expressway, connects Qinglan Avenue, and ends at the east side of Lingao County, with a total length of 121.88 kilometers. It adopts the two-way and four-lane first-class arterial highway design standard and a total of 15 interchanges are set up across the line. Upon completion, the project will not only enhance the horizontal connection of cities and counties in northern Hainan, but also help improve the investment environment along the line. It is of great significance to promote the development of tourism in the whole region and the development of tourism in northeast Hainan and will also accelerate the realization of the “two-hour tourism traffic circle” strategic target in Hainan Province.
- In respect of airport construction, Hainan Province will closely follow the Outline for the Construction of a Strong Country in Transportation (《交通強國建設綱要》) in building a safe, convenient, efficient, and green modern comprehensive transportation network to fully support the construction of Hainan Free Trade Port. For building an international aviation hub, the construction of Meilan Airport Phase II Expansion Project (the “**Phase II Expansion Project**”) will be sped up and preliminary study will be conducted on Danzhou Airport and Sanya New Airport. A modern high-quality comprehensive three-dimensional transportation network will be built with high positioning, high starting point and high standards.

Off-shore Duty-free

Off-shore 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. On 29 June 2020, the Ministry of Finance of the People's Republic of China (the “**MOF**”), the General Administration of Customs of the People's Republic of China (the “**GAC**”), and the State Administration of Taxation (the “**SAT**”) issued the Announcement on Off-shore Duty-free Shopping Policy for Tourists of Hainan (《關於海南離島旅客免稅購物政策的公告》), further relaxing the off-shore duty-free policy of Hainan. It is clarified that from 1 July 2020, the off-shore duty-free shopping quota of Hainan has increased from RMB30,000 per person per year to RMB100,000 per person per year and the types of off-shore duty-free commodities have increased from 38 to 45 by adding 7 consumer-favored commodities including consumer electronics. Meanwhile, the duty-free limit of RMB8,000 for a single commodity has been abolished, greatly reducing the commodities subject to limit on single purchase quantity. The implementation of the new off-shore duty-free policy has met consumers' demands for quality, branded, and international products under the trend of consumption upgrading. It has created great convenience for the purchase of duty-free products in China and will effectively attract overseas consumption back to China. It also heralds the further upgrade of Hainan's off-shore duty-free consumption and will effectively drive the travel demand of inbound and outbound passengers of Hainan.

From 1 July to 31 July 2020, the off-shore duty-free sales amount of Hainan was approximately RMB2.5 billion and the per capita consumption was approximately RMB5,527, representing a year-on-year increase of 240% and 82%, respectively.

For the six months ended 30 June 2020, the retail sales amount of off-shore duty-free commodities of Hainan Province amounted to RMB8.572 billion, representing a year-on-year increase of 30.7%. Haikou Meilan Airport Off-shore Duty-free Shop (“**Meilan Airport Off-shore Duty-free Shop**”) sold a total of 2.0642 million duty-free commodities, recorded a sales amount of RMB1.255 billion, and received 447,700 customers, representing a year-on-year increase of 19%, 11% and -30%, respectively.

In the first half of 2020, affected by the Epidemic, the passenger flow of Meilan Airport Off-shore Duty-free Shop dropped significantly. However, Meilan Airport Off-shore Duty-free Shop made full use of the online platform to launch the “First Lipstick Festival”, the “51 Perfect Holiday Plan”, the “520 Guard Love”, the “Fifth “66” Duty-free Festival”, the “618 Awesome FUN Buying” and other interesting marketing campaigns to stimulate consumers' enthusiasm, and thus achieved sales revenue growth despite the decline in the number of consumers.

At present, the Department of Finance of Hainan Province, the Department of Commerce of Hainan Province, the Market Supervision Administration of Hainan Province and other units are adopting market-oriented competition methods including tender to select and determine the newly added off-shore duty-free shopping operators in Hainan in accordance with the relevant provisions under the Notice on Issuance of the Interim Measures for the Administration of Duty-free Shopping Stores for Off-shore Tourists in Hainan (Cai Qi [2011] No. 429) (《關於印發〈海南離島旅客免稅購物商店管理暫行辦法〉的通知》(財企〔2011〕429號)) as promulgated by the MOF, the Ministry of Commerce of the People's Republic of China, the GAC and the SAT and following the principle of alignment to international levels in terms of three aspects, i.e. operating brand, variety and price, to further stimulate the vitality of the off-shore duty-free industry of Hainan and promote the full release of efficiency by the off-shore duty-free consumption engine of Hainan.

The off-shore duty-free policy is an important measure to support the construction of the international tourism consumption center in Hainan and one of the important initiatives for the construction of Hainan Free Trade Port. It is not only conducive to stimulating the potential of domestic tourists to spend in Hainan, but also beneficial to benchmarking with well-known international cities as consumption centers, gathering high-quality consumption resources with an international perspective and improving the convenient international consumption promotion mechanism, so as to build Hainan into a tourist destination yearned by tourists from all over the world.

Business and Revenue Review

Overview

In the spring of 2020, the Epidemic raged through China and even around the world, and the global civil aviation industry faced a severe test. In view of the Epidemic, the Group bravely shouldered its social responsibilities, and proactively carried out epidemic prevention and anti-epidemic work in strict accordance with the epidemic prevention and anti-epidemic requirements of governments at all levels. All employees of the Group stuck to the front line and strictly guarded the entry and exit gates of Hainan Island, to fully fight against the Epidemic. The Group accumulatively provided support for 7 batches consisting of 864 medical workers to assist Hubei; and arranged 418 flights for transportation of approximately 67,000 pieces of anti-epidemic materials, totalling approximately 665 tons.

In the first half of 2020, Meilan Airport achieved encouraging results in terms of brand building: won 15 awards at industrial, provincial and ministerial levels or above, including 4 important international awards, 5 national awards, 2 provincial and ministerial awards and 4 industrial awards. Internationally, Meilan Airport won the honor of “SKYTRAX Five-star Airport” again and won four major awards in the world, including the “Seventh in SKYTRAX Global Best Airports with 20–30 Million Passengers” and “SKYTRAX Best Regional Airport in China”, in 2020; domestically, Meilan Airport won a number of heavyweight awards including the “2019 Advanced Collective in respect of Major Transportation Work of Civil Aviation”. 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 March 2020, the full-process passenger security project of Meilan Airport was officially put into trial operation and the first batch of facial recognition check-in machines, security gates, and boarding gates were officially put into use. Meilan Airport has realized differentiated security inspection services for passenger through this project. In the first half of 2020, Meilan Airport completed the main part construction and equipment installation and commissioning of the 3C unified command center (including the operation command center, the terminal area operation management center and the flight area operation control center). The advanced intelligent technology communication system and faster information transmission rate achieved faster sharing of information across units and departments, faster overall planning and more efficient unified management, creating a modern unified command center. At the same time, Meilan Airport completed the installation and commissioning of the server and system for the geographic information sharing service platform of the airport in the first half of 2020, which can realize the data model integration of T1 and T2 terminals of Meilan Airport, and has completed the development and testing of the passenger self-service navigation function.

For the Phase II Expansion Project, the construction of the T2 terminal and other major works was completed on 30 June 2020, and the project has entered into the stage of system commissioning and completion acceptance; on 7 July 2020, the flight inspection was completed; on 30 July 2020, the flight test procedure was completed, and the infrastructure construction stage officially shifted to the stage of preparing for operation and opening for navigation. At present, Meilan Airport is making every effort to advance the industry acceptance and airport license renewal for the Phase II Expansion Project, striving to be meet the conditions for opening for navigation by the end of 2020. According to the work deployment of the provincial Party Committee and government of Hainan Province, upon completion and being put into use of the Phase II Expansion Project, as a major landmark project for the construction of Hainan Free Trade Port, Meilan Airport will form a south-north double runway operation pattern and realize convenient transfer of various transportation modes including aviation, high-speed rail, intercity rail transit and expressway. It will become an important portal for the foreign trade and exchanges of Hainan Free Trade Port and create a regional aviation hub facing the Pacific and Indian Oceans in Hainan, to promote the expansion and upgrading of Hainan’s civil aviation and the flourish development of airport industry and help Hainan accelerate the construction of a free trade port.

As the largest airport hotel in China, Meilan Airport Hotel has been recognized and praised by domestic and foreign guests, airlines and other parties since its full opening in 2019. In January 2020, Meilan Airport Hotel was awarded the title of “The Most Popular Hotel in 2019 Ctrip Hotels Reputation List” and “The Best Partner Hotel in 2019 Meituan Hotels”. In July 2020, it won “The Best Airport Hotel in China” at the 20th Golden Horse Award of China Hotel, demonstrating the strength of the hotel business once again. Affected by the Epidemic, for the six months ended 30 June 2020, the room occupancy rate of Meilan Airport Hotel was 50.15%, representing a year-on-year decrease of approximately 29.89%, and about 97,000 guests were given reception, representing a year-on-year decrease of 5%. In the face of the Epidemic, Meilan Airport Hotel bravely assumed its social responsibilities and officially undertook the task of receiving inbound passengers for quarantine since 16 March 2020. As of 3 July 2020, Meilan Airport Hotel achieved initial results of safety without accidents or definite diagnosis of passengers with COVID-19, and the accumulative number of inbound passengers received by the hotel for quarantine reached 1,784.

Overview of Aviation Business

Due to the Epidemic, domestic civil aviation traffic has experienced a cliff-like decline since January 2020, and the aviation business of Meilan Airport has also been severely impacted. In order to proactively respond to the negative impact of the Epidemic, Meilan Airport continued to promote the resumption of work and production in aviation business, initiatively communicated and coordinated with provincial and municipal governments to strengthen policy support, and actively visited relevant aviation enterprises to coordinate with airlines in increasing the transpiration capacity in Haikou and restoring routes to Haikou, to jointly develop the aviation tourism market of Haikou. Meanwhile, Meilan Airport fully leveraged on various propaganda resources to organize the development of small batches of seasonal travelers arising from the May 1 Labor Day, Dragon Boat Festival, and college students’ return to school, and cooperate with airlines to carry out special promotional campaigns. As of the end of June 2020, the results of the resumption of work and production of Meilan Airport’s flights ranked among the forefront of major airports in China.

In accordance with the spirit under the Plan, Hainan will implement a more open air transportation policy, and pilot the Seventh Freedom of The Air (i.e. the right or privilege, in respect of scheduled international air services, granted by one state to another state, of transporting traffic between the territory of the granting state and any third state with no requirement to include on such operation any point in the territory of the recipient state, i.e the service need not connect to or be an extension of any service to/from the home state of the carrier). Meilan Airport carried out policy study in the first instance, quickly produced special policy interpretation and policy publicity monthly in Chinese and English, and delivered favorable information to more than 100 overseas airlines, charter operators, airports and other relevant units. It took the initiative to publicize favorable policies including the Seventh Freedom of The Air and bonded aviation oil to the market through field visits, emails, telephones, etc. and proactively negotiated on the opening of the routes subject to the Seventh Freedom of The Air and the launch of transportation capacity therefor, with a view to opening such routes as soon as possible to make contributions to the construction of Hainan Free Trade Port. After the opening of the Seventh Freedom of The Air, Meilan Airport can achieve the goals of promoting healthy competition in the air transportation market of Hainan and driving the continuous optimization and upgrading of the aviation consumer market by attracting more overseas airlines to station in Haikou. In the meantime, through attracting overseas airlines with the Seventh Freedom of The Air to use Haikou as a base, more overnight aircraft capacity can be arranged and an international air route network centering on Haikou will be built to stimulate the inbound tourism market of Hainan, provide more possibilities for Hainan's civil aviation market, and continuously accelerate the construction of an international aviation hub in the local airport of Hainan.

In the first half of 2020, Meilan Airport operated a total of 243 originating routes, representing a year-on-year increase of 30 routes, including 214 domestic routes, 3 regional routes and 26 international routes; Meilan Airport extended its reach to 139 cities, including 111 domestic cities, 3 regional cities and 25 international cities; and attracted 53 airlines to operate at Meilan Airport in total, including 33 domestic airlines, 3 regional airlines and 17 international airlines.

In the first half of 2020, Meilan Airport launched a new international route, i.e. "Haikou=Yangon". Therefore, the route network has covered a total of 18 countries and regions including Hong Kong, Macao and Taiwan, Italy, Australia, South Korea, and Japan. Affected by the Epidemic, Meilan Airport suspended the takeoff and landing of international and regional flights from 29 March 2020. For the six months ended 30 June 2020, the international and regional passenger throughput amounted to 139,600, representing a year-on-year decrease of 79.77%.

Details of the aviation traffic throughput for the six months ended 30 June 2020 and the comparative figures in the corresponding period of last year are set out below:

	Six months ended 30 June		
	2020	2019	Change
Aircraft takeoff and landing (flights)	50,830	83,631	-39.22%
in which: domestic	49,591	77,984	-36.41%
international and regional	1,239	5,647	-78.06%
Passenger throughput (headcount in ten thousand)	604.32	1,249.94	-51.65%
in which: domestic	590.36	1,180.90	-50.01%
international and regional	13.96	69.04	-79.78%
Cargo and mail traffic throughput (tons)	108,577.70	178,875.30	-39.30%
in which: domestic	106,054.00	166,803.50	-36.42%
international and regional	2,523.70	12,071.80	-79.09%

Affected by the Epidemic, the Group's production and operation were hit hard, and its revenue dropped sharply. The Group's revenue from aviation business for the six months ended 30 June 2020 was RMB188,020,153, representing a decrease of 49.43% as compared to the corresponding period of 2019. Details are as follows:

	Six months ended 30 June 2020	Changes over the corresponding period of 2019
	(RMB)	
Passenger service charges	91,250,299	-50.85%
Ground handling service income	60,313,982	-48.54%
Fees and related charges on aircraft takeoff and landing	<u>36,455,872</u>	<u>-47.11%</u>
Total revenue from aviation business	<u>188,020,153</u>	<u>-49.43%</u>

Overview of Non-Aviation Business

For the six months ended 30 June 2020, the Group achieved a revenue from its non-aviation business of RMB420,481,785, representing a decrease of 4.83% as compared with the corresponding period of 2019.

	Six months ended 30 June 2020 (RMB)	Changes over the corresponding period of 2019
Franchise income	234,237,148	17.16%
Freight and packaging income	59,439,882	-0.12%
VIP room income	39,135,868	6.70%
Hotel income	32,856,880	-35.23%
Rental income	15,636,114	-54.47%
Car parking income	7,374,771	1.16%
Other income	<u>31,801,122</u>	<u>-40.39%</u>
Total revenue from non-aviation business	<u>420,481,785</u>	<u>-4.83%</u>

Franchise Income

In the first half of 2020, the franchise income of the Group aggregated to RMB234,237,148, representing a year-on-year increase of 17.16%, which was mainly attributable to the further opening of the off-shore duty-free policy. Meanwhile, Meilan Airport Off-shore Duty-free Shop increased its promotional efforts, resulting in a significant increase in its off-line sales amount, leading to an increase in franchise income of the Group.

Freight and Packaging Income

In the first half of 2020, the freight and packaging income of the Group aggregated to RMB59,439,882, representing a year-on-year decrease of 0.12%, which was mainly due to the decrease in freight business of Meilan Airport as affected by the Epidemic.

VIP Room Income

In the first half of 2020, the VIP room income of the Group aggregated to RMB39,135,868, representing a year-on-year increase of 6.70%, which was mainly attributable to the increase in the sales volume of the membership card resulting from the intensified efforts made to promote the sales of Xinyi membership card, leading to an increase in the VIP room income of the Group.

Hotel Income

In the first half of 2020, the hotel income of the Group amounted to RMB32,856,880, representing a year-on-year decrease of 35.23%, which was mainly due to the decrease in the occupancy rate of Meilan Airport Hotel as affected by the Epidemic.

Rental Income

In the first half of 2020, the rental income of the Group aggregated to RMB15,636,114, representing a year-on-year decrease of 54.47%, which was mainly attributable to the decrease in the rental income of the Group due to the rental concessions offered by the Group to tenants during the Epidemic .

Car Parking Income

In the first half of 2020, the car parking income of the Group aggregated to RMB7,374,771, representing a year-on-year increase of 1.16%, which was mainly attributable to the lease of the operation rights of parking lots of the Company to receive relatively fixed rental, resulting in a slight increase in the car parking income.

Financial Review

Asset Analysis

As at 30 June 2020, the total assets of the Group amounted to RMB12,020,646,033, representing an increase of 4.93% as compared with that as at 31 December 2019, among which, the current assets amounted to RMB1,202,252,558, and the non-current assets amounted to RMB10,818,393,475.

Cost and Expense Analysis

For the six months ended 30 June 2020, the Group's operating costs amounted to RMB323,500,834, the sales expenses amounted to RMB1,868,956 and the administrative expenses amounted to RMB36,197,319, totalling RMB361,567,109, which represented a decrease of 8.61% as compared with that of the corresponding period of 2019. The decrease in costs and expenses was attributable to:

- (1) the labor costs decreased by RMB14,231,989 as compared with that of the corresponding period of 2019, mainly due to that, as a response to the impact of the Epidemic, the Company reduced its labor costs through reasonable work scheduling and implementation of employee rotation system;
- (2) the airport and logistic comprehensive services fee decreased by RMB3,956,246 as compared with that of the corresponding period of 2019, mainly due to that certain service areas of Meilan Airport were closed as a result of the Epidemic, resulting in a decrease in related costs; and
- (3) the water and electricity costs decreased by RMB2,705,736 as compared with that of the corresponding period of 2019, mainly due to that certain service areas of Meilan Airport were closed as a result of the Epidemic, resulting in a decrease in consumption of water and electricity.

For the six months ended 30 June 2020, the finance expenses of the Group amounted to RMB7,625,277, representing an increase of RMB3,554,597 as compared with that of the corresponding period of 2019, which was mainly due to the exchange losses on the Group's borrowings denominated in US dollars for the six months ended 30 June 2020.

Gearing Ratio

As at 30 June 2020, the Group had total current assets of RMB1,202,252,558, total assets of RMB12,020,646,033, total current liabilities of RMB6,537,044,265 and total liabilities of RMB6,780,346,868. As at 30 June 2020, the Group's gearing ratio (total liabilities/total assets) was 56.41%, representing an increase of 1.39% as compared to that as at 31 December 2019, which was mainly due to the acceleration of the construction progress of the Phase II Expansion Project, resulting in an increase in construction cost payables.

Pledge of Assets

As mentioned in the Company's announcement 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 land use rights and buildings owned by the Company and the Parent Company as security to secure the syndicated loan (the “**Syndicated Loan**”) of RMB7.8 billion from CDB Hainan Branch, ICBC Hainan Branch and ABC Hainan Branch, as co-lenders, for a period of 20 years, which shall be solely used for the construction of the airport project of the Phase II Expansion Project.

Capital Structure

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 2020, the interest-bearing debts of the Group mainly included bank loans, finance lease liabilities and entrusted loans payable (the “**Total Borrowings**”), amounting to approximately RMB2,948,179,101, and the cash and cash equivalents were approximately RMB731,734,186. The gearing ratio (net liabilities/total capital) of the Group was 29.72% as at 30 June 2020 (31 December 2019: 21.69%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 30 June 2020, the Syndicated Loan contract is denominated in Renminbi with a floating rate, of which the amount is RMB1,944,000,000.

The Group aimed to keep the balance between the continuity and flexibility of funds by capitalizing on the Total Borrowings. As at 30 June 2020, 99.73% of the Total Borrowings of the Group would/may become due within one year. As at 30 June 2020, the Total Borrowings of the Group were denominated in Renminbi and US dollars, of which, the amount denominated in US dollars accounted for approximately 18.01% of the Total Borrowings, while the cash and cash equivalents were held in Renminbi and US dollars, of which, the cash and cash equivalents held in US dollars accounted for approximately 0.09% of the total amount.

Cash Flow

For the six months ended 30 June 2020, the Group's net cash inflow from operating activities was RMB294,517,386, representing a year-on-year decrease of 39.45%, which was mainly because the Group's aviation business volume decreased due to the Epidemic, resulting in a decrease in revenue .

For the six months ended 30 June 2020, the Group's net cash outflow for investing activities was RMB1,022,194,396, representing a year-on-year increase of 484.87%, which was mainly attributable to the increase in the payment of construction costs due to the acceleration of construction progress of the Phase II Expansion Project.

For the six months ended 30 June 2020, the Group's net cash outflow for financing activities was RMB52,339,533, representing a year-on-year decrease of 90.81%, which was mainly attributable to no matured debt due for repayment except interest payment.

Significant Investments Held and Their Performances

As of 30 June 2020, the Company held 24.5% equity interests in Hainan Airlines Airport Holding (Group) Company Limited (海航機場控股(集團)有限公司) (“**Airport Holding**”). For the six months ended 30 June 2020, the Company recorded an investment loss of RMB75,748,650 from share of net profit attributable to the shareholders of Airport Holding.

Set out below are the details:

Company name	As at 30 June 2020		For the six months ended 30 June 2020			Carrying amount (RMB)		
	Percentage of shareholding (%)	Percentage of the Group's total assets (%)	Share of profit (RMB)	Share of other comprehensive income (RMB)	Share of other change in equity (RMB)	30 June 2020	31 December 2019	Investment cost
Airport Holding	24.50	10.80	-75,748,650	2,389,945	832,933	1,298,218,870	1,370,744,642	1,011,715,103

Airport Holding is mainly engaged in businesses in the PRC such as airport operation and management and ground handling services related to the air transportation at home and abroad, airport investment, airport transformation, warehousing (non-hazardous cargo), and technical cooperation, consulting and services of domestic and overseas air transportation in the PRC. The investment in Airport Holding is conducive for the Group to strengthen its main business capabilities, helping it expand its business scale as well as enhance its core competitiveness, safeguarding the sustainable development of the Group with a solid guarantee, and to base its own business in Hainan for a broader range of business across the country.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

On 2 January 2020, the Company disposed the 100% equity interest held by it in Hainan HNA Airport Fund Management Co., Ltd. (海南海航機場基金管理有限公司), a subsidiary of the Company, at a consideration of RMB1,055,010 with a disposal proceed of RMB432,593.

Save as disclosed above, for the six months ended 30 June 2020, the Company did not carry out any other material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

Employees and Remuneration Policy

As at 30 June 2020, the Group had a total of 973 employees, representing a decrease of 37 employees as compared to that at the beginning of 2020. The reason for decrease in employees was the natural turnover of employees. 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 the employees as incentives based on the assessment of their performance.

Entrusted Deposits and Overdue Time Deposits

As at 30 June 2020, the Group did not have any entrusted deposits or overdue time deposits.

Contingent Liabilities

Save for the arrangement of the Syndicated Loan, as at 30 June 2020, the Group had no other significant contingent liability.

Exposure to Foreign Exchange Risks

The businesses of the Group are principally conducted in Renminbi, except certain revenue from the aviation business, purchase of equipment and consultation fee which are denominated in US dollars or HK dollars. The Company borrowed a loan denominated in US dollars from Aero Infrastructure Investment Company Limited to meet capital requirements. As at 30 June 2020, the balance of such loan was US\$75,000,000 (equivalent to approximately RMB530,962,500). The Company repaid such loan on 8 July 2020. The principal and interest of the aforesaid loan were settled in US dollars. Therefore, fluctuations in the foreign exchange rate of Renminbi against US dollars affected the financial performance of the Group for the six months ended 30 June 2020. The Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks.

Interest Rate Risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long term borrowings 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

On 24 July 2020, the Company and the Parent Company entered into the 2020 Parent Company domestic shares subscription agreement, pursuant to which the Parent Company agreed to subscribe for the subscription shares, being not more than 140,741,000 new domestic shares as consideration for the transfer of the Phase I runway assets by the Parent Company to the Company. On the same date, the Board resolved to convene the extraordinary general meeting and the class meetings for the grant of the proposed specific mandate to the Board to issue not more than 155,000,000 new H shares. For details, please refer to the announcement of the Company dated 24 July 2020 and the circular of the Company dated 20 August 2020.

Save as disclosed above, up to the date of this announcement, there were no other important events affecting the Group that have occurred since 30 June 2020.

No Other Material Change

Other than those disclosed in this announcement, there has been no other material change in relation to the information disclosed in the 2019 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 “**Hong Kong Stock Exchange**”).

The Progress of Proposed Issuance of New Domestic Shares and New H Shares

References are made to the circulars of the Company dated 28 April 2017, 6 March 2018, 18 April 2019 and 7 January 2020 in relation to, among other things, the past Parent Company subscription and the past new H shares issue and the extension of validity period of the shareholders' resolutions and authorisation granted to the Board in relation to the past Parent Company subscription and the past new H shares issue.

According to the past Parent Company subscription, the Parent Company agreed to subscribe for the new domestic shares, which include:

- (1) 189,987,125 new domestic shares as consideration for the transfer of the Phase I runway assets by the Parent Company to the Company; and
- (2) 12,500,000 new domestic shares by cash at an aggregate subscription price of RMB100,000,000 (equivalent to approximately HK\$111,632,061), at the subscription price of RMB8.00 (equivalent to approximately HK\$8.93) per new domestic share.

Pursuant to the past new H shares issue, the Company may proceed to place not more than 200,000,000 new H shares to qualified institutional, corporate and individual and other investors.

The validity period of the shareholders' resolutions and authorisation granted to the Board in relation to the past Parent Company subscription and the past new H shares issue expired on 25 June 2020.

References are made to the announcement of the Company dated 24 July 2020 and the circular of the Company dated 20 August 2020 in relation to, among other things, the Parent Company subscription and the new H shares issue. On 24 July 2020, the Company and the Parent Company entered into the 2020 Parent Company domestic shares subscription agreement, pursuant to which the Parent Company agreed to subscribe for the subscription shares, being not more than 140,741,000 new domestic shares as consideration for the transfer of the Phase I runway assets by the Parent Company to the Company. There is no other material change on the terms of the 2020 Parent Company domestic shares subscription agreement as compared to those of the past Parent Company domestic shares subscription agreements, except for the adjustments on the subscription price, number and method for the subscription shares. Meanwhile, the Board proposed the new H shares issue (i.e. issue of not more than 155,000,000 new H shares).

The Company will convene the extraordinary general meeting, H shareholders class meeting and domestic shareholders class meeting on 18 September 2020 to consider relevant resolutions in relation to the Parent Company subscription and the new H shares issue. Each of the completion of the Parent Company subscription and the new H shares issue shall be subject to certain conditions precedent. For details, please refer to the circular of the Company dated 20 August 2020. As of the date of this announcement, the 2020 Parent Company domestic shares subscription agreement and the transactions contemplated thereunder have been approved by the Board and the general meeting of the Parent Company. The Company will notify the shareholders and potential investors of the Company with the information on the progress of the Parent Company subscription and the new H shares issue in the future (if necessary).

Risk Management and Internal Controls

In the first half of 2020, 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 2020, the Group will continue to carry out “Promotion Work over the Risk Management and Internal Control System”, further optimise the framework, refine the 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 2020	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 related with foreign objects and flight area intrusion.	(1) The bird control is listed as one of the Company's 12 major safety risks, and it is included in the special monitoring plan to check the implementation and effectiveness of various bird damage prevention measures in the flight area. Meanwhile, efforts are enhanced on information management and statistics of bird strikes, with timely communication with the CAAC, to bring the number of responsible bird strikes under control, and issue safety warnings in time for migratory bird migration or high incidence of bird strikes;	In the first half of 2020, 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: (1) Bird strike risk: in the first half of 2020, there were 2 responsible bird strikes, representing a year-on-year decrease of 52.84%; (2) Risk of aircraft damage: FOD prevention publicity and measures were strengthened through reasonable scheduling. In the first half of 2020, there were no on-site violations or safety incidents at Meilan Airport; and

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2020	Effect of risk-counter measures
			<p>(2) Improve staff management and vehicle management through team management, routine and regular check of vehicles, and implementation of vehicle maintenance plan. Regularly carry out trainings on driving skills, vehicle basic knowledge, industry road traffic regulations (the CAAC Order No. 191 and Order No. 170), etc, strengthen FOD prevention publicity, improve driver safety responsibility, and prevent fatigue driving; and</p> <p>(3) Ensure that the communication between the construction unit and the apron tower during the construction period is smooth, strict control of the construction scope and construction time, and strict prevention of the risk of illegal intrusion of the runway; system revision to adjust the on-site regulatory mode, further clarify responsible units and on-site regulatory responsibilities, strengthen staff training and regulate information reporting procedures and construction approval process, so as to ensure stable operation of the flight areas; improve the construction assessment system for flight areas and strengthen the supervision and assessment of construction supervision units and construction units.</p>	<p>(3) Risk of construction management of flight area: In the first half of 2020, there were 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 2020	Effect of risk-counter measures
2	Operation risk – Risk regarding punctuality rate of flight release	Reduced normal 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) Arrange the work of front-line staff in a rational way, increase the support force during the peak period, and set up functional channels to meet the demand, guide the rapid inspection of the urgency. Improve security inspection efficiency through promoting optimization of whole process of security assurance and introducing new technical equipment, such as dual-prospective security inspection machines;</p> <p>(2) Integrate the airline, and air traffic management bureau 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 regularly summarise and analyse the sound experiences developed, and the weakness identified, during the flight supporting process; and</p> <p>(3) Advance the construction of the A-CDM (Airport-Collaborative Decision Making) system, complete the functional planning and layout of both PC terminal and APP terminal for the system, and complete the connection in respect of the sharing platform for operational information of the CAAC operation monitoring center.</p>	<p>In the first half of 2020, Meilan Airport adopted scientific and reasonable service support arrangements, used new technologies, and implemented the results of two key research topics, i.e. “aircraft taxi efficiency improvement” and “aircraft pushing and start-up synchronization” to ensure the punctuality rate of flight release. Effects of risk-counter measures are set out below:</p> <p>(1) In the first half of 2020, the punctuality rate of flight release of Meilan Airport was 92.55%, ranking the 18th among 24 airports with an annual passenger traffic volume of more than 20 million passengers. The punctuality rate of originating flights was 91.79%, ranking the 16th among 24 airports with an annual passenger traffic volume of more than 20 million passengers; and</p> <p>(2) As of 30 June 2020, Meilan Airport operated well, and the length of passenger queuing at any time was controlled within 10 minutes. There were no reports on missing flights due to long queuing of passengers for morning flights, and Meilan Airport ensures that emergency standby personnel met the maximum guarantee requirements.</p>

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2020	Effect of risk-counter measures
3	Operation risk – Project construction risk	During the extension and renovation of Meilan Airport, any absence of strict control over project expenses, quality or duration may lead to an increase of project costs or delay in project duration, or even impact project quality.	(1) Maintain strict control over project construction (such as regular reporting on construction progress, and whether the construction is in a good status, engagement of supervision unit to supervise the construction site); (2) Select and apply construction units within the framework agreement for tendering, to effectively control project costs; and (3) Strictly regulate acceptance for completion of projects, and urge timely rectification of those not in line with the acceptance requirements by the construction unit.	In the first half of 2020, the project cost was effectively controlled by the Company through estimation before the implementation of project, selection of construction units within the framework agreement, strict control during the construction process and during the completion acceptance, etc., and thus the cost of each project did not exceed the project budget. No unsafe accidents happened during the implementation of each project, the construction was progressed normally, and the construction quality passed acceptance.

Prospects for the Second Half of the Year

In the first half of 2020, downward pressure on global economy brought by trade frictions, geopolitical risks and other factors remained. In addition, the Epidemic had an impact on the global economy. Under the complex internal and external economic situation, the national economy first fell and then rose in the first half of the year. In the second quarter, economic growth turned from negative to positive, major indicators restored growth, and economic operations recovered steadily. In light of the three key tasks of coordinating epidemic prevention and control and economic and social development, building a well-off society in an all-round way, and achieving a good start in the construction of Hainan Free Trade Port, the Hainan Provincial Government has fully promoted the resumption of work and production, and formulated and implemented 8 measures to support small and medium-sized enterprises to overcome difficulties, 43 unconventional initiatives, and 30 measures to revitalize the tourism industry. In addition, the construction of Hainan Free Trade Port has been fully launched. In addition to further adjustments to the off-shore duty-free shopping policy, Hainan Province has successively announced the implementation of a series of favorable policies including corporate and individual income tax, and refilling of bonded aviation oil for flights. As a result, the economic operation of the province is stable and orderly, the main economic indicators have gradually recovered, and the economic development structure has continued to optimize, showing a good development trend.

The Group believes that, in the second half of 2020, Hainan Province will accelerate the process of exploring the construction of Hainan Free Trade Port, make every effort to promote the construction of international tourism consumption center in Hainan and accelerate the implementation of the policies under the Plan. Under the leadership of governments at all levels of Hainan Province, Meilan Airport will increase efforts to resume work and production in accordance with the unified deployment of epidemic prevention and control, and spare no effort to promote the construction of the Phase II Expansion Project, striving to make the project meet navigable conditions by the end of 2020. In terms of operation and management, the Company will thoroughly implement the CAAC's requirements on "Civil Aviation Service Quality Brand Building", promote the construction of "Four Types of Airports", and accommodate the requirements on normalized prevention and control, with a view to achieving the average release punctuality rate and take-off punctuality rate of originating flights of airports with an annual passenger traffic volume of more than 10 million passengers in China; the Group will closely follow the work deployment of the CAAC for the second half of 2020, firmly adhere to the bottom line of aviation safety, and strictly implement the requirement of "zero tolerance for safety hazards"; it will thoroughly practice the Opinions on Implementing Green Development of Civil Aviation (《關於深入推進民航綠色發展的實施意見》), 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, and from sector to industry. In addition to ensuring safety and service quality, the Group will continue to reduce expenditures, generate new income sources and strictly control costs, so as to fully make up for the impact of the Epidemic on the results of the Company and strive for fruitful return to the shareholders.

Interim Dividends

In view of the great impact of the Epidemic on the businesses of the Group and 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 2020.

Material Litigation or Arbitration

For the six months ended 30 June 2020, the Group had no material litigation or arbitration.

Other Information

Change of Directors

The Board comprises eleven Directors. During the period from 1 January 2020 to 30 June 2020, there was no change in the directorship of the Company.

Change of Supervisors

The supervisory committee of the Company comprises three supervisors (the “**Supervisors**”). During the period from 1 January 2020 to 30 June 2020, there was no change in the supervisorship of the Company.

Change of Senior Management

During the period from 1 January 2020 to 30 June 2020, there was no change in the senior management of the Company.

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 the Directors and Supervisors nominated by connected party shareholders would not enjoy allowance for the position from the year of 2013, but may 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 of the Company nominated by the connected party shareholder, does 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 2020, the total number of issued shares of the Company was 473,213,000, of which:

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES

As at 30 June 2020, so far as known to the Directors, Supervisors and chief executive of the Company, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register required 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

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Soaring Eagle Industrial Limited (Note 2)	Beneficial owner	50,920,650(L)	22.44%	10.76%
Liang Yiming (Note 2)	Interest of controlled corporations	50,920,650(L)	22.44%	10.76%
Zhang Gaobo (Note 3)	Interest of controlled corporations	18,020,000(L)	7.94%	3.81%
Zhang Zhiping (Note 3)	Interest of controlled corporations	18,020,000(L)	7.94%	3.81%
Oriental Patron Financial Services Group Limited (Note 3)	Interest of controlled corporations	18,020,000(L)	7.94%	3.81%
Oriental Patron Financial Group Limited (Note 3)	Interest of controlled corporations	18,020,000(L)	7.94%	3.81%

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Oriental Patron Resources Investment Limited <i>(Note 3)</i>	Beneficial owner	18,020,000(L)	7.94%	3.81%
UBS Group AG <i>(Note 4)</i>	Interest of controlled corporations	32,455,671(L)	14.30%	6.86%
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>	Investment manager	32,788,500(L)	14.45%	6.93%
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>	Interest of controlled corporations, security interests in shares and approved lending agent	13,746,828(L) 2,319,519(S)	6.05% 1.02%	2.90% 0.49%

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
Greenwoods Asset Management Limited (Note 7)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Unique Element Corp. (Note 7)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi (Note 7)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited (Note 7)	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 filed on the website of the Hong Kong Stock Exchange, Liang Yiming holds the 100% equity interest in Soaring Eagle Industrial Limited.
3. According to the disclosure of interest filed on the website of the Hong Kong 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.
4. According to the disclosure of interest filed by UBS Group AG on the website of the Hong Kong Stock Exchange, UBS Group AG was deemed to hold 32,455,671 shares through its interest in controlled corporations. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS Switzerland AG 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, 15,326,100, 14,000, 300,000 and 15,715,271 long position shares in the Company, respectively.

5. According to the disclosure of interest filed on the website of the Hong Kong 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 Hong Kong Stock Exchange, JP Morgan Chase & Co. was deemed to hold 2,454,519 long position shares and 2,319,519 short position shares through its interest in a controlled corporation, hold 1,000,000 long position shares through its security interest and hold 10,292,309 long position shares as approved lending agent. JP MORGAN CHASE BANK, N.A. – LONDON BRANCH was wholly owned by JP Morgan Chase Bank, National Association. J.P. MORGAN SECURITIES PLC was wholly owned by J.P. MORGAN CAPITAL HOLDINGS LIMITED, which in turn was wholly owned by J.P. Morgan International Finance Limited, which in turn was wholly owned by JP Morgan Chase Bank, National Association, which in turn was wholly owned by JP Morgan Chase & Co.
7. According to the disclosure of interest filed on the website of the Hong Kong 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 2020, so far as known to the Directors, Supervisors and chief executive of the Company, there was no other person (other than the Directors, Supervisors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES

As at 30 June 2020, no Directors, Supervisors or chief executive of the Company had any interests or short positions 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 were required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

THE RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had entered into any arrangement to enable the Directors or Supervisors to acquire any benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Supervisors or their respective spouses or children under the age of 18 has been granted any rights to subscribe for shares in, or debentures of, the Company or any other body corporate or have exercised any of such rights.

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

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee has, together with the management of the Company, reviewed the interim results of the Group, including the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal control, financial reporting and continuing connected transactions, including review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020.

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

As of 30 June 2020, there were four independent non-executive Directors in the Board. As of 30 June 2020, 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.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all the Directors and Supervisors, the Company confirmed that, all the Directors and Supervisors have complied with the required standard set out in the Model Code and the code of conduct of the Company regarding directors' and supervisors' securities transactions for the six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has been in compliance with all the rules prescribed by the China Securities Regulatory Commission and the Hong Kong Stock Exchange, as well as requirements of other regulatory bodies. The Company has adopted a code on corporate governance on terms no less exacting than the required standard set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, and established a series of corporate governance systems in accordance with relevant requirements to continuously improve the corporate governance structure.

Pursuant to the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the articles of association of the Company, the Directors and Supervisors shall hold term of office of three years from the date of election, and may stand for re-election upon the expiry of their term of office. The respective terms of office of Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang, the non-executive Directors, Mr. Fung Ching, Simon and Mr. George F Meng, the independent non-executive Directors, and Mr. Zhang Shusheng, the independent Supervisor, have expired on 29 December 2019. As the nomination process of the Directors and Supervisors of the Company has not been completed and successors of certain Directors and Supervisors are still under consideration, the Company failed to complete the re-election/election before the expiration of the terms of office of the above Directors and Supervisor. Such Directors and Supervisor will continue to perform their duties until the re-election/election is completed.

Save for the deviation disclosed above, for the six months ended 30 June 2020, the Company had complied with the other code provisions of the CG Code 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 Hong Kong Stock Exchange at www.hkexnews.hk as well as the Company's website www.mlairport.com. The 2020 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 Hong Kong Stock Exchange and the Company on or before 10 September 2020.

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

Hainan Meilan International Airport Company Limited*

Wang Zhen

Chairman and Executive Director

Haikou, the PRC

21 August 2020

This announcement is published in English and Chinese.

In the event of any inconsistency between the two versions, the Chinese version shall prevail.

* *For identification purposes only*