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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 2020

FINANCIAL HIGHLIGHTS

- Total revenue was RMB1,369.53 million (2019: RMB1,576.37 million)
- Revenue from aeronautical business was RMB463.01 million (2019: RMB709.39 million)
- Revenue from non-aeronautical business was RMB906.53 million (2019: RMB866.98 million)
- Net loss attributable to shareholders was RMB1,340.38 million (2019: net profit attributable to shareholders: RMB575.41 million)
- Loss per share was RMB2.83 (2019 earning per share:RMB1.22)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 16.4902 million
- Aircraft takeoff and landing reached 129,726 times
- Cargo throughput was 222,373.50 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 2020, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative figures for the corresponding period of 2019 as follows:

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

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2020 <i>RMB</i>	2019 <i>RMB</i>
Revenue	3	1,369,531,792	1,576,371,078
Less: Cost of sales		(676,429,554)	(720,860,400)
Taxes and surcharges		(14,440,239)	(30,492,845)
Selling and distribution expenses		(8,342,961)	(6,108,775)
General and administrative expenses		(83,984,850)	(72,193,227)
Finance (expenses)/income – net		(14,377,017)	14,041,631
Credit impairment loss	4	(501,882,184)	(2,197,796)
Add: Investment (loss)/income	5	(1,389,427,364)	6,858,636
Including: Investment (loss)/income on associates		(1,389,859,957)	6,858,636
(Loss)/Gain on disposals of assets		(884,225)	3,404,673
Other income		18,000,726	3,151,142
Operating (loss)/profit		(1,302,235,876)	771,974,117
Add: Non-operating income		218,643	112,744
Less: Non-operating expenses		(2,477)	(35,592)
Total (loss)/profit		(1,302,019,710)	772,051,269
Less: Income tax expenses	6	(40,053,498)	(190,686,512)
Net (loss)/profit		(1,342,073,208)	581,364,757
Attributable to shareholders of the Company		(1,340,376,146)	575,412,545
Minority interests		(1,697,062)	5,952,212

	<i>Note</i>	2020 RMB	2019 RMB
Other comprehensive loss, net of tax		–	(7,240,191)
Attributable to shareholders of the Company		–	(7,240,191)
Other comprehensive loss that will be subsequently reclassified in profit and loss		–	(7,240,191)
Other comprehensive loss that can be transferred to profit or loss under the equity method		–	(7,240,191)
Total comprehensive (loss)/income		<u>(1,342,073,208)</u>	<u>574,124,566</u>
Total comprehensive (loss)/income attributable to shareholders of the Company		(1,340,376,146)	568,172,354
Total comprehensive (loss)/income attributable to minority shareholders		(1,697,062)	5,952,212
(Loss)/Earnings per share			
– Basic and diluted (loss)/earnings per share	7	<u>(2.83)</u>	<u>1.22</u>

CONSOLIDATED BALANCE SHEET

		31 December 2020	31 December 2019
	<i>Note</i>	RMB	RMB
ASSETS			
Current assets			
Cash at bank and on hand		292,182,748	1,511,749,849
Accounts receivable	9	353,076,812	490,502,979
Prepayments		10,566,302	7,611,309
Other receivables		8,454,512	13,857,129
Inventories		399,282	696,083
Other current assets		6,258,140	9,459,706
Total current assets		<u>670,937,796</u>	<u>2,033,877,055</u>
Non-current assets			
Long-term equity investments		12,856,945	1,402,716,902
Investment properties		1,180,319,936	1,217,722,262
Fixed assets		2,124,341,242	2,237,698,184
Construction in progress		5,728,721,777	3,247,884,622
Right-of-use assets		151,354,862	116,963,234
Intangible assets		153,471,779	157,207,967
Long-term prepaid expenses		6,003,025	7,092,273
Deferred tax assets		44,213,919	14,734,598
Other non-current assets		1,005,266,388	1,020,265,841
Total non-current assets		<u>10,406,549,873</u>	<u>9,422,285,883</u>
Total assets		<u><u>11,077,487,669</u></u>	<u><u>11,456,162,938</u></u>

	<i>Note</i>	31 December 2020 RMB	31 December 2019 RMB
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		379,450,000	902,665,000
Accounts payable	10	310,016,962	310,339,099
Advances from customers		25,539,573	131,599,610
Contract liabilities		36,382,700	638,204
Employee benefits payable		44,512,417	30,324,318
Taxes payable		393,236,216	491,065,149
Other payables		2,697,974,613	1,229,632,236
Other current liabilities		189,087,000	–
Non-current liabilities due within one year		<u>2,832,324,339</u>	<u>2,050,929,447</u>
Total current liabilities		<u>6,908,523,820</u>	<u>5,147,193,063</u>
Non-current liabilities			
Lease liabilities		86,903,269	2,480,339
Long-term payables		79,444,402	904,340,770
Deferred revenue		49,392,222	52,225,556
Long-term employee benefits payable		361,580	58,498
Deferred tax liabilities		639,193	278,925
Other non-current liabilities		<u>141,705,657</u>	<u>196,995,053</u>
Total non-current liabilities		<u>358,446,323</u>	<u>1,156,379,141</u>
Total liabilities		<u>7,266,970,143</u>	<u>6,303,572,204</u>
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		819,661,947	819,661,947
Surplus reserve		246,394,231	246,394,231
Other comprehensive loss		(19,524,487)	(19,524,487)
Retained earnings		<u>2,248,711,127</u>	<u>3,589,087,273</u>
Total equity attributable to shareholders of the Company		<u>3,768,455,818</u>	<u>5,108,831,964</u>
Minority interests		<u>42,061,708</u>	<u>43,758,770</u>
Total equity		<u>3,810,517,526</u>	<u>5,152,590,734</u>
Total liabilities and equity		<u>11,077,487,669</u>	<u>11,456,162,938</u>
Net current liabilities		<u>6,237,586,024</u>	<u>3,113,316,008</u>
Total assets less current liabilities		<u>4,168,963,849</u>	<u>6,308,969,875</u>

Notes:

1. GENERAL INFORMATION

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

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

These financial statements are authorized for issue by the Board on 28 April 2021.

2. BASIS OF PREPARATION AND SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

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

As at 31 December 2020, the Group recorded net current liabilities of approximately RMB6.24 billion, short-term borrowings and current portion of non-current liabilities of RMB0.38 billion and RMB2.83 billion respectively, cash and cash equivalents of RMB0.26 billion. Current portion of non-current liabilities included mainly syndicated loan of RMB1.94 billion and amounts due to related parties of RMB0.84 billion.

The Company and Haikou Meilan are jointly constructing Meilan Airport Phase II Expansion Project (the “**Phase II Expansion Project**”). Haikou Meilan as the borrower and the Company as the co-borrower have obtained a syndicated loan (the “**Syndicated Loan**”) with a total facility of RMB7.8 billion and maturity of 20 years which is specifically for financing the construction of the Phase II Expansion Project. Haikou Meilan and the Company jointly undertake the repayment obligation for each loan drawn down under the Syndicated Loan Agreement and are jointly and severally liable for the repayment of the Loan (the “**Joint Repayment Commitment**”). As of 31 December 2020, the draw-down of the Syndicated Loan totalled to approximately RMB5.18 billion, of which Haikou Meilan has drawn down RMB3.24 billion and the Company has drawn down RMB1.94 billion. As of 31 December 2020, Haikou Meilan has triggered the event of default of the Syndicated Loan. Furthermore, as HNA Group and its certain related parties including Haikou Meilan were not able to settle their debts in due course and were insolvent as a whole and these companies are highly mixed, Hainan Higher People Court ruled on the acceptance of the substantial consolidated restructuring of Haikou Meilan, HNA Group and its related companies 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 as of 31 December 2020, after the payment the Company has the right to request reimbursement from Haikou Meilan. Haikou Meilan’s Default has also resulted in the loan syndicate has the right to request the Company to early repay the principal and interest of Syndicated Loan drawn down by the Company amounting to RMB1.94 billion as of 31 December 2020 and suspend the remaining loan facility of RMB1.96 billion to the Company. The Group has reclassified the Syndicated Loan drawn down by the Company of RMB1.94 billion which is originally due for repayment after 31 December 2021 to current portion of non-current liabilities, and recognised “credit impairment loss – Joint Repayment Commitment loss” of RMB0.189 billion in respect of the expected credit loss of the aforementioned Joint Repayment Commitment for the year ended 31 December 2020. As of the date of these financial statements, the Company and Haikou Meilan have not obtained the written waiver from loan syndicate, and have not received request from loan syndicate requiring the Company to repay the Syndicated Loan or undertake the Joint Repayment Commitment.

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

The Company received arbitration application requiring the Company to pay a compensation for the damage in a maximum amount of HK\$6.962 billion in respect of the H shares subscription agreement entered into in prior year (the “**Arbitration Case**”). Management is of the view that the Company has no breach of contract as claimed by the applicant and the damage claimed by the applicant will not be supported by the arbitration center. As of 31 December 2020, the Company has not made any provision for this contingency.

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

As of 31 December 2020, the Company’s payables to related parties totalled to RMB1.15 billion, including other payables of RMB0.31 billion and current portion of non-current liabilities of RMB0.84 billion, these payables have no specific repayment terms. As these related parties have been included in HNA Group Substantial Consolidated Restructuring, the Company may be required to settle these payables immediately. As of the date of these financial statements, the Company has not received request to repay these payables.

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

The directors of the Company have carefully considered the progress of the HNA Group Substantial Consolidated Restructuring, the Group's future working capital, operation results and available sources of financing so as to assess whether the Group has sufficient working capital and sources of financing to meet its current requirement and continue as going concern for at least of 12 months from 31 December 2020. The Group is trying to take certain measures to improve its financial position and cash flow status, including but not limited to:

- 1) Haikou Meilan has submitted an application to the administrator of HNA Group Substantial Consolidated Restructuring (the "**Restructuring Administrator**") to apply for Hainan High People Court to approve the Syndicated Loan Agreement as a continuing contract. The Company, Haikou Meilan and the Restructuring Administrator are negotiating with the loan syndicate to grant the waiver the aforementioned events of default. Management is of the view that the application of the Syndicated Loan Agreement as continuing contract can be approved by the court and the HNA Group Substantial Consolidated Restructuring can be completed. Based on this preassumption, management is of the view that the loan syndicate will waive of the events of default and will not require the Company to settle the principal and interest of the Syndicate Loan drawn down by Haikou Meilan of RMB3.24 billion or early repay the principal and interest of the Syndicate Loan drawn down by the Company of RMB1.94 billion and will continue to grant the remaining facility of the Syndicate Loan according to the Syndicate Loan Agreement.
- 2) In respect of the Overdue Debt, the Company is negotiating with the bank and has obtained a letter of intent from the bank in March 2021. Considering the original loan agreement is overdue and will be withdrawn, the bank is planning to extend the whole loan by entering into a new long-term loan agreement with the Company. The new loan agreement is subject to the final approval of the bank. Management is of the view that the loan can be renewed and extended under reasonable condition and the Company can continuously fulfil the covenants during the extended loan period.
- 3) In respect of the payables to related parties, although the HNA Group Substantial Consolidated Restructuring is in progress, the Company has proposed a by-installment repayment schedule to the Restructuring Administrator. Management is of the view that HNA Group Substantial Consolidated Restructuring will be successfully completed, the repayment schedule can be approved by the Restructuring Administrator and the related creditors' meeting of HNA Group.
- 4) In respect of the Arbitration Case, the arbitration is in early stage as of the date of these financial statements, and the two parties are preparing information for submission to arbitration center. The Company will raise a strong defense. Management is of the view that the matters claimed by the applicant will not be supported by the arbitration center and the Company will not be required to pay the damage.

- 5) During the year, Haikou Meilan has obtained the funding from local government sourced from the local government bonds offering and paid the construction fee of the Company amounting to RMB100 million which has been recognised as other payables of the Company. Haikou Meilan and the Company continuously discussed with Hainan Provincial Government about the continuous sources of funding for the Phase II Expansion Project. Management is of the view that the Company can obtain continuous fundings to finance the construction of the Phase II Expansion Project. As of the date of these financial statements, the construction of the Phase II Expansion Project is in good progress, management anticipate the Phase II Expansion Project will be completed and put into use in the year ending 31 December 2021.
- 6) Although being affected by Covid-19 epidemic, the airport operation businesses of the Group have achieved a stable and continuous improvement in the second half of 2020. Management estimated the Group's airport operation businesses will continue to grow by comparing the year of 2020 and generate stable operating cash inflow.

The Board has reviewed the Group's cash flow forecast for the 12 months from the date of these financial statements prepared by the management of the Company. The Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from 31 December 2020. Accordingly, the Board is of view that it is appropriate to prepare these financial statements on a going concern basis.

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

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

- 6) Whether the Group's airport operation businesses will continue to grow according to the management's forecast and generate stable operating cash inflow.

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 financial statements.

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.

	2020	2019
	RMB	RMB
Analysis of revenue (by nature)		
Aeronautical:		
Passenger service income	232,104,867	349,874,021
Ground handling service income	140,935,947	226,584,824
Fees and related charges on aircraft takeoff and landing	89,964,362	132,931,037
	463,005,176	709,389,882
Non-aeronautical:		
Franchise income	558,722,588	412,800,059
Freight and packaging income	92,986,239	102,646,801
Hotel income	84,502,051	101,253,309
VIP room income	70,422,336	75,664,796
Rental income	25,450,351	74,783,568
Car parking income	14,749,541	14,598,056
Other income	59,693,510	85,234,607
	906,526,616	866,981,196
	1,369,531,792	1,576,371,078

4. CREDIT IMPAIRMENT LOSS

	2020	2019
	<i>RMB</i>	<i>RMB</i>
Expected credit loss of Joint Repayment Commitment	189,087,000	–
Bad debt provision for accounts receivable	169,618,907	1,457,933
Bad debt provision for cash and cash equivalent	137,996,545	–
Bad debt provision for other receivables	5,179,732	739,863
	<u>501,882,184</u>	<u>2,197,796</u>

5. INVESTMENT (LOSS)/INCOME

	2020	2019
	<i>RMB</i>	<i>RMB</i>
Investment (loss)/income from long-term equity investment in unlisted companies using equity method	<u>(1,389,859,957)</u>	<u>6,858,636</u>
Investment income from disposal of subsidiary	<u>432,593</u>	<u>–</u>
	<u>(1,389,427,364)</u>	<u>6,858,636</u>

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

6. 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 2020 (2019: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	2020	2019
	<i>RMB</i>	<i>RMB</i>
Current income tax calculated based on tax law and related regulations	79,061,440	198,621,319
Deferred income tax	<u>(39,007,942)</u>	<u>(7,934,807)</u>
	<u>40,053,498</u>	<u>190,686,512</u>

According to the Notice of Preferential Policies for Enterprise Income Tax Hainan Free Trade Port (CS [2020] No.31) and relevant regulations issued by Hainan Provincial Finance Department and Hainan Taxation Bureau of State Administration of Taxation, the Group levies enterprise income tax at a reduced rate of 15% during the period from 1 January 2020 to 31 December 2024. The applicable CIT rate of the Group for the current period is 15% (for the year ended 31 December 2019: 25%).

7. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
Consolidated net (loss)/profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	(1,340,376,146)	575,412,545
Weighted average number of outstanding ordinary shares of the Company (<i>share</i>)	473,213,000	473,213,000
Basic (loss)/earnings per share (<i>RMB</i>)	<u>(2.83)</u>	<u>1.22</u>

Diluted (loss)/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 in this year (2019: nil), diluted (loss)/earnings per share equal to basic earnings per share.

8. DIVIDENDS

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

On 28 April 2021, the Board of Directors proposed not to distribute 2020 final cash dividend (2019 final cash dividend: nil).

9. ACCOUNTS RECEIVABLE

	31 December 2020 <i>RMB</i>	31 December 2019 <i>RMB</i>
Accounts receivable	525,327,347	493,134,607
Less: Provision for bad debts	<u>(172,250,535)</u>	<u>(2,631,628)</u>
	<u>353,076,812</u>	<u>490,502,979</u>

Credit terms granted to customers are generally ranged from 1 to 3 months. As at 31 December 2020, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	31 December 2020 RMB	31 December 2019 RMB
Within 90 days	298,650,633	297,140,419
91 to 180 days	78,604,686	52,692,116
181 to 365 days	61,466,387	47,025,547
Over 365 days	86,605,641	96,276,525
	<u>525,327,347</u>	<u>493,134,607</u>

10. ACCOUNTS PAYABLE

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

	31 December 2020 RMB	31 December 2019 RMB
Within 90 days	93,777,791	50,118,416
91 to 180 days	46,998,457	50,369,848
Over 180 days	169,240,714	209,850,835
	<u>310,016,962</u>	<u>310,339,099</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Revenue Review

Overview of Aviation Business

In 2020, Meilan Airport and other domestic airports faced the impact of a sharp decline in business volume brought about by the COVID-19 epidemic (the “**Epidemic**”). The Company made every effort to promote the recovery of aviation business volume of Meilan Airport through a number of means including proactive communication with provincial and municipal governments to strengthen policy support, active visit to relevant aviation enterprises, and intensified publicity. In the domestic aviation market, Meilan Airport’s flight number in a single month has achieved positive growth since September 2020 as compared to the same period of last year. In the period from June to December 2020, Meilan Airport’s production and transportation recovery ranked among the top five among 13 similar domestic airports with an annual passenger traffic volume of more than 20 million passengers for seven consecutive months, and its production and transportation recovery progress was above the average of the entire domestic civil aviation industry. In 2020, the passenger throughput of Meilan Airport ranked the 16th among the civil aviation airports in the PRC, one place higher as compared to the last year.

In order to proactively promote the construction of Hainan Free Trade Port (“**Hainan Free Trade Port**”), Meilan Airport established a special team for the Seventh Freedom of The Air and actively coordinated with the intentional airlines and charter operators to visit relevant authorities, to advance the route planning process of the Seventh Freedom of The Air; to fully develop cooperation partners, it delivered favorable civil aviation policies and related procedures to more than 100 overseas airlines, airports and other relevant civil aviation enterprises to develop potential markets; it actively communicated with overseas airlines on establishment of a base company in Haikou, in order to develop an international route network centering on Haikou. It made great efforts to promote the implementation of the routes of the Seventh Freedom of The Air to accelerate the construction of Hainan Free Trade Port.

As of 31 December 2020, Meilan Airport operated a total of 280 originating routes, including 251 domestic routes, 26 international routes and 3 regional routes; Meilan Airport extended its reach to 144 cities, including 116 domestic cities, 25 international cities and 3 regional cities; and attracted 54 airlines to operate at Meilan Airport in total, including 34 domestic airlines, 17 international airlines and 3 regional airlines.

Details of the aviation traffic throughput of Meilan Airport in 2020 and comparative figures of last year are set out below:

	2020	2019	Change
Passenger throughput			
<i>(headcount in ten thousand)</i>	1,649.02	2,421.66	-31.91%
in which: domestic	1,635.00	2,281.51	-28.34%
international and regional	14.02	140.15	-90.00%
Aircraft takeoff and landing (times)	129,726	164,786	-21.28%
in which: domestic	128,479	153,095	-16.08%
international and regional	1,247	11,691	-89.33%
Cargo throughput (tons)	222,373.50	322,357.50	-31.02%
in which: domestic	219,615.50	298,935.60	-26.53%
international and regional	2,758.00	23,421.90	-88.22%

The Group's total revenue from aviation business for 2020 was RMB463,005,176, representing a decrease of 34.73% as compared to that of 2019, which was mainly because the aviation business volume of Meilan Airport decreased due to the Epidemic. A breakdown of the Group's revenue from aviation business is as follows:

	Amount (RMB)	Changes over 2019
Passenger service charges	232,104,867	-33.66%
Ground handling service income	140,935,947	-37.80%
Fees and related charges on aircraft take-offs and landing	<u>89,964,362</u>	<u>-32.32%</u>
Total revenue from aviation business	<u>463,005,176</u>	<u>-34.73%</u>

Overview of Non-aviation Business

In 2020, the non-aviation business of the Group maintained good growth momentum and achieved annual revenue of RMB906,526,616, representing a year-on-year increase of 4.56%. Its proportion to the Group's total revenue recorded to 66.19%.

In 2020, due to the further opening of the off-shore duty-free policy of Hainan and the increased promotional efforts of Meilan Airport Off-shore Duty-free Shop, the off-line sales amount increased significantly, leading to an increase in franchise income of the Group and the good performance in revenue of the non-aviation business of the Group.

In 2020, the Group recorded franchise income accumulating to RMB558,722,588, representing a year-on-year increase of 35.35%; freight and packaging income reached RMB92,986,239, representing a year-on-year decrease of 9.41%; the revenue from operating Meilan Airport Hotel amounted to RMB84,502,051, representing a year-on-year decrease of 16.54%; VIP room income reached RMB70,422,336, representing a year-on-year decrease of 6.93%; rental income reached RMB25,450,351, representing a year-on-year decrease of 65.97%; car parking income reached RMB14,749,541, representing a year-on-year increase of 1.04%.

	Amount <i>(RMB)</i>	Changes over 2019
Franchise income	558,722,588	35.35%
Freight and packaging income	92,986,239	-9.41%
Hotel income	84,502,051	-16.54%
VIP room income	70,422,336	-6.93%
Rental income	25,450,351	-65.97%
Car parking income	14,749,541	1.04%
Other income	<u>59,693,510</u>	<u>-29.97%</u>
Total revenue from non-aviation business	<u>906,526,616</u>	<u>4.56%</u>

Franchise Income

In 2020, the franchise income of the Group aggregated to RMB558,722,588, representing a year-on-year increase of 35.35%, which was mainly attributable to the further opening of the off-shore duty-free policy of Hainan. Meanwhile, Meilan Airport Off-shore Duty-free Shop increased its promotional efforts, resulting in a significant increase in its off-line sales amount, leading to an increase in franchise income of the Group.

Freight and Packaging Income

In 2020, the freight and packaging income of the Group aggregated to RMB92,986,239, representing a year-on-year decrease of 9.41%, which was mainly due to the decrease in freight business of Meilan Airport as affected by the Epidemic.

Hotel Income

In 2020, the hotel income of the Group amounted to RMB84,502,051, representing a year-on-year decrease of 16.54%, which was mainly due to the decrease in the occupancy rate of Meilan Airport Hotel as affected by the Epidemic.

VIP Room Income

In 2020, the VIP room income of the Group amounted to RMB70,422,336, representing a year-on-year decrease of 6.93%, which was mainly attributable to the decrease in the business volume of the VIP room of Meilan Airport as affected by the Epidemic.

Rental Income

In 2020, the rental income of the Group amounted to RMB25,450,351, representing a year-on-year decrease of 65.97%, which was mainly attributable to the decrease in the rental income of the Group due to the partial rental concessions offered by the Group to tenants during the Epidemic.

Car parking income

In 2020, the car parking income of the Group aggregated to RMB14,749,541, representing a year-on-year increase of 1.04%, which was mainly attributable to the lease of the operation rights of parking lots of the Company to receive relatively fixed rental, resulting in a slight increase in the car parking income.

Financial Review

Asset Analysis

As at 31 December 2020, the total assets of the Group amounted to RMB11,077,487,669, representing a year-on-year decrease of 3.31%, among which, current assets amounted to RMB670,937,796, representing approximately 6.06% of the total assets; non-current assets amounted to RMB10,406,549,873, representing approximately 93.94% of the total assets.

Costs Analysis

The operation cost, selling expenses and administrative expenses of the Group aggregated to RMB768,757,365 in 2020, representing a decrease of RMB30,405,037 or 3.80% as compared to that of the corresponding period of 2019. Information on items with large changes in cost and expense for the year is as follows:

- (1) the employee salary, labour outsourcing and labour dispatch cost of the Group for the year decreased by RMB48,693,541 as compared with that of the corresponding period of 2019, mainly due to the decrease in the demands for labor dispatch as a result of the shutdown of certain service areas of Meilan Airport as affected by the Epidemic, resulting in a decrease in related labour costs;
- (2) the maintenance costs of the Group for the year increased by RMB14,674,765 as compared with that of the corresponding period of 2019, mainly due to the increase in maintenance and renovation expenses as a result of the aging of certain equipment of the terminal of the phase I of Meilan Airport;
- (3) the operating expense of VIP rooms of the Group for the year increased by RMB8,817,650 as compared with that of the corresponding period of 2019, mainly due to an increase in sales volume of Xinyi membership card of Meilan Airport, which resulted in an increase in relevant costs;
- (4) the water and electricity costs of the Group for the year decreased by RMB5,521,616 as compared with that of the corresponding period of 2019, mainly due to the lower water and electricity consumption as a result of the shutdown of certain service areas of Meilan Airport as affected by the Epidemic; and
- (5) the airport and logistic comprehensive services fee of the Group for the year decreased by RMB3,491,424 as compared with that of the corresponding period of 2019, mainly due to the shutdown of certain service areas of Meilan Airport as affected by the Epidemic, resulting in a decrease in relevant costs.

In 2020, the financial expenses of the Group amounted to RMB14,377,017 (2019: finance income of RMB14,041,631). The change is mainly attributable to a decrease in the interest income of the Group during the year.

Credit Impairment Loss

In 2020, the Group's credit impairment loss was RMB501,882,184, mainly due to that, as affected by the restructuring of HNA Group Co., Ltd. ("**HNA Group**"), the Group made provision for expected credit loss for the accounts receivable from the companies included in the scope of the restructuring of HNA Group and the deposits with HNA Group Finance Co., Ltd. in a total amount of approximately RMB312,795,184, and the expected credit loss arising from the joint repayment commitment provided for the syndicated loan which has been drawn down by Haikou Meilan International Airport Company Limited (the "**Parent Company**") amounting to approximately RMB189,087,000.

Investment Loss

In 2020, the investment loss of the Group was RMB1,389,859,957, mainly due to the investment loss recognised by the Group using the equity method for the long-term equity investments in Hainan Airlines Airport Holding (Group) Company Limited ("**HNA Airport Holdings**"), an associated company, amounted to RMB1,370,744,642. For details, please refer to the section headed "Significant Investments Held and Their Performances" in this announcement.

Cash Flow

In 2020, the Group's net cash inflow from operating activities was RMB463,970,899, representing a year-on-year decrease of 44.19%, which was mainly because Meilan Airport's aviation business volume decreased due to the Epidemic, resulting in a decrease in revenue and a decrease in cash inflow.

In 2020, the Group's net cash outflow for investing activities was RMB1,338,981,949, which was mainly for the construction expenses on the phase II expansion project of Meilan Airport (the "**Phase II Expansion Project**").

In 2020, the Group's net cash outflow for financing activities was RMB379,019,561, which was mainly attributable to the repayment of matured debts in the year.

Pledge of Assets

As mentioned in the Company's announcement dated 1 February 2018, the Company and 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 (the "**Syndicated Loan**") of RMB7.8 billion from China Development Bank Corporation Limited, Hainan Branch of Industrial and Commercial Bank of China Limited and Hainan Branch of Agricultural Bank of China Limited, as co-lenders, for a period of 20 years, which shall be solely used for the construction of the airport project of the Phase II Expansion Project.

Gearing Ratio

As at 31 December 2020, current assets of the Group were RMB670,937,796, total assets were RMB11,077,487,669, current liabilities were RMB6,908,523,820, and total liabilities were RMB7,266,970,143.

As at 31 December 2020, the gearing ratio (total liabilities/total assets) of the Group was 65.60%, representing an increase of 10.58 percentage points as compared with that as at 31 December 2019, mainly due to an increase in the amounts payable for the Phase II Expansion Project.

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. The Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks.

Financial Instruments

As at 31 December 2020, 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 and the arbitration mentioned in the section headed “Material Litigation or Arbitration” below in this announcement, as at 31 December 2020, the Group had no other significant contingent liability.

Employment, Remuneration Policy and Training

As at 31 December 2020, the Group had a total of 1,051 employees, representing a year-on-year increase of 41 employees, which was mainly due to the personnel reserve for the Phase II Expansion Project, resulting in the Group’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 159 courses under the training scheme were completed, and 9,355 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 for 2020 was 16%). In 2020, in accordance with the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (《關於階段性減免企業社會保險費的通知》) and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and Other Issues (《關於延長階段性減免企業社會保險費政策實施期限等問題的通知》) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance of the People’s Republic of China and the State Administration of Taxation, the Company and its subsidiaries were exempted from payment of the pension insurance, unemployment insurance and work-related injury insurance to be undertaken by employers for the period from February to December 2020. Once the Group contributes to the retirement scheme, the employer’s contribution is fully owned by the employees. For the year ended 31 December 2020, the pension contribution of the Group was approximately RMB7,326,704 (2019: RMB15,906,371).

Significant Investments Held and Their Performances

HNA Airport Holdings is principally engaged in the operation and management of Sanya Phoenix Airport, holds investments in two associates engaged construction of Sanya new airport and real estate development business respectively and carry out other investment activities. During the year ended 31 December 2020, as affected by the overall liquidity issue of HNA Group and the impact Covid-19 epidemic, HNA Airport Holdings recognised operating loss for the year and significant losses in relation to related parties, including losses of investments in associates accounted for using the equity method, change in fair value of other non-current financial assets, expected credit loss of receivables from related parties, and expected credit loss of financial guarantee provided to related parties. Specifically, the Sanya New Airport, an associated company of HNA Airport Holdings, was ruled in the scope of the substantive consolidated restructuring of HNA Group by the Hainan Provincial High People Court in March 2021. According to the Bankruptcy Law of the People’s Republic of China and relevant laws, the credits and debts between the affiliated member enterprises included in the substantial consolidated restructuring shall be eliminated, and the property of each member shall be regarded as the unified bankruptcy property after the restructuring, the creditors of each member will be fair compensation following the legal order in the same procedure. Therefore, Sanya New Airport shall make expected credit losses for the amount of the accounts receivable exceeding the amounts payable of the companies in the scope of the substantial consolidated restructuring of HNA Group, and the Group shall recognize investment losses accordingly. In addition, part of investment companies of HNA Airport Holdings, as the other non-current financial asset accounting, have been in a state of severe insolvency on 31 December 2020 and were within the scope of the substantial consolidated restructuring of HNA Group. HNA Airport Holdings recognized the fair value losses based on the estimation of the possible reasonable range of the creditors’ solvency rate, and the rate of return of the equity holders of the relevant valued objects being not higher than the creditors’ solvency rate, and the Group also recognises investment losses accordingly.

Event after the Reporting Period

On 10 February 2021, the Hainan High People Court ruled on the acceptance of the restructuring of HNA Group and other companies totaling 7 companies, HNA Infrastructure Investment Group Co., Ltd. and its 20 subsidiaries, and Hainan Airlines Holding Co., Ltd. and its 10 subsidiaries based on the application of relevant creditors. On 13 March 2021, the Hainan High People Court ruled on the acceptance of the substantial consolidated restructuring (the “**Restructuring**”) of HNA Group and its related companies totaling 321 companies, including the Parent Company, HNA Airport Holdings, an associate of the Company, and other companies with daily business transactions with the Company.

As of the date of this announcement, the procedures of the Restructuring mentioned above are in progress. The Company has reasonably considered the impact of the Restructuring on the consolidated financial statements of the Group. The Company believes that the Group has independent and complete business and independent operation capabilities, and the production and operation of the Group is stable.

Outlook

In 2021, as the world economic situation is still complex and severe, the global economic recovery is unstable, and the degree of economic recovery among countries is uneven, various derivative risks caused by the Epidemic still exist and are expected to continue to affect the stability and development of the world economy.

The year 2021 is the first year of the “14th Five-Year” Plan and a year of special importance in the process of China’s modernization drive. Adhering to the general principle of seeking progress while maintaining stability, China, based on the new development stage, will implement the new development concept to build a new development pattern with promoting high-quality development as the theme, with deepening the supply-side structural reform as the main line and with reform and innovation as the fundamental driving force, and follow the system concepts to consolidate and expand the results of the Epidemic prevention and control and economic and social development, and better coordinate development and security. In addition, it will solidly 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”), fully accomplish the “six guarantees” tasks (i.e. “guarantee of resident employment”, “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”), and implement macroeconomic policies in a scientific and accurate manner, striving to maintain economic operation within a reasonable range. China will stick to the strategy of expanding domestic demand, strengthen strategic support for science and technology, and expand high-level opening up.

In response to the various measures of the Chinese government to comprehensively deepen reform and opening up and in order to firmly grasp the historical development opportunity of construction of Hainan Free Trade Port, Hainan Province will highlight integrated innovation of systems and fully integrate the same into the new development pattern, to accelerate the cultivation of new cooperation and competition advantages with the characteristics of Hainan. It will build a modern industrial system, lead the country in promoting high-quality economic development, strengthen strategic support for science and technology, and accelerate the construction of Hainan Free Trade Port.

In 2021, Hainan Province will endeavour to build a “1+N” transportation planning system and build a safe, convenient, efficient and green modern comprehensive transportation network in accordance with the planning vision as proposed in the “14th Five-Year” Plan, and implement various industry development policies according to the requirements of “free and convenient transportation”, to fully support the construction of Hainan Free Trade Port. As the airport in the capital city of Hainan Province, Meilan Airport will proactively promote the phase III expansion project of Meilan Airport in accordance with the requirements of the “14th Five-Year” Plan of Hainan Province. It will continue to leverage its own advantages and seize opportunities arising from favorable policies to achieve comprehensive exploration and innovation and make active contributions to the development of Hainan Province into a regional aviation gateway and hub facing the Pacific and Indian Oceans.

In accordance with the spirit of the 2021 Provincial Business Work Conference of the Department of Commerce of Hainan Province, Hainan will continue to optimize the business environment, strengthen integrated innovation of systems, and build Hainan Free Trade Port with high quality. It will further promote consumption, drive the implementation of relevant off-shore duty-free policies as soon as possible, and optimize the domestic trade circulation network. With more efforts on attracting investment to stabilize the growth of foreign investment, it will also plan a number of major foreign investment projects, promote the high-quality development of foreign trade, and implement the cultivation of new business types and models of foreign trade. While deepening the innovative development of service trade in an all-round way, it will proceed with the implementation of the negative list of cross-border service trade. Foreign investment cooperation will be promoted to further improve the convenience of foreign investment. The continuous release of benefits of the off-shore duty-free policy and the gradual optimization of the business environment are believed to bring more development opportunities and more considerable returns to the Group.

The Group will proactively carry out the Epidemic prevention and control in accordance with the requirements of governments at all levels, and earnestly provide guarantee for flights; meanwhile, the Group will communicate with the market through multiple channels to strengthen the relationship with investors and promote the effective enhancement of the Company’s corporate value and ensure the standardized corporate governance of the Company and 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 2021, in order to facilitate Hainan Province to achieve the goal of building a “1+N” transportation planning system, the Group will:

- closely connect with provincial and municipal governments to follow up the opening of Haikou international port, pay attention to the development of the Epidemic, and make coordination and preparations for the resumption of international and regional routes; seize market opportunities and actively communicate with airlines to promote the implementation of the policy on the Seventh Freedom of The Air, to accelerate the construction process of Hainan Free Trade Port;
- fully boost the flight time expansion after the launch of the Phase II Expansion Project, to remove the bottleneck restriction of the development of Meilan Airport and open up the space for future development; and
- continue to deepen the service management system under the guidance of the construction of “Four Types of Airport” (i.e. “Safe Airport”, “Green Airport”, “Smart Airport”, and “Humanistic Airport”); strengthen service training management, proceed with top-level design by leveraging on system construction, and improve the access mechanism for service management personnel; promote the improvement of service quality through the creation of “competitive products” and “famous brands” and enrich the core of humanistic airport construction; consolidate the achievements of the 2020 “Service Quality Brand Building” special action, and organize all units to conduct benchmarking self-examination and professional review 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》) and formulate rectification and improvement measures for problems found in the review.

Stick to Core Capability Construction, Constantly Clutch Attention on Safety

In 2021, in accordance with the system review guidelines and guidance materials of Civil Aviation Administration of China (the “CAAC”), the Group will continue to carry out SMS (Safety Management System) management reviews for each secondary department, review the implementation of SMS at the grassroots level, and identify the direction and focus of continuous improvement of Meilan Airport’s SMS, to promote the improvement of safety management of Meilan Airport, strengthen the construction of the investigation system and the improvement of supervision capabilities, and promote the systematism and standardization of review. It will continue to carry out the “Three-year Action for Special Safety Rectification” to improve the safety assessment and evaluation mechanism of Meilan Airport.

Firmly Deepen Efficiency Promotion and Solidly Develop Brand Improvement

In 2021, the Group will make every effort to promote the operation of the Phase II Expansion Project. For the brand-new operating environment and characteristics, Meilan Airport will build a supporting system based on the existing operation management system to conduct drills for the guarantee process that will be faced after the Phase II Expansion Project is put into operation, including the adjustment of shift from “single terminal, single runway” to “double terminals, double runways”, as well as the guarantee process for domestic passengers entering and leaving the Phase II terminal of Meilan Airport, the guarantee process for irregular flights, the guarantee process for special passengers, etc. The Group will proactively explore the establishment of a management and control mechanism in line with Meilan Airport’s operation law, to effectively improve the overall efficiency of airport operations.

In 2021, Meilan Airport will continue to improve the construction of AOCC (Airport Operations Control Centre), complete the streamlining for AOCC function positioning, system architecture, seat layout, operation mode, etc., and explore the grid operation mode featured by cooperation between all guarantee units and all on-site units to substitute the previous single-line process operation mode, and implement the “all-weather, full-coverage, and full-process” data upload and download mode based on the A-CDM (Airport-Collaborative Decision Making) and other information systems to break information barriers and improve the overall operation level of Meilan Airport.

In 2021, Meilan Airport will start capacity assessment in due course depending on the actual situation of Meilan Airport in accordance with the requirements of the Notice on Further Strengthening Airport Capacity Management (Ju Fa Ming Dian [2016] No. 2657) (《關於進一步加強機場容量管理工作的通知》(局發明電[2016]2657號)) issued by the CAAC, to support the construction of Hainan Free Trade Port through the expansion of flight time.

In 2021, 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.

Spare No Effort to Build a Comprehensive Three-Dimensional Transportation Center

In 2021, the Group will continue to fully take advantage of favorable policies on development of the civil aviation industry, step up route development of Meilan Airport, expand route coverage network, proactively advance the implementation of the policy on the Seventh Freedom of The Air, 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 leveraging on the opportunities arising from the air cargo encouragement policy of Hainan Province. The Group will also continue to step up its efforts in preparations for putting the Phase II Expansion Project into operation and strive to cultivate Meilan Airport as a comprehensive three-dimensional transportation center with its base in Northern Hainan, which faces the entire Hainan Province and radiates in Southeast Asia.

Intelligent Airport Construction

In 2020, in accordance with the overall planning on intelligent airport construction, Meilan Airport implemented the requirements of CAAC on construction of the “Four Types of Airports”. Relying on scientific and technological progress, reform and innovation, and collaborative sharing, Meilan Airport discharged management responsibilities through the full-process, all-element, and all-round optimization, to achieve strong guarantee for safe operation of Meilan Airport, fine and intelligent production management, and convenient and efficient passenger travel and to build an airport management system of “smart services, smart security, and smart operations”.

In the early stage of outbreak of the Epidemic, the Group immediately adopted a number of intelligent measures for epidemic prevention and control: urgent application of a military-level full-automatic infrared thermal imaging temperature measurement and warning system, which realizes rapid detection of body temperature in a non-contact manner and plays an important role in quickly identifying high-risk passengers, to implement passenger temperature measurement in the first time; use of intelligent disinfection robots to reduce the workload of front-line employees to carry out disinfection for the overall terminal building; construction of a health code scanning system at the entrance to the terminal, a health code interception system at the security check channel, and a information recording system at the special check channel for passengers traveling from Haikou to Beijing at the fastest speed to integrate the civil aviation health declaration with the health code of Hainan.

In June 2020, the pilot full-process security project of Meilan Airport started trial operation. At present, 8 sets of face recognition check-in equipment, 2 sets of face recognition baggage check-in equipment, 2 sets of single-gate passenger check gates equipped with the function of face recognition security check-in, and 5 sets of face recognition boarding gate equipment have been installed; Meilan Airport completed the construction of the AOCC weak current engineering, unified and integrated the airport's information system, and introduced new technologies to design weak current information functions according to their respective functions, management areas, and specialties, to meet the safe operation requirements of the current rapid development mode of Meilan Airport; it completed the construction of the basic technical framework of big data, formulated data access standards and specifications, and built a data sharing and exchange platform. In October 2020, it started the preliminary work of data sharing with Qionghai Boao Airport and other small and medium airports.

Phase II Expansion Project

As of the end of 2020, the flight area, terminal and other projects of the Phase II Expansion Project had been successfully completed. Meilan Airport is going all out to promote the construction of supporting projects including road and bridge project and new tower.

According to the construction schedule, in 2021, the ending of the works will be accelerated for the Phase II Expansion Project, to lay a foundation for the complete transfer and commissioning of the Phase II Expansion Project.

Phase II Expansion Project, as a major landmark project for the construction of Hainan Free Trade Port, is benchmarked against world-class airports, and aims to achieve free and convenient passenger access and transportation of Hainan Free Trade Port and create an air portal of Hainan Free Trade Port. After the Phase II Expansion Project is put into use, it can realize the efficient connection of Hainan Free Trade Port with other countries and cities around the world, and promote the development of Hainan Province into a regional aviation gateway hub facing the Pacific Ocean and the Indian Ocean, which is of vital significance for building Meilan Airport into a regional aviation hub in Southern China and Southeast Asia.

Terminal Complex Project

Situated on the north side of Meilan Airport, the terminal complex project has a gross 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, Hainan featured products shopping, outlet and food court.

GTC on the ground floor of the terminal complex project 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 2020, 6 new bus routes were opened, with 63,007 departures carrying 881,884 passengers; 5 new intercity routes towards Danzhou and Wenchang and other cities were opened, with 7,029 departures carrying 146,009 passengers; 913,959 taxis accessed the center and carried 1,174,287 passengers. In addition, the roundabout high-speed railway and suburban trains of Hainan pass directly to GTC and passengers can reach GTC from the terminal of Meilan Airport in the fastest speed of only 3 minutes.

Meilan Airport Hotel is the largest airport hotel in the world. Affected by the Epidemic, the room occupancy rate of Meilan Airport Hotel was 70.58%, and about 290,000 guests were given reception, representing a sharp decrease as compared to the same period of last year. In 2020, Meilan Airport Hotel completed entry quarantine tasks for five batches of foreign passengers and achieved initial results of safety without accidents or confirmed cases. Meilan Airport Hotel won the “Advanced Anti-epidemic Unit in Cultural Tourism Industry”, the 20th Golden Horse Award of China, and the 15th China Hotel Starlight Award for its outstanding epidemic prevention work results and excellent service quality.

The parking building of the terminal complex project has 3,315 parking lots, equipped with intelligent access gate system and self-service payment machine, which significantly improved traffic efficiency. In 2020, a total of 1,490,001 vehicles accessed the building.

Duty-paying commerce of the terminal complex project 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. The outlet stores in the terminal complex project gather approximately 109 well-known brands at home and abroad. As of the end of 2020, the number of stores opened in the terminal complex project reached 142.

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

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

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

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

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

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

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

The Company convened the extraordinary general meeting, H shareholders class meeting and domestic shareholders class meeting on 18 September 2020 to consider and approve relevant resolutions in relation to the Parent Company subscription and the new H shares issue. Each of the completion of the Parent Company subscription and the new H shares issue shall be subject to certain conditions precedent. For details, please refer to the circular of the Company dated 20 August 2020. As of the date of this announcement, none of such conditions precedent were 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).

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 2020 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 2021, the Company has a large capital demand, mainly due to the substantial demand for capital expenditure as the Phase II Expansion Project will be put into operation in 2021. Meanwhile, the production and operation of the Company were adversely affected by the Epidemic to a certain extent, resulting in a decline in the operating profit for 2020. 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 2020.

During the year, there was no arrangement under which any shareholders of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from Saturday, 22 May 2021 to Friday, 11 June 2021 (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 Friday, 21 May 2021.

MATERIAL LITIGATION OR ARBITRATION

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

As of the date of this announcement, the Hong Kong International Arbitration Centre has established an arbitration tribunal, pending confirmation of the procedural order and trial timetable.

For details of the Arbitration, please refer to the announcement of the Company dated 5 January 2021.

Save as disclosed above, the Group had no other material litigation or arbitration for the year ended 31 December 2020.

SHARE CAPITAL STRUCTURE

As at 31 December 2020, 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 2020, 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
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	26,890,326(L)	11.85%	5.68%
Soaring Eagle Industrial Limited <i>(Note 4)</i>	Beneficial owner	24,931,650(L)	10.99%	5.27%
Liang Yiming <i>(Note 4)</i>	Interest of controlled corporations	24,931,650(L)	10.99%	5.27%
Aspex Management (HK) Limited <i>(Note 5)</i>	Investment manager	18,193,000(L)	8.00%	3.84%
Morgan Stanley <i>(Note 6)</i>	Interest of controlled corporations	11,768,364(L) 540,087(S)	5.18% 0.23%	2.49% 0.11%

Notes:

1. Haikou Meilan International Airport Company Limited is a Company established in the PRC and is the controlling shareholder of the Company.
2. According to the disclosure of interest filed on the website of The Stock Exchange of Hong Kong Limited (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 hold 32,788,500 long position shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which in turn held 14.45% interest in the H shares of the Company.
3. According to the disclosure of interest filed by UBS Group AG on the website of the Hong Kong Stock Exchange, UBS Group AG was deemed to hold 26,890,326 long position shares through its interest of a controlled corporation. UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management (Deutschland) GmbH 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 595,000, 541,300, 19,273,100, 46,000 and 6,434,926 long position shares in the Company, respectively.
4. 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.
5. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Aspex Management (HK) Limited was deemed to hold 18,193,000 long position shares in its capacity as investment manager.
6. According to the disclosure of interest filed by Morgan Stanley on the website of the Hong Kong Stock Exchange, Morgan Stanley was deemed to hold 11,768,364 long position shares and 540,087 short position shares through the interest of controlled corporations. Morgan Stanley Capital Services LLC was wholly owned by Morgan Stanley Domestic Holdings, Inc. which was wholly owned by Morgan Stanley Capital Management, LLC. Morgan Stanley Capital Management, LLC was wholly owned by Morgan Stanley. Morgan Stanley & Co. International plc was wholly owned by Morgan Stanley Investments (UK) which was wholly owned by Morgan Stanley International Limited. Morgan Stanley International Limited was wholly owned by Morgan Stanley International Holdings Inc. which was wholly owned by Morgan Stanley.
7. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as of 31 December 2020, so far as known to the Directors, supervisors and chief executive of the Company, there was no other person (other than the Directors, supervisors or chief executive of the Company) who had 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 2020, no Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

THE RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had entered into any arrangement to enable the Directors or supervisors to acquire any benefit by means of 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 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in accordance with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to 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. The Audit Committee and the external auditors engaged in in-depth discussion and fully expressed opinions 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 2020.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers ZhongTian LLP, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2020.

Our Qualified Opinion

In our opinion, except for the possible effects of the matter(s) described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries (the “**Group**”) and the Company as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“**CASs**”).

Basis for Qualified Opinion

As disclosed in notes 2(27)(b)(iii) and note 8(6)(c) to the accompanying financial statements, Haikou Meilan International Airport Co., Ltd. (the parent company of the Company, hereinafter referred to as “**Haikou Meilan**”) and the Company have obtained a syndicated loan (the “**Syndicated Loan**”). Haikou Meilan is the borrower and the Company is the co-borrower, the Company and Haikou Meilan jointly undertake the repayment obligation for each loan drawn down under the Syndicated Loan and are jointly and severally liable for repayment of the loan (“**Joint Repayment Commitment**”). Up to 31 December 2020, Haikou Meilan has accumulated drawn down RMB3.24 billion from the Syndicated Loan and triggered the default clause of the Syndicated Loan. On 13 March 2021, Hainan High People Court ruled on the acceptance of the substantial consolidated restructuring of HNA Group Co., Ltd. (hereinafter “**HNA Group**”) together with Haikou Meilan and other companies totalling 321 companies (hereinafter “**HNA Group Substantial Consolidated Restructuring**”). In view of these, management of the Company estimated the loan syndicate may require the Company to undertake the Joint Repayment Commitment to settle the loans drawn down by Haikou Meilan in full, and after the payment the Company has the right to claim reimbursement from Haikou Meilan. The Company has accordingly made a provision of “credit impairment loss – loss of Joint Repayment Commitment” of RMB189 million for 2020 and recognised “other current liabilities – Joint Repayment Commitment” of RMB189 million as of 31 December 2020.

When estimating the expected credit loss of Joint Repayment Commitment, the Company adopted certain key assumptions, including whether the loan syndicate will require the Company to repay the syndicated loan drawn down by Haikou Meilan in full, the effectiveness of the pledge of the Meilan Airport Phase II Expansion Project held by Haikou Meilan, the probability of successful completion of HNA Group Substantial Consolidated Restructuring and creditor settlement rate under various scenario. As of the date of this report, the HNA Group Substantial Consolidated Restructuring is still in progress, whether the restructuring can be completed and the result of the restructuring are uncertain, we are not able to obtain relevant supporting information in respect of the aforementioned key assumptions, including basis of estimating the loan syndicate will require which party to repay the loan, legal opinion or court judgement in respect of the effectiveness of the pledge of Meilan Airport Phase II Expansion Project held by Haikou Meilan, the detailed plan of HNA Group Substantial Consolidated Restructuring, the recent financial position of the companies included in HNA Group Substantial Consolidated Restructuring as a whole, the result of declaration of the creditor's right and other relevant information of HNA Group Substantial Consolidated Restructuring. There are no alternative audit procedures we can perform to obtain sufficient and appropriate audit evidences to determine whether any adjustment is necessary in respect of the "credit impairment loss – loss of Joint Repayment Commitment" and "other current liabilities – Joint Repayment Commitment" in the consolidated and company financial statements and the amount of the adjustment, if any, and the related disclosure of sensitivity analysis of the aforementioned uncertainties.

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("**CICPA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Material Uncertainty Related to Going Concern

We draw your attention to note 2(1) to the accompanying financial statements, which states that as of 31 December 2020, the Group recorded a net current liabilities of RMB6.24 billion, short-term borrowings and current portion of non-current liabilities of RMB380 million and RMB2.83 billion respectively, cash and cash equivalents of RMB260 million. As Haikou Meilan has triggered the default clause of the Syndicated Loan as of 31 December 2020 and Hainan High People Court has ruled on the acceptance of the substantial consolidated restructuring of HNA Group together with Haikou Meilan and other companies totalling 321 companies on 13 March 2021, which resulted in the loan syndicate has the right to and may request, at any time, the Company as the co-borrower to undertake the Joint Repayment Commitment to settle the principal and interest of the Syndicated Loan drawn down by Haikou Meilan amounting to RMB3.24 billion as of 31 December 2020, request the Company to early repay the principal and interest of the Syndicated Loan drawn down by the Company amounting to RMB1.94 billion as of 31 December 2020 and suspend offering the remaining loan facility to the Company. The Company has incurred Overdue Debt and Arbitration Case in the year ended 31 December 2020 which also constituted events of default of the Syndicated Loan. Furthermore, the Company had amounts due to related parties of RMB1.15 billion as of 31 December 2020. As these related parties have been included in the HNA Group Substantial Consolidated Restructuring, the Company may be required to settle these payables immediately. These matters, together with other matters set forth in Note 2(1) in the accompanying 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.

Other Information

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2020 annual report of the Company other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the section of "Basis for Qualified Opinion", we are unable to obtain sufficient and appropriate audit evidence in respect of the provision for the expected credit loss of the Joint Repayment Commitment of the Syndicated Loan drawn down by Haikou Meilan. Accordingly, we are unable to conclude whether or not the other information is materially misstated with 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 2020, the Board is comprised of four independent non-executive Directors. As at 31 December 2020, 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.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all the Directors and supervisors, the Company confirmed that, all the Directors and supervisors have complied with the required standard set out in the Model Code and the code of conduct of the Company regarding directors' and supervisors' securities transactions during the year ended 31 December 2020.

COMPLIANCE WITH THE CG 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 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, expired on 29 December 2019, the term of office of Mr. Deng Tianlin, an independent non-executive Director, expired on 15 October 2020, and the term of office of Ms. Liu Guiling, an employee representative supervisor, expired on 11 December 2020. As the nomination process of the Directors and supervisors of the Company had not been completed in a timely manner and the selection of successors of certain Directors and supervisors had not been completed in a timely manner, the Company failed to complete the re-election/election before the expiration of the terms of office of the above Directors and supervisors. The election of non-executive Directors and independent supervisor and the re-election of independent non-executive Directors were considered and approved at the extraordinary general meeting held on 23 December 2020, and the re-election of employee representative supervisor was completed on 15 January 2021.

Save for the deviation disclosed above, during the year ended 31 December 2020, the Company had complied with the other code provisions of the CG Code, and met with all reasonable governance and disclosure requirements. The Company will continue to improve its corporate governance and enhance its transparency to shareholders.

PUBLICATION OF 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 2020 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 20 May 2021.

BOARD OF DIRECTORS

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

Executive Directors

WANG Zhen (*Chairman*)

WANG Hong (*President*)

WANG Hexin

YU Yan

XING Zhoujin

Independent Non-executive Directors

DENG Tianlin

FUNG Ching, Simon

George F MENG

HE Linji

Non-executive Directors

TU Haidong

YUAN Yubao

By order of the Board

Hainan Meilan International Airport Company Limited*

Wang Zhen

Chairman and Executive Director

Haikou, the PRC

28 April 2021

This announcement is published in English and Chinese.

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

* *For identification purpose only*