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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)

FINAL RESULTS ANNOUNCEMENT AS OF 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Total revenue was RMB1,576.37 million (2018: RMB1,703.82 million)
- Revenue from aeronautical business was RMB709.39 million (2018: RMB915.06 million)
- Revenue from non-aeronautical business was RMB866.98 million (2018: RMB788.76 million)
- Net profit attributable to shareholders was RMB575.41 million (2018: RMB622.04 million)
- Earnings per share was RMB1.22 (2018: RMB1.31)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 24.2166 million
- Aircraft takeoff and landing reached 164,786 times
- Cargo throughput was 322,357.50 tons

* *For identification purposes only*

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hainan Meilan International Airport Company Limited (the “**Company**” or “**Meilan Airport**”) is pleased to announce the financial position and operating results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2019, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative figures for the corresponding period of 2018 as follows:

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

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2019 <i>RMB</i>	2018 <i>RMB</i>
Revenue	3	1,576,371,078	1,703,824,329
Less: Cost of sales		(720,860,400)	(714,627,074)
Taxes and surcharges		(30,492,845)	(32,020,817)
Selling and distribution expenses		(6,108,775)	(6,232,814)
General and administrative expenses		(72,193,227)	(65,805,806)
Finance income/(expenses) – net		14,041,631	(120,021,798)
Expected credit loss of financial assets		(2,197,796)	305,698
Add: Investment income	4	6,858,636	52,590,634
Including: Investment income on associates		6,858,636	52,590,634
Gain/(Loss) on disposals of assets		3,404,673	(381,809)
Other income		3,151,142	5,285,873
Operating profit		771,974,117	822,916,416
Add: Non-operating income		112,744	3,411,038
Less: Non-operating expenses		(35,592)	(30,822)
Total profit		772,051,269	826,296,632
Less: Income tax expenses	5	(190,686,512)	(197,896,142)
Net profit		581,364,757	628,400,490
Attributable to shareholders of the Company		575,412,545	622,041,325
Minority interests		5,952,212	6,359,165

	<i>Note</i>	2019 RMB	2018 RMB
Other comprehensive income, net of tax		(7,240,191)	(13,015,000)
Attributable to shareholders of the Company		(7,240,191)	(13,015,000)
Other comprehensive income that will be subsequently reclassified in profit and loss			
Other comprehensive income that can be transferred to profit or loss under the equity method		<u>(7,240,191)</u>	<u>(13,015,000)</u>
Total comprehensive income		<u>574,124,566</u>	<u>615,385,000</u>
Total comprehensive income attributable to shareholders of the Company		568,172,354	609,026,325
Total comprehensive income attributable to minority shareholders		5,952,212	6,359,165
Earnings per share			
– Basic and diluted earnings per share	<i>6</i>	<u>1.22</u>	<u>1.31</u>

CONSOLIDATED BALANCE SHEET

		31 December	31 December
		2019	2018
	<i>Note</i>	RMB	RMB
ASSETS			
Current assets			
Cash at bank and on hand		1,511,749,849	81,958,509
Accounts receivable	8	490,502,979	371,857,289
Prepayments		7,611,309	10,140,900
Other receivables		13,857,129	13,042,752
Inventories		696,083	615,299
Other current assets		9,459,706	9,398,072
Total current assets		<u>2,033,877,055</u>	<u>487,012,821</u>
Non-current assets			
Long-term equity investments		1,402,716,902	1,396,571,910
Investment properties		1,217,722,262	1,254,387,683
Fixed assets		2,237,698,184	2,459,476,620
Construction in progress		3,247,884,622	1,471,487,020
Right-of-use assets		116,963,234	–
Intangible assets		157,207,967	160,944,155
Long-term prepaid expenses		7,092,273	7,608,487
Deferred tax assets		14,734,598	6,520,866
Other non-current assets		1,020,265,841	1,622,131,422
Total non-current assets		<u>9,422,285,883</u>	<u>8,379,128,163</u>
Total assets		<u>11,456,162,938</u>	<u>8,866,140,984</u>

	31 December 2019	31 December 2018
Note	RMB	RMB
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings	902,665,000	379,450,000
Accounts payable	310,339,099	191,749,574
Advances from customers	131,599,610	63,868,312
Contract liabilities	638,204	14,134,576
Employee benefits payable	30,324,318	26,760,811
Taxes payable	491,065,149	317,157,645
Other payables	1,229,632,236	770,652,096
Non-current liabilities due within one year	<u>2,050,929,447</u>	<u>1,899,553,213</u>
Total current liabilities	<u>5,147,193,063</u>	<u>3,663,326,227</u>
Non-current liabilities		
Lease liabilities	2,480,339	–
Long-term payables	904,340,770	384,015,088
Deferred revenue	52,225,556	–
Long-term employee benefits payable	58,498	82,704
Deferred tax liabilities	278,925	–
Other non-current liabilities	<u>196,995,053</u>	<u>246,777,344</u>
Total non-current liabilities	<u>1,156,379,141</u>	<u>630,875,136</u>
Total liabilities	<u>6,303,572,204</u>	<u>4,294,201,363</u>
Shareholders' equity		
Share capital	473,213,000	473,213,000
Capital surplus	819,661,947	813,135,400
Surplus reserve	246,394,231	246,394,231
Other comprehensive income	(19,524,487)	(12,284,296)
Retained earnings	3,589,087,273	3,013,674,728
Total equity attributable to shareholders of the Company	<u>5,108,831,964</u>	<u>4,534,133,063</u>
Minority interests	43,758,770	37,806,558
Total equity	<u>5,152,590,734</u>	<u>4,571,939,621</u>
Total liabilities and equity	<u>11,456,162,938</u>	<u>8,866,140,984</u>
Net current liabilities	<u>3,113,316,008</u>	<u>3,176,313,406</u>
Total assets less current liabilities	<u>6,308,969,875</u>	<u>5,202,814,757</u>

Notes:

1. GENERAL INFORMATION

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 28 December 2000. The registered address and headquarters of the Company is at Haikou City, Hainan Province, the PRC. The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 18 November 2002. The Group are mainly engaged in the operation of the Meilan Airport and certain ancillary commercial businesses at Haikou City, Hainan Province, the PRC. The parent company of the Company is Haikou Meilan International Airport Company Limited ("**Haikou Meilan**"), an enterprise established in the PRC with limited liability. These financial statements were authorized for issue by the Board on 30 March 2020.

2. BASIS OF PREPARATION AND SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance of the PRC on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements of the Hong Kong Companies Ordinance effective on 3 March 2014.

As at 31 December 2019, the Group recorded net current liabilities of RMB3.11 billion (31 December 2018: net current liabilities of RMB3.18 billion), including short-term borrowings of RMB0.9 billion and non-current liabilities due within one year of RMB2.05 billion.

The Company and Haikou Meilan are jointly constructing Meilan Airport Phase II Expansion Project (the "**Phase II Expansion Project**"). Haikou Meilan (as the borrower) and the Company (as the co-borrower) have obtained a syndicated loan (the "**Syndicated Loan**") specific for the construction of the Phase II Expansion Project with total facility of RMB7.8 billion and maturity of 20 years. Pursuant to the Syndicated Loan Agreement, the Company and Haikou Meilan are jointly liable for repayment of the Syndicated Loan. During the year ended 31 December 2019, the overdue of debts of Haikou Meilan has constituted a default event as defined in the Syndicated Loan Agreement, resulting in the loan syndicate has the right to suspend loan offering to the Company and request the Company to early repay the Syndicated Loan drawn down by the Company amounting to RMB1.94 billion as at 31 December 2019 and the Syndicated Loan drawn down by Haikou Meilan amounting to RMB3.23 billion as at 31 December 2019 which the Company is jointly liable for repayment as the co-borrower. Up to the date of this announcement, the Company and Haikou Meilan have not obtained the written waiver from the loan syndicate, nor have they received any notice from the loan syndicate to take any measures mentioned above.

The capital expenditure of the Phase II Expansion Project which the Company being responsible for is estimated to be approximately RMB7.16 billion. As at 31 December 2019, the construction fee payable of the Company relating to the Phase II Expansion Project amounted to RMB0.54 billion which is to be paid in 2020, the Company's capital commitment relating to the Phase II Expansion Project amounted to approximately RMB2.80 billion, of which approximately RMB1.83 billion is expected to be paid in 2020 according to the construction plan of the project.

Following the outbreak of pneumonia epidemic (the “**Epidemic**”) caused by the coronavirus in January 2020, a series of strict control measures including alert of emergency public healthy event and travel restrictions have been implemented by China and other countries in the world in response to the spread of the virus, which would be of an adverse impact to Group’s revenue and operating cash inflow for 2020. For the two months ended 29 February 2020, the Group’s revenue from aeronautical and non-aeronautical businesses decreased by 40% and 22%, respectively, as compared to the corresponding period of 2019.

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

The Board has cautiously taken into account the Group’s future working capital, operation results and available sources of financing to assess whether the Group has sufficient working capital to meet its current requirement and continue as a going concern for at least of 12 months from 31 December 2019. The Group and Haikou Meilan is trying to take certain measures to improve its financial position and cash flow status, including but not limited to:

- 1) Haikou Meilan and the Company are in negotiation with the loan syndicate for written wavier of the default events;
- 2) Haikou Meilan and the Company continue to coordinate with the government of Hainan Province, Haikou Meilan’s shareholders and the loan syndicate to seek continuance funding of the Phase II Expansion Project, including but not limited to issuance of local government bonds. The Company has drawn down the Syndicated Loan of RMB1.94 billion in December 2019, and will continue to seek loan syndicate’s agreement to release the facilities according to the Syndicated Loan Agreement;
- 3) The Company is pursuing the approval from the China Securities Regulatory Commission (the “**CSRC**”) on the Subscription by Haikou Meilan and New H Shares Issue, which is expected to be completed in 2020 and the gross proceeds are estimated at RMB0.94 billion;
- 4) In respect of the loans other than the Syndicated Loan, the Company will negotiate with relevant banks or lenders to renew or extend loan contracts before the maturity, in addition, continue to seek other external funding such as bond issuance and constantly seek new financing resources; and
- 5) The Group has timely taken a number of measures to mitigate the adverse impact of the Epidemic, including but not limited to a) implement staff rotation and working schedule adjustments to reduce the utilities expenses and labor costs; b) apply subsidies from government and financial institutions according to preference policies, including the circulars issued by The People’s Bank of China in February 2020 and the Civil Aviation Administration of China in March 2020, respectively. With the control of the Epidemic in China, since March 2020, the routes operated in Meilan Airport have been largely resumed, and the Group has recorded an obvious recovery in passenger throughput, cargo throughput and aircraft takeoff and landing.

The Board has reviewed the Group's cash flow forecast for the 12 months from the date of these financial statements which prepared by the management of the Company. The Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2019. Accordingly, the Board is of view that it is appropriate to prepare these financial statements on a going concern basis.

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

- 1) The remaining capital injections of the Phase II Expansion Project would be timely received, the loan syndicate would continue to release the unutilized facilities in accordance with the Syndicated Loan Agreement and would not request Haikou Meilan or the Company to early repay the Syndicated Loan due to the default events;
- 2) Approval of the Subscription by Haikou Meilan and New H Shares Issue would be granted by the CSRC; and
- 3) The Group would be able to renew or extend the loans on or before they are matured and obtain new facility lines to support its future operations when necessary.

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

2.2 Significant Changes in Accounting Policies

The Ministry of Finance released the revised *Accounting Standard for Business Enterprises No. 21 – Lease* (hereinafter referred to “**new lease standard**”) in 2018 and released the *Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019* (Cai Kuai [2019] No. 6) in 2019. The financial statements for the year ended 31 December 2019 are prepared in accordance with the above standards and circular, and the impacts are as follows:

(a) Leases

The Group adopted the new lease standard on 1 January 2019. According to regulations, the Group would not reassess the contracts that have already existed prior to the date of adoption. The Group recognized the cumulative effect of the standard as an adjustment to the retained earnings as at 1 January 2019 and relevant line items in the financial statements. The comparatives for the year ended 31 December 2018 were not restated.

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

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker of the Group has been identified as the Executive Directors and senior management led by the chairman of the Company. The management reviews the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The management considers the Group conducts business within one business segment operations of the Meilan Airport and provision of services in connection with the airport operations and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

	2019	2018
	RMB	RMB
Analysis of revenue (by nature)		
Aeronautical:		
Passenger service charges	349,874,021	345,919,512
Ground handling service income	226,584,824	190,501,947
Fees and related charges on aircraft takeoff and landing	132,931,037	128,267,182
Refund of Civil Aviation Development Fund (a)	<u>–</u>	<u>250,367,077</u>
	<u>709,389,882</u>	<u>915,055,718</u>
Non-aeronautical:		
Franchise income	412,800,059	417,190,686
Freight and packaging income	102,646,801	97,174,931
Hotel income	101,253,309	30,957,567
VIP room income	75,664,796	41,157,501
Rental income	74,783,568	89,213,598
Car parking income	14,598,056	26,801,790
Other income	<u>85,234,607</u>	<u>86,272,538</u>
	<u>866,981,196</u>	<u>788,768,611</u>
	<u><u>1,576,371,078</u></u>	<u><u>1,703,824,329</u></u>

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

4. INVESTMENT INCOME

	2019 <i>RMB</i>	2018 <i>RMB</i>
Investment income from long-term equity investment in unlisted companies using equity method	<u>6,858,636</u>	<u>52,590,634</u>

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

5. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2019 (2018: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	2019 <i>RMB</i>	2018 <i>RMB</i>
Current income tax calculated based on tax law and related regulations	198,621,319	197,371,896
Deferred income tax	<u>(7,934,807)</u>	<u>524,246</u>
	<u>190,686,512</u>	<u>197,896,142</u>

The applicable CIT rate of the Group is 25% for the year ended 31 December 2019.

6. EARNINGS PER SHARE

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

	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	575,412,545	622,041,325
Weighted average number of outstanding ordinary shares of the Company (<i>share</i>)	473,213,000	473,213,000
Basic earnings per share (<i>RMB</i>)	<u>1.22</u>	<u>1.31</u>

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

7. DIVIDENDS

On 10 October 2019, the extraordinary general meeting approved not to distribute 2019 interim cash dividend (2018 interim cash dividend: RMB0.150 per share, totaling RMB70,981,950).

On 30 March 2020, the Board proposed not to distribute 2019 final cash dividend (No distribution of final cash dividend in respect of the year 2018).

8. ACCOUNTS RECEIVABLE

	31 December 2019 RMB	31 December 2018 RMB
Accounts receivable	493,134,607	373,030,984
Less: Provision for bad debts	<u>(2,631,628)</u>	<u>(1,173,695)</u>
	<u>490,502,979</u>	<u>371,857,289</u>

Credit terms granted to customers are generally ranged from 1 to 3 months. As at 31 December 2019, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	31 December 2019 RMB	31 December 2018 RMB
Within 90 days	297,140,419	295,469,447
91 to 180 days	52,692,116	26,526,638
181 to 365 days	47,025,547	47,606,079
Over 365 days	<u>96,276,525</u>	<u>3,428,820</u>
	<u>493,134,607</u>	<u>373,030,984</u>

9. ACCOUNTS PAYABLE

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

	31 December 2019 RMB	31 December 2018 RMB
Within 90 days	50,118,416	114,311,262
91 to 180 days	50,369,848	48,021,859
Over 180 days	<u>209,850,835</u>	<u>29,416,453</u>
	<u>310,339,099</u>	<u>191,749,574</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Revenue Review

Overview of Aviation Business

In 2019, boosted by the overall stable growth of the PRC civil aviation industry, and favorable factors including certain favorable policies, the construction of the China (Hainan) Pilot Free Trade Zone (Port) and off-shore duty-free policy, though the growth of Meilan Airport's principal business indicators slowed down due to the impact of the implementation of the annual total flight volume control policy by the Civil Aviation Administration of China (the "CAAC") and the grounding of Boeing 737MAX aircraft, its business stayed robust and it still ranks 17th among all civil airports in China.

Revolving around the goals of constructing the regional aviation hub, serving the national "One Belt and One Road" initiative and constructing the China (Hainan) Pilot Free Trade Zone (Port), Meilan Airport continuously expanded the coverage and accessibility of its route network and maintained rapid growth in international aviation market; actively promoted Hainan aviation tourism in cooperation with the government, airlines, travel agencies and charter operators, which effectively improved its flight passenger load factor and provided a strong source of customers for the rapid development of the international aviation market.

As of 31 December 2019, Meilan Airport operated a total of 297 originating routes, including 261 domestic routes, 32 international routes and 4 regional routes; Meilan Airport extended its reach to 149 cities, including 114 domestic cities, 31 international cities and 4 regional cities; and attracted 58 airlines to operate at Meilan Airport in total, including 33 domestic airlines, 21 international airlines and 4 regional airlines.

Details of the aviation traffic throughput of Meilan Airport in 2019 and comparative figures of last year are set out below:

	2019	2018	Change
Passenger throughput			
<i>(headcount in ten thousand)</i>	2,421.66	2,412.36	0.39%
in which: domestic	2,281.51	2,297.51	-0.70%
international and regional	140.15	114.85	22.03%
Aircraft takeoff and landing (times)	164,786	165,186	-0.24%
in which: domestic	153,095	155,814	-1.75%
international and regional	11,691	9,372	24.74%
Cargo throughput (tons)	322,357.50	324,697.50	-0.72%
in which: domestic	298,935.60	306,301.60	-2.40%
international and regional	23,421.90	18,395.90	27.32%

The Group's total revenue from aviation business for 2019 was RMB709,389,882, representing a decrease of 22.48% as compared to that of 2018, which was mainly attributable to the adverse factors such as the abolition of the policy of recognition of refund of the Civil Aviation Development Fund as revenue. Ignoring the impact of this factor, the Group's revenue from aviation business actually increased by 6.73%. A breakdown of the Group's revenue from aviation business is as follows:

	Amount (RMB)	Changes over 2018
Passenger service charges	349,874,021	1.14%
Ground handling service income	226,584,824	18.94%
Fees and related charges on aircraft takeoff and landing	132,931,037	3.64%
Refund of Civil Aviation Development Fund	—	-100%
Total revenue from aviation business	<u>709,389,882</u>	<u>-22.48%</u>

Overview of Non-aviation Business

In 2019, the non-aviation business of the Group maintained good growth momentum and achieved annual revenue of RMB866,981,196, representing a year-on-year increase of 9.92%. Its proportion to the Group's total revenue recorded to 55.00%.

In 2019, the Group sought to broaden its business thinking by developing new businesses and optimizing existing businesses. Hotel income recorded significant increase due to the full operation of rooms and supporting facilities of Meilan Airport Hotel; VIP room income recorded sustained growth due to the intensified efforts made to expansion of Xinyi membership card business; the income from freight business recorded sustained growth as the Group strengthened mail agency business cooperation with SF Express and actively expanded direct mail and all-cargo aircraft business cooperation. The non-aviation business of the Group achieved good performance in revenue.

In 2019, the Group recorded franchise income accumulating to RMB412,800,059, representing a year-on-year decrease of 1.05%; freight and packaging income reached RMB102,646,801, representing a year-on-year increase of 5.63%; the revenue from operating Meilan Airport Hotel amounted to RMB101,253,309, representing a year-on-year increase of 227.07%; VIP room income reached RMB75,664,796, representing a year-on-year increase of 83.84%; rental income reached RMB74,783,568, representing a year-on-year decrease of 16.17%; car parking income reached RMB14,598,056, representing a year-on-year decrease of 45.53%.

	Amount <i>(RMB)</i>	Changes over 2018
Franchise income	412,800,059	-1.05%
Freight and packaging income	102,646,801	5.63%
Hotel income	101,253,309	227.07%
VIP room income	75,664,796	83.84%
Rental income	74,783,568	-16.17%
Car parking income	14,598,056	-45.53%
Other income	85,234,607	-1.20%
Total revenue from non-aviation business	<u>866,981,196</u>	<u>9.92%</u>

Franchise Income

In 2019, the franchise income of the Group aggregated to RMB412,800,059, representing a year-on-year decrease of 1.05%, which was mainly attributable to the introduction of new partners via tender and adjustment of franchise fees according to tender results by the Company due to the impact of market environment, resulting in the decrease in the advertising franchise fees.

Freight and Packaging Income

In 2019, the freight and packaging income of the Group aggregated to RMB102,646,801, representing a year-on-year increase of 5.63%, which was mainly due to the sustained growth in income from freight business as the Group strengthened mail agency business cooperation with SF Express and actively expanded direct mail and all-cargo aircraft business cooperation.

Hotel Income

In 2019, the hotel income of the Group amounted to RMB101,253,309, representing a year-on-year increase of 227.07%, which was mainly attributable to the significant increase in income resulting from the full operation of rooms and supporting facilities of Meilan Airport Hotel.

VIP Room Income

In 2019, the VIP room income of the Group amounted to RMB75,664,796, representing a year-on-year increase of 83.84%, which was mainly attributable to the significant increase in the VIP room income due to the increase in sales volume of VIP card resulting from the intensified efforts made by the Company to promote the sales of Xinyi membership card.

Rental Income

In 2019, the rental income of the Group amounted to RMB74,783,568, representing a year-on-year decrease of 16.17%, which was mainly attributable to the no renewal upon expiration of premises lease contracts with certain merchants because of the effect of market environment during the year.

Car Parking Income

In 2019, the car parking income of the Group aggregated to RMB14,598,056, representing a year-on-year decrease of 45.53%, which was mainly due to change in the revenue recognition model resulting from the lease of the management rights of parking lots of the Company.

Financial Review

Asset Analysis

As at 31 December 2019, the total assets of the Group amounted to RMB11,456,162,938, representing a year-on-year increase of 29.21%, among which, current assets amounted to RMB2,033,877,055, representing approximately 17.75% of the total assets; non-current assets amounted to RMB9,422,285,883, representing approximately 82.25% of the total assets.

Costs Analysis

The operation cost, selling expenses and administrative expenses of the Group aggregated to RMB799,162,402 in 2019, representing an increase of RMB12,496,708 or 1.59% as compared to that of 2018. Information on items with large changes in cost and expense for the year is as follows:

- (1) the employee salary and welfare expenses of the Group for the year increased by RMB17,603,869 as compared with that of the corresponding period of 2018, mainly due to the increased labor costs resulting from the personnel reserve in advance for the operation of the Phase II Expansion Project;
- (2) the maintenance costs of the Group for the year decreased by RMB9,933,843 as compared with that of the corresponding period of 2018, mainly due to the decrease in maintenance activities for the year after continuous maintenance and renovation of equipment and facilities of Meilan Airport up to the standard of a five-star airport in prior years;
- (3) the operating expense of VIP rooms of the Group for the year increased by RMB6,942,526 as compared with that of the corresponding period of 2018, mainly due to an increase in sales volume of Xinyi membership card, which resulted in the increase in the relevant costs; and
- (4) the airport and logistic comprehensive services fee of the Group for the year increased by RMB5,206,026 as compared with that of the corresponding period of 2018, mainly due to the expansion of area of greening and environmental maintenance after the putting into use of the terminal complex.

In 2019, the financial income of the Group amounted to RMB14,041,631 (2018: finance expenses of RMB120,021,798). The change is mainly attributable to the decrease in interest expenses resulting from repayments of certain debts in due course during the year and more capitalisation of interests along with the increase of investment of construction in progress during the year.

Cash Flow

In 2019, the Group's net cash inflow from operating activities was RMB831,278,036, representing a year-on-year decrease of 32.15%, which was mainly because the refund of the Civil Aviation Development Fund was not received during the year.

In 2019, the Group's net cash outflow for investing activities was RMB686,983,411, which was mainly attributable to payments for the construction of the Phase II Expansion Project.

In 2019, the Group's net cash inflow from financing activities was RMB1,265,007,011, which was mainly attributable to the draw-down of the Syndicated Loan for the Phase II Expansion Project during the year.

Pledge of Assets

As mentioned in the Company's announcement dated 1 February 2018, the Company and Haikou Meilan International Airport Company Limited (the "**Parent Company**"), as co-borrowers, pledged the lands and buildings owned by the Company and the Parent Company as security to secure a Syndicated Loan of RMB7.8 billion from CDB Hainan Branch, ICBC Hainan Branch and ABC Hainan Branch, as co-lenders, for a period of 20 years, which shall be solely used for the construction of the airport project of the Phase II Expansion Project.

Gearing Ratio

As at 31 December 2019, current assets of the Group were RMB2,033,877,055, total assets were RMB11,456,162,938, current liabilities were RMB5,147,193,063, and total liabilities were RMB6,303,572,204.

As at 31 December 2019, the gearing ratio (total liabilities/total assets) of the Group was 55.02%, representing an increase of 6.59% over that as at 31 December 2018, which was mainly attributable to the increase in the borrowings during the year.

Foreign Exchange Risks

The businesses of the Group are principally conducted in Renminbi, except certain aviation revenue, purchase of equipment and consulting service fee which are denominated in US dollars or Hong Kong dollars. During the year, the Group borrowed a loan denominated in US dollars from Aero Infrastructure Investment Company Limited to meet capital requirements. As at 31 December 2019, the balance of the loan was US\$75,000,000 (equivalent to approximately RMB523,215,000). The principal and interest of the aforesaid loan will be settled in US dollars. Therefore, fluctuations in the foreign exchange rate of RMB against US dollars will affect the financial performance of the Group. The Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks.

Financial Instruments

As at 31 December 2019, financial instruments of the Group mainly included bank loans, cash and bank deposits. The purpose of these financial instruments is to finance the Group's operations. Besides, the Group had other financial instruments in relation to daily operations, such as receivables (excluding prepayments) and payables (excluding statutory liabilities).

Contingent Liability

Save for the arrangement of the Syndicated Loan, as at 31 December 2019, the Group had no other significant contingent liability.

Employment, Remuneration Policy and Training

As at 31 December 2019, the Group had a total of 1,010 employees, representing a year-on-year increase of 118 employees, which was mainly due to the increase in business volume and the personnel reserve for the Phase II Expansion Project, resulting in the Company's increased labor demand. Employees are remunerated by the Group based on their performance, experience and prevailing industry practices. The Group will review the remuneration policy and related packages on a regular basis. Bonuses and commissions may be awarded to employees according to the assessment of their performance. The Group provided adequate trainings based on the requirement of the positions of employees, with an aim to upgrade the talent of employees. A total of 117 courses under the training scheme were completed, and 6,548 staffs participated in such courses.

Retirement Pension

The Company and its subsidiaries 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 from January to April 2019 was 19%, while the contribution ratio from May to December 2019 was adjusted to 16%). Once the Group contributes to the retirement scheme, the employer's contribution is fully owned by the employees. For the year ended 31 December 2019, the pension contribution of the Group was approximately RMB15,906,371 (2018: RMB16,428,220).

Events after Reporting Period

Since the outbreak of pneumonia epidemic (the “**Epidemic**”) caused by the coronavirus in January 2020, various emergency public health measures and other actions have been taken in the PRC and all around the world to contain the spread of the Epidemic, including having certain control on crowd movement and transportation, and implementing restriction on the date of returning to work after the Chinese Lunar New Year vacation. The airline industry has also been severely affected by the Epidemic.

Affected by the Epidemic, the Company plans to formulate supportive measures, including a preferential scheme for the take-off and landing fees of airlines and a reduction of rents for commercial tenants, to mitigate the operational pressure of the Epidemic on airlines and commercial tenants. For the two months ended 29 February 2020, the Group's revenue from aviation business and non-aviation business recorded a decrease of 40% and 22%, respectively, as compared with the same period of 2019. In March 2020, the routes of Meilan Airport were largely resumed, and the Group recorded a gradual recovery in passenger throughput, cargo throughput and aircraft take-off and landing.

The Company has taken various measures actively in response to the adverse impact of the Epidemic on the Company's business volume, and will continuously pay attention to the development of the Epidemic and closely monitor the risks and uncertainties faced by the Group.

OUTLOOK

In 2020, due to uncertainties in the development of global trade, finance, and geopolitical conditions and other factors, the economic downside risks remain and are expected to continue to affect the stability and development of the global economy.

The year of 2020 is the last year of China's comprehensive construction of a well-off society and the "13th Five-Year Plan". China will unswervingly implement the new development concepts of innovation, coordination, greenness, openness and sharing, and continue to implement a proactive fiscal policy and a stable monetary policy and deepen the reform of the economic system, laying a solid foundation for the development of the "14th Five-Year Plan" and the achievement of the second century goal.

In order to respond to various measures taken by the PRC government to deepen reform and opening-up in an all-round way and firmly grasp the historical development opportunities for the construction of China (Hainan) Pilot Free Trade Zone (Port), Hainan Province will closely follow the goal of building a well-off society in an all-round way, highlighting high-quality development, maintaining the overall tone of pursuing progress amid stability, adhering to the new development concept, and insisting on the supply-side structural reform as the main line and the reform and opening-up as the driving force, so as to build a high-standard and high-quality pilot free trade zone and make every effort to build a free trade port.

In 2020, Hainan Province will accelerate the construction of an air traffic hub with full coverage of "North-South and East-West". The Hainan Provincial Department of Transportation will work with relevant departments to make every effort to increase the route from Hainan to Beijing Daxing International Airport, introduce air cargo subsidy measures, explore the development of unmanned aircraft logistics and other related formats, explore the construction of a global general aviation network, and strengthen the coordinated development of general aviation and transportation aviation to enhance air traffic capacity and expand the space for civil aviation development. Meilan Airport, as the provincial capital city airport of Hainan Province, will continue to play its own advantages, seize favourable policy opportunities, explore and innovate in an all-round way, and actively promote the development of Hainan Province into an aviation regional gateway hub facing the Pacific Ocean and the Indian Ocean.

According to the spirit of 2020 Provincial Business Working Conference of Hainan Provincial Department of Commerce, Hainan will expand the off-shore duty-free policy, increase tourism consumption, and build Hainan into an international consumption center city. Along with the further increase of off-shore duty-free shopping quota and the further expansion of off-shore duty-free policy coverage, it is believed that it will incur better return to the Group.

At the beginning of the new year of 2020, the sudden outbreak of the Epidemic spread nationwide and even globally. In order to strictly prevent and control the spread of the Epidemic in Hainan and to check in and out of Hainan Island, the Group actively carried out the prevention and control of the Epidemic and effectively provided the flight support. Affected by the Epidemic, the main business of the Group is expected to decline to a certain extent in 2020.

In order to actively respond to the adverse effects of the Epidemic, under the premise of ensuring safe production, the Company will

- continuously focus on implementing the “13th Five-Year” Development Plan of the CAAC and the “Action Plan of Promoting the “One Belt and One Road” Initiatives for Civil Aviation (2016–2030)” (《民航推進「一帶一路」建設行動計劃(2016–2030)》), insist on equal emphasis on safety and efficiency, adhere to the bottom line of safety, improve and optimize the various operation procedures and improve the professional quality of employees to cope with the increasing safety pressure;
- take advantage of policy dividend and expand the aviation market;
- tap opportunities for cooperation with domestic and foreign airports, promote the development of airport trusteeship, airport consultation and other business, and further tap potential resources;
- organize diversified activities in line with national policies, industry policies and airport operation needs, strengthen interaction with customers and media, enhance brand value and assume social responsibility;
- establish and improve the enterprise value management system through capital operation and investors relationship maintenance; and
- through multiple channels such as roadshows, performance announcements and other events, communicate with the market, strengthen relationship with investors, promote the enhancement of corporate value of the Company and ensure the healthy and sustainable development of Meilan Airport so as to provide all the shareholders with more brilliant achievements.

PROMOTE TRANSFORMATION AND UPGRADE, STRIVE FOR WIN-WIN IN OUTPUT QUANTITY AND OPERATION QUALITY

In 2020, in order to facilitate Hainan Province to achieve the goal of building an aviation regional gateway hub facing the Pacific and Indian Oceans, the Group will

- actively cooperate with relevant Hainan provincial government departments, actively develop overseas routes, explore the international aviation market development space through close contact with airlines and charter operators, and strive to complete overseas route development goals, and at the same time, actively participate in domestic and foreign route development conferences to enhance exposure of Meilan Airport to the international market;
- make full use of the existing resources and maximize the use of resources, and break the bottleneck of business development through multiple measures such as increasing publicity and optimizing operational management processes; and
- continuously consolidate the results of the special action on “Key Issues in Service Quality”, comprehensively sort out service standards in accordance with the “Service Quality Evaluation Indicators for Civil Airports in China” (《中國民用機場服務質量評價指標》), improve the service management system, optimize 9 convenient service measures, and improve the regularity and the proportion of self-service flight passengers, perfecting the flight environment, improving the quality of details, inspiring enterprise vitality, and providing passengers with comprehensive and high-value excellent services.

STICK TO CORE CAPABILITY CONSTRUCTION, CONSTANTLY CLUTCH ATTENTION ON SAFETY

In 2020, the Group will continue to strengthen the construction of “focusing on the local communities, laying foundation, strengthening basic capabilities” (the “**three basics**”), and establish and improve the long-term mechanism of work style construction of safety practitioners from aspects such as the implementation of main responsibilities, qualification and capacity building, and safety supervision, to further consolidate the foundation of the “three basics”. Efforts will be made to promote the integration of civil aviation statutory self-inspection with safety operation systems, the integration of database on self-inspection matter with daily supervision and the integration of standards for statutory self-inspection with the Company’s manual standards, gradually establish a perfect self-inspection model, and perform monitoring and evaluation of the integration results through improved safety performance management.

FIRMLY DEEPEN EFFICIENCY PROMOTION AND SOLIDLY DEVELOP BRAND IMPROVEMENT

In 2020, the Group will take multiple measures in parallel to continuously improve the normal service quality of flights and passenger satisfaction. In accordance with the requirements of the “Construction Guide for Large-scale Airport Operation Coordination Mechanism (Operation Management Committee)” (《大型機場運行協調機制建設（運管委）建設指南》) issued by the CAAC, and following the concept that “coordination is the core, air management is the key, and the platform connects all parties”, the physical operation of the coordination committee for flight operation management of Meilan Airport is further promoted to optimize organizational structure, seat settings and coordination mechanisms, strengthen the integration of the business chain of each unit, and build an efficient and collaborative large-scale operation information system relying on the A-CDM (Airport-Collaborative Decision Making) system. At the same time, the Group will coordinate the existing operation management mode of Meilan Airport to plan for the putting into use of the Phase II Expansion Project, and conduct operational evaluations and transfers based on the new operating environment and characteristics of the dual runways and dual terminals.

In 2020, the Group will solidify the achievement of brand building with full efforts, strengthen international cooperation, take the idea of “providing genuine services and building a humanistic airport” as the guidance, focus on meeting the needs of passengers, continuously improve its brand work system and promote the efficient operation of branding system. Through scientific organization and standardized management, it is expected that the commercial value of brand will be finally realized.

In 2020, the Group will continue to put the sustainable development strategy into practice, learn from successful development experience of advanced domestic and overseas airports, thoroughly implement the spirit of the “Work Plan of Civil Aviation on Thoroughly Implementing the ‘Three-Year Blue Sky Defending Plan’”(《民航貫徹落實<打贏藍天保衛戰三年行動計劃>工作方案》), promote the green development of civil aviation, enhance virtuous circle of resources, effectively enhance the airport’s ability to reduce consumption and control pollution, consistently practice the concept of green development of “environmental protection, conservation, technology and humanization (環保、節約、科技、人性化)”, adhere to the goal orientation of improving quality and efficiency, and enhance the level of energy saving and emission reduction in production and operation.

SPARE NO EFFORT TO BUILD A COMPREHENSIVE THREE-DIMENSIONAL TRANSPORTATION CENTER

In 2020, the Group will effectively take advantage of favorable policies on development of the civil aviation industry, step up route development, expand route coverage network, enhance its presence in international aviation market, promote Hainan Province to give full play to its role as a strategic fulcrum of the “Maritime Silk Road”, strengthen the construction of international ports and cross-border e-commerce, international distribution and international re-export functions, and build an aviation logistics network linking Australia, New Zealand and Southeast Asia. The Group will also continue to step up its efforts in promoting construction of the Phase II Expansion Project while advancing the preparations for the putting into use of the Phase II Expansion Project and strive to cultivate Meilan Airport as a comprehensive three-dimensional transportation center with its base in Northern Hainan, which gears to the need of entire Hainan Province and radiates in Southeast Asia.

INTELLIGENT AIRPORT CONSTRUCTION

In 2019, as a part of the overall planning on intelligent airport construction of Meilan Airport, the Group continued to advance the construction of intelligent airports by introducing big data, the Internet of Things, artificial intelligence and other advanced technologies, focusing on building intelligent passenger service platforms, security full processes, airport operation cooperation platforms and other applications to comprehensively promote the integration of airport information chains and build an airport management system of “smart services, smart security, and smart operations”.

The Group operates the “Airport 3.0” intelligent travel information service platform project at a total of 135 points in departure lounge, terminal area, east gallery, west gallery, baggage carousel and arrival hall of the domestic terminal of Meilan Airport. Through the full-process information service of the public information intelligent reminder system and the airport service intelligent recommendation system, Meilan Airport has become the first airport in the world to fully realize the full process of public information services and intelligent pre-boarding services based on big data and airport service scenarios.

In August 2019, as recommended by Department of Public Safety of the CAAC, the security full process optimization project of Meilan Airport was included in the list of “Civil Aviation Security Science and Technology Information Construction Achievements” of China Civil Airports Association, and was selected as the first batch of the “Four Types of Airports” (i.e. “safe airport”, “green airport”, “smart airport”, “humanistic airport”) benchmarking projects by the Department of Airports of the CAAC. In December 2019, the operation cooperation platform project of Meilan Airport successfully passed the review and acceptance of the CAAC, and achieved the interconnection of air traffic management bureau, airline companies and airport three-party data, which improved the safe operation efficiency of Meilan Airport.

INTEREST PAYMENT OF DEBENTURES PAYABLE

According to the announcement of the Company dated 19 March 2012, the Company announced to complete domestic issuance of debentures with the principal amount of RMB800 million and a term of 7 years. Pursuant to the Listing Announcement of 2011 Corporate Bonds of Hainan Meilan International Airport Co., Ltd. (《海南美蘭國際機場股份有限公司二零一一年公司債券上市公告書》) released by the Company on the Shanghai Stock Exchange on 19 April 2012, the coupon rate of debentures was 7.8%. Interest of RMB62,400,000 for the period from March 2018 to March 2019 were paid by the Company in March 2019, and the principal has been fully repaid on the due date.

The Company issued the first tranche of its non-public corporate bonds of RMB500 million to qualified investors on the Shenzhen Stock Exchange (the “**Shenzhen Stock Exchange**”) on 27 April 2016 with a term of 3 years and a fixed interest rate of 7.3% per annum and the interest is payable annually. Interest of RMB36,500,000 for the period from April 2018 to April 2019 were paid by the Company in April 2019, and the principal has been fully repaid on the due date.

The Company issued the second tranche of its non-public corporate bonds of RMB520 million to qualified investors on the Shenzhen Stock Exchange on 2 September 2016 with a term of 3 years and a fixed interest rate of 6.7% per annum and the interest is payable annually. Interest of RMB25,892,000 for the period from September 2018 to September 2019 were paid by the Company on September 2019, and the principal has been fully repaid on the due date.

PHASE II EXPANSION PROJECT

As of the end of 2019, the construction of airfield area of and the outdoor engineering of the T2 terminal of the Phase II Expansion Project has entered the finalization stage. Various preparations for the completion and acceptance of the airfield area have begun, while the interior decoration and professional equipment installation and commissioning have been fully promoted, and the installation of baggage tracking system, air conditioner, elevator, boarding bridge and other equipment has been basically completed. Work area monomers, pipe networks, roads and other projects have also entered the finishing sprint stage.

The supporting ringlike road and bridge transportation system has generally taken shape, the east access road and the tunnel have been functionally opened to traffic, 50% of the railway-related projects and the underground main structure of the parking building have been completed, and the preliminary approval of design for the new tower has been obtained.

According to schedule, the project aims to be put into use as a whole in 2020. The Phase II Expansion Project, as a key major infrastructure construction project in Hainan Province, will integrate various modes of transportation such as aviation, railway and road once completed. By then, an efficient and convenient traffic transfer system will be established.

The Phase II Expansion Project will further promote development of the headquarters economy and airspace industries in Jiangdong New District, Haikou City, accelerate the construction of China (Hainan) Pilot Free Trade Zone (Port), and improve the operational support capacity of Meilan Airport upon putting in use, which is of positive significance to Meilan Airport for building itself a regional aviation hub of south China and Southeast Asia.

TERMINAL COMPLEX PROJECT

Situated on the north side of Meilan Airport, the terminal complex project has a total floor area of 315,300 sq.m. The project has multiple business patterns and functions and encompasses the commercial building, the hotel building, GTC (Ground Traffic Center, a traffic hub) and the parking building. The commercial building brings together various business patterns, including off-shore duty-free shopping, aviation science and technology museum, Hainan featured products shopping, outlet and food court.

GTC on the ground floor of the terminal complex integrates inter-city express, bus, high-speed railway and taxi and other transportation tools, forming a land-based three-dimensional transportation service system for Meilan Airport, and providing multiple and convenient traffic services for travelers. In 2019, 6 new bus routes were opened, with 80,449 departures carrying 1,282,388 passengers; 5 new inter-city routes towards Danzhou and Wenchang and other cities were opened, with 8,988 departures carrying 230,111 passengers; 1,134,154 taxis accessed the center and carried 1,912,339 passengers. In addition, the roundabout high-speed railway and suburban trains of Hainan pass directly to GTC and can reach suburbs or surrounding attractions of Haikou in only 3 minutes.

In 2019, Meilan Airport Hotel rooms were in full operation. Through targeted marketing measures and active source market expansion, the annual room occupancy rate was 79.21%, and about 450,000 guests were given reception. Meilan Airport Hotel won awards such as the 14th China Hotel Starlight Award “China Top Ten Newly Opened Hotels” and the Best Airport Hotel Award in China Tourism and Hotel List for its excellent service quality.

The parking building of the terminal complex has 3,315 parking lots, equipped with intelligent access gate system and self-service payment machine, which can significantly improve traffic out efficiency. In 2019, a total of 7,156,964 vehicles accessed the building.

Duty-paying commerce of the terminal complex is situated on the south side of the second to fifth floors of the aviation tourism city of the terminal complex, with a gross floor area of approximately 78,000 sq.m., of which approximately 12,859 sq.m. is retail business area and approximately 3,180 sq.m. is catering area. On 8 January 2019, the outlet stores in the terminal complex officially opened, gathering approximately 75 well-known brands at home and abroad, including ASH, Levi’s, CALVIN KLEIN, PUMA, Clarks, Kipling, NIKE, GUESS, Discovery, Polo, ADIDAS, etc. As of the end of 2019, the second to fifth floors of the aviation tourism city of the terminal complex were in full operation with 108 stores opened.

THE PROGRESS OF PROPOSED ISSUANCE OF DOMESTIC SHARES AND PROPOSED ISSUANCE OF NEW H SHARES

According to the announcements of the Company dated 30 December 2016, 27 April 2017, 1 February 2018, 21 December 2018, 24 September 2019 and 30 September 2019:

- (1) the Company and the Parent Company entered into the 2018 supplemental domestic shares subscription agreement on 21 December 2018 after negotiation, pursuant to which the Parent Company agreed to subscribe for 189,987,125 new domestic shares of the Company as consideration for the transfer of the phase I runway assets by the Parent Company to the Company and 12,500,000 new domestic shares of the Company by cash at an aggregate subscription price of RMB100,000,000 (the “**Parent Company Subscription**”), and the validity period of shareholders’ resolution and relevant authorisation granted to the Board in relation to the Parent Company Subscription has been extended to 25 June 2020;
- (2) the Company and HNA Infrastructure Investment Group Co., Ltd.* (“**Hainan HNA**”, 海航基礎設施投資集團股份有限公司) entered into a termination agreement on 21 December 2018 after negotiation, pursuant to which, the Company and Hainan HNA mutually agreed to terminate the Hainan HNA domestic shares subscription agreement and the supplemental Hainan HNA domestic shares subscription agreement with immediate effect from the effective date of the termination agreement, and both parties have confirmed that there are no unsettled matters, disputes or potential disputes in relation to the Hainan HNA domestic shares subscription agreement and the supplemental Hainan HNA domestic shares subscription agreement;
- (3) the specific mandate was granted to the Board to issue not more than 200,000,000 new H shares, and the validity period of the specific mandate and relevant authorisation granted to the Board in relation to the new H shares issue has been extended to 25 June 2020;
- (4) considering that HOPU Investments has extensive resources and expertise, who can add significant value to the Company and the development of Meilan Airport, the Company and Aero Infrastructure Holdings Company Limited, an affiliate of HOPU Investments, entered into a subscription agreement on 29 September 2019, pursuant to which, Aero Infrastructure Holdings Company Limited conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 200,000,000 new H shares at a subscription price of HK\$4.69 per share, and the gross proceeds will be approximately HK\$938 million (the “**HOPU Subscription**”); and
- (5) consequential amendments were proposed to be made to the articles of association of the Company.

The Company convened an extraordinary general meeting, an H shares class meeting and a domestic shares class meeting on 26 June 2017, 20 March 2018, 3 June 2019 and 21 February 2020, respectively, to consider and approve the relevant proposals for the proposed issuance of domestic shares and proposed issuance of new H shares and relevant extension resolutions. The proposals were currently under review of the China Securities Regulatory Commission (the “CSRC”). Each of the completion of the Parent Company Subscription and the HOPU Subscription shall be subject to certain conditions precedent. For details of conditions precedent to the Parent Company Subscription and fulfillment thereof, please refer to Appendix III of the circular of the Company dated 7 January 2020. For details of conditions precedent to the HOPU Subscription, please refer to the circular of the Company dated 7 January 2020, and as of the date of this announcement, none of such conditions precedent were satisfied or waived. The Company will notify the shareholders of the Company and potential investors with the information on the progress of the proposed issuance of domestic shares and proposed issuance of new H shares project in the future (if necessary).

AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group’s results for the year ended 31 December 2019 have been agreed by the Group’s auditor, PricewaterhouseCoopers Zhong Tian LLP, to the figures set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on this results announcement.

FINAL DIVIDEND

The Board expected that, in 2020, the Company has a large capital demand, mainly for the construction of the Phase II Expansion Project, the investment in safety of Meilan Airport and the reconstruction of existing equipments. Meanwhile, the Epidemic may lead to a decline in profits of the Company. In view of the actual needs of the Company’s future development capital, the Board did not recommend the payment of final dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from Saturday, 2 May 2020 to Friday, 22 May 2020 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified for attending and vote at the annual general meeting of the Company, all share transfer instruments, accompanied by the relevant share certificates and forms of transfer, shall be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 29 April 2020.

MATERIAL LITIGATION OR ARBITRATION

The Group had no material litigation or arbitration for the year ended 31 December 2019.

SHARE CAPITAL STRUCTURE

As at 31 December 2019, the total number of issued share capital of the Company was 473,213,000, of which:

	Numbers of shares	Percentage of 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>

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2019, so far as known to the Directors, supervisors and chief executive of the Company, the following persons (other than a Director, supervisor 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 to be kept by the Company under section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong).

DOMESTIC SHARES

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

H SHARES

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Aero Infrastructure Fund L.P. <i>(Note 2)</i>	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
HOPU USD Master Fund III Management Holding Co. Ltd. <i>(Note 2)</i>	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
Cheyne Walk Investment Pte. Ltd. <i>(Note 2)</i>	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
GIC Infra Holdings Pte. Ltd. <i>(Note 2)</i>	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
GIC (Ventures) Pte. Ltd. <i>(Note 2)</i>	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
GIC Special Investments Private Limited <i>(Note 2)</i>	Investment manager	200,000,000(L)	88.14%	42.26%
GIC Private Limited <i>(Note 2)</i>	Interest of controlled corporations	200,000,000(L)	88.14%	42.26%
Soaring Eagle Industrial Limited <i>(Note 3)</i>	Beneficial owner	50,920,650(L)	22.44%	10.76%
Liang Yiming <i>(Note 3)</i>	Interest of controlled corporations	50,920,650(L)	22.44%	10.76%
Zhang Gaobo <i>(Note 4)</i>	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Zhang Zhiping <i>(Note 4)</i>	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Oriental Patron Financial Services Group Limited <i>(Note 4)</i>	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Oriental Patron Financial Group Limited <i>(Note 4)</i>	Interest of controlled corporations	42,647,350(L)	18.79%	9.01%
Oriental Patron Resources Investment Limited <i>(Note 4)</i>	Beneficial owner	42,647,350(L)	18.79%	9.01%
UBS Group AG <i>(Note 5)</i>	Security interest in shares and interest of controlled corporations	31,331,012(L)	13.81%	6.62%
UBS AG <i>(Note 6)</i>	Beneficial owner, security interest in shares and interest of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
ARC Capital Holdings Limited (Note 7)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
ARC Capital Partners Limited (Note 7)	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. (Note 7)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited (Note 7)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited (Note 7)	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited (Note 7)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited (Note 7)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited (Note 7)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited (Note 7)	Beneficial owner	32,788,500(L)	14.45%	6.93%
JP Morgan Chase & Co. (Note 8)	Beneficial owner and custodian corporation/ approved lending agent	13,607,488(L)	5.99%	2.88%
Greenwoods Asset Management Limited (Note 9)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Unique Element Corp. (Note 9)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi (Note 9)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited (Note 9)	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%

Notes:

1. Haikou Meilan International Airport Company Limited is a Company established in the PRC and is the controlling shareholder of the Company.
2. According to the disclosure of interest on the website of the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), Aero Infrastructure Fund L.P. was deemed to hold 200,000,000 shares through its interest in Aero Infrastructure Holding Company Limited. The completion of subscription of 200,000,000 H shares by Aero Infrastructure Holding Company Limited shall be subject to certain conditions precedent as set out in the circular of the Company dated 7 January 2020. Upon completion of the subscription, Aero Infrastructure Holding Company Limited would be interested in approximately 46.85% of the total issued H Shares as enlarged by the subscription. Aero Infrastructure Fund L.P. was a limited partnership acting

through Aero Infrastructure Fund GP Limited as its general partner. Cheyne Walk Investment Pte. Ltd. was the only limited partner who held more than 1/3 limited partnership interest in Aero Infrastructure Fund L.P. Aero Infrastructure Fund GP Limited was held as to 100% by HOPU USD Master Fund III Management Holding Co. Ltd. Cheyne Walk Investment Pte. Ltd. was held as to 100% by GIC Infra Holdings Pte. Ltd., which was in turn held as to 100% by GIC (Ventures) Pte. Ltd., which was in turn held as to 100% by GIC Special Investments Private Limited, which was in turn held as to 100% by GIC Private Limited.

3. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Liang Yiming held 100% interest in Soaring Eagle Industrial Limited.
4. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Zhang Gaobo and Zhang Zhiping held 49% and 51% interest in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
5. According to the disclosure of interest filed by UBS Group AG on the website of the Hong Kong Stock Exchange, UBS Group AG was deemed to hold 13,393,812 shares through its security interest and hold 17,937,200 shares through the interest of a controlled corporation. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A. and UBS AG were wholly-owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 440,000, 660,300, 16,749,100 and 87,800 long position shares in the Company, respectively.
6. According to the disclosure of interest filed by UBS AG on the website of the Hong Kong Stock Exchange, among the 27,174,400 shares in the Company, UBS AG was deemed to hold 8,896,000 shares through security interest, and 18,263,400 shares through interests of a controlled corporation and 15,000 long position shares and 15,000 short position shares as beneficial owner. UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd were wholly-owned by UBS AG. UBS AG was deemed hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 14,194,100 shares, 1,905,000 shares and 2,164,300 shares in the Company, respectively.
7. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company.

8. According to the disclosure of interest filed by JP Morgan Chase & Co. on the website of the Hong Kong Stock Exchange, among the 13,607,488 shares in the Company, JP Morgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
9. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited. 81% shares of Greenwoods Assets Management Holdings Limited were held by Unique Element Corp., which in turn was wholly owned by Jiang Jinzhi. Greenwoods Asset Management Limited held 13,549,000 shares through its interest in a controlled corporation.
10. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 31 December 2019, so far as known to the Directors, supervisors and chief executive of the Company, no other person (not being the Directors, supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES

As at 31 December 2019, no Directors, supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”).

THE RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2019, 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 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 COMPANY’S LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in accordance with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”). The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advice thereon, including review of the relationship with external auditors, the Company’s financial reporting, risk management and internal control system. There was no disagreement between the Audit Committee and the external auditors on the accounting policies adopted by the Company. The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2019.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2019.

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1 to the consolidated financial statements, which states that the Group’s net current liabilities amounted to RMB3.11 billion as at 31 December 2019. The overdue of debts of the Company’s Parent Company incurred during the year ended 31 December 2019 has constituted a default event as defined in the Syndicated Loan Agreement, resulting in the loan syndicate has the right to suspend offering loan to the Company and request the Company to early repay the Syndicated Loan drawn down by the Company amounting to RMB1.94 billion as at 31 December 2019 and the Syndicated Loan drawn down by the Company’s Parent Company amounting to RMB3.23 billion as at 31 December 2019 which the Company is jointly liable for repayment as a co-borrower. In addition, the Group’s capital commitment relating to the Phase II Expansion Project amounted to approximately RMB2.80 billion as at 31 December 2019, of which approximately RMB1.83 billion is expected to be paid in 2020 according to the construction plan of the project. These conditions, together with other matters set forth in Note 2.1 in the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

PARTICULARS ON COMPLIANCE WITH RULES 3.10(1), 3.10(2) AND 3.21 OF THE LISTING RULES

As at 31 December 2019, the Board is comprised of four independent non-executive Directors. As at 31 December 2019, the Audit Committee is comprised of three independent non-executive Directors, one of whom has obtained accounting qualification and is a member of the Hong Kong Institute of Certified Public Accountants.

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

The Board has always recognized the importance of good corporate governance to the healthy and sustainable development of the Group. The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all the Directors, the Company confirmed that, all the Directors have complied with the required standard set out in the Model Code and the code of conduct of the Company regarding directors' securities transactions during the year ended 31 December 2019.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE CODE

The Company has endeavored to comply with all requirements of the CSRC and the Hong Kong Stock Exchange and other authorities. The Company has applied the principles set out in the CG Code and established a series of corporate governance systems in accordance with relevant requirements to continuously improve the corporate governance structure.

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

Save for the deviation disclosed above, during the year ended 31 December 2019, the Company had complied with the code provisions of the CG Code, and met reasonable governance and disclosure requirements. The Company will further improve the corporate governance and the transparency to shareholders of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This 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 at www.mlairport.com. The 2019 annual 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 22 April 2020.

BOARD OF DIRECTORS

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

Executive Directors

WANG Zhen (*Chairman*)

WANG Hong (*President*)

WANG Hexin

YU Yan

XING Zhoujin

Independent Non-executive Directors

DENG Tianlin

FUNG Ching, Simon

George F MENG

HE Linji

Non-executive Directors

CHAN Nap Kee, Joseph

YAN Xiang

By order of the Board

Hainan Meilan International Airport Company Limited*

Wang Zhen

Chairman and Executive Director

Haikou, the PRC

30 March 2020

* *For identification purpose only*