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

INTERIM RESULTS ANNOUNCEMENT AS OF 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Total revenue was RMB1,149.28 million
(for the six months ended 30 June 2023: RMB1,065.95 million)
- Revenue from aeronautical business was RMB603.64 million
(for the six months ended 30 June 2023: RMB494.40 million)
- Revenue from non-aeronautical business was RMB545.64 million
(for the six months ended 30 June 2023: RMB571.55 million)
- Net loss attributable to shareholders was RMB248.05 million
(for the six months ended 30 June 2023: net loss attributable to shareholders of RMB50.62 million)
- Loss per share was RMB0.52
(for the six months ended 30 June 2023: loss per share of RMB0.11)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 14.4937 million
(for the six months ended 30 June 2023: 12.0480 million)
- Aircraft takeoff and landing reached 98,929 times
(for the six months ended 30 June 2023: 85,367 times)
- Cargo and mail throughput was 116,356.00 tons
(for the six months ended 30 June 2023: 93,077.90 tons)

* For identification purposes only

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hainan Meilan International Airport Company Limited* (the “**Company**” or “**Meilan Airport**”) is pleased to announce the unaudited financial position and operating results of the Company and its subsidiaries (the “**Group**”) as at 30 June 2024 and for the six months then ended which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative information for the corresponding period of 2023 as follows:

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

CONSOLIDATED INCOME STATEMENT

Item	Note	Six months ended 30 June	
		2024	2023
		RMB (Unaudited)	RMB (Unaudited)
1. Revenue	3	1,149,277,255	1,065,946,966
Less: Cost of sales		(991,106,517)	(971,815,319)
Taxes and surcharges		(32,204,877)	(33,631,129)
Selling and distribution expenses		(1,361,447)	(1,779,116)
General and administrative expenses		(47,578,558)	(41,013,515)
Financial expenses		(62,674,575)	(75,270,423)
Including: Interest expenses		(63,542,613)	(76,902,681)
Interest income		1,191,272	1,030,271
Add: Other income		2,517,669	6,314,880
Investment (loss)/income	4	(8,349,494)	613,458
Including: Investment loss on associates		(8,349,494)	–
Losses on changes in fair value		(4,217,500)	(4,857,759)
Credit impairment losses		(14,013,857)	(15,378,404)
(Losses)/Gains on disposal of assets		(72)	726,610
2. Operating loss		(9,711,973)	(70,143,751)
Add: Non-operating income		1,407,004	499,186
Less: Non-operating expenses		(273,552,940)	(2,631)

Item	Note	Six months ended 30 June	
		2024 RMB (Unaudited)	2023 RMB (Unaudited)
3. Total loss		(281,857,909)	(69,647,196)
Less: Income tax credits	5	<u>25,305,286</u>	<u>13,221,716</u>
4. Net loss		(256,552,623)	(56,425,480)
Classified by continuity of operations			
Net loss from continuing operations		(256,552,623)	(56,425,480)
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Net loss attributable to shareholders of the Company		(248,045,330)	(50,620,355)
Minority interests		(8,507,293)	(5,805,125)
5. Other comprehensive income, net of tax		—	—
6. Total comprehensive loss		<u>(256,552,623)</u>	<u>(56,425,480)</u>
Attributable to shareholders of the Company		(248,045,330)	(50,620,355)
Attributable to minority interests		(8,507,293)	(5,805,125)
7. Loss per share			
Basic loss per share (RMB Yuan)	6	(0.52)	(0.11)
Diluted loss per share (RMB Yuan)	6	<u>(0.52)</u>	<u>(0.11)</u>

CONSOLIDATED BALANCE SHEETS

		30 June 2024 RMB (Unaudited)	31 December 2023 RMB (Audited)
	<i>Note</i>		
ASSETS			
Current assets			
Cash at bank and on hand		23,879,618	203,653,693
Financial assets held for trading		16,648,071	20,865,570
Accounts receivable	8	398,791,701	415,503,852
Prepayments		8,291,549	3,375,113
Other receivables		18,791,266	48,003,363
Inventories		1,251,979	1,351,071
Other current assets		14,107,804	12,111,057
Total current assets		481,761,988	704,863,719
Non-current assets			
Long-term equity investments		–	8,349,494
Other non-current financial assets		49,041,540	49,041,540
Investment properties		1,458,435,328	1,483,620,416
Fixed assets		6,800,265,376	6,894,912,392
Right-of-use assets		828,018,311	1,096,877,998
Intangible assets		1,026,569,818	1,033,989,080
Construction in progress		895,788	–
Long-term prepaid expenses		1,906,621	2,343,742
Deferred tax assets		33,395,622	34,855,604
Other non-current assets		55,069,842	52,098,200
Total non-current assets		10,253,598,246	10,656,088,466
TOTAL ASSETS		10,735,360,234	11,360,952,185

		30 June 2024 RMB (Unaudited)	31 December 2023 RMB (Audited)
	<i>Note</i>		
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings		325,000,000	320,000,000
Accounts payable	9	233,431,749	286,825,486
Advances from customers		16,732,906	17,659,784
Contract liabilities		30,467,152	19,700,653
Employee benefits payable		97,291,334	122,945,096
Taxes payable		200,911,910	202,968,104
Other payables		1,718,793,791	1,819,984,108
Other current liabilities		4,866,850	4,097,247
Non-current liabilities due within one year		2,960,389,552	3,604,496,207
Total current liabilities		5,587,885,244	6,398,676,685
Non-current liabilities			
Lease liabilities		275,385,063	545,460,674
Long-term payables		769,587,059	21,553,901
Deferred income		39,490,556	40,892,223
Deferred tax liabilities		26,742,049	53,507,316
Other non-current liabilities		54,929,750	62,968,250
Total non-current liabilities		1,166,134,477	724,382,364
Total liabilities		6,754,019,721	7,123,059,049
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		864,890,722	864,890,722
Other comprehensive income		13,624,269	13,624,269
Surplus reserve		246,394,231	246,394,231
Retained earnings		2,427,266,397	2,675,311,727
Total equity attributable to shareholders of the Company		4,025,388,619	4,273,433,949
Minority interests		(44,048,106)	(35,540,813)
Total equity		3,981,340,513	4,237,893,136
TOTAL LIABILITIES AND EQUITY		10,735,360,234	11,360,952,185

Note:

1. GENERAL INFORMATION

The Company was established as a joint stock company with limited liability in the People's Republic of China (the “**PRC**”) on 28 December 2000. The registered address and the address of the headquarters of the Company is in 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 (“**Meilan Airport**”) and certain ancillary commercial businesses at Haikou City, Hainan Province, the PRC. The parent company of the Company is Haikou Meilan International Airport Co., Ltd. (“**Haikou Meilan**”), an enterprise established in the PRC with limited liability.

These financial statements are authorised for issue by the Board on 23 August 2024.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises—Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as the “**Accounting Standards for Business Enterprises**” or “**CASs**”). The financial statements are prepared and presented in accordance with the Accounting Standard for Business Enterprises 32 “Interim Financial Reporting”, issued by the Ministry of Finance. The accounting policies applied in the preparation of the financial statements were consistent with those applied in the preparation of the financial statements for the year ended 31 December 2023. The financial statement shall be read in conjunction with the financial statements for the year ended 31 December 2023.

The Group recorded the net loss of RMB0.26 billion for six months ended 30 June 2024. As at 30 June 2024, the Group recorded current liabilities of RMB5.59 billion, which exceeded its current assets by RMB5.11 billion. The Group's current liabilities mainly comprise the syndicated loan of RMB1.88 billion, short-term borrowings of RMB0.325 billion, lease liabilities due within one year of RMB0.60 billion, amounts due to related parties of RMB0.46 billion, compensation payable for the arbitration case(the “**Arbitration Case**”) of RMB0.273 billion and the construction fee payable of Meilan Airport Phase II Expansion Project (the “**Phase II Expansion Project**”) of RMB0.563 billion.

The Company and Haikou Meilan jointly constructed the Phase II Expansion Project, with Haikou Meilan as the borrower and the Company as the co-borrower obtaining a syndicated loan with a term of RMB7.8 billion and a term of 20 years (the “**Syndicated Loan**”), which was specifically used for the Phase II Expansion Project, and the Company and Haikou Meilan jointly undertook the repayment obligation for each loan under the Syndicated Loan Contract, and were jointly and severally liable for the repayment of the creditor’s rights (the “**Joint Repayment Commitment**”). As at 30 June 2024, the cumulative principal amount of the Syndicated Loan was RMB5.18 billion, and the repayment of principal amount was RMB0.29 billion, of which Haikou Meilan had drawn down the outstanding principal of the Syndicated Loan of RMB3.01 billion, and the Company had drawn down the outstanding principal of the Syndicated Loan of RMB1.88 billion. The Arbitration Case arising from the Company in 2020 has triggered events of default of the Syndicated Loan, resulting in the syndicate lenders having the right and possibility at any time to require the Company to undertake a joint repayment commitment and fully repay the balance of the Syndicated Loan of RMB3.01 billion that Haikou Meilan has drawn down and has not yet been repaid, and the syndicate lenders have the right to require the Company to repay the balance of the Syndicated Loan of RMB1.88 billion drawn down and outstanding at any time, and to suspend the loan amount of RMB1.96 billion remaining from the loan contract to the Company.

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

In view of the above, the Directors of the Company have carefully considered the Group’s future working capital, operating forecast and available sources of financing so as to assess whether the Group has sufficient working capital and sources of financing to ensure that it can settle its debts when they fall due and continue to operate within 12 months from 30 June 2024. The Group is trying to take certain measures to reduce the uncertainty on the future working capital, including but not limited to:

- 1) The Company and Haikou Meilan are negotiating with the syndicate lenders to obtain a waiver from the syndicate lenders for arbitration matters. The management believes that the syndicate lenders have been informed of the decision from arbitration and will not require the Company to repay the outstanding balance of the Syndicated Loan of RMB1.88 billion in advance, nor will it require the Company to repay the balance of the Syndicated Loan of Haikou Meilan of RMB3.01 billion;
- 2) In July 2024, the Company signed a loan contract of RMB600 million with Haikou Meilan, for the purpose of ensuring payment of the Arbitration Case and supplementing the Company’s daily operating funds;
- 3) The Company also continued to communicate with major banks and financial institutions to actively obtain new bank facilities. As of August 2024, the Company has obtained revolving working capital loan facility of RMB500 million from a commercial bank, of which the remaining undrawn balance is RMB175 million;

- 4) The Company has negotiated with Haikou Meilan and has obtained its consent that the Company can repay the amounts due to Haikou Meilan when the Company has sufficient working capital, including the Company's amounts due to Haikou Meilan of about RMB460 million, and the lease liabilities due within one year is RMB600 million on 30 June 2024; and
- 5) The Group will continue to apply the incremental time, promote the landing of the seventh air rights route, and build a domestic and international dual-cycle aviation network pattern; reasonably control the airport operating costs, continue to introduce of internationally renowned luxury brands to increase the unit price of duty-free business passengers to increase the company's operating capital inflow.

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

Nevertheless, there are still significant uncertainties as to whether the Group's management can implement the above plans and measures. Whether the Group will be able to continue as a going concern would depend upon the following:

- 1) Whether the Company can obtain the waiver of the syndicate lenders and not require the Company to prepay the outstanding balance of the Syndicated Loan of RMB1.88 billion or settle the balance of the outstanding Syndicated Loan of Haikou Meilan of RMB3.01 billion;
- 2) Whether the Company can enter into relevant loan agreements and disburse loans with financial institutions for the new financing facility to repay debts due and meet future funding needs;
- 3) Whether the Company can continue to obtain the consent of Haikou Meilan to repay the amount payable to Haikou Meilan, the construction payment advanced by Haikou Meilan for the Company and the rent of the leased assets in subsequent years, depending on the Company's working capital sufficiency; and
- 4) Whether the Group's airport operation will generate the expected growth stable net operating cash inflow.

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

3. REVENUES AND SEGMENT INFORMATION

	Six months ended 30 June	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Analysis of revenues (by nature)		
Aeronautical business:		
Passenger service income	283,194,307	228,912,963
Ground handling service income	207,568,620	169,863,940
Fees and related charges on aircraft take-off and landing	<u>112,872,653</u>	<u>95,627,630</u>
	<u>603,635,580</u>	<u>494,404,533</u>
Non-aeronautical business:		
Franchise income	237,414,130	325,387,703
Hotel income	63,676,571	57,670,144
Freight and packaging income	60,509,800	50,771,318
Rental income	47,442,684	34,296,684
VIP room income	35,754,792	15,112,466
Other income	<u>100,843,698</u>	<u>88,304,118</u>
	<u>545,641,675</u>	<u>571,542,433</u>
	<u><u>1,149,277,255</u></u>	<u><u>1,065,946,966</u></u>

4. INVESTMENT (LOSS)/INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
Investment loss from long-term equity investment in unlisted companies using equity method	(8,349,494)	–
Others	<u>–</u>	<u>613,458</u>
	<u><u>(8,349,494)</u></u>	<u><u>613,458</u></u>

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

5. INCOME TAX CREDITS

As the Group had no assessable profits arising in Hong Kong during the period, Hong Kong profits tax has not been provided for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2024	2023
	RMB	RMB
Current income tax calculated based on tax law and related regulations	–	220,265
Deferred income tax	<u>(25,305,286)</u>	<u>(13,441,981)</u>
	<u>(25,305,286)</u>	<u>(13,221,716)</u>

Pursuant to the Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port (Cai Shui [2020] No. 31) jointly issued by the Department of Finance of Hainan Province and the Hainan Province Tax Service of State Taxation Administration and the relevant regulations, the Group is subject to enterprise income tax at the preferential rate of 15% from 1 January 2020 to 31 December 2024. The Group’s applicable enterprise income tax rate for the period was 15% (six months ended 30 June 2023: 15%).

6. LOSS PER SHARE

Basic loss per share is calculated by dividing consolidated net loss attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the Company:

	Six months ended 30 June	
	2024	2023
Consolidated net loss attributable to ordinary shareholders of the Company (RMB)	(248,045,330)	(50,620,355)
Weighted average number of outstanding ordinary shares of the Company (Share)	<u>473,213,000</u>	<u>473,213,000</u>
Basic loss per share (RMB)	<u>(0.52)</u>	<u>(0.11)</u>

Diluted loss per share is calculated by dividing the consolidated net loss attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. As there were no dilutive potential ordinary shares during the period (for the six months ended 30 June 2023: nil), diluted loss per share equal to basic loss per share.

7. DIVIDENDS

On 23 August 2024, the Board of Directors proposed not to distribute 2024 interim cash dividend (2023 interim cash dividend: nil).

Pursuant to the resolution of the annual general meeting held on 12 June 2024, the Company did not distribute a final cash dividend for the year 2023 (final cash dividend for the year 2022: nil).

8. ACCOUNTS RECEIVABLE

	30 June 2024 RMB	31 December 2023 RMB
Accounts receivable	448,999,145	450,774,777
Less: Provision for bad debts	(50,207,444)	(35,270,925)
	<u>398,791,701</u>	<u>415,503,852</u>

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

	30 June 2024 RMB	31 December 2023 RMB
Within 90 days	290,231,385	348,316,212
91 to 180 days	63,746,219	71,733,466
181 to 365 days	75,885,513	17,380,091
Over 365 days	19,136,028	13,345,008
	<u>448,999,145</u>	<u>450,774,777</u>

9. ACCOUNTS PAYABLE

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

	30 June 2024 RMB	31 December 2023 RMB
Within 90 days	77,261,796	142,368,078
91 to 180 days	24,183,700	37,427,814
181 to 365 days	31,133,373	13,893,685
Over 365 days	100,852,880	93,135,909
	<u>233,431,749</u>	<u>286,825,486</u>

Management Discussion and Analysis

For the six months ended 30 June 2024, the Group's total revenue amounted to RMB1,149,277,255, representing an increase of 7.82% as compared to the corresponding period of 2023. Net loss attributable to shareholders amounted to RMB248,045,330 (the corresponding period of 2023: net loss attributable to shareholders of RMB50,620,355). Loss per share amounted to RMB0.52 (the corresponding period of 2023: loss per share of RMB0.11).

Operating Environment

Civil Aviation Industry of China

In the first half of 2024, China's civil aviation economy remained stable with an upward trend and continued to improve, the production of civil aviation passenger transportation recorded steady and rapid growth, and the international routes recovered to 80% of the corresponding period of 2019. As at 30 June 2024, the entire industry achieved a total transportation turnover of 70.3 billion ton kilometers, passenger transport volume of 351 million person-times and cargo and mail transport volume of 4.174 million tons, representing an increase of 32.2%, 23.5% and 27.4% of the corresponding period of last year, respectively. At present, the safety situation has generally remained stable, the whole industry has formed a consensus on safe and orderly recovery, and the transportation and production as a whole have shown a good situation of stable recovery, safe operation, and orderly competition. Steady progress was made in deepening reform in important areas, international exchanges and cooperation in civil aviation continued to deepen, and new results were achieved in the high-quality development of civil aviation.

In July 2024, the leading party group of the Civil Aviation Administration of China (the “CAAC”) held an expanded meeting, emphasising that the implementation of the task of deepening civil aviation reform should be unswervingly promoted; the theme of “serving to promote Chinese-style modernisation” should be closely adhered to; the primary task of promoting high-quality civil aviation development should be focused on; the goal of modernisation of the civil aviation industry governance system and governance capacity should be focused on, ideas and measures for further deepening the comprehensive reform of civil aviation should be clarified and continuous efforts for their implementations should be made, and the momentum and vitality of the development of the industry should be enhanced unrelentingly, so as to compose a new chapter of civil aviation for a country with strong transportation network. The construction of civil aviation safety control system should be further strengthened to ensure “two absolute safeties” (i.e. ensuring absolute safety of aviation operation and absolute safety of people’s lives); the macro-control system of civil aviation should be further improved to promote the standardised and orderly development; the production and operation guarantee system should be further improved to enhance the efficiency of synergistic operation; the construction of civil aviation science, education and innovation system should be further strengthened to enhance the capability of independent and controllable development; the low-altitude flight policy system should be further improved to vigorously promote the development of general aviation and low-altitude economy; and the civil aviation administration system should be further constructed and the efficiency of administrative services should be continuously improved.

At the end of the meeting, it was stressed that all departments and units should make every effort to ensure safety production during the peak season of transportation in summer under the complex weather conditions. It is expected that full preparation should be made for the second half of the year, we should firmly guard the bottom line of aviation safety, and ensure that the various objectives and tasks determined by the National Civil Aviation Work Conference at the beginning of the year would be smoothly carried forward and satisfactorily achieved.

The Group will adhere to the requirements of each document issued by the CAAC, focus on the working objectives such as “safe development”, “smart civil aviation” and “sincere service”, and constantly improve the service quality and operational efficiency of Meilan Airport.

Tourism in Hainan Province

During the six months ended 30 June 2024, the province received a total of 51,087,800 domestic and foreign tourists, representing a year-on-year increase of 10.9%, and the total tourism revenue was about RMB109.739 billion, representing a year-on-year increase of 19.8%.

From 15 to 20 January 2024, the “2024 China (Hainan) – ASEAN Tourism & Culture Promotion Event” co-organised by the Department of Tourism, Culture, Radio, Television and Sports of Hainan Province, ASEAN-China Center and China Tourism Newspaper Agency was held in Haikou, with the theme of “Scenic Journey to Hainan (一路風光到海南)”. During the promotion event, a number of activities such as the launching ceremony for Haikou = Ho Chi Minh Route’s first flight in 2024, the ASEAN Travel Agents on Hainan Route Inspection, the Symposium on the High-quality Recovery of China (Hainan)-ASEAN Charter Routes 2024 and the Joint publicity by the media of ASEAN countries were held to further promote the exchanges and cooperation between Hainan and ASEAN countries in tourism and culture.

On 9 February 2024, the National Immigration Administration officially implemented the policy of expanding visa-free entry reasons for personnel from 59 countries to Hainan, the visa-free entry reasons to Hainan have been expanded from tourism to business and trade, visits, family visits, medical treatment, conventions and exhibitions, sports competitions, etc. (except for work and study), and the visa-free entry to Hainan for a stay of no more than 30 days. Expanding the visa-free entry reasons for personnel from some countries to Hainan represents a new measure to further support Hainan in comprehensively deepening reform and opening up, and to serve and safeguard the construction of the Hainan Free Trade Port (“**Hainan Free Trade Port**”), which is conducive to accelerating the construction of a free trade port with Chinese characteristics. Hainan Province has deeply integrated tourism products and the expansion of visa-free entry reasons in a targeted manner, focusing on the characteristics of “tourism +”. At present, six themes and 12 route products have been formed, covering high-quality tourism resources across all cities and counties in the province. In the next step, measures will be taken to optimise continuously inbound tourism products in a targeted manner to meet the satisfaction and experience of tourists from all over the world on Hainan tourism. In addition, Hainan province will focus on expanding overseas flight routes from the following three aspects, facilitate the movement of people, attract more foreign tourists, and continuously expand the effect of the visa-free entry policy for people from 59 countries to Hainan:

- Strengthen overall planning and systematic advancement. We will further implement the relevant action plans and support measures, enhance market confidence, accelerate the release of policy effects such as the opening of air traffic rights, ensure the completion of the target of opening 62 overseas flight routes in the province throughout the year, and better serve the high-level opening up of the Hainan Free Trade Port.
- We will accelerate the upgrading of the capacity of hub airports and improve the layout of the flight route networks for airport on the Hainan island. Among them, Meilan Airport needs to open more direct flight routes to RCEP (Regional Comprehensive Economic Partnership) countries and countries along the Belt and Road, and be built into a regional aviation gateway hub facing the Pacific Ocean and the Indian Ocean (the “**Two Oceans**”).

- We will coordinate relevant departments to promote the integrated development of aviation and tourism, duty-free shopping, exhibitions and other industries. We will strengthen departmental coordination and collaboration, accelerate the opening of overseas direct flight routes that meet market demand, and provide more and better tourism products for tourists, so as to cultivate a stable source of customers, provide support for route operations, and achieve mutual promotion and win-win benefits.

From 5 to 7 March 2024, “2024 World Tourism Alliance • Hainan Membership Day (2024世界旅遊聯盟 • 海南會員日)” was hosted by the World Tourism Alliance (an international tourism organisation) and co-hosted by the Department of Tourism, Culture, Radio, Television and Sports of Hainan Province, with the theme of “2024 New Insights on Tourism, Leisure and Consumption (2024旅遊休閒和消費新洞察)” was held in Yalong Bay, Sanya. Through the platform the World Tourism Alliance, Hainan will let more international industry insiders, citizens and tourists learn more about Hainan and visit Hainan, accelerate the construction of a free trade port with Chinese characteristics bearing world influence, and promote exchanges and cooperation between Hainan and the world in culture and tourism.

In the first half of 2024, Hainan Province has adopted a series of measures to stimulate consumption vitality and promote the recovery of the tourism market. The construction of key tourism projects in Hainan Province has progressed in an orderly manner. The Hainan Center project, located at Guoxing Avenue, Haikou City, has reached a significant milestone of over 200 meters. The project is a key project in Hainan Province, with a total construction area of approximately 390,000 square meters. The Hainan Center integrates various functions such as sightseeing, super five-star hotel, premium office buildings, and boutique commerce. Upon completion, the project will completely change the skyline of Hainan and become its new landmark.

Various cultural and sports activities launched in full swing:

- The “Eternal Romance, Timeless of Dongpo – Thematic Cultural Relics Exhibition of Su Shi (千古風流 不老東坡 – 蘇軾主題文物展)” which was open to the public from 1 February 2024, attracted more than 920,000 visitors by its conclusion. It gathered 34.0814 million interaction on the whole network, making it the highest number of visitors in a single exhibition since the opening of the Hainan Province Museum in 2008, which has become a hit of cultural tourism product in Hainan in the first half of this year. The economic effect of Su Shi’s thematic cultural relics exhibition is not only limited to the exhibition hall, but also extends to the theme path of Dongpo. Statistics show that after visiting the exhibition, many “culture-seeking” tourists who specially came to visit the exhibition chose to continue to travel to Chengmai, Danzhou and other places, which further stimulated the tourism development of the Dongpo theme line. The Department of Tourism, Culture, Radio, Television and Sports of Hainan Province will further explore the culture of Dongpo in Hainan, and combine Su Shi’s culture with Hainan tourism through more new scenes and new models to inject new vitality into the development of Hainan’s culture and tourism.

- On the morning of 12 April 2024, “China – Hainan 2024 First New Energy Vehicle Public Test Around the Hainan Island Race (中國 • 海南2024首屆新能源汽車眾測環島賽)” officially kicked off. More than 20 of the most popular new energy vehicles in the current market set off in a convoy from the “Singing the Oriole and Treading the Wave Station (鶯歌踏浪驛站)” at the southernmost end of the Hainan Island Tourism Highway, and began a two-day test of endurance and intelligent driving ability, and finally arrived in Haikou. As one of the most important featured events of the 4th China International Consumer Products Expo (“CICPE”), this year’s race, with the theme of “Green Dynamic Hainan, Intelligent Driving into the Future (綠動海南，智駛未來)”, aims to further expand and deepen the concept of low-carbon economy and green travel by leveraging the promoting and aggregating effect of the CICPE as a national exposition, as well as to publicise and promote the tourism resources of Hainan around the island, attract more intelligent networking pilot cooperations, and expand relevant exchanges and cooperation.
- On 16 June 2024, the much-anticipated 2024 (25th) Hainan Island Carnival (the “**Carnival**”) was grandly opened at Haikou Century Park, marking the official start of a week-long extravaganza of fun and entertainment. This year is the first time that Hainan has held a Carnival in summer, with the theme of “Cool Hainan, Summer Vacation”, featuring the opening ceremony and 11 series of activities, the happy carnival and the closing ceremony of three sections, with over 50 fun activities in total. These activities cover culture, sports, performing arts, food and other dimensions, opening the curtain of Hainan summer tourism, vividly showcasing Hainan’s “variety of play”. At the opening ceremony of the Carnival, representatives of 100 travel agents across the country jointly issued a declaration on summer tourism assistance, stating that they would actively respond to the call of the declaration, dig deep into Hainan’s tourism resources, launch more attractive summer tourism products, and bring more colorful tourism experiences to tourists.

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

Transportation within the Hainan Island

In recent years, the transportation industry in Hainan Province has continuously promoted the leapfrog development of the industry. Transportation investment has hit a record high, serving economic growth prominently. The infrastructure network has been gradually improved, and the goal of “expressway connecting to all counties (縣縣通高速)” has been successfully completed; The “Five Ports in Four Directions (四方五港)” pattern has been more optimised, and port service guarantee capabilities have been significantly improved. The “flight economic circle of four hours and eight hours (四小時八小時飛行經濟圈)” for civil aviation has been preliminarily constructed; The transportation of the whole province has moved from “basic adaptation” to “moderate advancement,” providing a strong guarantee for accelerating the construction of Hainan Free Trade Port.

- On the highway side, on 21 February 2024, Hainan’s first Island-circling Tourism Highway sightseeing bus was opened, until 13 July 2024, realising full coverage of Hainan Island-circling Tourism Highway sightseeing bus routes. Hainan Island-circling Tourism Highway connects 12 coastal cities and counties and 9 types of 84 scenic areas with different characteristics, and 22 headlands, 68 harbors, 216 scenic spots and historical sites, 31 scenic areas, 20 resort areas. This network connects the multi-element, deep-rooted natural and cultural landscape of Hainan, offering people more room for imagination to travel to Hainan.

The G9812 Expressway Extension Project in Qionghai City has been progressing smoothly since the commencement of construction in May 2022, with more than 82% of the total progress having been completed by July 2024. The project is expected to be completed and opened to traffic by the end of this year. The total length of the main line of G9812 Expressway Extension Project is 24.624 kilometers, which is an integral part of the expressway network in Hainan Province. The starting point of the main line of the project is located on the west side of Bo’ao airport, connecting with Wanquan Interchange of G9812 Wenchang-Qionghai Expressway, and the terminus is located on the north side of Huishan Town, connecting with G9813 Wanning-Yangpu Expressway. Upon completion, the project will connect several expressways such as Wenqiong, Eastern Line, Wanyang, linking Qionghai with cities in western Hainan.

- As for the port, on 17 June 2024, all pile foundations for the new construction of the exclusive access to the “second tier port” centralized inspection area of Haikou new port area (“**Second Tier Port Project**”) were completed, marking that the Second Tier Port Project has fully entered into the sprinting stage of the construction of the bridge superstructures and substructures. The Second Tier Port Project is a key project to promote the lockdown operation of customs at the Hainan Free Trade Port. The project has a total investment of approximately RMB2.63 billion and a construction period of 18 months, with a total length of 5.27 kilometers, a design speed of 80 kilometers per hour, and a total site area of 439.61 mu. The construction includes routes, roadbeds, road surfaces, bridges, traffic engineering and facilities along the routes and environmental protection and landscape greening.

- On the airport side, Hainan Provincial Development and Reform Commission issued the “Hainan Provincial Development and Reform Commission – Pre-feasibility Study Report on Dongfang Airport – Public Tender Announcement” (《海南省發展和改革委員會 – 東方機場項目預可研報告 – 公開招標公告》) on 26 June 2024, and Dongfang Airport entered the tender stage, marking a further significant step in the construction of Dongfang Airport project. The planned site area of Dongfang Airport is 14,000 mu (about 4,500 mu for main body of the airport), with supporting facilities for airport logistics, cold chain, express delivery operation, sorting, special cargo handling and customs supervision and other facilities, comprehensively meeting the demands for cargo handling. The airport is positioned as a passenger branch line and cargo hub, aiming to build an international cargo hub facing the two oceans, an air logistics center for Hainan Free Trade Port and an integrated transportation and logistics node. The project will build a 3,400-meter runway according to the 4E-level standard, suitable for Boeing 747 all-cargo aircraft, simultaneously plan infrastructure such as terminals. It will reserve space for future runway expansion, to meet the demand for 10 million passengers and 1.2 million tons of cargo and mail throughput in 2050.

Offshore Duty-free

In order to support the construction of Hainan Free Trade Port, further enhance the shopping experience of offshore travelers, and provide consumers with more diversified and convenient options, according to the unified arrangement of the General Administration of Customs, on 27 May 2024, the electronic payment function for taxes on offshore duty-free shopping in Hainan promoted by Haikou Customs was officially launched, and 12 offshore duty-free shops in Hainan Province can now pay taxes through “single window (單一窗口)”, “Internet + Customs” and other online platforms. The electronic payment function for taxes on offshore duty-free shopping has opened up the “last mile” for duty-free shops to pay the import tax on imported goods, and the tax payment of offshore duty-free shops has become completely “paperless” and “non-face-to-face” with significantly enhanced convenience.

On 16 July 2024, China Tourism Group Duty Free Corporation Limited (listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), stock code: 1880.HK) disclosed the Announcement on the Action Plan for “Improving Quality and Efficiency and Focusing on Return” for 2024 (《關於2024年度「提質增效重回報」行動方案的公告》), in which it stated that it would spare no effort in improving the market deployment of Hainan in the future. The company will continue to pay close attention to the store policies developments in the market, make timely adjustments to the operation plan of the stores in the market, improve the synergistic strategy with its airport stores, and push forward various preparations such as the optimisation of business processes, commodity planning, investment promotion and procurement, ensuring smooth operation after the implementation of policies. The company will implement the major decisions and arrangements of the central government, execute national strategies, and promote the construction of our projects as planned, namely various land parcels of the Haikou International Duty-Free Shopping Complex, the hotel part of the Plot 2 of the Sanya International Duty-Free Shopping Complex Phase I and the Sanya International Duty-Free Shopping Complex Phase III.

For the six months ended 30 June 2024, the retail sales of offshore duty-free goods in Hainan Province amounted to approximately RMB18.457 billion, the number of duty-free shoppers was approximately 3.361 million and the number of duty-free commodities sold was approximately 19.7719 million, representing year-on-year decrease of 29.9%, 10% and 35.9%, respectively, which was mainly due to the increase in overseas travel to Southeast Asia and other countries which resulted in serious diversion of overseas shopping, and at the same time, changes in tourist consumption habits resulted in a significant decrease in offshore duty-free sales of the whole island.

Business and Revenue Review

Overview

In the first half of 2024, the complexity, severity and uncertainty of the external environment has significantly increased. The continuous deepening of domestic structural adjustments has brought new challenges. However, the effects of the macroeconomic policies continued to be released, external demand has recovered, and the accelerated development of new quality productivity has also provided new support. In general, in the first half, the national economy continued to maintain a recovery and upward trend, and made progress while maintaining stability, with overall stable performance. Against this background, the Group continued to intensify its flight route networks and improve its domestic and overseas flight route networks, with an increase in various production indicators.

In the first half of 2024, with the aim of “fast track for key cities and convenience for small and medium-sized cities”, on the basis of the Haikou = Guangzhou and Haikou = Beijing express routes, the Group has created fast track for Hainan Free Trade Port, launched new flights to small and medium-sized cities such as Changzhi and Yantai, increased the deployment of wide-body aircraft, and continuously improved the travel experience of passengers. In the first half of 2024, Meilan Airport deployed a total of 6,587 wide-body aircraft in operation, accounting for 6.7% of the total, representing an increase of 3.67% as compared to the corresponding period of last year and an increase of 6.16% as compared to the corresponding period of 2019. The Group has also accelerated the establishment of the base for airlines in Haikou, laid out international route networks, launched new connecting international flight routes and increased the number of international through-travel destinations. In the first half of this year, a total of three cargo routes of fifth freedom of the air were opened, and the Group actively advanced the opening of passenger routes of seventh freedom of the air on the basis of stable the operation of passenger routes of fifth freedom of the air.

In the first half of 2024, Meilan Airport received many domestic and international awards for its excellent passenger service experience: a total of 58 awards at industrial, provincial and ministerial levels or above, including 3 important international awards, 6 national awards, 7 awards of provincial and ministerial levels, and 42 industrial and honorable awards. Internationally, Meilan Airport won three global awards granted by SKYTRAX : “The World’s 5-Star Airports (全球五星機場)”, “Best Regional Airport in China” and “Best Airport Staff in China”. Domestically, Meilan Airport was granted a number of prestigious awards including “2023 Flight Irregularity Protection Service Improvement Excellence Award (2023年度航班不正常保障服務提升卓越獎)” by CAPSE (Civil Aviation Passenger Service Evaluation), “Outstanding Award in the Fourth Session of Civil Aviation Youth Volunteer Service Project Competition (第四屆民航青年志願服務項目大賽優秀獎)” by the National Civil Aviation Committee of the Communist Youth League Committee (全國民航團委) and the title of “Excellent Airport in Service Quality (for airports with 10 million passengers or more)” jointly by China Civil Airports Association, the China Academy of Civil Aviation Science and Technology and the China Civil Aviation Newspaper Agency. These honors indicated that the service quality and business standard of Meilan Airport has been highly recognised and endorsed by the vast number of passengers and authoritative institutions, which has improved the brand awareness and industry influence of Meilan Airport.

With respect to the construction of smart airport, Meilan Airport has actively explored two-way improvement in passenger services and smart airport construction. In the first half of 2024, three major business systems were launched: “Smart Energy Management System of Meilan Airport (美蘭機場智慧能源管理系統)”, which has established a unified energy management standard system for Meilan Airport; “Harbours Stands Management System of Meilan Airport (美蘭機場港灣機位管理系統)”, which has established an intelligent coordination and management mechanism of harbours stand resources; “Smart Service Platform of Meilan Airport (美蘭機場智慧服務平台)”, which has focused on business areas such as passenger travel, service protection and production and operation. By building online and offline service function set for passengers, Meilan Airport has provided production assurance departments with a one-stop intelligent service functions integrating “smart travel, smart service and smart operation”.

The air freight command and dispatching system of Meilan Airport was awarded the Typical Practice Case of Intelligent Logistics Development and the Excellent Case of Innovation and Practice of National Transportation and Logistics Supply Chain in 2023–2024 by the Department of Transportation of the CAAC in March and June 2024 respectively, and in April 2024, Meilan Airport was nominated for the CAPSE Innovation Award for its VIP management system project.

In the first half of 2024, Hainan Meilan Airport Hotel Investment Co., Ltd. (“**Meilan Airport Hotel**”) received a total of 11 awards from six co-operation platforms, namely, Trip.com Group, Agoda, Fliggy, Meituan Hotel (美團酒店), Zhiketong Technology (直客通), LY.COM, and was granted 5 awards from government associations including “Top 10 Brand Units in Hotel Industry (酒店行業十強品牌單位)” by Hainan Provincial Commerce Chamber (海南省商業總會), “Top 100 Quality Hotels in Hainan (海南100家品質酒店)” by the Hainan Provincial Tourism, Culture, Radio, Television and Sports Department (海南省旅遊和文化廣電體育廳), “Top 10 Tourist Hotels in Hainan Province in 2023 (2023海南省旅遊飯店行業TOP10)”, “2023 Most Popular Check-in Hotels in Hainan Tourist Hotel Industry (2023海南省旅遊飯店行業最具人氣打卡酒店)” and “2023 Best Word-of-Mouth Tourist Hotels in Haikou (2023年度海口旅遊酒店行業最佳口碑酒店)” by Hainan Tourist Hotel Association (海南省旅遊飯店業協會) and Haikou Hotel Association (海口酒店協會). Meilan Airport Hotel has been promoting social awareness and increasing its exposure through channels such as radio and internet topics. Meilan Airport Hotel served approximately 224,300 guests during the six months ended 30 June 2024, with a room occupancy rate of 86.41%, representing an increase of 0.82% over the corresponding period of last year. In order to increase the business volume, Meilan Airport Hotel actively optimised the source market of various channels, and established long-term cooperation with more than 20 domestic and foreign airlines to guarantee the accommodation and dining arrangements for the airline crews. At the same time, Meilan Airport Hotel continued to develop cooperation with government and civil aviation colleges and universities for conference and training rooms, and to develop business such as reception for international and domestic tour groups in transit.

Overview of Aviation Business

In the first half of 2024, Meilan Airport intensified the route network layout and continued to improve the network of domestic and overseas routes, with a significant increase in passenger throughput as compared to the corresponding period of 2023. The Company actively communicated with airlines to increase wide-body transportation capacity at popular destinations to meet passenger travelling needs. In addition, the Company paid close attention to market trends, seized favorable opportunities such as the small batches of seasonal travelers, large-scale local convention and exhibition activities, and new international shipping routes, publicized the Haikou market on a number of mainstream media, and transmitted favorable market information. Meanwhile, the Company cooperated with major airlines and Online Travel Agency (OTA) platforms to carry out promotional activities to attract traffic for the airline market and increase market development efforts.

In the first half of 2024, Meilan Airport operated a total of 241 routes, including 202 domestic routes, 34 international and regional routes and 5 international freight routes, and 139 destinations, including 113 domestic destinations, 21 international and regional destinations and 5 international freight destinations, representing an increase of 38 new routes as compared to the whole year of last year, including 27 domestic routes, 6 international and regional routes and 5 international freight routes and an increase of 12 new destinations as compared to the whole year of last year, including 4 domestic destinations, 6 international and regional destinations and 2 international freight destinations. A total of 51 airlines operated at Meilan Airport, including 35 domestic airlines, 13 international and regional airlines and 3 international freight airlines.

In the first half of 2024, there were 6 new international and regional passenger routes as compared to the whole year of last year, with the international and regional passenger routes recovery rate 70.8% as compared to the whole year of 2019.

On 5 March 2024, Air Incheon of South Korea opened “Incheon = Haikou = Singapore” cargo route on the fifth freedom of the air. On 8 May 2024 and 8 June 2024, British European Freight Airways (英國歐洲貨運航空) opened “Haikou-Vienna-Bournemouth” and “Haikou-Paris-Bournemouth” two cargo routes on the fifth freedom of the air respectively. The opening of cargo routes will build a bridge in the air for exchanges and communications in the relevant regions, fully promoting the high-quality development of Hainan Free Trade Port.

Details of the aviation traffic throughput for the six months ended 30 June 2024 and the comparative figures in the corresponding period of last year are set out below:

	For the six months ended		
	30 June		
	2024	2023	Change
Aircraft takeoff and landing (flights)	98,929	85,367	15.89%
in which: domestic	93,251	83,910	11.13%
international and regional	5,678	1,457	289.70%
Passenger throughput			
(headcount in ten thousand)	1,449.37	1,204.80	20.30%
in which: domestic	1,390.89	1,191.02	16.78%
international and regional	58.48	13.78	324.38%
Cargo and mail throughput (tons)	116,356.00	93,077.90	25.01%
in which: domestic	106,891.20	89,728.20	19.13%
international and regional	9,464.80	3,349.70	182.56%

The Group's revenue from aviation business for the six months ended 30 June 2024 was RMB603,635,580, representing an increase of 22.09% as compared to the corresponding period of 2023. Details are as follows:

	For the six months ended 30 June 2024 (RMB)	Changes over the corresponding period of 2023
Passenger service charges	283,194,307	23.71%
Ground handling service income	207,568,620	22.20%
Fees and related charges on aircraft takeoff and landing	<u>112,872,653</u>	<u>18.03%</u>
Total revenue from aviation business	<u>603,635,580</u>	<u>22.09%</u>

Overview of Non-aviation Business

For the six months ended 30 June 2024, as a result of the decrease in the sales of cdf Haikou Meilan Airport duty-free shops (“**Meilan Airport duty-free shops**”) and the decrease in the income of advertising franchise, while partly offset by an increase in VIP room and rental income, the Group achieved a revenue from its non-aviation business of RMB545,641,675, representing a decrease of 4.53% as compared to the corresponding period of 2023.

	For the six months ended 30 June 2024 (RMB)	Changes over the corresponding period of 2023
Franchise income	237,414,130	-27.04%
Hotel income	63,676,571	10.42%
Freight and packaging income	60,509,800	19.18%
Rental income	47,442,684	38.33%
VIP room income	35,754,792	136.59%
Other income	<u>100,843,698</u>	<u>14.20%</u>
Total revenue from non-aviation business	<u>545,641,675</u>	<u>-4.53%</u>

Franchise Income

In the first half of 2024, the franchise income of the Group aggregated to RMB237,414,130, representing a year-on-year decrease of 27.04%, which was mainly attributable to the decrease in the sales of Meilan Airport duty-free shops and the decrease in the income of advertising franchise, thereby leading to a year-on-year decrease in franchise income of the Group.

Hotel Income

In the first half of 2024, the hotel income of the Group aggregated to RMB63,676,571, representing a year-on-year increase of 10.42%, which was mainly due to the increase in the occupancy rate of Meilan Airport Hotel as a result of the increase in the passenger throughput of Meilan Airport.

Freight and Packaging Income

In the first half of 2024, the freight and packaging income of the Group aggregated to RMB60,509,800, representing a year-on-year increase of 19.18%, which was mainly due to the year-on-year increase in the cargo and mail throughput at Meilan Airport in the first half of the year as a result of the expansion of the air freight market at Meilan Airport, the launching of promotion activities and the expansion of cross-border e-commerce business, resulting in an increase in freight and packaging income.

Rental Income

In the first half of 2024, the rental income of the Group aggregated to RMB47,442,684, representing a year-on-year increase of 38.33%, which was mainly due to the natural increase in the rental standard in accordance with the agreement and the higher amortisation of rent reductions during the epidemic in the corresponding period of last year as compared to this period, resulting in a year-on-year increase in the Group's rental income.

VIP Room Income

In the first half of 2024, the VIP room income of the Group aggregated to RMB35,754,792, representing a year-on-year increase of 136.59%, which was mainly attributable to the increase in passenger throughput at Meilan Airport and the year-on-year increase in VIP room income of the Group as a result of the addition of the Company's franchised business of VIP cards for business travel since August 2023.

Financial Review

Asset Analysis

As at 30 June 2024, the total assets of the Group amounted to RMB10,735,360,234, representing a decrease of 5.51% as compared to that as at 31 December 2023, among which, current assets amounted to RMB481,761,988, representing approximately 4.49% of the total assets; and non-current assets amounted to RMB10,253,598,246, representing approximately 95.51% of the total assets.

Cost and Expense Analysis

For the six months ended 30 June 2024, the Group's operating costs amounted to RMB991,106,517, the sales expenses amounted to RMB1,361,447, and the administrative expenses amounted to RMB47,578,558, the operating costs, sales expenses and administrative expenses amounted to a total of RMB1,040,046,522, which represented an increase of 2.51% as compared to that of the corresponding period of 2023. The reasons for the changes in costs and expenses are as follows:

- (1) the employee salaries and benefit expenses, and outsourcing and sub-contracted labour costs increased by RMB44,475,014 as compared with that of the corresponding period of 2023, which was mainly due to the increasing flight scheduling capacity and business volume recovery, which led to an increase in labor demand and consequently, an increase in the number of employees. At the same time, the increase in employee remuneration and benefits has led to an increase in labor costs;
- (2) the depreciation expenses fixed assets decreased by RMB7,097,105 as compared to the corresponding period of 2023, which was mainly due to the decrease in depreciation expense due to the adjustment of the completion and settlement of assets related to the Meilan Airport Phase II Expansion Project (“**Phase II Expansion Project**”) and the decrease in the original value of fixed asset; and
- (3) the decrease in repair fee by RMB15,166,539 as compared to the corresponding period of 2023, which was mainly due to the decrease in the demand for maintenance and alterations during the period.

For the six months ended 30 June 2024, the finance expenses of the Group amounted to RMB62,674,575, representing a decrease of RMB12,595,848 as compared to that of corresponding period of 2023, which was mainly due to the decrease in finance expenses as the result of the decrease of interest expenses on lease liabilities.

Gearing Ratio

As at 30 June 2024, the Group had total current assets of RMB481,761,988, total assets of RMB10,735,360,234, total current liabilities of RMB5,587,885,244, total liabilities of RMB6,754,019,721. As at 30 June 2024, the Group's gearing ratio (total liabilities/total assets) was 62.91%, an increase of 0.21% as compared to that as at 31 December 2023.

Pledge of Assets

As mentioned in the Company's announcement dated 1 February 2018, the Company and Haikou Meilan International Airport Co., Ltd. (the "**Parent Company**"), as co-borrowers, pledged the land and buildings owned by the Company and the Parent Company as security to secure the syndicated loan (the "**Syndicated Loan**") of RMB7.8 billion from China Development Bank Corporation Limited, Hainan Branch of Industrial and Commercial Bank of China Limited and Hainan Branch of Agricultural Bank of China Limited, as co-lenders, for a period of 20 years, which shall be solely used for the construction of the airport project of the Phase II Expansion Project.

Capital Structure

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

As at 30 June 2024, the interest bearing debts of the Group mainly included bank loans and finance lease (the "**Total Borrowings**"), amounting to approximately RMB3,006,811,284 in aggregate, and the cash and cash equivalents were approximately RMB23,879,618. The gearing ratio (net liabilities/total capital) of the Group was 42.83% as at 30 June 2024 (31 December 2023: 32.31%), an increase of 10.52% as compared to that of 31 December 2023, mainly due to the increase in liabilities as a result of new finance lease in the period.

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 30 June 2024, the Syndicated Loan contract was denominated in Renminbi with a fixed rate, of which the amount is RMB1,880,416,500.

The Group aimed to keep the balance between the continuity and flexibility of funds through utilizing its Total Borrowings. As at 30 June 2024, 75.05% of Total Borrowings of the Group would become due within one year. As at 30 June 2024, the bank loans of the Group were denominated in Renminbi, the cash and cash equivalents were mainly held in Renminbi.

Cash Flow

For the six months ended 30 June 2024, the Group's net cash inflow from operating activities was RMB233,493,864, representing a year-on-year decrease of 2.11%, which was mainly due to an increase in operating payments.

For the six months ended 30 June 2024, the Group's net cash outflow for investment activities was RMB477,386,684, representing a year-on-year increase of 170.76%, which was mainly due to a year-on-year increase in the payment for the construction of the Phase II Expansion Project during the period.

For the six months ended 30 June 2024, the Group's net cash inflow for financing activities was RMB64,118,745, representing a year-on-year decrease of 42.08%, which was mainly attributable to the rent paid during the period that was not paid last year.

Significant Investments Held and Their Performances

As at 30 June 2024, the Group had no material investment enterprises.

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

For the six months ended 30 June 2024, the Company did not carry out any other material acquisitions or disposals of subsidiaries, associated companies or joint ventures.

Employees and Remuneration Policy

As at 30 June 2024, the Group had a total of 4,079 employees, representing a decrease of 27 employees as compared to that at the end of 2023. Employees of the Group are remunerated based on their performances, seniority and prevailing industry practices. The Group reviews its remuneration policy on a regular basis. Bonuses and commissions may be awarded to the employees as incentives based on the assessment of their performance.

Retirement Pension

The Group shall participate in the retirement scheme operated by the relevant local governmental institutions. The PRC government shall be responsible for the pension of the retired employees. The Group has to make a contribution at a certain percentage of the salary of the employees with permanent residence in the PRC (according to the retirement pension policies in Hainan Province, the contribution ratio for the six months ended 30 June 2024 was 16%). Once the Group contributes to the retirement scheme, the employer's contribution is fully owned by the employees. For the six months ended 30 June 2024, the pension contribution of the Group was approximately RMB48,498,323 (for the corresponding period of last year, the pension contribution of the Group for the six months ended 30 June 2023 was approximately RMB31,186,668).

Entrusted Deposits and Overdue Time Deposits

As at 30 June 2024, the Group did not have any entrusted deposits or overdue time deposits.

Contingent Liabilities

Save for the arrangements under the Syndicated Loan, as at 30 June 2024, the Group had no other significant contingent liability.

Exposure to Foreign Exchange Risks

The businesses of the Group are principally conducted in Renminbi, except certain revenue from the aviation business, purchase of equipment, consultation service fees and the costs of the arbitration mentioned in the section headed "Material Litigation or Arbitration" in this announcement which are denominated in US dollars, HK dollars or Singapore dollar. The Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks.

Interest Rate Risk

The Group's interest rate risk mainly arises from interest bearing borrowings including short-term borrowings, the Syndicated Loan and long-term payables. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk.

EVENT AFTER THE REPORTING PERIOD

Save for the arbitration mentioned in the section headed “Material Litigation or Arbitration” in this announcement, there were no important events affecting the Group that have occurred since 30 June 2024.

NO OTHER MATERIAL CHANGE

Other than those disclosed in this announcement, there has been no other material change in relation to the information disclosed in the 2023 annual report in accordance with Rule 32 set out in Appendix D2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Hong Kong Stock Exchange.

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

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

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

- (1) 189,987,125 new domestic shares as consideration for the transfer of the assets in relation to the Phase I runway of Meilan Airport 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, at the subscription price of RMB8.00 per new domestic share.

Pursuant to the past new H shares issue, the Company may proceed to place not more than 200,000,000 new H shares to qualified institutions, corporation and individuals and other investors.

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

References are made to the announcement of the Company dated 24 July 2020 and the circular of the Company dated 20 August 2020 in relation to, among other things, the Parent Company subscription and the new H shares issue. On 24 July 2020, the Company and the Parent Company entered into the Parent Company domestic shares subscription agreement (the “**2020 Parent Company Domestic Shares Subscription Agreement**”), pursuant to which, the Parent Company agreed to subscribe for the subscription shares, being not more than 140,741,000 new domestic shares as consideration for the transfer of the assets in relation to the Phase I runway of Meilan Airport by the Parent Company to the Company (the “**Parent Company Subscription**”). There is no other material change on the terms of the 2020 Parent Company Domestic Shares Subscription Agreement as compared to those in the past Parent Company domestic shares subscription agreements, except for the adjustments to the subscription price, number and method for the subscription shares. Meanwhile, the Board proposed the new H shares issue (i.e. issue of not more than 155,000,000 new H shares) (the “**New H Shares Issue**”). In relation to the Parent Company Subscription and the New H Shares Issue, the Company held the extraordinary general meeting, the H shareholders class meeting and the domestic shareholders class meeting on 18 September 2020, where the relevant resolutions were considered and approved.

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

References are made to the announcement of the Company dated 8 August 2022 and the circular of the Company dated 30 September 2022 in relation to, among other things, the Parent Company Subscription and the New H Shares Issue. The Company held the extraordinary general meeting, the H shareholders class meeting and the domestic shareholders class meeting on 8 November 2022, where the relevant resolutions were considered and approved to extend the validity period of shareholders’ resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue for a further period of twelve months, commencing from 18 September 2022 and ending on 17 September 2023.

References are made to the announcement of the Company dated 17 September 2023 and the circular dated 16 November 2023 in relation to, among others, the Parent Company Subscription and the New H Shares Issue. The Company held the extraordinary general meeting, the H shareholders class meeting and the domestic shareholders class meeting on 20 December 2023, where the relevant resolutions were considered and approved to extend the validity period of shareholders' resolutions and authorization granted to the Board in relation to the Parent Company Subscription and the New H Shares Issue for a further period of twelve months, commencing from 18 September 2023 and ending on 17 September 2024.

The completion of the Parent Company Subscription and the New H Shares Issue shall be subject to certain conditions precedent, respectively. For details, please refer to the circulars of the Company dated 20 August 2020, 21 September 2021, 30 September 2022 and 16 November 2023. As at the date of this announcement, none of such conditions precedent was satisfied or waived. The Company will notify the shareholders and potential investors of the Company with the information on the progress of the Parent Company Subscription and the New H Shares Issue in the future (if necessary).

RISK MANAGEMENT AND INTERNAL CONTROLS

In the first half of 2024, the Group has actively conducted scientific analysis and teased out the operational deficiencies or potential risks identified during the course of work, in order to systematically organise, mitigate and monitor potential risks and to build a governance environment with risks under control and compliant operations.

In the second half of 2024, the Group will continue to carry out the “Promotion Work over the Risk Management and Internal Control System”, further optimise the framework and refine the schemes, and carry out this task as the routine work of the Group. The Group will pay attention to, keep track of and effectively resolve problems to lay a solid foundation for a healthy, rapid and sustainable development of the Group in the future.

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2024	Effectiveness of risk-counter measures
1	Strategic risk – risk of changes in business environment and market demand	The airport's revenue is affected by changes in economic environment and market demand. If the economic growth slows down or an economic crisis occurs, or the demands and preferences of passengers change, it may lead to a decline in the Company's revenue and adversely affect the airport's operating performance.	<p>(i) Seize policy opportunities</p> <p>The Company seized the policy opportunities of the lockdown operations through Hainan Island, promoted the opening of international passenger and cargo routes, and opened channels for domestic city layovers in Haikou on routes to overseas cities, as well as from Haikou via domestic cities to overseas cities, further built an air interconnection transit sector.</p> <p>(ii) Actively expand domestic flight and routes</p> <p>Meilan Airport will introduce airlines to increase overnight capacity and continuously strive for schedule resources. The Company will collaborate with airlines to plan new market growth points, create conditions for airline flight arrangement and schedule utilisation, and coordinate the delivery of airline capacity.</p> <p>(iii) Improve business services and build the “offshore duty-free” brand</p> <p>The Company continued to improve the service quality of the settled merchants, and cooperated with major airlines, duty-free and OTA platforms to promote duty-free sales in duty-free shops at Meilan Airport, and build the airport “offshore duty-free” brand by offering passengers discounts, exchange purchases, cashbacks and gifts and other special offers, and promote the business income increase and achieve win-win cooperation.</p>	<p>(i) Build international transit routes to help the formation of the transit sector for domestic cities – Haikou – international cities.</p> <p>In the first half of 2024, Meilan Airport has operated 34 international and regional passenger routes.</p> <p>(ii) Intensify the layout of route network, and constantly improve the domestic and overseas route network.</p> <p>In the first half of 2024, Meilan Airport operated a total of 241 routes, including 202 domestic routes, 34 international and regional routes and 5 international freight routes; it also operated a total of 139 destinations, including 113 domestic destinations, 21 international and regional destinations and 5 international freight destinations.</p> <p>(iii) In order to promote duty-free sales in duty-free shops at Meilan Airport, and increase the market share of duty -free business, in the first half of 2024, the duty-free shops at Meilan Airport carried out various marketing and publicity activities in combination with large concerts, Spring Festival peak, Spring Festival Golden Week and other festivals.</p>

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2024	Effectiveness of risk-counter measures
2	Strategic risk - risk of investment decision	During the investment process, due to the lack of scientific decision-making or insufficient consideration of contract risks, the Company could have an investment return seriously deviating from the expected return, or even incur losses.	<p>(i) Built a risk control mechanism for the whole investment cycle. Focused on investment decision, mid-investment and post-investment stages, the Company established a comprehensive risk control system with the collaborative participation of all departments, clarified the departments responsible for each link, and enhanced the major risk prevention and response capability. The Company embedded risk management and control into the whole investment process, formed an integrated investment risk control supervision mode before, during and after the project investment.</p> <p>(ii) Early involvement of “pre-investment” risk control measures. The Company required risk control department, planning and finance department and other professionals to participate in the project decision-making process for early detection and early defense. In addition, the Company cooperated with business departments to carry out in-depth legal, financial and industry due diligence, collect sufficient information, identify investment project risks, and design risk control schemes in combination with project exit feasibility, risk controllability and growth. Before the project initiation, the Company participated in the preliminary review, put forward suggestions for optimizing the transaction structure, and conducted the project initiation risk review. After the project initiation, the Company conducted on-site visits and due diligence with business departments as appropriate, took the lead in risk assessment and legal due diligence, and issues independent risk assessment reports and legal due diligence reports.</p>	<p>The Company has issued a series of investment management policies such as “Investment Management Measures (trial)” (《投資管理辦法(試行)》), “Annual Investment Planning Management Measures (trial)” (《年度投資計劃管理辦法(試行)》), “Investment Rules of Procedure (trial) of Investment Review Committee” (《投資審核委員會投資議事規則(試行)》), which clarify the functions of each centralised management department. Conduct business guidance for each department on pre-investment, mid-investment and post-investment stages.</p> <p>In the first half of 2024, the pre-investment phase of fixed asset investment was fully approved by investment operation, procurement, finance and other positions, to control the investment risks. In terms of equity investment projects, the legal, financial and other professional and skilled personnels participate in the analysis and argument during the pre-investment process, identify investment risks beforehand, design the transaction structure reasonably.</p>

No.	Names of risks	Description of the key risk	Counter measures taken in the first half of 2024	Effectiveness of risk-counter measures
3	Strategic risk - risk of management in investment implementation process	Failure to effectively track and supervise the investment project implementation process, or timely analyze the investment benefits and deal with the less-than-expected investment return, which may lead to out-of-control investment project management and affect the Company's overall investment project goals.	<p>(i) Built a risk control mechanism for the whole investment cycle. Focused on pre-investment, mid-investment and post-investment stages, the Company established a strong risk control system with the collaborative participation of all departments, clarified the departments responsible for each link, and enhanced the major risk prevention and response capability. The Company embedded risk management and control into the whole investment process, formed an integrated investment risk control supervision mode before, during and after the project investment.</p> <p>(ii) Implemented safeguard measures during the project investment. The Company gave full consideration to the relevant risk points revealed in the early investment stage, and negotiated relevant safeguarding clauses in the terms of investment agreements to avoid losses caused by relevant risks as much as possible. The Company drafted, reviewed and modified the full legal texts of key investment projects, converted investment plans into legal texts, and implemented risk control measures in contract terms to reasonably protect our rights and interests. The Company was provided with safeguarding terms such as credit enhancement, guarantee and commitment, and implementation of risk control measures in the contract.</p> <p>Meanwhile, the responsible investment management department followed up whether the other party to the contract and the investment subject fulfill their obligations in time according to the relevant provisions of the investment contract/agreement, grasped the investment project progress in combination with changes in the external environment such as policies, industries and markets, and organized risk control department, planning and finance department and other relevant departments of the Company to evaluate and deal with the difficulties or risks during the investment project promotion as needed.</p>	Fully establish a comprehensive risk system coordinated by investment and operation department, and jointly participated by risk control department, planning finance department and business department. In the key investment projects, establish a professional project team to draft, review and modify the full set of legal documents, convert the investment proposals into legal documents, implement the risk control measures into the contract terms, and reasonably protect the rights and interests of the Company. At the same time, promptly follow up on the implementation of agreements and carry out post-investment management in combination with the policies and industry changes to ensure effective monitoring.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the first half of 2024, China has focused on promoting high-quality development, intensified macro-control efforts, accelerated the development of innovative and quality productive forces, and maintained stable economic performance as a whole and constantly upgraded its structure. Nevertheless, the factors affecting the economic growth currently are more complex than before, and the difficulties and challenges in economy development are desperately needed to be solved. Policy effects continue to emerge and market positives are increasing in despite of the complex and external environment and the difficulties and challenges which the domestic economy faced. The fundamentals of the economy recovery and long-term improvement have not changed. Based on the analysis of production demand, policy support and other factors, the economy is expected to continue the recovery and upward improvement.

In the second half of 2024, Hainan Province will actively carry out tourism marketing, boost summer tourism, cultivate new tourism consumption scenarios, promote the offshore duty-free shopping market to release new consumption vitality, implement policies for the trade-in of consumer goods, and improve the quality and efficiency of tourism consumption; strengthen the work of foreign investment and investment promotion, and promote the transformation and implementation of investment promotion projects; further optimise the business environment, put more efforts in the entrepreneurial environment and industrial ecological construction based on the actual needs of enterprises; Hainan Province will improve the development level of the service sector and give full play to its role as the main engine of economic growth.

In 2024, with the gradual recovery of the major part of the civil aviation market, production and operational order return to normal, the industry development momentum further accumulates, and factors and conditions that support high-quality development continue to increase, China's civil aviation enters into a new circle with sustained, rapid and healthy development.

In the second half of 2024, the Group will focus on on-site core risk management and control, and dynamically adjust the focus and pace for safety management work based on the characteristics of gradual operation to ensure safe, stable and orderly operation of the airport; promote the three-year service quality improvement, formulate Meilan Airport service brand strategy, rejuvenate and upgrade service brands, establish Meilan Airport service brand management supporting mechanism, formulate the marketing communication and overall planning of Meilan Airport service brand and supporting products, and further enrich the connotation of service brands; continue to develop the aviation market, apply the incentives of off-season subsidy policies, and coordinate with airlines to increase flight service frequency in off-season; we will continue to follow up with the flight scheduling capacity of the CAAC, and subsequently, promote the remaining flight scheduling capacity according to the flight scheduling allocation plan of the CAAC.

INTERIM DIVIDENDS

The Board expected that, in the second half of 2024, the Company has a large capital demand, mainly due to that the Phase II Expansion Project has been officially put into operation in December 2021, and the out-of-pocket costs have increased significantly; and although the Phase II Expansion Project has been put into operation, the relevant construction has not been fully completed and settled, and a large amount of capital will still be required in 2024 for the payment of the construction. In view of the actual needs of capital for the Company's future development, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2024.

MATERIAL LITIGATION OR ARBITRATION

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

References are made to the announcement of the Company dated 15 June 2023 and 5 July 2024, the Company had received an arbitration award in respect of the second phase of the Arbitration Case (being the final award for such), where the majority opinion of the arbitral tribunal is that the Arbitration Claimant suffered from certain loss of opportunity, and held that the Company should pay damages and relevant arbitration fees of approximately HK\$298.8 million in aggregate, and the interest from the hand-down date of the arbitration award of the second phase of the Arbitration to the date of full payment of the arbitrated amount (calculated by simple interest at 8.875% per annum).

Save as disclosed above, the Group had no other material litigation or arbitration for the six months ended 30 June 2024.

OTHER INFORMATION

Changes in Information of Directors, Supervisors and Chief Executives

Mr. Wang Zhen, a non-executive Director of the Company, has reached the retirement age and ceased to be the non-executive Director of the Company, a member of the nomination committee and a member of the strategic committee of the Board since 12 June 2024. Mr. Wen Zhe has taken over the role of non-executive Director of the Company with effect from 12 June 2024 for a term until the date of expiry of the eighth session of the Board.

Mr. Wang Hong, an executive Director, has been a member of the nomination committee and a member of the strategic committee of the Board since 8 July 2024.

Save as disclosed above, during the six months ended 30 June 2024 and as at the date of this announcement, there was no change in the Directors, supervisors and chief executives of the Company, and the Company is also not aware of any other change in information relating to the Directors and chief executives of the Company that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Remuneration of Directors and Supervisors

The Company held the 2012 annual general meeting on 27 May 2013, where the “Resolution in Relation to the Remuneration Packages for the Directors and Supervisors of the Company in 2013” was considered and approved. It provided that the Directors and supervisors nominated by connected party shareholders would not enjoy allowance for their positions from the year of 2013, but may receive appropriate wages depending on their specific duties in the Company. Other Directors and supervisors will receive their remuneration according to the remuneration packages approved by the general meeting.

Remuneration of Joint Company Secretary

Mr. Xing Zhoujin and Mr. Chen Yingjie, being the joint company secretary of the Company nominated by the connected party shareholder, does not enjoy any allowance for his position, but will receive appropriate wages depending on his specific duties in the Company.

SHARE CAPITAL STRUCTURE

As at 30 June 2024, the total number of issued share capital of the Company was 473,213,000, of which:

	Numbers of shares	Approximate 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>

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES

As at 30 June 2024, so far as is known to the Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong).

Domestic Shares

Name of shareholders	Capacity	Number of ordinary shares	Percentage to domestic shares issued	Percentage to total issued share capital
Haikou Meilan International Airport Company Limited* (Note 1)	Beneficial owner	237,500,000 (L)	96.43%	50.19%
Hainan Airport Industrial Investment Co., Ltd.* (Note 1)	Interest of controlled corporations	237,500,000 (L)	96.43%	50.19%
Hainan Development Holdings Co., Ltd.* (Note 1)	Interest of controlled corporations	237,500,000 (L)	96.43%	50.19%

H Shares

Name of shareholders	Type of interests	Number of ordinary shares	Percentage to H shares issued	Percentage to total issued share capital
UBS Group AG (Note 2)	Interest of controlled corporations	21,979,326 (L)	9.69%	4.64%
M&G Plc (Note 3)	Interest of controlled corporations	16,970,000 (L)	7.47%	3.59%
Feng Global Fund SPC – Feng Global SP	Investment manager	13,668,000 (L)	6.02%	2.89%
The Bank of New York Mellon Corporation (Note 4)	Interest of controlled corporations	11,892,195 (L) 114,000 (P)	5.24% 0.05%	2.51% 0.02%

Note

1. Haikou Meilan International Airport Company Limited is established in the PRC and is the controlling shareholder of the Company. According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, Hainan Development Holdings Co., Ltd.* (海南省發展控股有限公司) held 100% interest in Hainan Airport Group Co., Ltd* (海南機場集團有限公司), Hainan Airport Group Co., Ltd held 56.00% interest in Hainan Airport Industrial Investment Co., Ltd.* (海南機場實業投資有限公司), and Hainan Airport Industrial Investment Co., Ltd. held 46.71% interest in the Parent Company. Therefore, both Hainan Development Holdings Co., Ltd. and Hainan Airport Industrial Investment Co., Ltd. were deemed to be interested in 237,500,000 domestic shares of the Company in long position held by the Parent Company.
2. According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, UBS Group AG held 100% interests in each of (i) UBS Asset Management (Americas) LLC; (ii) UBS Asset Management (Hong Kong) Ltd; (iii) UBS Asset Management (Singapore) Ltd; (iv) UBS Fund Management (Luxembourg) S.A.; (v) UBS Fund Management (Switzerland) AG; (vi) UBS AG; (vii) UBS Switzerland AG; and (viii) Credit Suisse AG. Therefore, UBS Group AG was deemed to be interested in 23,000, 1,297,000, 379,300, 17,372,789, 122,000, 1,056,925, 1,728,311 and 1 H shares of the Company in long position held by the aforesaid companies, respectively.
3. According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, M&G Plc held 100% interest in M&G Group Regulated Entity Holding Company Limited, which held 100% interest in M&G Group Limited. M&G Group Regulated Entity Holding Company Limited also held 100% interest in The Prudential Assurance Company Limited. M&G Group Limited held 100% interest in M&G FA Limited, which held 100% interest in M&G Investment Management Limited, M&G Securities Limited and M&G Luxembourg S.A.. Therefore, M&G Plc was deemed to be interested in 16,970,000, 14,935,000 and 2,035,000 H Shares in long positions held by M&G Investment Management Limited, M&G Securities Limited and M&G Luxembourg S.A., respectively.
4. According to the disclosure of interests filed on the website of the Hong Kong Stock Exchange, The Bank of New York Mellon Corporation held 100% interest in The Bank of New York Mellon. The Bank of New York Mellon held 100% interest in BNY International Financing Corporation, which held 100% interest in BNY Mellon Corporate Trustee Services Limited. Therefore, The Bank of New York Mellon Corporation was deemed to be interested in 5,084,808 and 6,807,387 H Shares in long positions held by The Bank of New York Mellon and BNY Mellon Corporate Trustee Services Limited, respectively.
5. (L) and (P) represent long position and shares available for lending, respectively.

Save as disclosed above, as at 30 June 2024, so far as known to the Directors, supervisors and chief executive of the Company, there was no other person (other than the Directors, supervisors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES

As at 30 June 2024, 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 C3 to the Listing Rules.

THE RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had entered into any arrangement to enable the Directors or supervisors to acquire any benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or supervisors or their respective spouses or children under the age of 18 has been granted any rights to subscribe for shares in, or debentures of, the Company or any other body corporate or have exercised any of such rights.

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

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee has, together with the management of the Company, reviewed the interim results and the unaudited condensed consolidated interim financial information (including the accounting standards and practices adopted by the Group) of the Group for the six months ended 30 June 2024.

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

As at 30 June 2024, there were four independent non-executive Directors in the Board. As at 30 June 2024, the Audit Committee comprised three independent non-executive Directors, including one personnel with appropriate professional qualifications of accounting and the membership of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry to all Directors and supervisors, the Company confirmed that, all Directors and supervisors have complied with the Model Code and the code of conduct of the Company regarding Directors' and supervisors' securities transactions for the six months ended 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has been in compliance with all the rules prescribed by the China Securities Regulatory Commission and the Hong Kong Stock Exchange, as well as requirements of other regulatory bodies. The Company has applied the principles as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules and established a series of corporate governance systems in accordance with relevant requirements to continuously improve the corporate governance structure.

Pursuant to the code provision B.2.2 of Part 2 of the CG Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the articles of association of the Company (the “**Articles of Association**”), the Directors and supervisors shall hold term of office of three years from the date of election, and may stand for re-election upon the expiry of their term of office. In the event of failure to timely call for re-election upon the expiry of term of office of Directors, the original Directors shall, prior to the assumption of office by re-elected Directors, continue to perform their duties as Directors in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association.

The term of office of the independent non-executive Directors, namely Mr. Fung Ching, Simon, Mr. George F Meng and Mr. Deng Tianlin, was three years, from 23 December 2020 to 22 December 2023. As the selection of the successor to the above Director has not yet been completed, Mr. Fung Ching, Simon, Mr. Deng Tianlin and Mr. George F Meng have not retired and continue to perform their duties as Directors in accordance with the provisions of the Company Law of the People's Republic of China and the Articles of Association.

The term of office of the independent supervisors, namely Mr. Liao Hongyu and Mr. Hu Yunyun, has expired on 2 June 2022 and 22 December 2023, respectively. As the selection of the successor to the above independent supervisors is still in progress, Mr. Liao Hongyu and Mr. Hu Yunyun have not retired and continue to perform the corresponding duties in accordance with the provisions of the Company Law of the People's Republic of China.

The Company will hold a general meeting as soon as possible after the selection of the Directors and Supervisors has been determined and seek the approval of the Shareholders for the relevant appointment.

In accordance with code provision C.2.1 of Part 2 of the CG Code, the responsibilities of the chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Mr. Wang Hong serving as both the chairman and the president deviates from code provision C.2.1 of Part 2 of the CG Code.

Notwithstanding the deviation from code provision C.2.1 of Part 2 of the CG Code, given that the Company has clearly set out in writing the respective duties of the chairman and the president (i.e. the responsibilities of the general manager as stipulated in the Articles of Association) and that Mr. Wang Hong, as the president, is familiar with the business of the Company and has superior knowledge and experience of the business of the Company, the Board considers that Mr. Wang Hong serving as both chairman and president has the benefit of ensuring consistent leadership with the Company and allows for more efficient overall business development strategic planning for the Company. The Board believes that the balance of power and authority for the present arrangement will not be impaired and this structure enables the Company to make and implement decisions in a timely and effective manner. Notwithstanding this, the Board will review the structure from time to time and consider appropriate actions to be taken where appropriate.

Save for the deviation disclosed above, for the six months ended 30 June 2024, 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 the shareholders.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as well as the Company's website www.mlairport.com. The 2024 interim report of the Company containing all information required under the Listing Rules will be published and will be made available on the websites of the Hong Kong Stock Exchange and the Company on or before 27 September 2024.

BOARD OF DIRECTORS

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

Executive Directors

Wang Hong (*Chairman and President*)

Ren Kai

Xing Zhoujin

Independent Non-executive Directors

Fung Ching, Simon

George F Meng

Ye Zheng

Deng Tianlin

Non-executive Directors

Wu Jian

Li Zhiguo

Wen Zhe

By order of the Board

Hainan Meilan International Airport Company Limited*

Wang Hong

Chairman and President

Haikou, the PRC

23 August 2024

This announcement is published in English and Chinese.

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

* *For identification purposes only*