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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 2021

FINANCIAL HIGHLIGHTS

- Total revenue was RMB893.98 million
(for the six months ended 30 June 2020: RMB608.50 million)
- Revenue from aeronautical business was RMB284.92 million
(for the six months ended 30 June 2020: RMB188.02 million)
- Revenue from non-aeronautical business was RMB609.06 million
(for the six months ended 30 June 2020: RMB420.48 million)
- Net profit attributable to shareholders was RMB345.36 million
(for the six months ended 30 June 2020: RMB79.61 million)
- Earnings per share was RMB0.73
(for the six months ended 30 June 2020: RMB0.17)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 9.9669 million
(for the six months ended 30 June 2020: 6.0432 million)
- Aircraft takeoff and landing reached 74,940 times
(for the six months ended 30 June 2020: 50,830 times)
- Cargo and mail throughput was 86,827.90 tons
(for the six months ended 30 June 2020: 69,947.60 tons)

* *For identification purpose 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 2021 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 2020 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	
		2021	2020
	Note	RMB	RMB
		Unaudited	Unaudited
Revenue	3	893,983,277	608,501,938
Less: Cost of sales		(399,158,229)	(323,500,834)
Taxes and surcharges		(15,246,387)	(5,960,489)
Selling and distribution expenses		(2,464,150)	(1,868,956)
General and administrative expenses		(45,026,421)	(36,197,319)
Finance expenses – net		(20,479,016)	(7,625,277)
Credit impairment loss		(9,314,280)	(53,569,026)
Add: Loss of disposal of assets		(236,589)	(71,266)
Investment loss	4	(7,938)	(75,316,232)
Including: Shares of loss of associates		(7,938)	(75,748,825)
Other income		8,624,121	8,996,643
Operating profit		410,674,388	113,389,182
Add: Non-operating income		835,100	20,254
Less: Non-operating expenses		(174)	(1,222)
Total profit		411,509,314	113,408,214
Less: Income tax expenses	5	(62,033,989)	(28,922,661)
Net profit		349,475,325	84,485,553
Attributable to shareholders of the Company		345,356,411	79,606,292
Minority interests		4,118,914	4,879,261

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	RMB	RMB
		Unaudited	Unaudited
Other comprehensive income, net of tax		<u>–</u>	<u>2,389,945</u>
Attributable to shareholders of the Company, net of tax		–	2,389,945
Other comprehensive income that will be subsequently reclassified to profit or loss		–	2,389,945
Other comprehensive income that can be transferred to profit and loss under the equity method		<u>–</u>	<u>2,389,945</u>
Total comprehensive income		<u>349,475,325</u>	<u>86,875,498</u>
Total comprehensive income attributable to shareholders of the Company		<u>345,356,411</u>	<u>81,996,237</u>
Total comprehensive income attributable to minority interests		<u>4,118,914</u>	<u>4,879,261</u>
Earnings per share			
– Basic and diluted earnings per share	6	<u>0.73</u>	<u>0.17</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 June 2021 RMB Unaudited	31 December 2020 RMB Audited
ASSETS			
Current assets			
Cash at bank and on hand		551,024,771	292,182,748
Accounts receivable	8	386,849,657	353,076,812
Prepayments		8,903,229	10,566,302
Other receivables		9,717,531	8,454,512
Inventories		768,848	399,282
Other current assets		<u>5,896,273</u>	<u>6,258,140</u>
Total current assets		<u>963,160,309</u>	<u>670,937,796</u>
Non-current assets			
Long-term equity investments		12,849,007	12,856,945
Investment properties		1,161,618,773	1,180,319,936
Fixed assets		2,078,512,966	2,124,341,242
Construction in progress		5,854,265,924	5,728,721,777
Right-of-use assets		162,083,514	151,354,862
Intangible assets		151,603,685	153,471,779
Long-term prepaid expenses		5,527,172	6,003,025
Deferred tax assets		44,881,315	44,213,919
Other non-current assets		<u>998,618,904</u>	<u>1,005,266,388</u>
Total non-current assets		<u>10,469,961,260</u>	<u>10,406,549,873</u>
TOTAL ASSETS		<u>11,433,121,569</u>	<u>11,077,487,669</u>

	<i>Note</i>	30 June 2021 RMB Unaudited	31 December 2020 RMB Audited
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		379,450,000	379,450,000
Accounts payable	9	334,916,998	310,016,962
Advances from customers		26,284,448	25,539,573
Contract liabilities		8,692,210	36,382,700
Employee benefits payable		45,654,963	44,512,417
Taxes payable		457,448,543	393,236,216
Other payables		2,633,503,904	2,697,974,613
Other current liabilities		189,087,000	189,087,000
Current portion of non-current liabilities		<u>2,868,872,414</u>	<u>2,832,324,339</u>
Total current liabilities		<u>6,943,910,480</u>	<u>6,908,523,820</u>
Non-current liabilities			
Lease liabilities		86,469,429	86,903,269
Long-term payables		70,391,937	79,444,402
Deferred revenue		47,975,556	49,392,222
Long-term employee benefits payable		251,720	361,580
Deferred tax liabilities		378,982	639,193
Other non-current liabilities		<u>123,750,614</u>	<u>141,705,657</u>
Total non-current liabilities		<u>329,218,238</u>	<u>358,446,323</u>
Total liabilities		<u>7,273,128,718</u>	<u>7,266,970,143</u>
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		819,661,947	819,661,947
Surplus reserve		246,394,231	246,394,231
Other comprehensive loss		(19,524,487)	(19,524,487)
Retained earnings		<u>2,594,067,538</u>	<u>2,248,711,127</u>
Total equity attributable to shareholders of the Company		<u>4,113,812,229</u>	3,768,455,818
Minority interests		<u>46,180,622</u>	<u>42,061,708</u>
Total equity		<u>4,159,992,851</u>	<u>3,810,517,526</u>
Total liabilities and equity		<u>11,433,121,569</u>	<u>11,077,487,669</u>
Net current liabilities		<u>5,980,750,171</u>	<u>6,237,586,024</u>
Total assets less current liabilities		<u>4,489,211,089</u>	<u>4,168,963,849</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 are 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. The parent company of the Company is Haikou Meilan International Airport Co., Ltd. ("Haikou Meilan"), an enterprise established in the PRC with limited liability.

HNA Group Co., Ltd. ("HNA Group") is a significant shareholder of Haikou Meilan. In 2020, the liquidity risk of HNA Group increased. On 10 February 2021, the Hainan High People Court ruled on the acceptance of the restructuring of HNA Group and other 7 companies, HNA Infrastructure Investment Group Co., Ltd. ("HNA Infrastructure") and its 20 subsidiaries ("HNA Infrastructure Restructuring"), Hainan Airlines Holding Co., Ltd. ("Hainan Airlines") and its 10 subsidiaries ("Hainan Airlines Restructuring"). On 13 March 2021, the Hainan High People Court ruled on the acceptance of the substantial consolidated restructuring of HNA Group and its related companies totalling 321 companies (the "HNA Group Substantial Consolidated Restructuring"). Haikou Meilan, HNA Airport Holdings (Group) Co., Ltd. (A significant associate of the Company, hereinafter referred to as "HNA Airport Holdings") and other companies with daily business transactions with the Group have been included in the above restructuring. As of the date of these financial statements, the abovementioned restructuring is still in progress and the business operation of the Group is stable.

These financial statements are authorized for issue by the Board on 20 August 2021.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter 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 for the year ended 31 December 2020. 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 2021, the Group recorded net current liabilities of approximately RMB5.98 billion (31 December 2020: net current liabilities of approximately RMB6.24 billion), short-term borrowings and non-current liabilities due within one year of RMB0.38 billion and RMB2.87 billion respectively, cash and cash equivalents of RMB0.52 billion. Non-current liabilities due within one year included mainly syndicated loan of RMB1.94 billion and amounts due to related parties of RMB0.84 billion.

The Company and Haikou Meilan are jointly constructing Meilan Airport Phase II Expansion Project (the “**Phase II Expansion Project**”). Haikou Meilan (as the borrower) and the Company (as the co-borrower) have obtained a syndicated loan (the “**Syndicated Loan**”) with a total facility of RMB7.8 billion and maturity of 20 years which is specifically for financing the construction of the Phase II Expansion Project. Haikou Meilan and the Company jointly undertake the repayment obligation for each loan drawn down under the Syndicated Loan Agreement and are jointly and severally liable for the repayment of the Loan (the “**Joint Repayment Commitment**”). As of 30 June 2021, the draw-down of the Syndicated Loan totalled to RMB5.18 billion, of which Haikou Meilan has drawn down RMB3.24 billion and the Company has drawn down RMB1.94 billion. As of 30 June 2021, Haikou Meilan has triggered the event of default of the Syndicated Loan Agreement. Furthermore, as HNA Group and its certain related parties including Haikou Meilan were not able to settle their debts in due course and were insolvent as a whole and these companies are highly mixed, Hainan Higher People Court ruled on the acceptance of the substantial consolidated restructuring of HNA Group and its related companies inclusive of Haikou Meilan totalling 321 companies on 13 March 2021 (“**Haikou Meilan’s Defaults**”). Haikou Meilan’s Defaults resulted in the loan syndicate has the right to request, at any time, the Company as the co-borrower to undertake the Joint Repayment Commitment to repay the Syndicated Loan drawn down by Haikou Meilan amounting to RMB3.24 billion, and after the payment the Company has the right to request reimbursement from Haikou Meilan. Haikou Meilan’s Default has also resulted in the loan syndicate has the right to request the Company to early repay the balance of the Syndicated Loan drawn down by the Company amounting to RMB1.94 billion and suspend offering the remaining loan facility of RMB1.96 billion to the Company. The Group has reclassified the Syndicated Loan drawn down by the Company of RMB1.94 billion which is originally due for repayment after 30 June 2022 to current portion of non-current liabilities. As of 30 June 2021, the balance of “other non-current liabilities – Joint Repayment Commitment” was RMB189 million. As of the date of these financial statements, the Company and Haikou Meilan have not obtained the written waiver from loan syndicate, and have not received request from loan syndicate requiring the Company to repay the Syndicated Loan or undertake the Joint Repayment Commitment.

A short-term bank loan of the Company amounting to approximately RMB380 million has not been repaid in due course in November 2020 (the “**Overdue Debt**”) and constituted an event of default of the bank loan. As of the date of these financial statements, the Company has not yet obtained a written waiver from the bank in respect of the Overdue Debt.

The Company received arbitration application requiring the Company to pay a compensation for the damage in a maximum amount of HK\$6.962 billion in respect of the H shares subscription agreement entered into in prior year on 23 December 2020 (the “**Arbitration Case**”). Management is of the view that the Company has no breach of contract as claimed by the applicant and the damage claimed by the applicant will not be supported by the arbitration centre. As of 30 June 2021, the Company has not made any provision for this Arbitration Case. As of the date of these financial statements, the Hong Kong International Arbitration Centre has issued the Procedural Order No. 1, arbitration timetable and arbitration language rules for the arbitration.

The Overdue Debt and the Arbitration Case have also constituted events of default of the Syndicated Loan.

In addition, as of 30 June 2021, the Company’s payables to related parties totalled to approximately RMB1.15 billion, including other payables of approximately RMB0.31 billion and non-current liabilities due within one year of approximately RMB0.84 billion, these payables have no specific repayment terms. As these related parties have been included in HNA Group Substantial Consolidated Restructuring, the Company may be required to settle these payables immediately. As of the date of these financial statements, the Company has not received request to repay these payables.

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 directors of the Company have carefully considered the progress of the Group's future working capital, operation results and available sources of financing so as to assess whether the Group has sufficient working capital and sources of financing to meet its current requirement and continue as going concern for at least of 12 months from 30 June 2021. The Group and Haikou Meilan are trying to take certain measures to improve its financial position and cash flow status, including but not limited to:

- 1) Haikou Meilan and the loan syndicate have submitted an application to the administrator of HNA Group Substantial Consolidated Restructuring (the “**Restructuring Administrator**”) to apply for Hainan High People Court to approve the Syndicated Loan Agreement as a continuing contract. The Company, Haikou Meilan and the Restructuring Administrator are negotiating with the loan syndicate to waive the aforementioned events of default. Management is of the view that the application of the Syndicated Loan Agreement as continuing contract can be approved by the court and the HNA Group Substantial Consolidated Restructuring can be completed. Based on this preassumption, management is of the view that the loan syndicate will grant the waiver of the events of default and will not require the Company to settle the balance of the Syndicate Loan drawn down by Haikou Meilan of RMB3.24 billion or early repay the balance of the Syndicate Loan drawn down by the Company of RMB1.94 billion and will continue to grant the remaining facility of the Syndicate Loan according to the Syndicate Loan Agreement;
- 2) In respect of the Overdue Debt, the Company is negotiating with the bank and has obtained a letter of intent from the bank in March 2021, the bank is planning to extend the whole loan by entering into a new long-term loan agreement with the Company. The new loan agreement is subject to the final approval of the bank. Management is of the view that the loan can be renewed and extended under reasonable condition and the Company can continuously fulfil the covenants during the extended loan period;
- 3) In respect of the payables to related parties, although the HNA Group Substantial Consolidated Restructuring is in progress, the Company has proposed a by-instalment repayment schedule to the Restructuring Administrator. Management is of the view that HNA Group Substantial Consolidated Restructuring will be successfully completed, the repayment schedule can be approved by the Restructuring Administrator and the related creditors' meeting of HNA Group;
- 4) In respect of the Arbitration Case, the arbitration is in progress as of the date of these financial statements, the two parties are preparing information for submission to arbitration centre. The Company will raise a strong defense. Management is of the view that the matters claimed by the applicant will not be supported by the arbitration centre and the Company will not be required to pay the damage;
- 5) As at 30 June 2021, Haikou Meilan has obtained the funding from Hainan Provincial Government sourced from the local government bonds offering and paid the construction fee of the Company for the Phase II Expansion Project amounting to approximately RMB130 million which has been recognised as “**other payables**” of the Company. Haikou Meilan and the Company continuously discussed with Hainan Provincial Government about the continuous sources of funding for the Phase II Expansion Project. Management is of the view that the Company can obtain continuous fundings to finance the construction of the Phase II Expansion Project. As of the date of these financial statements, the construction of the Phase II Expansion Project is in good progress, management anticipates the Phase II Expansion Project will be completed and put into use in 2021; and

- 6) Although being affected by Covid-19 epidemic, the airport operation businesses of the Group have achieved a stable growth in the second half of 2020. For the six months ended 30 June 2021, the passenger throughput of Meilan Airport was approximately 9.9669 million, representing an increase of 64.93% as compared to the same period of last year. Management estimated the Group's airport operation businesses in 2021 will continue to grow by comparing the year of 2020, and generate stable net operating cash inflow.

The Board has reviewed the Group's cash flow forecast for the 12 months from the date of these financial statements prepared by the management of the Company. The Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from 30 June 2021. Accordingly, the Board is of view that it is appropriate to prepare these financial statements on a going concern basis.

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) Whether the Syndicated Loan Agreement will be approved by the court as a continuing contract and whether the HNA Group Substantial Consolidated Restructuring can be successfully completed. Based on this preassumption, whether the Company can obtain the loan syndicate's waiver in respect of the aforementioned events of default and then the Company is not required to early repay the balance of the Syndicate Loan drawn down by the Company of RMB1.94 billion or settle the balance of the Syndicate Loan drawn down by Haikou Meilan of RMB3.24 billion and the loan syndicate will continue to grant the remaining facility of the Syndicate Loan according to the Syndicate Loan Agreement;
- 2) In respect of the Overdue Debt, whether the bank will approve the extension of the loan by entering into a new long-term loan contract and whether the Company can continuously fulfil the loan covenants during the extended loan period;
- 3) In respect of the payables to related parties, whether the Company's proposed repayment schedule can be approved by the Restructuring Administrator and the related creditors' meeting of HNA Group;
- 4) In respect of the Arbitration Case, whether the Company will not be required to pay the damage as claimed by the applicant;
- 5) Whether the Company can continue to obtain fundings to finance the construction of the Phase II Expansion Project and settle the construction fee payables, and whether the project will be completed and put into use according to the schedule; and
- 6) Whether the Group's airport operation businesses will continue to grow according to the management's forecast and generate stable net operating cash inflow.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these financial statements.

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	
	2021	2020
	RMB	RMB
Analysis of revenue (by nature)		
Aeronautical:		
Passenger service income	146,673,932	91,250,299
Ground handling service income	85,766,085	60,313,982
Fees and related charges on aircraft taking-off and landing	52,483,801	36,455,872
	<u>284,923,818</u>	<u>188,020,153</u>
Non-aeronautical:		
Franchise income	374,426,739	234,237,148
Freight and packaging income	56,681,589	59,439,882
Hotel income	51,029,218	32,856,880
VIP room income	38,776,210	39,135,868
Rental income	31,422,895	15,636,114
Car parking income	7,375,230	7,374,771
Other income	49,347,578	31,801,122
	<u>609,059,459</u>	<u>420,481,785</u>
Total revenue	<u>893,983,277</u>	<u>608,501,938</u>

4. INVESTMENT LOSS

	Six months ended 30 June	
	2021	2020
	RMB	RMB
Investment loss from long-term equity investment of unlisted companies under equity method	(7,938)	(75,748,825)
Investment income from disposal of a subsidiary	<u>–</u>	<u>432,593</u>
	<u>(7,938)</u>	<u>(75,316,232)</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 2021 (for the six months ended 30 June 2020: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2021	2020
	RMB	RMB
Current income tax calculated based on tax law and related regulations	62,961,596	32,955,512
Deferred income tax	<u>(927,607)</u>	<u>(4,032,851)</u>
	<u>62,033,989</u>	<u>28,922,661</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 2020: 15%).

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	
	2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	345,356,411	79,606,292
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>0.73</u>	<u>0.17</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 2020: nil), diluted earnings per share equal to basic earnings per share.

7. DIVIDENDS

On 20 August 2021, the Board proposed not to distribute 2021 interim cash dividend (2020 interim cash dividend: nil).

According to the resolution of the annual general meeting convened on 11 June 2021, the Company did not distribute 2020 final dividend (for the six months ended 30 June 2020, the Company did not distribute 2019 final dividend).

8. ACCOUNTS RECEIVABLE

	30 June 2021 <i>RMB</i>	31 December 2020 <i>RMB</i>
Accounts receivable by nature	568,073,593	525,327,347
Less: Provision for bad debts	<u>(181,223,936)</u>	<u>(172,250,535)</u>
	<u>386,849,657</u>	<u>353,076,812</u>

Credit terms granted to customers are generally ranged from 1 to 3 months. As at 30 June 2021, the ageing analysis of accounts receivable, based on their recording dates, is set out as follows:

	30 June 2021 RMB	31 December 2020 RMB
Within 90 days	301,952,957	298,650,633
91 to 180 days	78,497,665	78,604,686
181 to 365 days	67,952,682	61,466,387
Over 365 days	119,670,289	86,605,641
	<u>568,073,593</u>	<u>525,327,347</u>

9. ACCOUNTS PAYABLES

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

	30 June 2021 RMB	31 December 2020 RMB
Within 90 days	72,967,131	93,777,791
91 to 180 days	15,373,068	46,998,457
Over 180 days	246,576,799	169,240,714
	<u>334,916,998</u>	<u>310,016,962</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the Group's total revenue amounted to RMB893,983,277, representing an increase of 46.92% as compared to the corresponding period of 2020. Net profit attributable to shareholders amounted to RMB345,356,411, representing an increase of 333.83% as compared to the corresponding period of 2020. Earnings per share amounted to RMB0.73 (the corresponding period of 2020: earnings per share of RMB0.17).

Operating Environment

Civil Aviation Industry of China

In the first half of 2021, civil aviation transportation across the country achieved 130 months and 94.48 million hours of continuous safe flight, and 229 consecutive months of air defense safety. The industry's safety operation continued to maintain an overall stable trend. The industry completed a total transportation turnover of 46.5 billion ton-kilometers, 245 million passengers and 3.743 million tons of cargo and mail, up by 45.4%, 66.4% and 24.6% year-on-year, respectively, which recovered to 74.1%, 76.2% and 106.4% of that for the same period in 2019. The loss of the industry decreased by RMB44.98 billion as compared to the same period of last year; a total of 0.101 million cargo flights of Chinese and foreign airlines were approved, including 0.051 million flights changed from passenger flights to cargo flights; the accumulated investment in fixed assets reached RMB43.5 billion, representing a year-on-year increase of 8.5%; five newly-built transportation airports were put into use, and there were 246 certificated transportation airports nationwide, 558 traditional general aviation enterprises, and more than 0.011 million unmanned aerial vehicle enterprises.

In terms of service quality, the Civil Aviation Administration of China (the "CAAC") has launched a nine-month "Civil Aviation Service Quality Standard Construction Year" theme event started from 1 April 2021. Themed by promoting the high-quality development of civil aviation and guided by the "One Two Three Three Four" (i.e. enforcement of one concept; promotion of the development of public transportation aviation and general aviation; adherence to the three bottom lines of flight safety, integrity safety and sincere service; construction and improvement of three systems of modern national airport system, air transportation network system, and production and operation guarantee system; opening up four new situations: first, new pattern for the coordinated development of the civil aviation industry, second, new breakthroughs in the construction of smart civil aviation, third, new enhancements of resource guarantee capabilities, and fourth, new achievements of the industry governance system and governance capabilities) overall work idea for the "14th Five-Year" period, the event focused on enhancing the quality of civil aviation services, continuously improving the civil aviation service regulations and standards system, and promoting civil aviation service brand to always become the benchmark of "China Service".

The overall goal of this event is to promote the establishment of civil aviation service regulations and standards and further improve the service regulation and standard system; to improve the service quality of civil aviation lead by flight punctuality, 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%; to implement and promote key service measures including full-process baggage tracking, passenger transfer services, and facilitating aviation travel for the elderly; to create a civil aviation brand that can be used for reference and can be promoted and further enhance passengers' satisfaction and sense of acquisition for civil aviation services.

In the first half of 2021, in accordance with the requirements of the "Civil Aviation Service Quality Standard Construction Year", all civil aviation units worked hard to promote various key services and achieved positive results. The punctuality rate of domestic passenger airlines was 85.57%; the Regulations on the Administration of Passenger Services of Public Air Transportation (《公共航空運輸旅客服務管理規定》) was promulgated in March 2021; the full-process baggage tracking capability was improved. In the first half of 2021, full-process tracking was provided for 792,886 pieces of baggage on 32,667 flights. The baggage tracking system will be launched for the domestic airports with an annual passenger traffic volume of more than 10 million passengers in the year; transfer facilitation services were further deepened. With the release of the Guidelines for the Implementation of Transfer Facilitation for Civil Aviation Passengers (《民航旅客中轉便利化實施指南》), the coverage of "air-rail intermodal transport" has been extended to 16 airports.

In terms of enhancement of transportation efficiency, in the first half of 2021, the air traffic control system provided guarantee for 4.33 million flights, representing a year-on-year increase of 48.86%, which basically returned to the guarantee level before the pneumonia epidemic (the "**Epidemic**") caused by the new coronavirus; the national flight punctuality rate reached 85.57%, representing an increase of 5.22 percentage points over the same period in 2019; the air traffic control system successfully provided guarantee for a series of major tasks including the 100th anniversary of the founding of the Communist Party of China, and continued to maintain a safety record of zero accident and zero potential accident cause. Meanwhile, under the premise of ensuring flight safety, the air traffic control system of civil aviation highlighted flight punctuality, proceeded with satisfaction of the needs of the industry, emphasis on intelligence, enhancement of system guarantees, etc., provided sincere services and continued to improve the efficiency of civil aviation operations.

The Group will follow the CAAC's "One Two Three Three Four" work idea for the "14th Five-Year" period in acceleration of the construction of smart airport; continuous improvement of the service quality of Meilan Airport; further implementation of the requirements on "prevention of imported infections, prevention of domestic repeated outbreak of the Epidemic, and equal efforts on prevention of infections caused by contact with people and goods" and normalization of epidemic prevention and control without slackening, to fully promote the restoration of routes under the premise of ensuring safe operations.

Tourism in Hainan Province

The year 2021 is the 100th anniversary of the founding of the Communist Party of China and the first year of the “14th Five-year” Plan, and also a key year for Hainan Province to comprehensively deepen reform and opening up and accelerate the construction of free trade port. With the continuous deepening of the construction of Hainan Free Trade Port (“**Hainan Free Trade Port**”) and the international tourism consumption center and the effective control of the domestic Epidemic, as of 30 June 2021, the province has received a total of 43.211 million domestic and foreign tourists, representing a year-on-year increase of 119.70% and the total revenue from tourism was approximately RMB81.978 billion, representing a year-on-year increase of 260.10%.

On 30 June 2021, the General Office of the People’s Government of Hainan Province issued the 14th Five-Year Plan for Development of Tourism, Culture, Broadcasting, Television and Sports of Hainan Province (《海南省「十四五」旅遊文化廣電體育發展計劃》) (the “**Plan**”), which proposes goals for the development of tourism, culture, broadcasting, television and sports.

- Tourism goal: Based on the construction of Hainan Free Trade Port and centering on the development goal of initially building an international tourism consumption center, an internationally renowned holiday paradise, health paradise, shopping paradise and exhibition highland will be built and the tourism industry will be built into a pillar industry of the national economy.
- Cultural goal: to create “one pioneering zone, three bases, and one window”, i.e. to build Hainan into a pioneering zone for the development of high-quality integration of national culture and tourism, a national foreign cultural trade base, a “One Belt and One Road” (一帶一路) international cultural exchange base, a world cultural artworks trade base and an important window for displaying the excellent Chinese culture and demonstrating the self-confidence of Chinese culture.
- Broadcasting and television goal: to create “four windows”, i.e. to build Hainan into a “display window” that showcases the benchmark of a socialist free trade port with Chinese characteristics, the “international window” that gathers the most high-tech audiovisual products and the most active domestic and foreign programs and exchanges in the South China Sea area, the “demonstration window” for industrial integration and development, and the “service window” that fully empowers the development of smart Hainan.
- Sports goal: to create a “two areas and one center”, i.e. to build Hainan into a pioneering demonstration zone for national sports reform, a national sports tourism demonstration zone, and an international sports and cultural exchange center under the “One Belt and One Road” initiative.

Hainan Province will continue to promote high-quality development by strengthening top-level innovation; upgrade the tourism industry and build an international tourism consumption center; build a culturally strong province to effectively enhance cultural soft power; grasp the correct orientation and plan a new pattern for the development of broadcasting and television; simultaneously develop business and industry, build a national tourism demonstration zone, improve infrastructures, and make up for shortcomings in public services; improve governance and strengthen market supervision; enhance guarantee measures and promote the effective implementation of the Plan to further advance the construction of Hainan Free Trade Port.

Key Tourism Projects of Hainan

In the first half of 2021, the governments at all levels in Hainan Province continued to vigorously promote the construction of key tourism projects.

The construction of Haikou International Duty-free City project located on the east side of the new seaport on the west coast of Haikou City fully commenced in 2020. The project has a total area of approximately 675 Mu and a gross floor area of approximately 0.926 million square meters and consists of six plots. In particular, the duty-free business center on plot five is the core of the project. As of the first half of 2021, the tax-free business center on plot five took shape and the construction of other plots were also advanced steadily. It is expected that the tax-free business center on plot five will be officially opened in June 2022. Upon completion, the project will add a “new landmark” to Hainan’s duty-free shopping map, forming a north-south pattern with Sanya Haitang Bay International Duty-free City and helping Hainan build an international tourist consumption center.

The phase I of the Wenchang Luodou Sports Tourism Complex, located in the section of Luodou Neighborhood Committee of Jinshan Town, Wenchang City, with a total land area of 29,324.59 square meters, is one of the key investment projects of Hainan Free Trade Port in 2021 and fills up the gap of equestrian sports in the tourist market of Hainan. The project centers on the world fashion sporting goods expo and aims at promotion of national fitness sports. Leveraging on the duty-free policy of Hainan Free Trade Port and the relevant supporting sports tourism industry, it specializes in international sports goods, and strives to build the international fashion sporting goods consumption center with the highest degree of professionalism and the most complete products of Hainan Free Trade Port and create a one-stop sports tourism complex integrating sports and fitness experience, competition activities, leisure and entertainment, and sports training.

The Group will pay close attention to the tourism development trend in Hainan Province, proactively cooperate with the local government to carry out the promotion of the tourism market, and seize development opportunities to help Meilan Airport achieve new success in terms of the throughput of passenger and cargo and mail.

Transportation within the Island

On 8 June 2021, the General Office of the People’s Government of Hainan Province officially issued the 14th Five-Year Plan for Integrated Transportation of Hainan Province (《海南省「十四五」綜合交通運輸規劃》) (the “**Transportation Plan**”), which confirmed the overall goals, key tasks and policy directions of integrated transportation development of Hainan.

According to the Transportation Plan, by 2025, the accumulated investment in the construction of transportation infrastructure in five years in the province will exceed RMB220 billion. The competitiveness and influence of gateway hub will be significantly improved and the comprehensive external transportation channels will be smoothly accessible. With a more complete integrated transportation network on the island, integrated and efficient integrated transportation services, and strong development momentum, the construction of a pilot area for a leading transportation country will achieve remarkable results, which will strongly support and guarantee the smooth realization of the initial goals of the construction of Hainan Free Trade Port.

- In respect of railways, Hainan is about to build two high-speed railways, namely the Hainan middle high-speed railway and transverse high-speed railway. The Hainan middle high-speed railway connects Haikou and Sanya. It is an important part of the “Tian (田)” type high-speed railway network in Hainan Province. The overall route is north-south and is about 225 kilometers. It is planned to set 7 passenger railway stations. After the completion of the railway, the journey from Haikou to Sanya will be shortened to 50 minutes, which saves more than half an hour as compared to the current fastest roundabout high-speed railway. It realizes the three high-speed railways connecting two places, and ends the history of no railway for five counties (cities) including Ding’an County in the central part of Hainan Province.

The transverse high-speed railway connects Danzhou and Qionghai, and forms the “Tian (田)” type high-speed railway network with the Hainan roundabout high-speed railway and the Hainan middle high-speed railway. The railway runs east-west and basically parallel to the G9813 Wanning-Yangpu Expressway and the whole journey is about 153 kilometers. After completion, it will eliminate the situation of a station without passenger trains in downtown Danzhou, and it is expected that the shortest journey from Danzhou to Qionghai takes half an hour.

Meanwhile, the construction of the “cross-sea roundabout intercity” railway network will be accelerated, priority will be given to guarantee of the construction of the Zhanjiang-Haikou high-speed railway project, and the construction of the Danzhou-Yangpu railway (branch of Yangpu railway) project will be sped up, strengthening the rapid interconnection within the island.

- In respect of roads, on 30 March 2021, the main line of the section from Meilan Airport to Yanfeng of Haikou Ring Road (the “**Haikou Ring Road Phase II**”) was officially opened to traffic. Haikou Ring Road Phase II is an important part of the expressway “skeleton network” of Hainan Province, an important transverse channel connecting the “Haikou, Chengmai and Wenchang” area of Hainan Province, and an important expressway extending outward in the Jiangdong New District of Haikou City. The project includes the main line and the reconstruction section of the national highway G223, and the route is 15.07 kilometers long, adopts the expressway standard, and is a two-way six-lane expressway. After completion, it will connect the roundabout expressway and the Haikou-Wenchang Expressway. It will also be of great significance for accelerating the integration of “Haikou, Chengmai and Wenchang” and expanding and strengthening the comprehensive economic circle in Northern Hainan, and will provide a strong traffic guarantee for the construction of Hainan Free Trade Port.

- In terms of airport construction, according to the requirements of the Transportation Plan, Hainan will build a first-class international aviation hub, and endeavour to start construction during the “14th Five-Year” period; promote the expansion of phase III of Meilan Airport, accelerate the preliminary work of the construction of Danzhou Airport, and implement the reconstruction and extension project of Qionghai Boao Airport. Meanwhile, the construction of the transportation airport layout consisting of “two main airports, two auxiliary airports and one cargo airport” will be sped up, and the Dongfang Cargo Airport will be built into an international cargo hub airport, striving to achieve the province’s transportation airport guarantee capacity of 62 million passengers and air cargo and mail throughput of 400,000 tons in 2025.

Off-shore Duty-free

In the context of the global tourism consumption industry being hit hard by the Epidemic as a whole, thanks to the domestic epidemic prevention and control effectiveness and the strong stimulus of the favorable off-shore duty-free policy of Hainan, the off-shore duty-free shopping consumption of Hainan has achieved a surge against the trend, and the role of attracting overseas consumption has become more obvious.

In February 2021, in order to further facilitate shopping for off-shore tourists and expand the effects of the policy, two pick-up methods were added for the off-shore duty-free shopping, i.e. “mail delivery” for off-shore tourists and “claim at arrival” for residents of the province. To this end, the Haikou Customs of the People’s Republic of China (“**Haikou Customs**”) completed the upgrade and transformation of the corresponding functional modules of the customs supervision system in a timely manner, instructed enterprises to upgrade the enterprise-side system and conduct joint debugging tests, and strengthened policy publicity and interpretation, laying a solid foundation for the implementation of policy. As of the end of June 2021, the off-shore duty-free enterprises in Hainan had mailed approximately 2.08 million duty-free commodities in an amount of approximately RMB1.23 billion and served approximately 0.231 million passengers through “mail delivery”; completed deposit at departure and claim at arrival for residents of the island for approximately 0.124 million duty-free commodities in an amount of approximately RMB100 million and served approximately 0.013 million passengers through “claim at arrival”. The new delivery methods “free” the hands of passengers and provide a better duty-free shopping experience.

As of 30 June 2021, the retail sales of off-shore duty-free commodities of Hainan Province was approximately RMB26.767 billion, the number of duty-free shoppers was approximately 3.8233 million, and the number of duty-free commodities sold was approximately 36.8995 million, representing an increase of 257.19%, 156.47% and 258.86%, respectively, over the same period of last year.

According to statistics from Haikou Customs, within one year since the implementation of the new off-shore duty-free policy on 1 July 2020, the off-shore duty-free sales of Hainan Province amounted to approximately RMB46.8 billion, representing a year-on-year increase of 226%; the number of commodities sold was approximately 60.72 million, representing a year-on-year increase of 211%; shopping tourists were approximately 6.82 million, representing a year-on-year increase of 102%.

In the first half of 2021, Haikou Meilan Airport Off-shore Duty-free Shop (“**Meilan Airport Off-shore Duty-free Shop**”) made full use of online and offline channels and carried out themed marketing activities to stimulate the enthusiasm of tourists for consumption and promote sales to a new high. The offline sales of duty-free commodities amounted to approximately RMB2.186 billion, representing an increase of approximately 152.67% over the same period of last year, and the shop further enjoyed the benefits brought about by the new off-shore duty-free policy.

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 first half of 2021, the severe situation of overseas epidemic prevention and control and the repeated outbreaks of the Epidemic in certain areas in the PRC hit the civil aviation passenger transportation market again, and Meilan Airport still faced greater pressure on production and operation. In this context, the Group adhered to epidemic prevention and control and strictly implemented the requirements of governments at all levels to ensure the safe operation of Meilan Airport; and it promoted the resumption of work and production through various measures including strengthening cooperation with enterprises at the upstream and downstream of the aviation tourism industry chain.

In the first half of 2021, Meilan Airport achieved encouraging results in terms of brand building: won 32 awards at industrial, provincial and ministerial levels or above, including 2 important international awards, 3 national awards, 1 provincial and ministerial award and 26 industrial awards. Internationally, Meilan Airport won the honor of “The Voice of the Customer” granted by ACI (Airport Council International) and the “Best Airport by Size and Region, 15 to 25 million passengers per year in Asia-Pacific” granted by the ASQ (Airport Service Quality); domestically, Meilan Airport won a number of heavyweight awards including the “2020 Advanced Collective in respect of Major Transportation Work of Civil Aviation” granted by the CAAC and the “Best Support Capacity Airport Awards 2020” among annual passenger volume of 15 to 30 million granted by the CAPSE (Civil Aviation Passenger Service Evaluation). These honors indicated that the service quality of Meilan Airport has been highly recognized and endorsed by the vast number of passengers, which has improved the brand awareness and industry influence of Meilan Airport.

In January 2021, Meilan Airport completed the upgrade and migration of all digital intercom clusters, which realized the seamless handover of the new T2 base station of Meilan Airport, solved the signal blind zone problem, and realized the signal coverage of the entire Meilan Airport area, greatly improving the response and communication efficiency of the wireless communication at Meilan Airport. In the first half of 2021, Meilan Airport proactively studied and applied RFID (Radio Frequency Identification) technology for information collection in passenger baggage handling processes in terms of “check-in, security, sorting, loading/boxing, loading, transfer, and arrival”, to achieve full-process baggage tracking. At present, the bidding for the feasibility study report preparation project of the full-process baggage tracking system has been completed. In addition, the geographic information platform of Meilan Airport was officially launched for trial operation. The platform formulated the standards and specifications for the construction of geographic information database of Meilan Airport, including data, technology and access management standards, to ensure the effective integration and unification of system data.

As of now, for the construction of the phase II expansion project of Meilan Airport (“**Phase II Expansion Project**”), except for the new tower, the west tunnel (west vertical sliding engineering) and the iron-related engineering in the ancillary projects, other main work, comprehensive transportation supporting projects, fuel supply projects, and air traffic control projects have all been completed and passed the acceptance inspection; at the same time, the completed engineering projects have obtained the acceptance qualifications of the Civil Aviation Professional Engineering Quality Supervision Station and the Haikou Construction Engineering Quality and Safety Supervision Station. The overall project aims to be officially put into operation in 2021. 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 a regional aviation hub facing the Pacific and Indian Oceans in Hainan, to further 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.

In the first half of 2021, Meilan Airport Hotel won a total of 5 awards including the title of “Reliable Consumption Demonstration Unit in the Hotel and Catering Industry in Hainan Province”. In addition, Meilan Airport Hotel has been ranked the first in the “Meadin Haikou MCI Ranking List” for five consecutive months, and maintained at top 30 in national mid-to-high-end hotel competitiveness index for five consecutive months. The business volume rebounded through the measures including optimizing the customer source markets of various channels, vigorous development of new customers of airlines and conference teams, and proactive innovation and development of new products. For the six months ended 30 June 2021, Meilan Airport Hotel received approximately 0.196 million guests, and the room occupancy rate was 76.54%, representing an increase of 26.39% over the same period of last year.

Overview of Aviation Business

During the Spring Festival Transport of 2021 (i.e. from 28 January 2021 to 8 March 2021), the passenger throughput of Meilan Airport declined as compared to the Spring Festival Transport of 2020 due to repeated outbreaks of the Epidemic in certain areas of China. In the latter part of the Spring Festival Transport, the Company seized the good opportunities including returning home after the festival, college students returning to school and the release of tourism demand in a timely manner to coordinate with the airlines to successively resume and increase the routes of the airport, visited airlines and major charter operators to learn more about the aviation market trends and took advantage of Qingming Festival, Labour Day, etc. to cooperate with major airlines to increase publicity on the tourism market of Haikou, to continuously convey good information on the market of Haikou, so as to increase passenger load factor of flights. In the meantime, the Company cooperated with the Bureau of Tourism, Culture, Radio, Television and Sports of Haikou City to carry out thematic publicity activities to attract passengers for the aviation market and intensify market development.

Due to the Epidemic, Meilan Airport suspended international and regional flights from 29 March 2020. As of the publication date of this announcement, international and regional passenger routes have not yet resumed. In the first half of 2021, Meilan Airport operated a total of 209 originating routes, including 200 domestic routes, representing a year-on-year increase of 24 routes; 8 international cargo routes and 1 regional cargo route; Meilan Airport extended its reach to 118 cities, including 109 domestic cities, 8 international cities for cargo routes, and 1 regional city for cargo route; and attracted 39 airlines to operate at Meilan Airport in total, including 35 domestic airlines, 3 international airlines and 1 regional airlines.

At present, the Epidemic situation abroad is still severe, and its impact on the international passenger transportation market of Meilan Airport is still continuing. In the first half of 2021, the Group seized opportunities to vigorously develop the international cargo market and operated 9 international and regional cargo routes from Haikou to Paris, Incheon, Moscow, Frankfurt, Jakarta, Hong Kong, Singapore, Milan and Sydney. In particular, “Haikou=Singapore=Jakarta” is the first route with the Fifth Freedom of The Air in Hainan Province. Up to now, the international and regional cargo route network of Meilan Airport has reached Southeast Asia, Europe and other places, and the development is gratifying. The operation of international and regional cargo routes has promoted the recovery and growth of air cargo business of Meilan Airport, continuously filled in the gaps in the international and regional cargo markets of Meilan Airport, and further promoted the construction of air traffic hub of the Hainan Free Trade Port, to build a “new bridge in the air” for domestic and foreign commodity trade and help the construction of an international tourism consumption center.

Details of the aviation traffic throughput for the six months ended 30 June 2021 and the comparative figures in the corresponding period of last year are set out below:

	Six months ended 30 June		Change
	2021	2020	
Aircraft takeoff and landing (flights)	74,940	50,830	47.43%
in which: domestic	74,693	49,591	50.62%
international and regional	247	1,239	-80.06%
Passenger throughput (headcount in ten thousand)	996.69	604.32	64.93%
in which: domestic	996.69	590.36	68.83%
international and regional	0.00	13.96	-100.00%
Cargo and mail throughput (tons)	86,827.90	69,947.60	24.13%
in which: domestic	83,488.10	69,399.50	20.30%
international and regional	3,339.80	548.10	509.34%

In the first half of 2021, the Company continued to promote the resumption of work and production, and the passenger throughput of Meilan Airport increased significantly compared with the same period of last year. The Group's revenue from aviation business for the six months ended 30 June 2021 was RMB284,923,818, representing an increase of 51.54% as compared to the corresponding period of 2020. Details are as follows:

	Six months ended 30 June 2021 (RMB)	Changes over the corresponding period of 2020
Passenger service charges	146,673,932	60.74%
Ground handling service income	85,766,085	42.20%
Fees and related charges on aircraft takeoff and landing	52,483,801	43.97%
Total revenue from aviation business	<u>284,923,818</u>	<u>51.54%</u>

Overview of Non-Aviation Business

For the six months ended 30 June 2021, the Group achieved a revenue from its non-aviation business of RMB609,059,459, representing an increase of 44.85% as compared with the corresponding period of 2020.

	Six months ended 30 June 2021 (RMB)	Changes over the corresponding period of 2020
Franchise income	374,426,739	59.85%
Freight and packaging income	56,681,589	-4.64%
Hotel income	51,029,218	55.31%
VIP room income	38,776,210	-0.92%
Rental income	31,422,895	100.96%
Car parking income	7,375,230	0.01%
Other income	49,347,578	55.18%
Total revenue from non-aviation business	<u>609,059,459</u>	<u>44.85%</u>

Franchise income

In the first half of 2021, the franchise income of the Group aggregated to RMB374,426,739, representing a year-on-year increase of 59.85%, which was mainly attributable to the significant increase in the passenger throughput of Meilan Airport, the further opening of the off-shore duty-free policy, and the increased promotional efforts of Meilan Airport Off-shore Duty-free Shop, 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 2021, the freight and packaging income of the Group aggregated to RMB56,681,589, representing a year-on-year decrease of 4.64%, which was mainly due to the decrease in the business volume of fresh and live goods, resulting in a slight drop in the income from freight and packaging materials.

Hotel income

In the first half of 2021, the hotel income of the Group amounted to RMB51,029,218, representing a year-on-year increase of 55.31%, which was mainly due to the increase in the occupancy rate of Meilan Airport Hotel as a result a significant increase in the passenger throughput of Meilan Airport.

VIP room income

In the first half of 2021, the VIP room income of the Group aggregated to RMB38,776,210, representing a year-on-year decrease of 0.92%, which was mainly attributable to the decrease in the sales volume of the VIP card as affected by the Epidemic, leading to a slight decrease in the VIP room income.

Rental income

In the first half of 2021, the rental income of the Group aggregated to RMB31,422,895, representing a year-on-year increase of 100.96%, which was mainly attributable to an increase in contracted tenants during the period, resulting in an increase in rental income of the Company.

Car parking income

In the first half of 2021, the car parking income of the Group aggregated to RMB7,375,230, without obvious changes as compared with the corresponding period last year, which was mainly attributable to the lease of the operation rights of parking lots of the Company to receive relatively fixed rental.

Financial Review

Asset Analysis

As at 30 June 2021, the total assets of the Group amounted to RMB11,433,121,569, representing an increase of 3.21% as compared with that as at 31 December 2020, among which, the current assets amounted to RMB963,160,309, and the non-current assets amounted to RMB10,469,961,260.

Cost and Expense Analysis

For the six months ended 30 June 2021, the Group's operating costs amounted to RMB399,158,229, the sales expenses amounted to RMB2,464,150 and the administrative expenses amounted to RMB45,026,421, totalling RMB446,648,800, which represented an increase of 23.53% as compared with that of the corresponding period of 2020. The increase in costs and expenses was attributable to:

- (1) the labor costs increased by RMB40,559,491 as compared with that of the corresponding period of 2020, mainly due to that in the first half of 2021, the Group promoted the resumption of work and production, abolished the employee rotation system implemented due to the Epidemic in the same period of last year, and paid normal wages and benefits for employees;
- (2) the airport and logistic comprehensive services fee increased by RMB6,237,961 as compared with that of the corresponding period of 2020, mainly due to that certain service areas closed in the same period of last year as a result of the Epidemic were restored to use in the year, resulting in an increase in related costs; and
- (3) the water and electricity costs increased by RMB4,907,646 as compared with that of the corresponding period of 2020, mainly due to that certain service areas closed in the same period of last year as a result of the Epidemic were restored to use in the year, resulting in an increase in consumption of water and electricity.

For the six months ended 30 June 2021, the finance expenses of the Group amounted to RMB20,479,016, representing an increase of RMB12,853,739 as compared with that of the corresponding period of 2020, which was mainly due to a decrease in capitalised interests of the Company.

Gearing Ratio

As at 30 June 2021, the Group had total current assets of RMB963,160,309, total assets of RMB11,433,121,569, total current liabilities of RMB6,943,910,480 and total liabilities of RMB7,273,128,718. As at 30 June 2021, the Group's gearing ratio (total liabilities/total assets) was 63.61%, representing a decrease of 1.99% as compared to that as at 31 December 2020.

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 China Development Bank Corporation Limited, Hainan Branch of Industrial and Commercial Bank of China Limited and Hainan Branch of Agricultural Bank of China Limited, 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 2021, the interest-bearing debts of the Group mainly included bank loans, finance lease liabilities and entrusted loans payable (the "**Total Borrowings**"), amounting to approximately RMB2,399,059,620, and the cash and cash equivalents were approximately RMB516,525,634. The gearing ratio (net liabilities/total capital) of the Group was 31.15% as at 30 June 2021 (31 December 2020: 36.08%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 30 June 2021, 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 2021, 97.72% of the Total Borrowings of the Group would/may become due within one year. As at 30 June 2021, the Total Borrowings of the Group were denominated in Renminbi. The cash and cash equivalents were held in Renminbi, Hong Kong dollars and US dollars, of which, the cash and cash equivalents held in Hong Kong dollars and US dollars accounted for approximately 0.00% of the total amount.

Cash Flow

For the six months ended 30 June 2021, the Group's net cash inflow from operating activities was RMB406,313,421, representing a year-on-year increase of 37.96%, which was mainly because the Group's aviation business volume increased significantly due to the effective control of the Epidemic and the benefits of the off-shore duty-free policy were continuously released, resulting in an increase in revenue.

For the six months ended 30 June 2021, the Group's net cash outflow for investing activities was RMB88,383,506, representing a year-on-year decrease of 91.35%, which was mainly attributable to the decrease in the payment of construction costs as the construction of the Phase II Expansion Project was close to the end.

For the six months ended 30 June 2021, the Group's net cash outflow for financing activities was RMB59,087,892, representing a year-on-year increase of 12.89%, which was mainly attributable to repayment of matured debts.

Significant Investments Held and Their Performances

As of 30 June 2021, 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**”).

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.

For the year ended 31 December 2020, the Company recorded an investment loss of RMB1,370,744,642 from share of net profit attributable to the shareholders of Airport Holding. Upon recognition of the abovementioned investment loss, the carrying amount of the equity interest held by the Company in the Airport Holding was RMB0. As of 30 June 2021, the carrying amount of the equity interest held by the Company in the Airport Holding is still RMB0.

Save as disclosed above, for the six months ended 30 June 2021, the Group did not hold other material investments that have a significant impact on the overall operations of the Group.

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

For the six months ended 30 June 2021, 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 2021, the Group had a total of 1,109 employees, representing an increase of 58 employees as compared to that at the beginning of 2021. The increase in employees was due to an increase in labor demand as a result of the increase in the production volume of the Group after the Epidemic was controlled. Employees of the Group are remunerated based on their performances, seniority and prevailing industry practices. The Group reviews its remuneration policy on a regular basis. Bonuses and commissions may be awarded to the employees as incentives based on the assessment of their performance.

Retirement Pension

The Group shall participate in the retirement scheme operated by the relevant local governmental institutions. The PRC government shall be responsible for the pension of the retired employees. The Group has to make a contribution at a certain percentage of the salary of the employees with permanent residence in the PRC (according to the retirement pension policies in Hainan Province, the contribution ratio for the six months ended 30 June 2021 was 16%). Once the Group contributes to the retirement scheme, the employer's contribution is fully owned by the employees. For the six months ended 30 June 2021, the pension contribution of the Group was approximately RMB12,761,830 (the first half of 2020: RMB3,242,552. In accordance with the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (《關於階段性減免企業社會保險費的通知》) and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and Other Issues (《關於延長階段性減免企業社會保險費政策實施期限等問題的通知》) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance of the People's Republic of China and the State Administration of Taxation, the Group was temporarily exempted from the payments undertaken by employers.).

Entrusted Deposits and Overdue Time Deposits

As at 30 June 2021, the Group did not have any entrusted deposits or overdue time deposits.

Contingent Liabilities

Save for the arrangement of the Syndicated Loan and the arbitrations mentioned in the section headed "Material Litigation or Arbitration" in this announcement, as at 30 June 2021, 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 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

There were no important events affecting the Group that have occurred since 30 June 2021.

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 2020 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 Parent Company domestic shares subscription agreement (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 validity period of the shareholders' resolutions and authorisation granted to the Board in relation to the Parent Company subscription and the new H shares issue is from 18 September 2020 to 17 September 2021.

RISK MANAGEMENT AND INTERNAL CONTROLS

In the first half of 2021, 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 2021, 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 2021	Effects of risk-counter measures
1	Operation risk – Major safety risks	The major safety risks the airport facing are mainly bird strike risk, aircraft damage risk and flight zone construction management risk. Assume that failure to effectively drive birds away may result in collisions with aircraft, damage to aircraft, and even the risk of aircraft damage. Assume that during the flight operation guarantee process, damage to the aircraft due to crate deformation, equipment failure and improper human operation may cause economic loss, flight delay or even cancellation. Failure to effectively manage relevant personnel, vehicles and related materials during the construction and maintenance work in the flight area of Meilan Airport may increase the risks associated with foreign objects and flight area intrusion.	<p>(1) The bird control was listed as one of the Company's 13 major safety risks, and it was included in the special monitoring plan to check the implementation and effectiveness of various bird damage prevention measures in the flight area. The Company predicted bird conditions and issued safety warnings in time during periods of high incidence of migratory bird migration or bird strikes. Meanwhile, bird strike risks were prevented and controlled by updating bird repellent equipment, strengthening personnel training, controlling the birds attraction factors in the field, carrying out a general survey of bird conditions around the airport, and increasing background analysis and research;</p>	<p>In the first half of 2021, Meilan Airport took various measures to comprehensively control and strictly monitor each core safety risk, and there were no unsafe incidents including aircraft scratching, illegal intrusion to the runway and construction in the flight area. Effect of risk-counter measures are set out below:</p> <p>(1) Bird strike risk: in the first half of 2021, the number of responsible bird strikes recognized by the CAAC was 0, representing a year-on-year decrease of 100%;</p> <p>(2) Risk of aircraft damage: FOD (Foreign Object Debris, which refers to foreign substance, debris or object that may damage the aircraft) prevention publicity and measures were strengthened through improvement of system construction and intensification of supervision. In the first half of 2021, there were no unsafe incidents including aircraft scratching at Meilan Airport; and</p>

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2021	Effects of risk-counter measures
			<p>(2) The Company improved vehicle security work process in the flight area, standardized the daily inspection system of vehicles, and implemented comprehensive vehicle inspection and maintenance. Special training was provided to aircraft support personnel on a regular basis to improve the safety awareness and skills of operators. Various aircraft support units were organized to convene coordination meetings to reduce the risk of aircraft scratching from the perspective of management. More efforts were exerted on foreign object cleaning operations and inspections, and a “foreign object prevention + apron operation” incentive mechanism for rewards, punishments, and deductions was adopted to improve apron operators’ awareness of foreign objects prevention; and</p>	<p>(3) Risk of construction management of flight area: In the first half of 2021, there were no unsafe incidents caused by illegal intrusion to the runway and construction at Meilan Airport.</p>
			<p>(3) Smooth communication was ensured between the construction unit and the apron tower during the construction period, inspection was conducted for the implementation of various safety measures at the construction site in the flight area every day, and the construction scope and construction time was strictly controlled to prevent the risk of illegal intrusion to the runway. The construction assessment system for the flight area was improved and the construction supervision units and construction units were subject to more stringent supervision and assessment.</p>	

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2021	Effects 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) The duties of front-line employees were arranged scientifically and rationally, and the support force was increased during peak periods; at the same time, the Company continued to optimize passenger routes, set up functional channels, and introduced dual-view security inspection machines to improve passenger clearance efficiency, and help improve flight punctuality;</p> <p>(2) For flight cargo, the cut-off of loading strictly followed the flight cut-off time to avoid influence on flight punctuality by the late arrival and transportation of cargo. Meilan Airport strengthened emergency response training for irregular flights and regularly carried out emergency drills to improve the emergency response capabilities of employees; and</p> <p>(3) Meilan Airport refined the ground protection procedures for outbound flights, deepened the “pushing and start-up synchronization” procedures to reduce the waiting time of aircraft to start up, accelerate the utilization rate of aircraft stands and ground operation efficiency, and promote the efficiency of apron operation and flight regularity.</p>	<p>In the first half of 2021, Meilan Airport adopted scientific and reasonable service support arrangements and used new technologies, to ensure the punctuality rate of flight release. Effects of risk-counter measures are set out below:</p> <p>In the first half of 2021, the punctuality rate of flight release of Meilan Airport was 89.05%, ranking the 17th among 24 airports with an annual passenger traffic volume of more than 20 million passengers. The punctuality rate of originating flights was 90.68%, ranking the 9th among airports with an annual passenger traffic volume of more than 20 million passengers. The rankings rose by 1 and 7, respectively, as compared with the same period of last year.</p>

No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2021	Effects of risk-counter measures
3	Compliance and regulatory risks – Project construction risk	During the extension and renovation of the 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.	<p>(1) The selection process of project suppliers was clarified to ensure the satisfaction of requirements of the selection process of strategic purchasing units;</p> <p>(2) Strict control of the construction site during the construction process (e.g. regular report on the construction progress and the construction situation, arrangement of supervisors to supervise the construction site); and</p> <p>(3) The construction units are required to conduct rectification for the problems found in the completion acceptance in a timely manner, and sign on the acceptance form only after the rectification has passed the acceptance.</p>	<p>In the first half of 2021, Meilan Airport strictly followed the Company’s regulations to promote the project approval and bidding and procurement process, and there was no non-compliance.</p> <p>Through the implementation of the supervision of the entire construction process in the control area, strengthened safety inspection, and implementation of signature system for completion acceptance, no unsafe accidents happened during the implementation of each project, the construction was progressed normally, and the construction quality passed acceptance.</p>

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the first half of 2021, the global epidemic situation was gradually under control, and the world economy gradually recovered. However, the economy of different countries still showed significant differentiation and imbalance. With the acceleration of domestic vaccination speed and the gradual implementation of various measures to normalize epidemic prevention and control, in the first half of the year, various regions in the PRC implemented precise macroeconomic policies. As a result, the national economy continued to recover steadily, production demand continued to rise, and employment and prices were generally stable. With the rapid growth of new momentum, steady improvement in quality and efficiency, and positive expectations of market entities, the major macro indicators were within a reasonable range and economic development showed a trend of steady reinforcement and improvement amidst stabilisation. The economy of Hainan continued to develop well on the basis of achieving a “good start” in the first year of the “14th Five-Year” Plan, showing a good trend of “stable development at the start and progress amidst stabilisation”, and the major economic indicators including fixed asset investment and total retail sales of social consumer goods maintained rapid growth.

In the second half of 2021, Hainan Province will focus on ten aspects including implementation of free trade port policy, effective investment and investment promotion, expanding consumer demand, building a modern industrial system, optimizing the business environment, rural revitalization, ecological environmental protection, safety protection in production, people's livelihood and work style construction, to promote the high-quality development of the province's economy. Under the leadership of the governments at all levels in Hainan Province, Meilan Airport will revise and refine the internal rectification plan in strict accordance with the CAAC's latest requirements on three-year special rectification action for safety production, to integrate the dual prevention mechanism of "hidden hazard management" and "risk prevention and control" with SMS (Safety Management System) construction, consolidate the "basic skills", and form a long-term working mechanism; the normalization of epidemic prevention and control will be continuously implemented and focus will be placed on the winter season change of flights, aviation market promotion, and promotion of the recovery of international flights. Meanwhile, Meilan Airport will cooperate with the Meilan Airport Off-shore Duty-free Shop to proceed with off-shore duty-free promotion to increase operating income; it will fully cooperate with the departments in advancement of favourable policies including the Seventh Freedom of The Air and bonded aviation oil, striving to put the Phase II Expansion Project into operation in 2021 to help the construction of the Hainan Free Trade Port. 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 maintain annual income level and strive for fruitful return to the shareholders.

INTERIM DIVIDENDS

In view of the fact that the Phase II Expansion Project still has a large capital demand and the initial operating costs are expected to increase if the Phase II Expansion Project is put into operation in this year, 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 2021.

MATERIAL LITIGATION OR ARBITRATION

As disclosed in the announcement of the Company dated 5 January 2021, Aero Infrastructure Holding Company Limited and the Company entered into a subscription agreement in relation to the subscription of 200,000,000 New H Shares (the "**New H Shares Subscription Agreement**") on 29 September 2019. Aero Infrastructure Holding Company Limited, as the claimant, filed an arbitration (the "**Arbitration**") with the Hong Kong International Arbitration Centre against the Company asserting allegations in connection with the New H Shares Subscription Agreement.

As of the date of this announcement, the Hong Kong International Arbitration Centre has issued the Procedural Order No. 1, arbitration timetable and arbitration language rules for the arbitration. For details of the Arbitration, please refer to the announcement of the Company dated 5 January 2021.

Save as disclosed above, the Group had no other material litigation or arbitration for the six months ended 30 June 2021.

OTHER INFORMATION

Change of Directors

The Board comprises eleven Directors. During the period from 1 January 2021 to 30 June 2021, 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 2021 to 30 June 2021, there was no change in the supervisorship of the Company.

Change of Senior Management

During the period from 1 January 2021 to 30 June 2021, 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 2021, 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 2021, 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
ARC Capital Holdings Limited <i>(Note 2)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited <i>(Note 2)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. <i>(Note 2)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited <i>(Note 2)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited <i>(Note 2)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited <i>(Note 2)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited <i>(Note 2)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited <i>(Note 2)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited <i>(Note 2)</i>	Beneficial owner	32,788,500(L)	14.45%	6.93%
UBS Group AG <i>(Note 3)</i>	Interest of controlled corporations	30,695,428(L)	13.53%	6.49%
Sumitomo Mitsui Financial Group, Inc <i>(Note 4)</i>	Beneficial owner	15,883,000 (L)	6.99%	3.36%
Aspex Management (HK) Limited <i>(Note 5)</i>	Investment manager	24,968,000 (L)	11.00%	5.28%

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, 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 long position 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.
3. 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 30,695,428 shares through itself or its interest in controlled corporations. UBS Group AG holds 9,161,033 long position shares. UBS Asset Management (Japan) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Deutschland) GmbH, UBS Fund Management (Switzerland) AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Hong Kong) Ltd and UBS Asset Management Switzerland 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 541,300, 19,633,725, 46,000, 40,000, 702,370, 3,000, 529,000 and 39,000 long position shares in the Company, respectively.
4. According to the disclosure of interest filed by Sumitomo Mitsui Financial Group, Inc on the website of the Hong Kong Stock Exchange, Sumitomo Mitsui Financial Group, Inc was deemed to hold 15,883,000 long position shares through its interest in controlled corporations. SMBC Asset Management Services (UK) Limited was held as to 100% by Sumitomo Mitsui Financial Group, Inc, TT International Asset Management Ltd was held as to 100% by SMBC Asset Management Services (UK) Limited, and TT International Asset Management Ltd was held as to 100% by TT International Asset Management Ltd. TT International Asset Management Ltd and TT International Asset Management Ltd held 13,704,579 and 2,097,421 long position shares, respectively. In addition, Sumitomo Mitsui DS Asset Management Company, Limited was held as to 50.13% by Sumitomo Mitsui Financial Group, Inc, and Sumitomo Mitsui DS Asset Management (Hong Kong) Limited was held as to 100% by Sumitomo Mitsui Financial Group, Inc. Sumitomo Mitsui DS Asset Management (Hong Kong) Limited held 81,000 long position shares.
5. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Aspex Management (HK) Limited was deemed to hold 24,968,000 long position shares in its capacity as investment manager.
6. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as of 30 June 2021, 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 2021, 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 2021, 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 2021, 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 2021.

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

As of 30 June 2021, there were four independent non-executive Directors in the Board. As of 30 June 2021, 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 2021.

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 applied the principles as 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 term of office of Mr. Xing Zhoujin, an executive Director, has expired on 15 March 2021 and the term of office of Mr. He Linji, an independent non-executive Director, has expired on 24 May 2021. As the nomination process of the Directors of the Company has not been completed and successors of certain Directors 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. Such Directors will continue to perform their duties until the re-election/election is completed. The Company has published an announcement and a circular on 13 August in relation to arrangement for re-election/election. For details of the proposed appointment of independent non-executive Directors and re-election of executive Directors, please refer to the announcement of the Company dated 13 August 2021.

Save for the deviation disclosed above, for the six months ended 30 June 2021, 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 2021 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 2021.

BOARD OF DIRECTORS

As at the date of this announcement, the members of the Board include:

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

TU Haidong

YUAN Yubao

By order of the Board

Hainan Meilan International Airport Company Limited*

Wang Zhen

Chairman and Executive Director

Haikou, the PRC

20 August 2021

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