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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 2022

FINANCIAL HIGHLIGHTS

- Total revenue was RMB622.63 million
(for the six months ended 30 June 2021: RMB893.98 million)
- Revenue from aeronautical business was RMB212.67 million
(for the six months ended 30 June 2021: RMB284.92 million)
- Revenue from non-aeronautical business was RMB409.96 million
(for the six months ended 30 June 2021: RMB609.06 million)
- Net loss attributable to shareholders was RMB11.79 million
(for the six months ended 30 June 2021: net profit attributable to shareholders RMB345.36 million)
- Losses per share was RMB0.02
(for the six months ended 30 June 2021: earnings per share RMB0.73)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 6.5613 million
(for the six months ended 30 June 2021: 9.9669 million)
- Aircraft takeoff and landing reached 58,631 times
(for the six months ended 30 June 2021: 74,940 times)
- Cargo and mail throughput was 74,186.50 tons
(for the six months ended 30 June 2021: 86,827.90 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 2022 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 2021 as follows:

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

CONSOLIDATED INCOME STATEMENT

Item	Note	Six months ended 30 June	
		2022	2021
		RMB	RMB
		(Unaudited)	(Unaudited)
Revenue	3	622,633,880	893,983,277
Less: Cost of sales		(518,636,648)	(399,158,229)
Taxes and surcharges		(35,828,067)	(15,246,387)
Selling and distribution expenses		(2,134,534)	(2,464,150)
General and administrative expenses		(35,460,471)	(45,026,421)
Financial expenses		(48,393,195)	(20,479,016)
Including: Interest expenses		(48,861,896)	(20,589,984)
Interest Income		689,662	495,736
Add: Other income		15,377,319	8,624,121
Investment income/(loss)	4	19,383,504	(7,938)
Including: Investment loss on associates		(4,499,456)	(7,938)
Gains or losses on changes in fair value		(5,390,335)	–
Credit impairment losses		(1,604,411)	(9,314,280)
Losses on disposal of assets		(240,408)	(236,589)
Operating profit		9,706,634	410,674,388
Add: Non-operating income		290,159	835,100
Less: Non-operating expenses		(17,362,503)	(174)
Total (loss)/profit		(7,365,710)	411,509,314
Less: Income tax expenses	5	(18,102,286)	(62,033,989)

* For identification purpose only

Item	Note	Six months ended 30 June	
		2022	2021
		RMB	RMB
		(Unaudited)	(Unaudited)
Net (loss)/profit		(25,467,996)	349,475,325
Net (loss)/profit attributable to shareholders of the Company		(11,788,124)	345,356,411
Minority interests		(13,679,872)	4,118,914
Other comprehensive income, net of tax		—	—
Total comprehensive (loss)/income		(25,467,996)	349,475,325
Total comprehensive (loss)/ income attributable to shareholders of the Company		(11,788,124)	345,356,411
Total comprehensive (loss)/ income attributable to minority interests		(13,679,872)	4,118,914
(Losses)/Earnings per share			
Basic and diluted (loss)/earnings per share	6	(0.02)	0.73

CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2022	2021
	<i>Note</i>	RMB	RMB
		(Unaudited)	(Audited)
ASSETS			
Current assets			
Cash at bank and on hand		125,145,255	212,123,485
Financial assets held for sale		21,444,074	26,834,409
Accounts receivable	8	273,823,133	309,474,896
Prepayments		8,499,560	10,080,773
Other receivables		48,685,212	54,925,229
Inventories		978,097	627,642
Other current assets		9,184,037	8,510,729
Total current assets		487,759,368	622,577,163
Non-current assets			
Long-term equity investments		8,349,513	12,848,969
Other non-current financial assets		48,862,156	—
Investment properties		1,614,017,197	1,639,860,833
Fix assets		7,396,738,914	7,523,860,760
Right-of-use assets		110,225,173	136,102,636
Intangible assets		1,058,482,760	1,066,972,506
Long-term prepaid expenses		3,806,605	4,276,037
Deferred tax assets		65,248,549	82,246,998
Other non-current assets		46,617,476	46,601,425
Total non-current assets		10,352,348,343	10,512,770,164
Total assets		10,840,107,711	11,135,347,327

		30 June 2022 RMB (Unaudited)	31 December 2021 RMB (Audited)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		20,000,000	—
Accounts payable	9	330,901,701	344,481,547
Advances from customers		29,734,666	24,514,155
Contract liabilities		9,762,962	26,429,947
Employee benefits payable		30,688,764	61,333,318
Taxes payable		413,334,154	408,684,554
Other payables		2,474,766,891	2,617,621,949
Other current liabilities		3,171,980	4,171,396
Non-current liabilities due within one year		2,777,625,349	2,798,330,539
Total current liabilities		6,089,986,467	6,285,567,405
Non-current liabilities			
Lease liabilities		8,891,943	65,266,267
Long-term payables		56,996,702	60,167,166
Deferred revenue		45,142,222	46,558,889
Long-term employee benefits payable		60,000	141,860
Deferred tax liabilities		2,093,690	989,853
Other non-current liabilities		96,335,810	110,587,014
Total non-current liabilities		209,520,367	283,711,049
Total liabilities		6,299,506,834	6,569,278,454
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 losses		(19,524,487)	(19,524,487)
Retained earnings		3,002,054,576	3,013,842,700
Total equity attributable to shareholders of the Company		4,521,799,267	4,533,587,391
Minority interests		18,801,610	32,481,482
Total equity		4,540,600,877	4,566,068,873
Total liabilities and equity		10,840,107,711	11,135,347,327
Net current liabilities		5,602,227,099	5,662,990,242
Total assets less current liabilities		4,750,121,244	4,849,779,922

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 the address of the 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 Group is 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.

These financial statements are authorized for issue by the Board on 26 August 2022.

2. BASIS OF PREPARATION

These financial statements are prepared and presented in accordance with the *Accounting Standard for Business Enterprises 32 - Interim Financial Reporting*, issued by the Ministry of Finance. The accounting policies applied to the preparation of these financial statements were consistent with those applied in the preparation of the Group's financial statements for the year 2021, which shall be read in conjunction with the financial statements for the year 2021. Certain items relevant to these financial statements have been disclosed in accordance with the requirements of the *Hong Kong Companies Ordinance*.

As at 30 June 2022, the Group recorded current liabilities of approximately RMB6.09 billion, which exceeded its current assets by approximately RMB5.60 billion. The Group's current liabilities mainly comprised the syndicated loan of RMB1.94 billion, amounts due to related parties of RMB0.79 billion and construction fee payable of Meilan Airport Phase II Expansion Project (the "**Phase II Expansion Project**") of RMB1.20 billion. In addition, the Group's cash and cash equivalents only amounted to RMB0.13 billion as at 30 June 2022.

The Company and Haikou Meilan jointly constructed 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. The Company and Haikou Meilan 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 2022, the draw-down of the Syndicated Loan totalled approximately RMB5.18 billion, of which Haikou Meilan has drawn down RMB3.24 billion and the Company has drawn down RMB1.94 billion. In 2019, 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, 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 (the "**HNA Group Substantial Consolidated Restructuring**") ("**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 the right to request, at any time, 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. On 24 April 2022, Hainan Higher People Court ruled on the completion of the HNA Group Substantial Consolidated Restructuring and the Syndicated Loan Agreement to continue.

A short-term bank loan of the Company amounting to approximately RMB380 million was overdue in November 2020 (the “**Overdue Payment**”), which constituted an event of default of the Syndicated Loan. As of January 2022, the Company has fully repaid the principal and interest of the loan.

On 23 December 2020, the Company received arbitration application requiring the Company to pay a compensation for the damage with a maximum amount of HK\$6.962 billion in respect of the H shares subscription agreement entered into in prior year (the “**Arbitration Case**”). As at the date of these financial statements, taking into account the opinion of the third party law firm, the management is of the view that the Company has no breach of the contract as claimed by the applicant and it is less likely that the damage claimed by the applicant will be supported by the arbitration center. The Company has not made any provision for the Arbitration Case.

The abovementioned Arbitration Case, Haikou Meilan’s Defaults and Overdue Payment triggered events of default of the Syndicated Loan. As at the date of these financial statements, the Company and Haikou Meilan have not obtained the written waiver from the loan syndicate, nor received notice from the loan syndicate requiring the Company to immediately repay the Syndicated Loan or undertake the Joint Repayment Commitment.

In the first half of 2022, pneumonia pandemic (the “**Pandemic**”) adversely affected passenger travel and flight traffic. For the six months ended 30 June 2022, Meilan Airport experienced a decline in flight take-offs and landings, passenger throughput as well as cargo and mail throughput resulting in a decrease in the operating revenue and net cash inflow from operating activities of the Group by 30.4% and 53.0%, respectively, as compared to the corresponding period of 2021. In addition, as the Phase II Expansion Project has been put into operation since December 2021, the Group’s operating expenses increased significantly and the Group’s gross profit margin decreased to 16.7%.

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.

In view of the above, the Directors have carefully considered the Group’s future working capital, operating position and available sources of financing so as to assess whether the Group has sufficient working capital and sources of financing to ensure that it can settle its debts when they fall due and continue as going concern for 12 months from 30 June 2022. The Group is planning a series of measures to mitigate pressure on working capital, including but not limited to:

- 1) In respect of the Arbitration Case, as at the date of these financial statements, the arbitration is still in progress and the Company is in the progress of preparing information for the second round of submissions and supporting materials to the arbitration centre. The Company will raise a strong defense through the Company’s arbitration lawyers. The management is of the view that it is less likely that the matters claimed by the applicant will be supported by the arbitration center and the Company will be required to pay a compensation for the damage as requested by the applicant;
- 2) The Company, together with Haikou Meilan, has obtained the agreement of the loan syndicate to continue to perform in accordance with the repayment term and requirements as agreed in the original Syndicated Loan Agreement. The Company and Haikou Meilan are negotiating with the loan syndicate about the waiver in respect of aforementioned events of default. The management believes that the loan syndicate will agree to waive the above defaults and will not require the Company to early repay the balance of the Syndicate Loan drawn down by the Company of RMB1.94 billion nor settle the balance of the Syndicate Loan drawn down by Haikou Meilan of RMB3.24 billion;

- 3) In December 2021, Hainan Provincial Development and Reform Committee has approved a facility of RMB1.4 billion sourced from the 2022 local government specific bond for the Phase II Expansion Project, and as of August 2022, the received amount aggregated to RMB0.8 billion. Haikou Meilan and the Company will continue to follow up with the People's Government of Hainan Province for the distribution arrangement of the remaining facility for the Phase II Expansion Project; and
- 4) The Group has taken a number of measures to mitigate the adverse impact of the Pandemic on the Group's business, including joining hands with airlines to develop the air transport market and accelerating the leasing and renovation of duty-free shops in Terminal 2.

The Board of the Company has reviewed the Group's cash flow forecast prepared by the management of the Company and the Directors are of the opinion that, after careful consideration of the resources available to the Group, including the internally generated funds and the available banking and other financing resources, and taking into account the above plans and measures, and in the absence of unforeseeable circumstances, the Group will have sufficient working capital for its present requirements for at least the next 12 months from date of these financial statements.

Notwithstanding, significant uncertainty exists as to whether the management of 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 Company will not be required to pay the damage as claimed by the applicant of the Arbitration Case;
- 2) Whether the Company can successfully obtain the loan syndicate's official waiver in respect of the aforementioned events of default and then the Company is not required by the loan syndicate to early repay the balance of the Syndicated Loan drawn down by the Company of RMB1.94 billion or settle the balance of the Syndicated Loan drawn down by Haikou Meilan of RMB3.24 billion;
- 3) Whether the Company can continue to utilise, at any time, the facility of local government specific bonds to settle the construction payment of the Phase II Expansion Project; and
- 4) Whether the Group's airport operation businesses will achieve its targets as expected and generate stable net operating cash inflow accordingly.

Should the Group be unable to operate as a going concern, adjustments would have to be made to adjust the carrying amounts of the Group's assets to their recoverable amounts, to make a provision for financial 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 yet been reflected in these financial statements.

3. REVENUES AND SEGMENT INFORMATION

	Six months ended 30 June	
	2022	2021
	RMB	RMB
Analysis of revenues (by nature)		
Aeronautical business:		
Passenger service income	98,063,591	146,673,932
Ground handling service income	69,055,628	85,766,085
Fees and related charges on aircraft take-off and landing	45,552,220	52,483,801
	212,671,439	284,923,818
Non-aeronautical business:		
Franchise income	230,507,465	374,426,739
Hotel income	40,291,984	51,029,218
Rental income	37,160,652	31,422,895
Freight and packaging income	35,702,335	56,681,589
VIP room income	20,005,729	38,776,210
Car parking income	7,374,771	7,375,230
Other income	38,919,505	49,347,578
	409,962,441	609,059,459
	622,633,880	893,983,277

4. INVESTMENT INCOME/(LOSS)

	Six months ended 30 June	
	2022	2021
	RMB	RMB
Income on debt restructuring of the HNA Group Substantial Consolidated Restructuring	23,224,670	—
Investment loss from long-term equity investment in unlisted companies under equity method	(4,499,456)	(7,938)
Others	658,290	—
	19,383,504	(7,938)

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

5. INCOME TAX EXPENSES

As the Group had no assessable profits arising in Hong Kong during the period, Hong Kong profits tax has not been provided for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2022	2021
	RMB	RMB
Current income tax calculated based on tax law and related regulations	–	62,961,596
Deferred income tax	18,102,286	(927,607)
	18,102,286	62,033,989

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 CIT 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 period is 15% (for the six months ended 30 June 2021: 15%).

6. (LOSSES)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
Consolidated net (loss)/profit attributable to ordinary shareholders of the Company (RMB)	(11,788,124)	345,356,411
Weighted average number of outstanding ordinary shares of the Company (share)	473,213,000	473,213,000
Basic (losses)/earnings per share (RMB)	(0.02)	0.73

Diluted (losses)/earnings per share is calculated by dividing the consolidated net (loss)/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 during the period (for the six months ended 30 June 2021: nil), diluted (losses)/earnings per share equal to basic (losses)/earnings per share.

7. DIVIDENDS

On 26 August 2022, the Board proposed not to distribute 2022 interim cash dividend (2021 interim cash dividend: nil).

According to the resolution of the annual general meeting convened on 25 May 2022, the Company will not distribute final cash dividend for 2021 (final cash dividend for 2020: nil).

8. ACCOUNTS RECEIVABLE

	30 June 2022	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Account receivable	375,228,162	453,400,873
Less: Provision for bad debts	(101,405,029)	(143,925,977)
	273,823,133	309,474,896

Credit terms granted to customers by the Group are with a general term ranging from 1 to 3 months. The ageing analysis of accounts receivable based on the dates of recognition, is set out as follows:

	30 June 2022	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Within 90 days	215,342,599	275,961,954
91 to 180 days	37,532,075	19,932,981
181 to 365 days	34,785,970	31,261,918
Over 365 days	87,567,518	126,244,020
	375,228,162	453,400,873

9. ACCOUNTS PAYABLE

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

	30 June 2022	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Within 90 days	119,219,731	124,905,871
91 to 180 days	13,925,573	11,039,865
181 to 365 days	17,877,856	57,372,286
Over 365 days	179,878,541	151,163,525
	330,901,701	344,481,547

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, the Group's total revenue amounted to RMB622,633,880, representing a decrease of 30.35% as compared to the corresponding period of 2021. Net losses attributable to shareholders amounted to RMB11,788,124, while the net profit attributable to shareholders for the corresponding period of 2021 was RMB345,356,411. Losses per share amounted to RMB0.02 (the corresponding period of 2021: earnings per share of RMB0.73).

Operating Environment

Civil Aviation Industry of China

Since 2020, the operation safety risks arising from the COVID-19 Pandemic (the “**Pandemic**”) have been continuously accumulating, and the pressure on the production and operation of the civil aviation industry has continued to increase. In the first half of 2022, due to the impact from multiple outbreaks of the Pandemic, the civil aviation industry was faced with the twofold challenges of operation safety and Pandemic prevention and control. The entire industry adhered closely to the working objectives of “Keep the basic boundary, stabilize the expectation, strengthen the foundation, explore the potential, optimize the quality and efficacy, and break new records”, to stabilize the overall situation of civil aviation safety, protect the boundary of civil aviation on Pandemic prevention and control, reverse the declining trend of transportation production, sustain the efforts of infrastructure construction, make solid progress in deepening the reform of civil aviation, and solidly promoted the target tasks determined by the National Aviation Work Conference at the beginning of the year. As of 30 June 2022, the industry had completed 29.34 billion ton kilometers of transportation, 118 million passenger carriers and 3.077 million tons of cargo and mail transportation, representing 46.7%, 36.7% and 87.5% of the corresponding period in 2019, respectively.

In January 2022, the Civil Aviation Administration of China (the “**CAAC**”) issued the “14th Five-Year Plan for Green Development of Civil Aviation”, which clarifies the guiding concepts, basic principles, objective requirements and primary missions of the green development of civil aviation during the “14th Five-Year” Plan period. The content ranges from “Energy Saving and Emission Reduction” to “Green Development”, with a richer content and broader scope, and has better undertaken the implementation of the “14th Five-Year Plan for Civil Aviation Development”. It will effectively guide the green, low-carbon and circumscribed development of the civil aviation industry.

Regarding the construction of smart airports, the CAAC issued the “Roadmap for Smart Civil Aviation Construction” (the “**Roadmap**”) in January 2022. The Roadmap closely follows the “One, Two, Three, Three, Four” civil aviation overall work idea of the “14th Five-Year” Plan period (that is, to practice one concept; to promote two flanks of public transport aviation and general aviation; to adhere to the three basic boundaries of flight safety, integrity safety, and sincere service; to construct three systems of complete modernized national airport system, air transportation network system, and production and operation guarantee system; to forge four new horizons: first, a new structure for the collaborative development of civil aviation industry; second, a new breakthrough in the construction of smart civil aviation; third, a new enhancement of resource guarantee capacity; and fourth, a new efficacy of

industry governance system and governance capacity). It seizes the strategic development goal of civil aviation, the phase characteristics of the transition and the requirements of high quality development of the industry, and compile the general outline around the high level design of smart civil aviation construction. “Smart Travel, Smart Aviation Control, Smart Airport and Smart Surveillance” are the core focuses and significant contents of the construction of a smart civil aviation transportation system. The publication of the Roadmap symbolizes that China’s smart civil aviation is moving from the high-level design to the thorough implementation stage, and the construction of smart civil aviation will effectively enhance the standard of civil aviation safety development as well as the benefits, efficiency and development quality of the industry operation, which will better serve the national strategy and better meet the needs of people’s good life.

Regarding the service quality, the CAAC officially issued the “Special Plan for Passenger Services of Air Transport during the 14th Five-Year Plan Period” (the “**Service Plan**”) in June 2022, which clarifies the work objectives and key tasks of the air transport passenger services.

The Service Plan requires that by the end of the “14th Five-Year” Plan period, the operational efficacy of China’s civil aviation will be improved continuously with flight regularly rate at above 80%, the quality of civil aviation service supply will be comprehensively enhanced, significant achievements will be made in intelligent civil aviation, the service governance system and capacity will be further strengthened, civil aviation service brands will continue to emerge, and people’s sense of satisfaction, fulfillment and securities towards civil aviation services will be further elevated. The Service Plan specifies eleven specific targets in three aspects: regular flights, intelligent transportation and service qualities, such as the paperless capacity of all processes for passengers at airports of over ten million passengers reaching 100%, and the standards of luggage tracking services reaching 90%.

To facilitate the smooth implementation of the Service Plan, the CAAC has launched an eight-month “Civil Aviation Service Planning and Implementation Year” 2022 campaign since 1 May 2022 to promote the achievement of high-quality development of civil aviation services.

The Group will follow the requirements of each document issued by the CAAC, focus on the objectives of “Green Development”, “Smart Civil Aviation” and “Sincere Service”, and constantly improve the service quality and operational efficacy of Meilan Airport; continue to implement the requirements of “Prevention of importation of external cases, prevention of domestic resurgence of cases, and implementation of measures for individuals and goods”, pay close attention to the normal prevention and control of the Pandemic, and strive to promote the recovery of aviation business under the premise of ensuring safe operation.

Tourism in Hainan Province

In 2022, due to the impact of the Pandemic, Hainan’s tourism industry faced a series of unfavourable factors. The government of Hainan Province at all levels issued policies to help enterprises to alleviate their difficulties, and the industry associations proactively saved themselves by seeking for sources of tourists and follow the market hot spots etc. During the period ended 30 June 2022, the province received a total of 34,691,600 domestic and foreign tourists, representing a year-on-year decrease of 19.7%, and the total tourism revenue was about RMB64.334 billion, representing a year-on-year decrease of 21.5%.

In the first half of 2022, in order to minimize the impact of the Pandemic on the tourism industry in Hainan Province, the governments of Hainan Province at all levels highly valued the development of the tourism market during the traditional peak seasons and holidays. On the basis of strict implementation of general prevention and control measures against the Pandemic, they actively innovated holiday tourism products, improved holiday tourism services and strengthened holiday tourism supervision, and the tourism market operated systematically and orderly overall. During the Chinese New Year Golden Week (i.e. from 31 January to 6 February 2022), the province received 5,411,300 tourists and attained a total tourism revenue of RMB7.53 billion; during the Labour Day holiday period (i.e. from 30 April to 4 May 2022), the Province received 1,326,600 tourists and attained a total tourism revenue of RMB1.518 billion; during the Dragon Boat Festival holiday period (i.e. from 3 June to 5 June 2022), the Province received 1,329,800 tourists and attained a total tourism revenue of RMB1.244 billion.

In April 2022, Hainan Province officially announced the second season of the “Happy Shopping for Healthy Tourism” of the “My ‘Treat Date’ with Hainan” joint promotion campaign in 2022. A wide range of promotion activities were organized through the joint promotion with various municipal and provincial tourism and cultural bureaus, financial institutions, duty-free stores, tourism-related associations, new media platforms, OTA (Online Travel Agency) platforms, airlines, ports and other tourism-related enterprises to launch featured tourism itinerary products. The campaign lasted for two months and was themed around marine tourism, shopping tourism, recreation tourism, wedding tourism, MICE tourism, cuisine tourism and other industry ecology for further cultivation. Through a series of tourism product promotions, special marketing, thematic activities, hot events combination and selected “Happy Shopping for Healthy Tourism” products, in order to attract domestic and foreign tourists to visit Hainan, boost spring tourism spending and generating revenue for Hainan’s tourism and cultural industry.

Since 28 April 2022, Hainan Province arranged financial funds of RMB100,000,000 to launch the first round of “Assist Business to Favor the People, Relish Joy in Hainan” consumer vouchers distribution campaign. Cities and counties such as Haikou and Sanya set up complementary funds to guide banks and business enterprises to participate in the campaign together, based on the principle of “government subsidies, banks support and merchants participate”, distributing duty-free, shopping, food and beverage and tourism consumption vouchers across the Province. In particular, RMB30,000,000 were used for the distribution of off-shore duty-free digital consumption vouchers in RMB. This directly boosted the total retail sales of social consumer goods by more than RMB1.2 billion and contributed to the rapid growth of social consumption.

On 29 April 2022, “Several Measures to Promote Consumption in Hainan Province” was released to stimulate consumption potential through a total of 8 measures such as promoting the accelerated growth of social consumption, boosting the growth of duty-free consumption, encouraging the upgrading of food and beverage consumption, enhancing the growth momentum of automobile consumption, encouraging the consumption of green household appliances, fostering and strengthening the growth of online retail, leading the consumption of fashionable new products, and organizing good consumption promotion festivals.

In June 2022, “Happy Shopping for Healthy Tourism – 2022 Hainan Tourism Consumption Carnival Joint Promotion Campaign” launching ceremony and the first stop of the roadshow in Changsha, Hunan Province was held. It was planned that roadshows will be held in eight cities, including Guangzhou, Wuhan, Chongqing, Chengdu, Hangzhou, Nanjing, Beijing, and Shanghai, in two months focusing on food, accommodation, travel, shopping, and entertainment. Targeting at different characteristics of different city tourists, each campaign will set a different promotion theme, the characteristics of tourism experience and shopping consumption organic combination, in forms of Hainan’s tourism promotion video, sunshine island roadshow promotion, Hainan features performance, and national fun interactive lottery, so that tourists around the country can closely appreciate Hainan’s tourism culture.

For the above joint promotion, Hainan Tourism and Culture Department will collaborate with a total of 55 travel-related enterprises such as China Duty Free Group Co., Ltd. (“CDF”), Sanya Hainan Tourism Duty-free City, Hainan Holdings Global Boutique Duty-free City, Shenzhen Duty-free Haikou Mission Hills Duty-free City, CNSC Sanya International Duty-free Shopping Park and other duty free enterprises, Hainan Airlines and Southern Airlines, as well as major travel agencies, hotels and attractions in Hainan Province, to jointly distribute 1 million Hainan tourism consumption “gift packs” which worth over RMB100 million through the official “Smart Travel Hainan” APP.

While focusing on the Pandemic prevention and control, Hainan Province will further promote the recovery of consumption, continue to carry out the activity of “attracting customers into the island” to help Hainan’s tourism economy grow rapidly in the post-Pandemic era, accelerate the construction of international tourism consumption centres and guide the return of overseas consumption, and promote the rapid formation of the “dual circulation” pattern.

Tourism Highlights of Hainan Province

In the first half of 2022, Hainan Province has adopted a series of measures to stimulate consumption vitality and promote the recovery of the tourism market.

The construction of key tourism projects in Hainan Province has been promoted in an orderly manner:

- The Haikou International Duty-free City project, located on the east side of the new harbor on the west coast of Haikou City, has a planned site area of approximately 675 mu and a total gross floor area of approximately 926,000 square meters, which is a world-class resort-type commercial district integrating duty-free, office, apartment, leisure and cultural tourism. As of today, the construction of the duty-free commercial centre of the Haikou International Duty-free City Project is completed, and the electrical and mechanical equipment has entered the commissioning stage, and is expected to be completed and open for customers within this year.

- Hainan Island Tourism Highway Project is a leading major infrastructure project of the Hainan Free Trade Port (“**Hainan Free Trade Port**”) and is expected to be fully opened to traffic by the end of 2023. The project runs through 12 coastal cities and counties, including Haikou, Qionghai and Sanya, as well as Yangpu Economic Development Zone, and connects the characteristic bay, cape, characteristic town, tourist attraction and coastal resort along the way. As of 20 July 2022, the total investment of the project reached RMB7.814 billion, accounting for 54.3% of the total investment budget.

Various types of recreational activities launched in full swing:

- In June 2022, the China Super League and the Chinese University Basketball Association consecutively began in Haikou’s Wuyuan River Stadium. The two prestigious national tournaments lasted for more than a month in Haikou, which marked the progressive improvement of Haikou’s sports infrastructure and sports training grounds. The prestigious tournaments have their own flow attributes which not only expand the city popularity and influence of Haikou, but also propel the development of tourism and industries such as youth training in Haikou and even Hainan.
- On 28 June 2022, the opening ceremony of the National Diving Southern Training Ground and the launching event of Jiaping Island Diving was held in Shimeibay Tourist Resort in Wanning. The official opening of the National Diving Southern Training Ground marked the official landing of the National Diving Southern Training Ground in Shimeibay, Wanning, Hainan. The National Diving Southern Training Ground in Wanning Shimeibay is an important measure for Hainan Province to establish a national sports tourism demonstration area, to respond to the major strategic needs of national sports tourism, and to build Hainan Free Trade Port. It will boost the development of sports industry such as the development of national diving sport, the construction of talent teams and the construction of training camps. It is conducive to gradually turn Hainan into a national and international sports training ground and tournament center, so that sports become a new highland and new landmark to promote Hainan’s tourism and accelerate the construction of the Hainan Free Trade Port.

Through the way of “integrating tourism into tournaments and promoting tourism with tournaments”, Hainan Province promotes tourism consumption, creates an integrated development model of “sports + tourism” and “sports + culture”, promotes the high-quality development of sports tourism, and supports the construction of Hainan International Tourism Consumption Centre and National Sports Tourism Demonstration Zone.

The Group will pay close attention to the development of tourism in Hainan Province, actively cooperate with the local government for the promotion and marketing of the tourism market, and seize the development opportunities to help Meilan Airport achieve another record of passenger and cargo and mail throughput.

Transportation within the Island

According to the “14th Five-Year Plan for Integrated Transportation of Hainan Province Transportation Plan” (《海南省「十四五」綜合交通運輸規劃》), Hainan Province will strive to achieve an accumulated investment of over RMB220 billion in the construction of transportation infrastructure in five years in the Province by 2025. The goal is to significantly improve the competitiveness and influence of gateway hub and ensure the comprehensive external transportation channels will be smoothly accessible. With a more complete transportation network on the Island, more efficient integrated transportation services, and strong development momentum, the construction of a pilot area for a leading transportation country will achieve remarkable results, and will strongly support and guarantee the smooth realization of the initial goals of the construction of the Hainan Free Trade Port.

- In respect of roads, the Haikou section of G15 Shenyang-Hainan Expressway project is an important integral part of G15 Shenyang-Hainan Expressway, which is the “last kilometer section” of G15 Shenyang-Hainan Expressway and G75 Lanzhou-Hainan Expressway in Hainan, and is also the only channel of Hainan Provincial Expressway connecting to the national expressway network. The construction of the project is of significant value in improving the national expressway network and the expressway network of Hainan Province, accelerating the “Qiongzhou Strait Port and Shipping Integration”, improving the comprehensive traffic and transportation capacity of the new port area, and promoting comprehensive economic and social development along the route. As of today, 99% of the project’s foundation work has been completed, 99% of the bridge work has been completed, the pavement work is under construction, and the project is expected to be commissioned by the end of this year.

The Meilan Airport Expressway Project is located in the Jiangdong New District of Haikou City, with a total investment of approximately RMB2.0 billion. The traffic infrastructure in Jiangdong New District of Haikou City is gradually improving, and some of the important East-West trunk roads have been completed and opened to traffic, but the connection and diversion function of the North-South traffic is limited. The construction of the project will improve access to the main city area from Meilan Airport which will also facilitate the development and construction of the surrounding of the cultural interaction group and the integrated service group in Jiangdong New District. The project has obtained the feasibility study approval, and is scheduled to begin construction within the year.

- In terms of airport construction, the Hainan Provincial Development and Reform Commission announced in February 2022 the Key (Major) Preparatory Projects Investment Plan of Hainan Province for 2022, and Meilan Airport Phase III Expansion Project was listed thereon, with a planned investment of RMB65.0 billion. 2022 is a pivotal year in the preparations for the island-wide closure of the Hainan Free Trade Port. As the capital city of Hainan Province, Haikou will continue to improve its competitiveness with high level of openness and build an international gateway hub city.

- As for the port, the construction of the main structure of Haikou Xinhai Roll-on/Roll-off Terminal Passenger Hub Project has been completed, and the installation of glass curtain walls and metal roofing is under construction, which is expected to be completed by the end of this year. Upon completion, the project will become the largest comprehensive hub for roll-on/roll-off port in China. The project, which started construction in October 2020, is a key project to promote the integration of port and shipping in Qiongzhou Strait and an important supporting facility for the closure of the Hainan Free Trade Port. The total site area of the project is 560,000 square meters, and the total gross floor area of the comprehensive passenger transport hub is 83,200 square meters. Upon completion, the project will provide 35.00 million passenger trips and 3.20 million vehicle trips per year, which will enable tourists to cross the sea with “zero interchange” and greatly improve the service level of the new seaport in Haikou, and radiate the development of tourism, culture and commercial services in the surrounding areas, thus helping the construction of the Hainan Free Trade Port.

Off-shore Duty-free

In the context of the global tourism consumption industry being hit hard by the Pandemic as a whole, benefited from the effectiveness of the domestic Pandemic prevention and control and the strong stimulus of the favorable off-shore duty-free policy of Hainan, the off-shore duty-free shopping bonus of Hainan has continued to be released, and the role of attracting overseas consumption has become more obvious.

On 28 June 2022, the first Hainan International Off-shore Duty-free Shopping Festival and the fourth Hainan Off-shore Duty-free Shopping Festival were officially launched at CDF Sanya International Duty-Free Shopping Complex. On the day of the launching ceremony, the “Hundred Million RMB Cash Voucher Giveaway” activity was launched simultaneously, and vouchers were distributed to consumers, who could collect them through the official self-media platform, strategic partner channels and outdoor advertisements by scanning QR codes. During the festival, more than 50 special marketing and branding events will be held in Hainan Province. The CDF will join hands with stores in Hainan to invite consumers to share the “Come to Hainan, Shop the World” duty-free shopping feast through the collaboration of government-enterprises, thus further boosting confidence in duty-free consumption after the Pandemic and promoting the rise of the duty-free consumption market.

This year’s shopping festival lasts from June to December. As the longest duty-free festival IP on Hainan Island with the most abundant thematic activities, the festival will join hands with many consumers’ favorite brands to launch thematic activities such as “Makeup Festival” and “Anniversary Store Celebration” in different periods according to the diversified shopping needs of different customer groups, and strive to enable consumers to fully enjoy off-shore duty-free shopping through exciting activities. We are committed to providing consumers with a wide range of activities to enjoy the fun of off-shore duty-free shopping.

According to Haikou Customs, since the implementation of the new off-shore duty-free policy for Hainan on 1 July 2020 to the end of June this year, the customs supervised off-shore duty-free shopping amounted to RMB90.6 billion, with 125 million pieces sold and 12.28 million passengers shopping. The average daily shopping amount is approximately RMB124 million, an increase of 257% compared with the amount before the implementation of the new policy. The off-shore duty-free policy not only brings real benefits to tourists, but also promotes the economic transformation of Hainan and stimulates the consumption potential, becoming an important engine for the economic development of Hainan.

For the six months ended 30 June 2022, the retail sales of off-shore duty-free commodities of Hainan Province was approximately RMB21.159 billion, the number of duty-free shoppers was approximately 2.5678 million, and the number of duty-free commodities sold was approximately 30.5057 million, representing a decrease of 20.95%, 32.84% and 17.33%, respectively, compared with the corresponding period of last year.

In the first half of 2022, due to the outbreak of Pandemic in China, the passenger throughput of Meilan Airport was affected to a greater degree. The offline sales of duty-free products at the off-shore duty-free stores of Meilan Airport amounted to approximately RMB1,303 million, representing a decrease of approximately 40.40% compared with the corresponding period of last year.

Business and Revenue Review

Overview

In the first half of 2022, the international environment became increasingly complex and severe, alongside frequent and sporadic outbreaks of the Pandemic, with the adverse impacts having significantly increased. The unexpected factors brought about substantial impacts, and the downward pressure on the economy increased significantly in the second quarter. In this context, the Group adhered to Pandemic prevention and control, strictly complied with the requirements of the government at all levels and ensured the safe operation of Meilan Airport, forming a strong synergy between Pandemic prevention and control and its production and operation by focusing on, making no errors on and promoting the two aspects. At the same time, we actively promoted the relief of enterprises to contribute to the stabilization of the economy.

In June 2022, to alleviate the operating pressure of tenants such as those which are small and micro enterprises operating at Meilan Airport, the Company actively responded to the Government's call for action and implemented a phased rent reduction policy for certain Meilan Airport tenants who met the relevant criteria, fulfilling its corporate social responsibility.

In the first half of 2022, Meilan Airport received many domestic and international awards for its excellent passenger service experience: having won 44 awards at industrial, provincial and ministerial levels or above, including 6 important international awards, 2 national awards, 2 provincial and ministerial awards, and 34 industrial and honorable awards. Internationally, Meilan Airport won the honor of "The Voice of the Customer" granted by ACI (Airport Council International), the "Best Airport in the Asia-Pacific Region in 2021 (15–25 Million Passengers Group)" and "Best Airport in the

Asia-Pacific Region for Hygiene Measures in 2021” granted by the ASQ (Airport Service Quality) and “Best Regional Airport in China” and “Best Airport Staff” granted by Skytrax, while the Terminal 2 of Meilan Airport was rated as a “5-Star Airport” by Skytrax upon its opening. Domestically, Meilan Airport won a number of prestigious awards including the “Excellent Airport in Service Quality (for airports with 10 million passengers or more)” jointly awarded by China Civil Airports Association, the China Academy of Civil Aviation Science and Technology and the China Civil Aviation Newspaper Agency. 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.

With respect to the construction of smart airport, in conjunction with the need for normalizing Pandemic prevention and control, Meilan Airport launched the Meilan Airport Smart Pandemic Prevention Headquarters Platform in January 2022. The platform graphically displays the route and process of nucleic acid testing for incoming passengers, provides real-time control of the flights and personnel involved in the Pandemic each day and of the nucleic acid collection personnel and other on-site Pandemic prevention and management processes and results. It also provides a large screen with real-time information on Pandemic prevention and control, allowing comprehensive insight into the joint Pandemic prevention and control command and processing work.

In May 2022, Meilan Airport put five smart Pandemic prevention gates into operation. Through the gates, passengers can verify certain Pandemic prevention data such as through comparing their faces against their ID cards, taking temperature tests and checking their health codes, so that passengers can realize self-service contactless passage.

The luggage tracking system of Meilan Airport was officially launched on 25 June 2022 for trial run, completing the work requirements of the CAAC ahead of schedule and achieving real-time return of luggage information to the CAAC, which is of great significance in improving the service standard of Meilan Airport, promoting the high-quality development of “Smart Meilan” and practically enhancing passengers’ sense of achievement and enjoyment in air travel.

In the first half of 2022, Meilan Airport Hotel received a total of 5 awards including the “Most Promising Hotel of 2021” from Ctrip and the “Hainan OTA Top Rated Influential Hotel” from the hotel and catering industry of Hainan Province. Meilan Airport Hotel has been promoting social awareness and increasing the exposure of the hotel through channels such as radio and internet topics. Due to the impact of the Pandemic, Meilan Airport Hotel served approximately 101,300 guests for the six months ended 30 June 2022, with a room occupancy rate of 63%, a decline from the corresponding period of last year. To reduce the impact of the Pandemic on its business efficiency, Meilan Airport Hotel has been actively optimizing the consumer markets from various channels, establishing long-term cooperation with airlines, and continuously developing business cooperation for airline rooms and training.

Overview of Aviation Business

In the first half of 2022, passenger traffic at Meilan Airport declined compared with that of the corresponding period of 2021 due to the impact of the resurgence of the Pandemic outbreak in several parts of the PRC and the local Pandemic in Hainan. The Company will communicate with airlines to resume flights to uninfected areas in a timely manner depending on the progress of Pandemic prevention and control in each region. We leveraged the small batches of seasonal travelers from Qingming Festival and Labor Day to enhance the advertising for the Haikou tourism market in conjunction with major airlines, continuously promoting positive information about the Haikou market and increasing the seat capacity of flights. At the same time, the Company worked with OTA platforms such as Tongcheng Travel and the Bureau of Tourism, Culture, Radio, Television and Sports of Haikou City to launch promotional activities for the airline market, in order to attract traffic for the airline market and increase market development efforts.

As of the date of this announcement, international and regional passenger routes at Meilan Airport have not yet been resumed. In the first half of 2022, Meilan Airport has established a total of 199 departure routes, including 195 domestic routes, representing a year-on-year increase of 22 routes; 4 international freight routes; and has extended its reach to 115 cities, including 110 domestic freight cities and 5 international freight cities. A total of 35 airlines operated at Meilan Airport, including 33 domestic airlines and 2 international airlines.

Details of the aviation traffic throughput for the six months ended 30 June 2022 and the comparative figures in the corresponding period of last year are set out below:

	For the six months ended 30 June		
	2022	2021	Change
Aircraft takeoff and landing (flights)	58,631	74,940	-21.76%
in which: domestic	58,429	74,693	-21.77%
international and regional	202	247	-18.22%
Passenger throughput (headcount in ten thousand)	656.13	996.69	-34.17%
in which: domestic	656.10	996.69	-34.17%
international and regional	0.03	0.00	100%
Cargo and mail throughput (tons)	74,186.50	86,827.90	-14.56%
in which: domestic	72,097.50	83,488.10	-13.64%
international and regional	2,089.00	3,339.80	-37.45%

In the first half of 2022, following the adverse impact from the resurgence of the Pandemic, the passenger throughput of Meilan Airport recorded a decrease compared with the corresponding period of last year. The Group's revenue from aviation business for the six months ended 30 June 2022 was RMB212,671,439, representing a decrease of 25.36% as compared to the corresponding period of 2021. Details are as follows:

	For the six months ended 30 June 2022 (RMB)	Changes over the corresponding period of 2021
Passenger service charges	98,063,591	-33.14%
Ground handling service income	69,055,628	-19.48%
Fees and related charges on aircraft takeoff and landing	45,552,220	-13.21%
Total revenue from aviation business	<u>212,671,439</u>	<u>-25.36%</u>

Overview of Non-Aviation Business

For the six months ended 30 June 2022, due to the aforementioned adverse factors, the Group achieved a revenue from its non-aviation business of RMB409,962,441, representing a decrease of 32.69% as compared with the corresponding period of 2021.

	For the six months ended 30 June 2022 (RMB)	Changes over the corresponding period of 2021
Franchise income	230,507,465	-38.44%
Hotel income	40,291,984	-21.04%
Rental income	37,160,652	18.26%
Freight and packaging income	35,702,335	-37.01%
VIP room income	20,005,729	-48.41%
Car parking income	7,374,771	-0.01%
Other income	38,919,505	-21.13%
Total revenue from non-aviation business	<u>409,962,441</u>	<u>-32.69%</u>

Franchise Income

In the first half of 2022, the franchise income of the Group aggregated to RMB230,507,465, representing a year-on-year decrease of 38.44%, which was mainly attributable to the significant decrease in offline sales as a result of the decreased passenger traffic at Meilan Airport due to the continued impact of the Pandemic, thereby leading to a decrease in franchise income of the Group as compared with that of the corresponding period of last year.

Hotel Income

In the first half of 2022, the hotel income of the Group amounted to RMB40,291,984, representing a year-on-year decrease of 21.04%, which was mainly due to the decrease in the occupancy rate of Meilan Airport Hotel as a result of the decrease in the passenger traffic of Meilan Airport due to the continued impact of the Pandemic.

Rental Income

In the first half of 2022, the rental income of the Group aggregated to RMB37,160,652, representing a year-on-year increase of 18.26%, which was mainly attributable to the fact that since the commencement of operation of Meilan Airport Phase II Expansion Project (the “**Phase II Expansion Project**”) in December 2021, the area of externally leased shops has increased, resulting in an increase in rental income of the Company.

Freight and Packaging Income

In the first half of 2022, the freight and packaging income of the Group aggregated to RMB35,702,335, representing a year-on-year decrease of 37.01%, which was mainly due to the year-on-year decrease in the standard rates of freight and carton packaging charges and in the sales volume of carton packaging, resulting in a year-on-year decrease in the income.

VIP Room Income

In the first half of 2022, the VIP room income of the Group aggregated to RMB20,005,729, representing a year-on-year decrease of 48.41%, which was mainly attributable to the decrease in the VIP customers served as continuously affected by the Pandemic, leading to a significant decrease in the income.

Car Parking Income

In the first half of 2022, the car parking income of the Group aggregated to RMB7,374,771, remaining at a similar level as compared with the corresponding period last year, which was mainly attributable to the lease of the operating rights of parking lots of the Company in exchange for rent at a relatively fixed rate.

Financial Review

Asset Analysis

As at 30 June 2022, the total assets of the Group amounted to RMB10,840,107,711, representing a decrease of 2.65% as compared with that as at 31 December 2021, among which, the current assets amounted to RMB487,759,368, and the non-current assets amounted to RMB10,352,348,343.

Cost and Expense Analysis

For the six months ended 30 June 2022, the Group's operating costs amounted to RMB518,636,648, the sales expenses amounted to RMB2,134,534 and the administrative expenses amounted to RMB35,460,471, the operating costs, sales expenses and administrative expenses amounted to a total of RMB556,231,653, which represented an increase of 24.53% as compared with that of the corresponding period of 2021. The increase in costs and expenses was attributable to:

- (1) depreciation expenses and amortization of intangible assets increased by RMB101,072,281 as compared to the corresponding period in 2021, mainly due to an increase in depreciation of fixed assets and amortization of land use rights as the Phase II Expansion Project was put into operation in December 2021;
- (2) the labor costs increased by RMB12,563,373 as compared with that of the corresponding period of 2021, mainly due to the increase in labor costs from the increasing demand of manpower since the commencement of operation of the Phase II Expansion Project; and
- (3) the airport and logistic comprehensive services fee increased by RMB20,547,926 as compared with that of the corresponding period of 2021, mainly due to the increase in relevant costs since the commencement of operation of the Phase II Expansion Project.

For the six months ended 30 June 2022, the finance expenses of the Group amounted to RMB48,393,195, representing an increase of RMB27,914,179 as compared with that of the corresponding period of 2021, which was mainly due to the cessation of capitalization of borrowing interest since the commencement of operation of the Phase II Expansion Project in December 2021.

Gearing Ratio

As at 30 June 2022, the Group had total current assets of RMB487,759,368, total assets of RMB10,840,107,711, total current liabilities of RMB6,089,986,467 and total liabilities of RMB6,299,506,834. As at 30 June 2022, the Group's gearing ratio (total liabilities/total assets) was 58.11%, representing a decrease of 0.88% as compared to that as at 31 December 2021.

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 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 Limited (the "**CDB**"), Hainan Branch of Industrial and Commercial Bank of China Limited (the "**ICBC Hainan Branch**") and Hainan Branch of Agricultural Bank of China Limited (the "**ABC Hainan Branch**"), as co-lenders, for a period of 20 years, which shall be solely used for the construction of the airport project of the Phase II Expansion Project.

Capital Structure

The major objective of the Group's capital management is to ensure the ability of ongoing operations and to maintain a healthy capital ratio in order to support its business and maximize shareholders' interests. The Group continued to emphasize the appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost.

As at 30 June 2022, the interest-bearing debts of the Group mainly included bank loans and finance lease liabilities (the "**Total Borrowings**"), amounting to approximately RMB1,964,049,642, and the cash and cash equivalents were approximately RMB125,145,255. The gearing ratio (net liabilities/total capital) of the Group was 28.83% as at 30 June 2022 (31 December 2021: 28.64%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 30 June 2022, the Syndicated Loan contract was denominated in Renminbi with a fixed rate, of which the amount is RMB1,944,000,000.

The Group aimed to keep the balance between the continuity and flexibility of funds through utilizing its Total Borrowings. As at 30 June 2022, 100.00% of the Total Borrowings of the Group would/may become due within one year. As at 30 June 2022, the Total Borrowings of the Group were denominated in Renminbi, the cash and cash equivalents were mainly held in Renminbi.

Cash Flow

For the six months ended 30 June 2022, the Group's net cash inflow from operating activities was RMB 191,012,108, representing a year-on-year decrease of 52.99%, which was mainly because the Group's aviation business volume decreased due to the ongoing impact from the resurgence of the Pandemic in China, resulting in a decrease in revenue. Meanwhile, the costs and expenses increased after the Phase II Expansion Project commenced operation.

For the six months ended 30 June 2022, the Group's net cash outflow for investment activities was RMB98,261,091, representing a year-on-year increase of 11.18%, which was mainly due to the increase in demand for payment for the construction of the Phase II Expansion Project.

For the six months ended 30 June 2022, the Group's net cash outflow for financing activities was RMB145,068,122, representing a year-on-year increase of 145.51%, which was mainly attributable to repayment of matured debts and payment of interests.

Significant Investments Held and Their Performances

Hainan Airlines Airport Holding (Group) Company Limited ("**HNA Airport Holdings**"), the major associate of the Company, is principally engaged in the operation and management of Sanya Phoenix Airport, and is engaged in the construction of Sanya new airport and real estate development business of Hainan Airlines international travel island and in other investment activities through investments held in its associates.

HNA Airport Holdings is a subsidiary of Hainan Airport Infrastructure Co., Ltd (formerly known as "**HNA Infrastructure Investment Group Co., Ltd.**") ("**Hainan Airport**"), which was included in the restructuring of Hainan Airport in February 2021. Taking into account the declaration of creditors' rights, the retention of creditors' rights, the settlement of creditors' rights and the implementation of the restructuring plan of Hainan Airport Restructuring by HNA Airport Holdings, the net liabilities attributable to the Parent Company in the consolidated financial statements was approximately RMB2.20 billion as at 31 December 2021 after the derecognition of other non-current financial assets and the provision of expected credit losses of receivables from related parties according to the relevant restructuring plan. For the six months ended 30 June 2022, HNA Airport Holdings recorded a net profit attributable to shareholders of the Parent Company of RMB60 million due to the continuous impact of the Pandemic. The Group recognised the final balance of the corresponding long-term equity investment by calculating the net assets share based on the amount attributable to the Parent Company in the consolidated financial statements and shareholding ratios. As at 30 June 2022 and 31 December 2021, the carrying amount of the Group's long-term equity investment in HNA Airport Holdings was nil.

Save as disclosed above, for the six months ended 30 June 2022, 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 2022, 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 2022, the Group had a total of 1,232 employees, representing an increase of 79 employees as compared to that at the beginning of 2022. The increase in employees was due to an increase in labor demand as a result of the commencement of operations of Phase II Expansion Project. 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 2022 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 2022, the pension contribution of the Group was approximately RMB17,635,625 (for the corresponding period of last year, the pension contribution of the Group for the six months ended 30 June 2021 was approximately RMB12,761,830).

Entrusted Deposits and Overdue Time Deposits

As at 30 June 2022, the Group did not have any entrusted deposits or overdue time deposits.

Contingent Liabilities

Save for the arrangements under the Syndicated Loan and the arbitration mentioned in the section headed "Material Litigation or Arbitration" below in this announcement, as at 30 June 2022, 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 service fees 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 2022.

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 2021 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 institutions, corporation and individuals 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 in the past Parent Company domestic shares subscription agreements, except for the adjustments to 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). In relation to the Parent Company Subscription and the new H shares issue, the Company held the extraordinary general meeting, the H shareholders class meeting and the domestic shareholders class meeting on 18 September 2020, where the relevant resolutions were considered and approved.

Reference is made to the announcement of the Company dated 22 August 2021 and the circular dated 21 September 2021 in relation to, among other things, the Parent Company Subscription and the New H Shares Issue. On 21 August 2021, the Company and the Parent Company entered into the 2021 Supplemental Parent Company Domestic Shares Subscription Agreement (the “**2021 Supplemental Parent Company Domestic Shares Subscription Agreement**”), pursuant to which, the Company and the Parent Company mutually agreed to make certain amendments to the 2020 Parent Company Domestic Shares Subscription Agreement. The Company held the extraordinary general meeting, the H shareholders class meeting and the domestic shareholders class meeting on 8 October 2021, where the relevant resolutions were considered and approved to extend the validity period of shareholders’ resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the new H shares issue for a further period of twelve (12) months, commencing from 18 September 2021 and ending on 17 September 2022.

Reference is made to the announcement of the Company dated 8 August 2022, the validity period of the shareholders’ resolutions in relation to the Parent Company Subscription and the authorisation granted to the Board will expire on 17 September 2022. The Board proposes to convene the extraordinary general meeting and the class meetings for the shareholders to consider, among others, each of the Extension Resolutions to extend the validity period of the shareholders’ resolutions and the authorisation granted to the Board to deal with and complete the Parent Company Subscription and the New H Shares Issue for a further period of twelve (12) months from 18 September 2022 to 17 September 2023.

Each of the completion of the Parent Company Subscription and the new H shares issue shall be subject to certain conditions precedent. For details, please refer to the circulars of the Company dated 20 August 2020 and 21 September 2021. As of the date of this announcement, none of such conditions precedent was satisfied or waived. The Company will notify the shareholders and potential investors of the Company with the information on the progress of the Parent Company Subscription and the new H shares issue in the future (if necessary).

RISK MANAGEMENT AND INTERNAL CONTROLS

In the first half of 2022, 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 systematically organize, mitigate and monitor potential risks and to build a governance environment with risks under control and compliant operations.

In the second half of 2022, the Group will continue to carry out the “Promotion Work over the Risk Management and Internal Control System”, further optimise the framework and 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 resolve problems to lay a solid foundation for a healthy, rapid and sustainable development of the Group in the future.

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2022	Effectiveness of risk-counter measures
1	Operation risk – Core safety risks	The core safety risks faced by the airport are mainly bird strike risk, aircraft damage risk and flight zone construction management risk. If there is a failure to effectively drive birds away may it result in collisions with aircrafts, damage to aircrafts, and even the risk of aerial catastrophe. If, during the flight operation and ground services process, there is damage to the aircraft due to crate deformation, equipment failure and improper human operation, it may cause economic loss, flight delay or even cancellation. If there is failure to effectively manage relevant personnel, vehicles and related materials during the construction and maintenance work in the flight area of Meilan Airport, it may increase the risks associated with foreign objects and flight area intrusion.	<p>(1) Built a professional bird prevention team in the airport to prevent and control bird strike risks by further introducing personnel, upgrading bird repellent equipment, strengthening personnel training and drills, controlling the birds attraction factors in the field, carrying out a general survey of bird conditions within and outside, and increasing background analysis and research;</p> <p>(2) Regularly conducted special training for aircraft security personnel and inspected flight security operation, and imposed penalty for violations; Organized coordination meetings among various aircraft security units to solve potential safety issues specifically; In addition, we updated and improved the apron management manual and established standardized operation manual to build a comprehensive management system;</p>	<p>In the first half of 2022, Meilan Airport took various measures to comprehensively control and strictly monitor and prevent each core safety risk, and there were no aircraft scratching, illegal intrusion to the runway and unsafe construction in the flight area. Effectiveness of risk-counter measures are set out below:</p> <p>(1) Bird strike risk: in the first half the year, the rate of bird strikes was 0.2 per 10,000 flights, which was lower than the annual airport bird strike prevention and management target set by the CAAC – the rate of bird strikes in the airport duty area should not exceed 0.5 per 10,000 flights for the year;</p> <p>(2) Risk of aircraft damage: Through measures such as the improvement of standardized operation manuals, pilot qualification checks, and the improvement of rules for safeguarding aircraft space, there was no unsafe incidents of aircraft scratching due to the liability of Meilan Airport in the first half of 2022; and</p> <p>(3) Risk of flight area construction management: In the first half of 2022, there were no unsafe incidents caused by illegal intrusion to the runway and construction at Meilan Airport.</p>

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2022	Effectiveness of risk-counter measures
			<p>(3) Strengthened foreign objects cleaning and inspection, organized all units to carry out training on foreign objects, revised and completed foreign objects prevention management methods and work procedures from the aspects of cultural construction, risk assessment, merit point management, and safety inspection, and improved the awareness on foreign objects prevention of apron personnel; and</p> <p>(4) Ensured smooth communication between the construction unit and the apron control tower during the construction period. Conducted inspection on the implementation of various safety measures at the construction site in the flight area every day, and strictly controlled the construction area and construction time to prevent the risk of illegal intrusion to the runway. The construction assessment system for the flight area was optimised and the construction supervision units and construction units were subject to more stringent supervision and assessment.</p>	

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2022	Effectiveness of risk-counter measures
2	Compliance and regulatory risk – Pandemic risk	Due to the impact of the Pandemic, the risk of local outbreaks of the Pandemic in China still exists, and there is a risk of the spread of the P a n d e m i c v i a international freight flights. If adequate Pandemic prevention measures are not formulated or the Pandemic prevention measures are not implemented properly, it may lead to an outbreak of the Pandemic in the airport, which may in turn affect the Company’s operation revenue, reputation or result in penalty imposed by regulatory authorities.	<p>(1) Established an Pandemic prevention and control headquarters, and formulated 17 Pandemic prevention and control standards and systems, 19 work processes and 10 emergency plans, to form a complete Pandemic prevention standard system;</p> <p>(2) In response to the Pandemic risk at internal customs, checkpoint, Meilan Airport carried out comprehensive and detailed risk prevention and control work from the aspects of strengthening the management and control of international freight personnel, reinforcing the management and control of key groups in the airport, enhancing the staff training and assessment, enhancing the normalized disinfection work, boosting the Pandemic prevention work of international freight flights, and strengthening the supervision and inspection for Pandemic prevention and control; and</p>	<p>In the first half of 2022, Meilan Airport made every effort to safeguard the Pandemic prevention and control work, and implemented three major policy adjustments for Pandemic prevention and control in a strict and rigorous manner, achieving the double-zero goal of “zero errors in prevention and control, and zero complaints of service”, which has been repeatedly recognised and commended by the provincial and municipal leaders. The effectiveness of the risk response are as follows:</p> <p>(1) Conducted Pandemic prevention training and learning assessments for over 150,000 people, and always maintained a state of activation and smoothly handled a number of emergencies;</p> <p>(2) Enhanced the Intelligent Pandemic Prevention system to transform “human prevention” into “technical prevention”, significantly shortening the average clearance time for immunization clearance verification, and improving service efficiency; and</p> <p>(3) Successfully secured the flights of important commercial charters for international passenger, such as the national football team and the national table tennis team, as well as international cargo flights.</p>

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2022	Effectiveness of risk-counter measures
			<p>(3) In response to the Pandemic risk at external customs checkpoint, Meilan Airport established a flight security process for Pandemic-involved areas and non-Pandemic-involved areas and planned special security areas. It coordinated with the airlines to strengthen the guidance for passenger and frontline control, implemented regional responsibility system, and carried out passenger arrival inspection, nucleic acid testing and other work. In addition, the Company set up a 24-hour on-duty team for Pandemic prevention, organized, for example, a number of company-level Pandemic prevention and control drills and special drill seminars to effectively improve the capability for emergency response.</p>	

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2022	Effectiveness of risk-counter measures
3	Compliance and regulatory risks – Project construction risk	During the expansion projects and renovation of the airport, any absence of strict control over project expenses, quality or construction period may lead to an increase of project costs or delay in construction period, or even affect project quality.	<p>(1) Formulated internal management measures and specified the approval process of tender control price for infrastructure projects;</p> <p>(2) Clarified the selection process of project suppliers to ensure compliance of the selection process of strategic procurement units;</p> <p>(3) Strict control over 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>(4) Required the construction units to rectify for the problems found during the completion inspection in a timely manner, and signed on the acceptance form only after the rectification has passed the inspection and acceptance.</p>	<p>(1) The construction projects were established in strict accordance with the Company’s rules and regulations, and the necessity and feasibility of the projects were fully demonstrated; the tender control price was reasonably prepared and approved at various levels, and there were no cases where the tender control price did not meet the market price or exceeded the project establishment control price, and the cost was under control;</p> <p>(2) The selection of constructions project suppliers of Meilan Airport was carried out in strict accordance with the Company’s rules and regulations and there were no violations;</p> <p>(3) Through the implementation of the supervision of the entire construction process in the control area and terminals, strengthened the degree of safety inspection, and there was no unsafe incidents happened during the implementation of each project; and</p> <p>(4) Issued rectification notice for the problems found in the completion inspection and the construction units applied for acceptance again after the rectification was completed and there was no event of acceptance without satisfactory rectification.</p>

PROSPECTS FOR THE SECOND HALF OF THE YEAR

In the first half of 2022, the economy experienced a heightened downward pressure due to the impact of unexpected factors such as the Pandemic rebound and the war between Russia and Ukraine. In line with the clear requirement of “to stabilize the economy, to prevent the Pandemic and to secure development”, the domestic economy efficiently bolstered Pandemic prevention capabilities and facilitated economic and social development, accelerated the progress of implementing various policies to stabilize the economy, and achieved positive results. Hainan Province has launched a series of policies to stabilize the economy and assist enterprises to alleviate their difficulties, while the overall positive trend remains unchanged with remarkable economic development highlights, but there are still challenges such as the economy not recovering as expected. In order to implement the requirements of the provincial Party Committee and the government of Hainan Province on “efficiently bolstered Pandemic prevention capabilities and facilitated economic and social development”, Hainan Province Department of Tourism, Culture, Radio, Television and Sports further strengthened its analysis and assessment of the tourism market on and off of the Island, and promptly launched the “Unconventional Measures to Promote the Recovery and Revitalisation of the Tourism Industry”, with the focus on launching thematic activities in the tourism market inside and outside the province from June to August 2022 to boost the tourism market by implementing precise relief, precise marketing, and precise Pandemic prevention.

Currently, the risk of stagflation in the world economy is on the rise, the policies of major economies are tending to tighten, external instability and uncertainties have increased significantly, the impact of the domestic Pandemic has not been completely eliminated, demand contraction is intertwined with supply shocks, structural contradictions and cyclical problems are superimposed, the operation of market players is still relatively difficult, and the foundation for sustained economic recovery is unstable.

In the second half of 2022, the mainland will seize the critical period of economic recovery by ensuring the effective implementation of a series of policies to stabilize the economy, and continue to proceed with the “Six Stabilizations” (i.e. “stabilization of employment”, “stabilization of finance”, “stabilization of foreign trade”, “stabilization of foreign investment”, “stabilization of investment” and “stabilization of expectations”) and accomplish the “Six Guarantees” (i.e. “guarantee of employment rate”, “guarantee of basic people’s livelihood”, “guarantee of market players”, “guarantee of food and energy security”, “guarantee of the stability of the industrial chain and supply chain” and “guarantee of grassroots operations”), in order to consolidate the foundation for a stable economic recovery and ensure the economy running within a reasonable range. On the basis of the prevention and control of the Pandemic, the Hainan government will further facilitate the consumption recovery by continuously launching the “attracting customers to the Island” campaign, and accelerating the construction of the Hainan Free Trade Port and the establishment of the first wave of lockdown operation projects. Meanwhile, the Hainan government will increase efforts to help enterprises to alleviate their difficulties and reduce their operating costs, with the launch of a three-year campaign to improve production safety.

2022 is the year for the phase of consolidation and enhancement, and the final year of the three-year action for special rectification of national production safety. In conjunction with the work plan of the CAAC for the civil aviation industry for the second half of 2022, the Group will strengthen the maintenance of various facilities and equipment to maintain the bottom line of aviation safety and prevent the occurrence of serious accidents. The Group will ensure the absolute safety of aviation

operations and people's lives, to uphold the concept of safe development, implement various safety measures, enhance the awareness of the red lines, strengthen the bottom-line mindset, continue to strengthen the management of the safety process, and strive for a better investigation and management of hidden dangers.

The Group will also strictly follow the deployment of governments at all levels for the second half of the year, and make every effort to improve operating results and make up for the decline in the first half of the year. The Group will relentlessly work on Pandemic prevention and control, guard the border against the importation of cases, effectively implement regularized anti-pandemic measures to establish a robust pandemic prevention command system and pandemic prevention protocols, improve the practical pandemic prevention and control abilities, and optimize the business mechanism of safeguarding international freight flights. The Group will cooperate with provincial and municipal governments, and coordinate airline, and other collaborators to promote the Hainan's tourism market, while taking up social responsibility and assisting merchants in the area of Meilan Airport to relieve their pressure, strengthening the capacity of staff to improve corporate governance and service standards, and achieve steady, efficient and integrated development.

INTERIM DIVIDENDS

The Board expected that, in the second half of 2022, the Company has a large capital demand, mainly due to that the Phase II Expansion Project has been officially put into operation in December 2021, and the out-of-pocket costs have increased significantly; and although the Phase II Expansion Project has been put into operation, the relevant construction has not been completed and settled, and a large amount of capital will still be required in 2022 for the payment of the construction. In view of the actual needs of the Company's future development capital, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

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 (the "**Claimant**"), 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 publication date of this announcement, the Claimant has submitted its arbitration response and supporting documents and the Company is preparing the second round of defense submissions and supporting documents with its full effort. For details of the Arbitration, please refer to the Company's announcement dated 5 January 2021.

Save as disclosed above, the Group had no other material litigation or arbitration for the six months ended 30 June 2022.

OTHER INFORMATION

Change of Directors

The Board comprises eleven Directors. The changes in the duties of the Directors during the six months ended 30 June 2022 and as of the publication date of this announcement are as follows:

Mr. Wang Hexin ceased to be an executive Director with effect from 3 March 2022;

Mr. Qiu Guoliang succeeded Mr. Tu Haidong as a non-executive Director for a term of three years with effect from 3 March 2022 and his appointment was approved by the extraordinary general meeting held on 3 March 2022;

Mr. Li Zhiguo has been a non-executive Director for a term of three years with effect from 3 March 2022 and his appointment was approved by the extraordinary general meeting held on 3 March 2022;

Mr. Wu Jian succeeded Mr. Yuan Yubao as a non-executive Director for a term of three years with effect from 3 March 2022 and his appointment was approved by the extraordinary general meeting held on 3 March 2022.

Change of Supervisors

The supervisory committee of the Company comprises three supervisors (the “**Supervisors**”). The changes in the duties of the Supervisors during the six months ended 30 June 2022 and as of the publication date of this announcement are as follows:

Mr. Zheng Yabo succeeded Ms. Liu Guiling as the staff representative Supervisor with effect from 29 July 2022 for a term of three years.

Change of Senior Management

During the period from 1 January 2022 to 30 June 2022, there was no change in the senior management of the Company.

Changes of Directors, Supervisors and chief executives

Mr. Wang Hong, an executive Director, has been the Chairman of the Parent Company since June 2022.

Mr. Yu Yan, an executive Director, has been the Deputy Director of the Finance Department of Hainan Development Holdings Co., Ltd.* since June 2022.

Mr. Qiu Guoliang, a non-executive Director, has been the General Manager of the Parent Company since June 2022 and ceased to be the Deputy General Manager of the Parent Company.

Mr. Fung Ching, Simon, an independent non-executive Director, has been the Chairman of the Audit Committee since 5 May 2022.

Mr. Ye Zheng, an independent non-executive Director, has been a member of the Audit Committee since 5 May 2022.

Mr. Deng Tianlin, an independent non-executive Director, ceased to be a member and the Chairman of the Audit Committee with effect from 5 May 2022.

Ms. Liu Guiling, a staff representative Supervisor, ceased to be the General Manager of the Freight Department of the Company with effect from 1 July 2022, and ceased to be the staff representative Supervisor with effect from 29 July 2022.

Save as disclosed above, during the six months ended 30 June 2022 and as at the date of this announcement, the Company is not aware of any other change in information relating to the Directors, Supervisors or chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 their positions 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 his position, but will receive appropriate wages depending on his specific duties in the Company.

SHARE CAPITAL STRUCTURE

As at 30 June 2022, 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><u>473,213,000</u></u>	<u><u>100%</u></u>

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES

As at 30 June 2022, so far as is 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	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	237,500,000(L)	96.43%	50.19%
Hainan Airport Industrial Investment Co., Ltd.* (Note 1)	Interest of controlled corporations	237,500,000(L)	96.43%	50.19%
Hainan Development Holdings Co., Ltd.* (Note 1)	Interest of controlled corporations	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	29,575,636 (L)	13.03%	6.25%
Aspex Management (HK) Limited (<i>Note 4</i>)	Investment manager	24,590,000 (L)	10.84%	5.20%
JPMorgan Chase & Co. (<i>Note 5</i>)	Interest of controlled corporations	3,505,085 (L)	1.54%	0.74%
		2,979,085 (S)	1.31%	0.63%
	Person having a security interest in shares	6,662,000 (L)	2.94%	1.41%
	Approved lending agent	3,683,844 (P)	1.62%	0.78%
Matthews International Capital Management, LLC (<i>Note 6</i>)	Investment manager	11,437,000 (L)	5.04%	2.42%

Notes:

1. Haikou Meilan International Airport Company Limited* is established in the PRC and is the controlling shareholder of the Company. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Hainan Airport Industrial Investment Co., Ltd.* held 46.81% interest in Haikou Meilan International Airport Company Limited, and Hainan Development Holdings Co., Ltd.* held 56% interest in Hainan Airport Industrial Investment Co., Ltd. Therefore, Hainan Development Holdings Co., Ltd.* and Hainan Airport Industrial Investment Co., Ltd were deemed to be interested in 237,500,000 domestic shares of the Company held by Haikou Meilan International Airport Company Limited.

2. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, (i) PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited; (ii) Pacific Alliance Group Limited held 90% interest in Pacific Alliance Investment Management Limited; (iii) Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited; (iv) Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited; (v) ARC Capital Partners Limited was deemed to be interested in 32,788,500 H Shares of the Company in long position as investment manager; (vi) ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited; (vii) ARC Capital Holdings Limited held 46.67% interest in Walden Ventures Limited, and Walden Ventures Limited was interested in 32,788,500 H Shares of the Company in long position; (viii) Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited; (ix) Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 H Shares of the Company in long position as investment manager; (x) Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited; and (xi) Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited, and Walden Ventures Limited was interested in 32,788,500 H shares of the Company in long position.
3. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, UBS Group AG held 100% interest in (i) UBS AG; (ii) UBS Asset Management (Singapore) Ltd; (iii) UBS Fund Management (Luxembourg) S.A.; (iv) UBS Asset Management (Deutschland) GmbH; (v) UBS Fund Management (Switzerland) AG; (vi) UBS Switzerland AG; (vii) UBS Asset Management (Americas) Inc.; (viii) UBS Asset Management (Hong Kong) Ltd; and (ix) UBS Asset Management Switzerland AG. Accordingly, UBS Group AG was deemed to be interested in 7,930,938, 541,300, 19,953,100, 46,000, 40,000, 413,298, 3,000, 292,000 and 356,000 H shares of the Company held by the above companies respectively in long position.
4. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Aspex Management (HK) Limited was deemed to be interested in 24,590,000 H shares of the Company in long position as investment manager.
5. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, (i) JP Morgan Chase & Co. held 100% interest in JPMorgan Chase Bank, National Association and JPMorgan Chase Holdings LLC; (ii) JPMorgan Chase Bank, National Association held 100% interest in JPMORGAN CHASE BANK, N.A. – LONDON BRANCH and J.P. Morgan International Finance Limited; (iii) J.P.Morgan International Finance Limited held 100% interest in J.P. Morgan SE and J.P. MORGAN CAPITAL HOLDINGS LIMITED; (iv) J.P. MORGAN CAPITAL HOLDINGS LIMITED held 100% interest in J.P. MORGAN SECURITIES PLC; and (v) JPMorgan Chase Holdings LLC held 100% interest in J.P. Morgan Broker-Dealer Holdings Inc.; and (vi) J.P. Morgan Broker-Dealer Holdings Inc. held 100% interest in J.P. Morgan Securities LLC. Accordingly, JPMorgan Chase & Co. was deemed to be interested in the 3,683,844, 4,000, 9,411,085 and 752,000 H shares of the Company in long position held by JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, J.P. Morgan SE, J.P. MORGAN SECURITIES PLC and J.P. Morgan Securities LLC respectively, and to be interested in 2,959,085 and 20,000 H shares of the Company in short position held by J.P. MORGAN SECURITIES PLC and J.P. Morgan Securities LLC respectively.
6. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Matthews International Capital Management, LLC was deemed to be interested in 11,437,000 H shares of the Company in long position as investment manager.
7. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as of 30 June 2022, 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 2022, 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 2022, 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 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee has, together with the management of the Company, reviewed the interim results and the unaudited condensed consolidated interim financial information (including the accounting standards and practices adopted by the Group) of the Group for the six months ended 30 June 2022.

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

As of 30 June 2022, there were four independent non-executive Directors in the Board. As of 30 June 2022, 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 to all Directors and Supervisors, the Company confirmed that, all Directors and Supervisors have complied with the Model Code and the code of conduct of the Company regarding Directors' and Supervisors' securities transactions for the six months ended 30 June 2022.

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 B.2.2 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 “**Articles of Association**”), 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. Liao Hongyu, an independent Supervisor, has expired on 2 June 2022. As the selection of a successor to the independent Supervisor is still in progress, the Company failed to complete the re-election/election before the expiry of the term of office of the above Supervisor. Before the completion of the re-election/election, such Supervisors will continue to perform their corresponding duties.

In accordance with code provision C.2.1 of the CG Code, the responsibilities of the chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Mr. Wang Hong serving as both the Chairman and the President deviates from code provision C.2.1 of the CG Code.

Notwithstanding the deviation from code provision C.2.1 of the CG Code, given that the Company has clearly set out in writing the respective duties of the Chairman and the President (i.e. the duties of the General Manager as stipulated in the Articles of Association) and that Mr. Wang Hong, as the President, is familiar with the business of the Company and has superior knowledge and experience of the business of the Company, the Board is therefore of the view that Mr. Wang Hong serving as both Chairman and President has the benefit of ensuring consistent leadership with the Company and allow for more efficient overall business development strategic planning for the Company. The Board believes that the balance of power and authority for the present arrangement will not be impaired and this structure enables the Company to make and implement decisions in a timely and effective manner. Notwithstanding this, the Board will review the structure from time to time and consider appropriate actions to be taken where appropriate.

Save for the deviation disclosed above, for the six months ended 30 June 2022, 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 2022 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 20 September 2022.

BOARD OF DIRECTORS

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

Executive Directors

Wang Hong (*Chairman and President*)

Wang Zhen

Yu Yan

Xing Zhoujin

Independent Non-executive Directors

Fung Ching, Simon

Deng Tianlin

George F Meng

Ye Zheng

Non-executive Directors

Qiu Guoliang

Li Zhiguo

Wu Jian

By order of the Board

Hainan Meilan International Airport Company Limited*

Wang Hong

Chairman and President

Haikou, the People's Republic of China

26 August 2022

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*