

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



## 海航基礎股份有限公司

### HNA Infrastructure Company Limited\*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 357)

## INTERIM RESULTS ANNOUNCEMENT AS AT 30 JUNE 2016

### FINANCIAL HIGHLIGHTS

- Total revenue was RMB627.31 million  
(for the six months ended 30 June 2015: RMB571.69 million)
- Revenue from aeronautical business was RMB357.64 million  
(for the six months ended 30 June 2015: RMB305.71 million)
- Revenue from non-aeronautical business was RMB269.67 million  
(for the six months ended 30 June 2015: RMB265.99 million)
- Net profit attributable to shareholders was RMB253.30 million  
(for the six months ended 30 June 2015: RMB232.04 million)
- Earnings for per share was RMB0.54  
(for the six months ended 30 June 2015: RMB0.49)

### BUSINESS HIGHLIGHTS

- The passenger throughput recorded 9.7151 million  
(for the six months ended 30 June 2015: 8.4507 million)
- Aircraft takeoff and landing reached 70,224 times  
(for the six months ended 30 June 2015: 63,117 times)
- Cargo throughput was 150,076.20 tons  
(for the six months ended 30 June 2015: 137,546.40 tons)

## RESULTS

The board of directors (the “Directors”) of HNA Infrastructure Company Limited (the “Company” or “HNA INFRA” or “Meilan Airport”) (the “Board”) is pleased to announce the unaudited financial position and operating results of the Company and its subsidiaries (the “Group”) as at 30 June 2016 and for the six months ended thereon, which have been reviewed by the Audit Committee of the Company (the “Audit Committee”), together with the comparative figures for the corresponding period of 2015 as follows:

\* For identification purpose only

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

## CONSOLIDATED INCOME STATEMENT

	Note(s)	Six months ended 30 June	
		2016 RMB Unaudited	2015 RMB Unaudited
<b>Revenue</b>	2	<b>627,310,083</b>	571,693,772
Less: Operating costs	3	<b>(230,749,265)</b>	(215,574,343)
Taxes and surcharges		<b>(8,596,318)</b>	(10,835,223)
General and administrative expenses	3	<b>(31,218,565)</b>	(26,581,577)
Finance expenses-net	4	<b>(44,790,586)</b>	(11,363,651)
Provision for asset impairment losses		–	(682,149)
Add: Investment income	5	<b>24,307,593</b>	10,799,264
Including: Share of profit of associates		<b>24,307,593</b>	10,799,264
<b>Operating profit</b>		<b>336,262,942</b>	317,456,093
Add: Non-operating income		<b>5,836,700</b>	882,177
Including: Gains on disposal of non-current assets		<b>426,381</b>	–
Less: Non-operating expenses		<b>(2,048,674)</b>	(6,072,135)
Including: Losses on disposal of non-current assets		<b>(1,981,307)</b>	(5,653,066)
<b>Total profit</b>		<b>340,050,968</b>	312,266,135
Less: Income tax expenses	6	<b>(78,978,486)</b>	(75,641,170)
<b>Net profit</b>		<b>261,072,482</b>	236,624,965
Attributable to shareholders of the Company		<b>253,298,200</b>	232,036,002
Minority interest		<b>7,774,282</b>	4,588,963
<b>Earnings per share</b>			
– Basic and diluted earnings per share	7	<b>0.54</b>	0.49
<b>Other comprehensive income after tax</b>		–	–
<b>Total comprehensive income</b>		<b>261,072,482</b>	236,624,965
<b>Interim dividend declared</b>	8	<b>44,483,000</b>	56,785,560

## CONSOLIDATED BALANCE SHEET

	<i>Note(s)</i>	As at <b>30 June 2016</b> <i>RMB</i> <b>Unaudited</b>	As at 31 December 2015 <i>RMB</i> Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand		<b>1,238,661,446</b>	1,023,267,032
Accounts receivable	9	<b>218,130,384</b>	303,184,304
Advances to suppliers		<b>1,998,483</b>	1,936,434
Interest receivable		<b>1,319,500</b>	1,122,387
Other receivables		<b>8,053,162</b>	23,965,933
Inventories		<b>225,182</b>	174,758
Other current assets		<b>7,423,298</b>	388,331,072
<b>Total current assets</b>		<b><u>1,475,811,455</u></b>	<u>1,741,981,920</u>
<b>Non-current Assets</b>			
Long-term equity investments		<b>1,583,756,686</b>	1,210,687,572
Fixed assets		<b>1,692,031,991</b>	1,598,841,660
Construction in progress		<b>1,056,102,471</b>	568,551,255
Intangible assets		<b>175,724,022</b>	177,709,903
Deferred tax assets		<b>7,418,530</b>	7,816,592
Other non-current assets		<b>1,780,343,691</b>	1,656,654,004
<b>Total non-current assets</b>		<b><u>6,295,377,391</u></b>	<u>5,220,260,986</u>
<b>Total assets</b>		<b><u><u>7,771,188,846</u></u></b>	<u><u>6,962,242,906</u></u>

	<i>Note(s)</i>	As at <b>30 June 2016 RMB Unaudited</b>	As at 31 December 2015 RMB Audited
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	<i>10</i>	<b>162,520,102</b>	–
Accounts payable	<i>11</i>	<b>24,985,984</b>	19,064,006
Advances from customers		<b>11,623,904</b>	10,840,253
Employee benefits payable		<b>21,567,069</b>	27,881,900
Taxes payable		<b>33,719,632</b>	45,807,492
Interest payable		<b>26,318,683</b>	49,952,295
Dividends payable		<b>54,561,783</b>	499,500
Other payables		<b>373,779,082</b>	283,759,288
Non-current liabilities due within one year		<b>1,034,441,580</b>	1,461,412,354
<b>Total current liabilities</b>		<b>1,743,517,819</b>	1,899,217,088
<b>Non-current liabilities</b>			
Long-term borrowings	<i>12</i>	<b>866,907,963</b>	932,955,163
Corporate bonds	<i>13</i>	<b>1,290,754,036</b>	794,952,116
Long-term payable		<b>46,219,855</b>	62,177,707
Long-term employee benefits payable		<b>848,082</b>	1,244,453
Other non-current liabilities		<b>18,502,003</b>	20,305,734
<b>Total non-current liabilities</b>		<b>2,223,231,939</b>	1,811,635,173
<b>Total liabilities</b>		<b>3,966,749,758</b>	3,710,852,261
<b>Shareholders' equity</b>			
Share capital		<b>473,213,000</b>	473,213,000
Capital surplus		<b>1,032,271,276</b>	683,509,755
Surplus reserve		<b>246,394,231</b>	246,394,231
Undistributed profits		<b>2,023,345,174</b>	1,826,832,534
<b>Total capital and reserves attributable to shareholders of the Company</b>		<b>3,775,223,681</b>	3,229,949,520
Minority interest		<b>29,215,407</b>	21,441,125
<b>Total equity</b>		<b>3,804,439,088</b>	3,251,390,645
<b>Total liabilities and equity</b>		<b>7,771,188,846</b>	6,962,242,906
<b>Net current liabilities</b>		<b>(267,706,364)</b>	(157,235,168)
<b>Total assets less current liabilities</b>		<b>6,027,671,027</b>	5,063,025,818

*Notes:*

**1. BASIS OF PREPARATION**

The financial statements were prepared in accordance with the Basic Standard of Accounting Standards for Business Enterprises, specific accounting standards and other relevant regulations (hereafter collectively referred to as the “Accounting Standards for Business Enterprises” or “CAS”) issued by the Ministry of Finance of the People’s Republic of China (the “PRC”) on or after 15 February 2006. The financial statements were disclosed in accordance with CAS32 “Interim Financial Statements” issued by the Ministry of Finance of the PRC.

As at 30 June 2016, the Group recorded net current liabilities of RMB267,706,364 (31 December 2015: RMB157,235,168) as a result of the reclassification of long-term bank borrowings of US\$139,000,000 (equivalent to RMB921,736,800) as current liabilities in the current period considering that the borrowings will mature in December 2016 (Note 12). The Group has planned refinancing arrangements for the repayment of these borrowings, including but not limited to issuance of corporate bonds. During the six months ended 30 June 2016, the Group successfully issued three-year bonds of RMB500 million and has a plan to issue corporate bonds of RMB2.5 billion with maturity of not more than 5 years by private placement according to the remaining approved quota in the following 12 months. Based on the cash flow forecast for coming 12 months prepared by management and taking into account the future cash inflows from operations and successful issuance of corporate bonds totalling RMB2.5 billion, management is of the view that the Group would have sufficient funds to settle the outstanding debt when it falls due. As a result, the consolidated financial statements of the Group for the period ended 30 June 2016 have been prepared on a going concern basis.

## 2. REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) of the Group has been identified as the executive directors, and senior management led by the president of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. The CODM considers the Group conducts business within one business segment – the business of operating an airport and provision of related services in the PRC and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB</b>	<i>RMB</i>
<b>Analysis of revenue (by nature)</b>		
Aeronautical:		
Passenger service charges	<b>138,621,709</b>	122,498,277
Refund of Civil Aviation Development Fund	<b>114,120,285</b>	97,355,630
Ground handling service income	<b>57,726,146</b>	44,105,915
Fees and related charges on aircraft takeoff and landing	<b>47,167,369</b>	41,746,577
	<b>357,635,509</b>	305,706,399
Non-aeronautical:		
Franchise income	<b>156,066,065</b>	134,828,821
Freight and packaging income	<b>42,799,102</b>	72,256,810
Rental income	<b>18,256,191</b>	18,946,343
VIP room income	<b>10,507,918</b>	7,211,978
Parking income	<b>9,256,545</b>	8,586,217
Other income	<b>32,788,753</b>	24,157,204
	<b>269,674,574</b>	265,987,373
Total Revenue	<b>627,310,083</b>	571,693,772

### 3. COST/EXPENSES BY NATURE

Depreciation and amortization expenses are analysed as follows:

	Six months ended 30 June	
	2016	2015
	RMB	RMB
Depreciation of fixed assets	44,840,371	29,922,350
Amortization of land use rights	1,985,881	1,985,881
	<u>46,826,252</u>	<u>31,908,231</u>

### 4. FINANCIAL EXPENSES – NET

	Six months ended 30 June	
	2016	2015
	RMB	RMB
Interest expenses	124,149,155	84,588,582
Including: bank borrowings	82,673,680	50,155,439
corporate bonds	38,411,354	31,858,608
finance lease	3,064,121	2,574,535
Net foreign exchange losses/(gains)	27,714,184	(2,648,577)
Less: interest expenses and exchange losses capitalization	(81,751,630)	(51,114,105)
interest income	(25,650,460)	(20,023,074)
Others	329,337	560,825
	<u>44,790,586</u>	<u>11,363,651</u>

### 5. INVESTMENT INCOME

	Six months ended 30 June	
	2016	2015
	RMB	RMB
Share of profit of an associate-Hainan Airlines		
Airport Holding (Group) Company Limited (“HNA Airport Holdings”)	24,337,214	10,802,395
Share of profit of an associate-Haikou Decheng		
Industrial and Development Co., Ltd. (“Haikou Decheng”)	(29,621)	(3,131)
	<u>24,307,593</u>	<u>10,799,264</u>

No significant restrictions on the repatriation of investment income.

Investment income derived from unlisted companies in the current period amounted to RMB24,307,593 (for the six months ended 30 June 2015: RMB10,799,264).

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the current period (for the six months ended 30 June 2015: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2016	2015
	RMB	RMB
Current income tax	78,580,425	75,449,692
Deferred income tax	398,061	191,478
	<u>78,978,486</u>	<u>75,641,170</u>

The applicable tax rate of the Group for the current period is 25% (for the six months ended 30 June 2015: 25%).

## 7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company (RMB)	<u>253,298,200</u>	<u>232,036,002</u>
Weighted average number of outstanding ordinary shares of the Company (share)	<u>473,213,000</u>	<u>473,213,000</u>
Basic earnings per share (RMB)	<u>0.54</u>	<u>0.49</u>

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted the profit and loss impact of the dilutive potential ordinary shares, if any, by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in the current period (for the six months ended 30 June 2015: nil), diluted earnings per share equal to basic earnings per share.



## 8. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
2015 final dividend paid of RMB0.120 per share (2014 final dividend: RMB0.091 per share)	<b>56,785,560</b>	43,062,400
Proposed to distribute 2016 interim dividend of RMB0.094 per share (2015 interim dividend: RMB0.120 per share)	<b>44,483,000</b>	56,785,560
	<b><u>101,268,560</u></b>	<b><u>99,847,960</u></b>

During the current period, 2015 final cash dividend of RMB0.120 per share, totalling RMB56,785,560 (for the six months ended 30 June 2015: 2014 final cash dividend of RMB0.091 per share, totalling RMB43,062,400) was declared to the shareholders of the Company.

An interim dividend of RMB0.094 per share, totalling RMB44,483,000 was proposed by the Board on 25 August 2016 (2015 interim dividend: RMB0.120 per share, totalling RMB56,785,560). This interim dividend has not been recognized as a liability in this interim financial information for the six months ended 30 June 2016.

## 9. ACCOUNTS RECEIVABLE

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB</b>	<b>RMB</b>
Accounts receivable	<b>219,958,614</b>	305,012,534
Less: provision for bad debts	<b>(1,828,230)</b>	(1,828,230)
	<b><u>218,130,384</u></b>	<b><u>303,184,304</u></b>

Credit terms granted to customers are determined on an individual basis by the management with a general range from 1 to 3 months. As at 30 June 2016, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>RMB</b>	<b>RMB</b>
Within 90 days	<b>158,447,559</b>	178,533,954
91 to 180 days	<b>42,753,315</b>	38,807,796
181 to 365 days	<b>13,463,733</b>	82,037,452
Over 365 days	<b>5,294,007</b>	5,633,332
	<b><u>219,958,614</u></b>	<b><u>305,012,534</u></b>

## 10. SHORT-TERM BORROWINGS

	<b>30 June 2016 RMB</b>	31 December 2015 RMB
Secured borrowings	<b>162,520,102</b>	–

As at 30 June 2016, bank borrowings of US\$24,508,400 (equivalent to RMB162,520,102) with interest rate 0.20% per annum were secured by fixed deposits of RMB160,000,000.

## 11. ACCOUNTS PAYABLE

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

	<b>30 June 2016 RMB</b>	31 December 2015 RMB
Within 90 days	<b>14,546,203</b>	14,282,146
91 to 180 days	<b>3,183,607</b>	4,444,660
Over 180 days	<b>7,256,174</b>	337,200
	<b>24,985,984</b>	19,064,006

## 12. LONG-TERM BORROWINGS

	<b>30 June 2016 RMB</b>	31 December 2015 RMB
Secured borrowings (a)	<b>911,111,371</b>	1,341,619,464
Asset-backed security borrowings (b)	<b>950,907,964</b>	1,012,955,163
Less: current portion of long-term borrowings	<b>(995,111,372)</b>	(1,421,619,464)
	<b>866,907,963</b>	932,955,163

As at 30 June 2016, the weighted average interest rate of long-term borrowings is 7.19% (31 December 2015: 6.74%) per annum.

- (a) As at 30 June 2016, bank borrowings of US\$139,000,000 (equivalent to RMB921,736,800) (31 December 2015: US\$200,000,000, equivalent to RMB1,298,720,000) were secured by the 51% interest of Hainan Meilan International Airport Cargo Co., Ltd. held by the Company and the Group's land use rights with a carrying amount of RMB8,345,359 (original cost: RMB11,852,138). Interest is payable every quarter and the principal is due for repayment on installments before 30 December 2016.
- (b) On 2 July 2015, the Company entered into an arrangement with a trust whereby the Company obtained financing from the trust of RMB1,100,000,000 under which the Company's entitlements to aviation service income from 1 May 2015 to 30 April 2020 were pledged to the trust for issuing an asset-backed security ("ABS"). As at 30 June 2016, the remaining balance of the external borrowings of the ABS amounted to RMB950,907,964. The assets and liabilities of the ABS have been consolidated into the Group's financial statements.

### 13. CORPORATE BONDS

	<b>31 December 2015</b>	<b>Issuance in current period</b>	<b>Issuance expenses</b>	<b>Amortization</b>	<b>30 June 2016</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Seven-year corporate bonds	794,952,116	–	–	531,036	795,483,152
Three-year corporate bonds	–	500,000,000	(5,000,000)	270,884	495,270,884
	<u>794,952,116</u>	<u>500,000,000</u>	<u>(5,000,000)</u>	<u>801,920</u>	<u>1,290,754,036</u>

Related information is as follows:

	<b>Par value</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Issuance amount</b>
	<i>RMB</i>			<i>RMB</i>
Seven-year corporate bonds (a)	800,000,000	13 March 2012	7 years	800,000,000
Three-year corporate bonds (b)	500,000,000	27 April 2016	3 years	500,000,000

Interest accrued of the bonds is analysed as below:

	<b>Interest accrued</b>			
	<b>31 December 2015</b>	<b>Interest accrued in current period</b>	<b>Interest paid in current period</b>	<b>30 June 2016</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Seven-year corporate bonds	49,746,667	30,853,333	(62,400,000)	18,200,000
Three-year corporate bonds	–	6,400,000	–	6,400,000
	<u>49,746,667</u>	<u>37,253,333</u>	<u>(62,400,000)</u>	<u>24,600,000</u>

- (a) Pursuant to Zheng Jian Xu Ke [2011] No. 2082 approved by the China Securities Regulatory Commission (the “CSRC”), the Company issued corporate bonds of RMB800,000,000 to qualified investors which have been listed on the Shanghai Stock Exchange (the “Shanghai Stock Exchange”) since 13 March 2012. The maturity of the bonds is 7 years with fixed interest rate of 7.8% per annum and the interest is payable annually on 15 March of each year and the principal is repayable upon maturity.
- (b) Pursuant to Shen Zheng Han [2016] No. 119 approved by the Shenzhen Stock Exchange (the “Shenzhen Stock Exchange”), the Company is authorised to issue Renminbi corporate bonds within the limit of principal amount of RMB3 billion and maturity of not more than 5 years through private placements. On 27 April 2016, the Company issued the phase I corporate bonds of RMB500,000,000 to qualified investors which are listed on the Shenzhen Stock Exchange. The maturity of the bonds is 3 years, the fixed interest rate is 7.3% per annum, interest is payable annually on 27 April of each year and the principal is repayable upon maturity.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2016, the Group's total revenue amounted to RMB627,310,083, representing an increase of 9.73% as compared to the corresponding period of 2015. Net profit attributable to shareholders amounted to RMB253,298,200, representing an increase of 9.16% as compared to the corresponding period of 2015. Earnings per share amounted to RMB0.54 (the corresponding period of 2015: earnings per share RMB0.49).

### OPERATING ENVIRONMENT

#### *CIVIL AVIATION INDUSTRY OF CHINA*

With the “One Belt One Road” initiative successfully launched, the civil aviation industry of China has entered into a stage of rapid internationalization. In the first half of 2016, the market-oriented pricing reforms for domestic air transportation continued, gradually extending ranges on passenger air ticket fares of domestic routes decided by airlines. While the price reform is being pushed through, low-cost airlines are rapidly emerging to meet the increasingly diversified demands of the market.

In 2016, China plans to launch 11 key civil aviation projects and 52 extension projects. It is expected that a total investment of RMB77 billion in fixed asset will be made across the industry. During the period of the 13th Five-Year Plan, the total number of aircrafts is expected to have a net increase of thousands of planes, and that the number of transport airports will increase by 66 to a total of 272 by 2020.

At the same time, general aviation is also gaining momentum. With the “Guiding Opinions on Promoting the Development of the General Aviation Industry” promulgated by the State Council, general aviation was regarded as a “strategically emerging industrial system”. In the first half of 2016, 21 general aviation companies were newly established across the industry, bringing the number of general aviation companies to a total of 302. It is expected that by 2020, the number of general airports will be doubled.

In the first half of 2016, the total traffic turnover of the civil aviation industry of China was 45.59 billion tons/km, the passenger traffic volume was 230 million and the cargo and mail traffic volume was 3.133 million tons, representing a year-on-year growth of 12.5%, 10.8% and 4%, respectively.

In the first half of 2016, the Civil Aviation Administration of China (“CAAC”) vigorously promoted the concept of “devoted service”, and implemented specific remedial measures with an objective to resolve issues relating to air transport services such as air passengers complaints that are mainly focused on “punctuality, baggage check, ticket agency and quality of in-flight catering” and achieved impressive results. In the first half of 2016, punctuality rate of the whole industry was 77.03%, representing a year-on-year increase of 11.86 percentage points. Complaints in relation to luggage decreased by 8.66 percentage points as compared with the same period last year. CAAC further regulated the operations of the platforms for online ticket sales, penalized 91 non-compliance agencies and off line 39 agencies seriously in violation of regulations, and as a result, the level of service of China's civil aviation industry has improved significantly. In addition, measures such as special passenger transport service and the green channel for transport of human organs donation are well received by all walks of the society.

The Group will keep abreast of the development trend of the civil aviation industry of China in the second half of 2016, put ourselves in a well-prepared position and make an in-depth study of national policies so as to strive for an increase in transport capacity by airlines on the premise of safe flight, as well as further consolidation of Meilan Airport's position among the major airports in China.

### ***Tourism in Hainan Province***

In the first half of 2016, the tourism of Hainan Province maintained rapid growth. For the period ended 30 June 2016, the number of domestic and foreign tourists received by the province who stayed overnight amounted to 27.9631 million, representing a year-on-year growth of 12.27%. The total revenue from tourism was RMB29.622 billion, representing a year-on-year increase of 11.80%.

In response to the call of National Tourism Development Bureau in relation to the development of comprehensive tourism and to further promote Hainan Province as an exemplary province for comprehensive tourism, Hainan Province convened the commencement meeting regarding exemplary province for comprehensive tourism on 30 March 2016, planning to build Hainan Province into an exemplary province of comprehensive tourism in 2 to 3 years with a view to facilitating the improvement and upgrading of international tourist island, achieving a new level of comprehensive tourism that has characteristic of “brilliant sky lit up by twinkling stars with the beautiful scenery pervasive in every corner of the province”.

Haikou was successfully nominated the title of Top Ten Outstanding Cities of 2016 “Internet + Travel” in the summit of “Internet + Travel” held in China on 16 June 2016. In addition, the Hainan Provincial Tourism Development Commission entered into a strategic cooperation framework agreement with Tencent Technology (Beijing) Co., Ltd. on the same day, pursuant to which Hainan tourism, regarded as a Pilot Zone and Exemplary Zone for the development of tourism sector of Tencent in the next three years, will create a new model for the development of tourism in Hainan “Internet + Travel”, boosting the development of international tourism in Hainan Island and significantly enhancing the reputation of tourism in Hainan.

### ***Key Tourism Projects in Hainan Province***

In the first half of 2016, the government at all levels of Hainan Province strived to drive the development of key tourism projects.

On 30 June 2016, Boao Happy City International Medical & Tourism Pilot Zone, China's first ever state-level development zone integrating international medical and tourism services, low-carbon ecological community and international organisations, has signed 5 projects in the World Medical Tourism and Global Health Congress, bringing the number of projects entering the Pilot Zone to a total of 25 projects with total investment of RMB27.1 billion up to that moment, of which the first batch of construction of Hainan Cancer Hospital and Chengmei International Medical Rehabilitation Center (phase I project) was completed on 17 March 2016, and Kangle Road, Kangxiang Road, Letian Road and Xinyi Road connecting the Pilot Zone were opened to traffic.

The “Sea Flower Island Tourism Complex Project” with planned investment of over RMB160 billion and covering a total area of approximately 12,000 mu, is a tourist resort complex integrating 28 segments such as tourism, culture, conference, exhibition, business, etc. It is also a No. 1 industry engineering in western Hainan and No. 1 industrial projects in Danzhou, with planned investment of RMB5 billion in 2016. As at May 2016, a total investment of RMB2.94 billion was made to the Sea Flower Island Tourism Complex and other supporting facilities. The construction of Sea Flower Island is in line with the development strategy of Hainan international tourist island, which will greatly enhance the image and quality of coastal tourism in Hainan.

To boost the construction of international tourist island of Hainan and the strategic support construction of Haikou under the “One Belt One Road” initiative, Haikou Cultural Industry Park was officially inaugurated on 30 June 2016, with 21 films and television companies and culture enterprises of Hainan Province entering to the Haikou Cultural Industry Park. From 2016 to 2018, it is expected that Haikou Cultural Industry Park will attract over 300 enterprises and provide more than 5,000 jobs, which makes it a comprehensive cultural industry zone covering an area of over 60,000 square meters with annual output value of RMB10 billion and tax revenue of RMB500 million.

It is expected that the gradual completion of these key tourism projects will bring new vitality to the tourism of Northern Hainan and reveal a new era of the tourism of Hainan Province.

The Group will pay close attention to the development trend of the tourism of the northern area of Hainan Province, actively cooperate with the local government to carry out promotion of the characteristic tourism products of the northern area of Hainan Province, and grasp the opportunities to drive the passenger throughput of Meilan Airport to hit a new record.

### ***TRANSPORTATION WITHIN THE ISLAND***

- As for the water transportation, the new Xiuying Port scheduled to commence construction in September 2016, will have a planned land area of approximately over 470,000 square meters and a planned reclamation area of approximately 130,000 square meters, and it will be built into an international cruise homeport in Haikou with a complex functional area comprising ultra-star hotels, tourism and shopping, recreational squares and parks. This project is expected to be put into full operation by 2020. The land sand backfill of Sanya Phoenix Island International Cruise Port Phase II Project was completed on 30 May 2016. Upon the completion of this project, the Phoenix Island can accommodate the world’s largest cruise ship, and the annual reception capacity will reach 2,000,000 tourists, thus it will become one of the largest international cruise homeports in the world. The project is expected to be completed by the end of 2016.
- As for the highways, in the first half of 2016, Hainan Province vigorously promoted the construction of key transportation projects including “One Bridge and Four Highways”. Qiongzhong- Wuzhishan- Ledong highway has a total length of 128.8 km, and with the construction of the left line of Linling tunnel completed on 30 June 2016, it is symbolized that the construction of this project has entered into an accelerated stage. The construction of Puqian bridge, Wenchang to Puqian coastal tourism highway, Wenchang to Boao highway and Wanning to Yangpu highway has also been accelerated. In addition, Haixiu Expressway, which starts from the West Section of Guoxing Avenue, Haikou in the east, and connects to the Railway Station in the west, has a total length of 18.42 km and a total investment of RMB7.05 billion. As a key construction project of Hainan Province and Haikou City, the Phase I main bridge and 7 pairs of ramps have been effectively put into operation on 20 July 2016, and the whole project is expected to be completed in 2016.

- As for the investment and construction of airports, Qionghai Boao Airport was put into operation on 17 March 2016, and the Phase II expansion has been officially launched. The runway is planned to be extended to 3,200 meters, and a separate new international terminal is planned to be built, and relevant auxiliary facilities will be completed in accordance with 4E flight area standards. The expansion of the airport is expected to be completed before the annual meeting of Boao Forum for Asia in 2017. Yongshujiao Airport, which is located in the Nansha Islands, successfully completed the flight test on 6 January 2016. Yongxingdao Airport, which is located in the Xisha Islands, and relevant supporting facilities for civil aviation such as terminals have been initially completed, and its civil flights have been launched for trial operation and are expected to be launched into operation in 2016. These two airports located in Sansha City will enhance the air traffic service capability in the South China Sea region, and promote the simultaneous development of tourism in Sansha at the same time.

### ***OFFSHORE DUTY FREE***

In the first half of 2016, with the further unwinding of Hainan' offshore duty free policies, the sales of duty free commodities of Haimian Haikou Meilan Airport Duty-Free Shop Co., Ltd. (海免海口美蘭機場免稅店有限公司) (the "Meilan Airport Offshore Duty-Free Shop") once again reached a record high.

For the six months ended 30 June 2016, Meilan Airport Offshore Duty-Free Shop recorded sales revenue of RMB757.0022 million, a total number of shopping tourists of 393,697 and a total sales number of commodities of 1,227,007, representing a year-on-year increase of 10.61%, 6.66% and 16.54%, respectively.

As at 20 April 2016, the Hainan offshore duty-free shopping policies have been implemented for five anniversary years. During the past five years, it has gradually driven the transformation and upgrading of tourism and economic development in Hainan by adjusting duty-free quota, enriching product offerings and changing the way of claim and supervision. Below is a review of four adjustments in the offshore duty-free shopping policies in the past five years:

On 20 April 2011, the offshore duty-free shopping policies were officially implemented.

On 1 December 2012, the offshore duty-free shopping policies were adjusted to increase the duty-free quota from RMB5,000 to RMB8,000, and the limit on the number of certain commodities for each purchase was loosened gradually. In the course of policy implementation afterwards, in order to further provide travellers with convenient shopping experience, the shopping model featuring "Claim Upon Purchase, Tax Return after Payment" was adopted to improve the convenience of consumers' shopping of duty free commodities.

On 20 March 2015, 17 kinds of consumer goods including infant formula milk powder, espresso and health food were added as duty free commodities, and the limit on the number of 10 kinds of hot sellers including perfumes, cosmetics and watches for each purchase were relaxed, with an aim to cater for tourists' various needs for duty free commodities.

On 1 February 2016, the offshore duty-free shopping policies were adjusted once again to loosen the limit on the number of purchases for non-local tourists, and the aggregate purchase value of duty free commodities allowed for each tourist each year shall not exceed RMB16,000. In the meantime, the online sales service for duty free commodities was also launched. This move further released the effect of the Hainan offshore duty-free shopping policies, providing new impetus for the development of tourism and economy in Hainan Province.

Looking back to the past five years, the sales of duty free commodities in Hainan increased steadily thanks to the growing effect of stimulus policies. According to relevant statistics, two duty free shops in Haikou and Sanya realized total sales of RMB997 million in 2011, RMB2.367 billion in 2012, RMB3.369 billion in 2013, RMB4.33 billion in 2014 and RMB5.54 billion in 2015, representing a year-on-year growth of 1.37 times, 42%, 28% and 28.3%, respectively. As at the end of 2015, Sanya Haitangwan duty-free shop (Sanya International Duty-free City (三亞國際免稅城)) and Meilan Airport duty-free shop posted total sales of duty free commodities amounting to RMB16.6 billion and more than 5,730,000 shoppers of duty free commodities. Offshore duty-free shopping has truly become a “golden visiting card” for touring in Hainan in five years.

The sustainably flourishing development of duty-free industry in Hainan Province has not only enhanced the international recognition of Hainan, but also boosted the rapid growth of local tourism and consumption. It has also, directly or indirectly, driven the continued surge in the passenger traffic of Meilan Airport.

## **BUSINESS AND REVENUE REVIEW**

### ***OVERVIEW***

In the first half of 2016, in compliance with the industrial safety at work objective of the State, the Group has strengthened and improved its safety management to ensure a safe and stable environment for the operation of Meilan Airport. The Group also successfully fulfilled the transportation security tasks for major events, including the Boao Forum for Asia Annual Conference, and has won high recognitions from various sectors.

The Group continued its success in brand building in the first half of 2016. Leveraging on its excellent staff performance, professional image and warm hospitality service, the Group was nominated as one of the “Best Regional Airports in China” by SKYTRAX, and became the first domestic airport to be awarded “China’s Best Airport with Excellent Staff Performance” in two consecutive years. Meanwhile, the Group also made significant progress in its development as a green and efficient airport and obtained the “Green Efficient Airport Award” at the 6th Airport Construction and Development International Summit. In the second half of 2016, the Group will continue to implement its key renovation project of becoming a SKYTRAX five-star airport, aiming to achieve the goal of five-star airport within this year.

In the first half of 2016, the Group continued to expand the construction of intelligent airport with primary focus on three aspects, including security, services and operation, among which, a series of security systems including access control system, CCTV monitoring system, covert alarming system, 4G wireless station site and panoramic surveillance system have been launched. Leveraging on CCTV monitoring, biometric identification, numbers and plates identification and satellite positioning technologies, security management of Meilan Airport has been effectively enhanced. The one-stop passport control system has been deployed, which will change the mode of travel via airport by passengers and provide more convenient travel service to them. The Group commenced development of the production and operation management system V2.0, which will optimise the existing systems and improve airport operation efficiency by analysing, processing and transmitting operation management data and flight information.

The feasibility report in respect of the Phase II expansion project of Meilan Airport has been approved by the National Development and Reform Commission, and this project broke ground for laying a cornerstone on 18 November 2015. In order to develop this project successfully and smoothly, certain procedures including land expropriation, demolishing and relocation, project design, project examination and approval, budgeting and procurement, and engineering construction have commenced simultaneously. Meanwhile, the Company is applying on a planned basis for



loans related to provide sufficient funds for Phase II expansion project jointly with Haikou Meilan International Airport Company Limited (the “Parent Company”).

The terminal complex project containing three major business portions, namely parking building, commercial building (including duty-free and duty-imposed commercial portions) and hotel building, completed topping-out on 20 June 2016 and is expected to open for business within 2016. In order to take full advantage of the terminal complex being adjacent with the terminal building, the Company will create a security area within the terminal complex equipped with airport facilities of the same specifications as the terminal building, so that the terminal complex can help the terminal complex to divert passenger traffic and further enhance the security capacity of Meilan Airport.

In addition, in the first half of 2016, adhering to the “people-oriented” principle, the Group continued to organise comprehensive caring activities for its staff by enriching their cultural life with an aim to increase their cohesiveness and sense of belonging. As for cultural and sports activities, the Group organised the First Staff Sports Games of Meilan Airport from 16 July 2016 to 19 July 2016. Meanwhile, the Group also established football and basketball clubs to organise periodic club activities and friendly matches. As for the leisure life of the staff, the Group organised an outing activity themed “Outbound for Happiness” and birthday parties for the staff. With respect to humanity and caring, the Group established “Meilan Airport Caring Fund”, sent condolences to and visited needy and sick leave colleagues, cheered up front-line colleagues at holidays and conducted periodic activities such as health care seminars to build a “Happy Meilan Family”. At the same time, the Group spared no effort in social welfare activities such as participation in blood donation, visiting charity houses, tree planting and actively performed its social responsibility.

## ***OVERVIEW OF AVIATION BUSINESS***

Against a backdrop of overall rapid development of the civil aviation industry, together with various favourable factors such as the development of Hainan Tourism International Island and offshore duty-free policy, on 7 July 2016, Meilan Airport has achieved passenger throughput of over 10 million for six consecutive years. The Group hit a record throughput high this year with 172 days earlier than 2011, when the record of over 10 million was achieved for the first time, and 37 days earlier than 2015, respectively. The Company continued to strengthen its marketing efforts in major aviation markets. The market expansion efforts were conducted in three major directions, namely “seek favourable policies from the government, tap customers from the market and secure aviation capacity from the airlines”. To avoid the lower flight execution rates during the summer and autumn off-peak flight season of previous years, the Company entered into cooperation agreements with 24 airlines to increase the number of flights by airlines, thereby promoting steady growth in flight volume and passenger traffic during the off-peak seasons and successfully meeting the market anticipation of “busy during off-peak season”. In June 2016, the Company realised passenger throughput of 1.183 million in a single month, representing a year-on-year increase of 21.96%. This was the first time for Meilan Airport to record a single-month passenger throughput of over one million in June since commencement of operation of the airport.

In the first half of 2016, Meilan Airport operated 201 originating routes, representing a year-on-year increase of 75 routes, including 188 domestic routes, 3 regional routes and 10 international routes. These routes cover 104 navigable cities, including 92 domestic cities, 3 regional cities and 9 international cities. There are 37 airlines operating at Meilan Airport, including 28 domestic airlines, 3 regional airlines and 6 international airlines. Since entering into the summer and autumn flight seasons in 2016 (from 27 March to 30 June 2016), the overall flight execution rate stood at 80.26% and passenger throughput increased by 18.51% as compared with the summer and autumn flight seasons in 2015.

The Group scientifically and rationally formulated customized marketing strategies and targets, actively participated in various domestic tourism market promotion and overseas routes forums to introduce Haikou air travel market, resulting in constantly optimised coverage density and service range of our route network. The Group newly launched “Haikou- Chongqing- Rome” intercontinental route, introducing flights between Hainan and Europe for the first time. Route network now covers major capital cities and major tourist cities all over Mainland China, Hong Kong, Macau and Taiwan, as well as Russia, Japan, South Korea, Thailand, Singapore, Italy, etc. and achieved remarkable results. For the six months ended 30 June 2016, international and regional passenger throughput amounted to 322,700, representing a year-on-year growth of 21.18%.

Details of the aviation traffic throughput of the first half of 2016 and the comparative figures with the corresponding period of 2015 are set out below:

	<b>First half of 2016</b>	First half of 2015	Change
<b>Aircraft takeoff and landing (flights)</b>	<b>70,224</b>	63,117	11.26%
in which: domestic	<b>67,434</b>	60,575	11.32%
international and regional	<b>2,790</b>	2,542	9.76%
<b>Passenger throughput (headcount in ten thousand)</b>	<b>971.51</b>	845.07	14.96%
in which: domestic	<b>939.24</b>	818.44	14.76%
international and regional	<b>32.27</b>	26.63	21.18%
<b>Cargo throughput (tons)</b>	<b>150,076.20</b>	137,546.40	9.11%
in which: domestic	<b>144,343.70</b>	132,167.10	9.21%
international and regional	<b>5,732.50</b>	5,379.30	6.57%

The Group’s revenue from aviation business for the six months ended 30 June 2016 was RMB357,635,509, representing an increase of approximately 16.99% as compared to the corresponding period of 2015. Details are as follows:

	<b>Amount (RMB)</b>	<b>Change over the corresponding period of 2015</b>
Passenger service charges	138,621,709	13.16%
Refund of Civil Aviation Development Fund	114,120,285	17.22%
Ground handling service income	57,726,146	30.88%
Fees and related charges on aircraft takeoff and landing	47,167,369	12.98%
<b>Total revenue from aviation business</b>	<b>357,635,509</b>	<b>16.99%</b>

## OVERVIEW OF NON-AVIATION BUSINESS

In the first half of 2016, the non-aviation business of the Group maintained a stable increase. For the six months ended 30 June 2016, the Group achieved a revenue from its non-aviation business of RMB269,674,574, representing an increase of 1.39% as compared with the corresponding period of 2015. The growth in revenue from our non-aviation business was mainly due to the substantial increase in the franchise income of Meilan Airport Offshore Duty-Free Shop and the VIP room income.

	Amount (RMB)	Changes over the corresponding period of 2015
Franchise income	156,066,065	15.75%
Freight and packaging income	42,799,102	-40.77%
Rental income	18,256,191	-3.64%
VIP room income	10,507,918	45.70%
Parking fee income	9,256,545	7.81%
Other income	32,788,753	35.73%
<b>Total revenue from non-aviation business</b>	<b>269,674,574</b>	<b>1.39%</b>

### *Franchise Income*

In the first half of 2016, the franchise income of the Group aggregated to RMB156,066,065, representing a year-on-year growth of 15.75%, which was mainly attributable to factors such as the increase of shopping quota of offshore duty free commodities due to the further unwinding offshore duty free policies, and innovative promotion activities of Meilan Airport Offshore Duty Free Shop, resulting in the substantial growth in the franchise income of the Group.

### *Freight and Packaging Income*

In the first half of 2016, the freight and packaging income of the Group aggregated to RMB42,799,102, representing a year-on-year decrease of 40.77%, which was due to the expiration of the freight service contracted by the Company with Hainan Airlines Company Limited.

### *Rental Income*

In the first half of 2016, the rental income of the Group aggregated to RMB18,256,191, representing a year-on-year decrease of 3.64%, which was mainly affected by the terminal building reconstruction project, which resulted in a decrease in the rentable space resources and the lower area-effectiveness for commercial use.

### *VIP Room Income*

In the first half of 2016, the VIP room income of the Group aggregated to RMB10,507,918, representing a year-on-year increase of 45.70%, which was mainly attributable to the Company's great efforts to innovate the VIP service business and explore the VIP service market, leading to an increase in the reception of VIP customers.

### *Parking Fee Income*

In the first half of 2016, the parking fee income of the Group aggregated to RMB9,256,545, representing a year-on-year growth of 7.81%, which was mainly due to the fact that the Company strengthened the management of the parking lot and its surrounding areas to fully utilise the existing parking resources, and that there was a continuous increase in the passenger traffic of Meilan Airport, which resulted in a growth in parking fee income.

## **FINANCIAL REVIEW**

### *Asset Analysis*

As at 30 June 2016, the total assets of the Group amounted to RMB7,771,188,846, among which, the current assets amounted to RMB1,475,811,455, and the non-current assets amounted to RMB6,295,377,391. The total assets increased by 11.62% as compared with that as at 31 December 2015.

### *Cost and Expense Analysis*

In the first half of 2016, the Group's operating costs amounted to RMB230,749,265, and the administrative expenses amounted to RMB31,218,565, totalling RMB261,967,830, which represented a year-on-year increase of 8.18%. The increase in costs and expenses was attributable to:

- (1) the staff cost recorded an increase of RMB10,067,810 as compared with that of the corresponding period of 2015 due to a normal rise in the remuneration level and increase in staff headcount;
- (2) the expenses of dispatched employees increased by RMB9,063,706 due to an increase in the number of dispatched employees and an improvement in the remuneration level in line with the business development of the Company;
- (3) the depreciation cost of the Company increased by RMB14,918,021, which was due to the commencement of operation of the West Gallery and the auxiliary facilities.

In the first half of 2016, the finance expenses of the Group amounted to RMB44,790,586, representing an increase of RMB33,426,935 as compared with that of the corresponding period of 2015. The increase was mainly due to an increase in loans and corporate bonds and the exchange loss resulted from a rise in the USD exchange rate.

## ***GEARING RATIO***

As at 30 June 2016, the Group had total current assets of RMB1,475,811,455, total assets of RMB7,771,188,846, total current liabilities of RMB1,743,517,819 and total liabilities of RMB3,966,749,758. As at 30 June 2016, the Group's gearing ratio (total liabilities/total assets) was 51.04%, representing a decrease of 2.26% as compared to that as at 31 December 2015. The decrease was caused by an increase in the other capital reserve attributable to Group as a result of the increased capital reserve of HNA Airport Holdings, an associated company of the Company, following additional capital injection from its minority interest.

## ***PLEDGE/CHARGE OF THE GROUP'S ASSETS***

The Group's long-term borrowing of US\$250,000,000 from Taiwan syndication was secured by the 51% equity interests in Hainan Meilan International Airport Cargo Co., Ltd. held by the Group and certain land use rights of the Group with book value amounting to RMB8,345,359. As at 30 June 2016, outstanding balance of the borrowing was US\$139,000,000 (equivalent to RMB921,736,800).

Certain land use rights for the construction of the West Gallery and the international terminal have been pledged to secure a long-term borrowing granted to the Group and the Parent Company (being the joint borrowers) by China Development Bank. As at 30 June 2016, the balance of the long-term borrowing was RMB545,000,000.

On 2 July 2015, the Company entered into an arrangement with a trust whereby the Company obtained financing from the trust of RMB1,100,000,000 under which the Company's entitlements to aviation service income from 1 May 2015 to 30 April 2020 were pledged to the trust for issuing an asset-backed security. As at 30 June 2016, the remaining balance of the external borrowings of the ABS amounted to RMB950,907,964.

On 27 April 2016, the Company raised a borrowing of US\$24,508,400 at an interest rate of 0.20% from Nanyang Commercial Bank (China) Limited ("Nanyang Bank"), which is secured by the fixed deposits of RMB160,000,000. As at 30 June 2016, the balance of the borrowing is US\$24,508,400 (equivalent to RMB162,520,102).

## ***CAPITAL STRUCTURE OF THE GROUP***

As at 30 June 2016, the total issued share capital of the Company was RMB473,213,000. The long-term liabilities of the Group primarily consisted of bank loans, ABS borrowings, corporate bonds and long-term payables. Currently, the Group has borrowings from Taiwan syndication of US\$139,000,000 (equivalent to RMB921,736,800) with an interest rate of Libor ("London InterBank Offered Rate") plus 3.3%; the ABS borrowings of RMB950,907,964; seven-year corporate bonds of RMB800,000,000 issued in 2012; three-year corporate bonds of RMB500,000,000 issued in 2016 and long-term payables under finance leases of RMB85,550,063.

## ***SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCES***

As at 30 June 2016, the Company held 24.5% equity interests in HNA Airport Holdings. In the first half of 2016, the Company recorded an investment income of RMB24,337,214 based on the net profit attributable to parent company of HNA Airport Holdings.

## ***MATERIAL ACQUISITIONS AND DISPOSALS***

As at 30 June 2016, the Company did not carry out any new and major acquisitions and disposals.

## ***EMPLOYEES AND REMUNERATION POLICY***

As at 30 June 2016, the Group had a total of 787 employees, representing an increase of 54 employees as compared to the beginning of this year. Such increase was mainly due to normal staff recruitment. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices. The Group reviews its remuneration policy and packages on a regular basis. Bonuses and commissions may be awarded to employees as incentives based on performance assessment.

## ***ENTRUSTED DEPOSITS AND OVERDUE FIXED DEPOSITS***

As at 30 June 2016, the Group did not have any entrusted deposits and overdue fixed deposits.

## ***CONTINGENT LIABILITIES***

As at 30 June 2016, the Group did not have any significant contingent liabilities.

## ***EXPOSURE TO FOREIGN EXCHANGE RISKS***

The businesses of the Group are principally conducted in RMB, except certain revenue from aviation business, purchase of equipment and consultation fee which are denominated in US\$ or HK\$. The dividends to H-share holders are declared in RMB but paid in HK\$. As at 30 June 2016, the deposit denominated in US\$ of the Group amounted to US\$352,548 (equivalent to RMB2,337,815). Meanwhile, the balance of the US\$ denominated syndicated borrowing from Taiwan syndication to finance the construction of the terminal complex project was US\$139,000,000 (equivalent to RMB921,736,800). The balance of the US\$ denominated borrowing from Nanyang Bank was US\$24,508,400 (equivalent to RMB162,520,102). The interests and principals of these two borrowings should be borne by the Group. Therefore, any fluctuation in the exchange rate of RMB against US\$ will affect the financial performance of the Group. The Group has not entered into any forward contract to hedge its exposure to foreign exchange risk.

## ***INTEREST RATE RISK***

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings, corporate bonds 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. As at 30 June 2016, the Group's long-term interest bearing borrowings with floating rates were mainly US\$-denominated bank borrowings granted by Taiwan syndication amounted to US\$139,000,000 (equivalent to RMB921,736,800). Any changes in Libor and interest rate adjustment by the People's Bank of China will affect the interest expenses and results of the Group.

## ***NO OTHER MATERIAL CHANGE***

Other than those discussed in this interim results announcement, there has been no material change in relation to the information disclosed in the Company's 2015 annual report in accordance with Rule 32 set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange").

## **PROGRESS OF THE RENEWAL OF "FRANCHISE CONTRACT" AND "VENUE LEASING CONTRACT" WITH MEILAN AIRPORT OFFSHORE DUTY-FREE SHOP**

The "Franchise Contract in respect of Leasing of Venue for Offshore Duty-Free Business" and the "Meilan Airport Venue Leasing Contract" (collectively, the "Duty-Free Contracts") entered into between the Group and Meilan Airport Offshore Duty-Free Shop have been expired. Both parties are in the process of friendly negotiations for the renewal of the Duty-Free Contracts and have reached an agreement regarding key terms.

With the effect of the Hainan offshore duty-free policies continuously extending, Meilan Airport, as always, shows its immense support to the development of Meilan Airport Offshore Duty-Free Shop. Meanwhile, Meilan Airport Offshore Duty-Free Shop will enhance the "traveling and shopping experience (遊購行)" of the tourists passing through Meilan Airport by offering quality services and rich variety of duty-free commodities.

In recent years, benefited from seamless mutual cooperation, the current operating area of Meilan Airport Offshore Duty-Free Shop has expanded to 7,804 square meters from 2,200 square meters at business inception. The sales performance of Meilan Airport Offshore Duty-Free Shop increased from RMB0.38 billion in 2012 to RMB1.239 billion in 2015, and the sales amount of duty-free commodities was recorded at RMB0.757 billion in the first half of 2016. It is hoped that the sales target of RMB1.5 billion will be achieved in 2016.

Both parties acknowledge that the win-win situation will be reached through sustainably perfect integration of resources from the airport and the duty-free shop under the basis of mutual benefits in the future such that the interests of the companies and their shareholders will be safeguarded. Therefore, both parties will try to reach the Duty-Free Contracts at arm's length basis as soon as possible.

## **ACQUISITION PROGRESS**

According to the announcement of the Company dated 13 November 2015 and the circular of the Company dated 4 December 2015:

On 13 November 2015, the Company and the Parent Company entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which, the Company agreed to acquire 100% of the equity interest in Hainan Meilan Airport Assets Management Co., Ltd. ("Meilan Airport Assets Management"), a wholly-owned subsidiary of the Parent Company, at a consideration of RMB604,800,000.

The consideration of the acquisition was determined with reference to the valuation of the total assets of Meilan Airport Assets Management as at 30 September 2015, being the base date of evaluation, conducted by Vigers Appraisal & Consulting Limited. The payment of the entire consideration of the equity transfer by the Company is subject to the fulfillment of the capital contribution obligation by the Parent Company to Meilan Airport Assets Management.

The consideration was paid by two installments as follows:

- (i) RMB574,560,000 (being 95% of the total consideration) shall be payable within 60 business days from the date of approval of the Equity Transfer Agreement and the transaction contemplated thereunder by the extraordinary general meeting; and
- (ii) RMB30,240,000 (being 5% of the total consideration) shall be payable within 15 business days from the date of completion of the necessary industrial and commercial registrations and filings relating to the Equity Transfer Agreement and the transaction contemplated thereunder in the Industrial and Commercial Bureau of Hainan Province.

As at the date of this announcement, the Company paid the first installment of the consideration to the Parent Company in accordance with the Equity Transfer Agreement. Upon the fulfillment of the capital contribution obligation by the Parent Company, the Company will pay the second installment of the consideration in accordance with the Equity Transfer Agreement.

As at the date of this announcement, the Parent Company was conducting the assets transferring procedure in accordance with relevant provisions. The Company will notify the shareholders of the Company and potential investors with the information on the latest progress under the Equity Transfer Agreement in the future, and make disclosure timely to the public according to the provisions of the Listing Rules.

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

The Group completed the construction work for the Group's risk management framework and identified key risk points in "Promotion Work over the Risk Management and Internal Control System" of 2015. In the first half of 2016, the Group has actively conducted scientific analysis, assessed and determined the risk prevention/management procedures towards the recognized risk points, in order to organize systematically, mitigate and monitor potential risks and to build a governance environment with risks under control and compliant operation.

In the second half of 2016, the Group will proceed with "Promotion Work over the Risk Management and Internal Control System", further optimise the framework, refine schemes, and carry out this task as the routine work of the Group. The Group will pay attention to, keep track of and effectively fix problems to lay a solid foundation for the healthy, rapid and sustainable development of the Group in the future.



Serial No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2016	Effect of risk-counter measures
1	Risk of flight release normal rate	Reduced normal rate of flight release and flight on time rate due to airline defaults (including aircraft maintenance, flight dispatching, etc.) or non-airline factors (e.g. weather conditions, air traffic control, mechanical trouble, passenger, etc.) may result in that the CAAC reduced the flight number or restricted the flight number increase of Meilan Airport, which may reduce or make passenger traffic volume unable to grow, thus leading to a major adverse impact on the economic benefit of the Company.	<p>(1) Speed up the exploitation of airspace resources and increase air routes;</p> <p>(2) Improve the efficiency of passengers boarding and efficiency of flight operation; increase parking aprons by promoting the construction of airport infrastructure, and optimize the distribution of lounge bridges and dispatching of shuttle buses by IT system construction so as to further improve the efficiency of flight operation; improve the professional skills of the first-line employees by arranging professional skill training and qualification certification so as to improve the working efficiency of the service personnel; and improve the efficiency of passenger boarding by installing advanced security inspection equipment and other intelligent equipment in Meilan Airport; and</p> <p>(3) Raise the utilization rate of daily lower-peak time by focusing on the cooperative development with airlines to cultivate the air routes in lower-peak time period.</p>	<p>Become the first Central and Southern civil aviation airport to operate with “A Combination of Twin Towers” and improve the normal rate of flight release.</p> <p>As of 30 June 2016, Meilan Airport’s normal rate of flight release was 77.72% and normal rate of originating flight release was 75.16%, representing a year-on-year increase of 25.91% and 32.61%, respectively ranking second and fourth respectively in flight schedule and resource allocation in Central and Southern airports. A record high normal rate of flight was registered.</p>

Serial No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2016	Effect of risk-counter measures
2	Risk of media malice speculation and publicity	In the event of any adverse or false news report or negative information about the Company occurs, the dearth of standard and efficient crisis to public relation contingency mechanism may lead to failure for effectively monitoring public opinions, and timely guiding the public opinion and resolving the contradictions, which bring a major adverse impact on the corporate brand image or reputation.	<p>(1) Establish a systematic public opinion collection and reporting mechanism. Engage university teachers, quality association personnel, excellent company employees and media reporters as social supervisors to supervise the operation and service quality of Meilan Airport, and radically improve the quality of services and services level of Meilan Airport so as to inhibit the occurrence of incidents affecting the corporate image;</p> <p>(2) Establish a handling mechanism to tackle public opinions and public relation crisis. Keep a good cooperation relationship with the professional public relation companies so as to be able to work out a solution to public relation crisis in case of any malice speculation incident; and</p> <p>(3) Actively carry out and partake in the activities favorable for displaying the positive image and increase the social reputation of the Company, and encourage/organize the social benefit and environment protection activities.</p>	<p>The Company established a positive corporate image through active practising of green and low-carbon strategy, and organising staff to carry out voluntary tree-planting campaign to transmit positive energy.</p> <p>Due to the establishment of the mechanism of public opinions and public relation crisis, there were 72 reports about Meilan Airport, representing a year-on-year increase of 26%, including 27 positive reports, representing a year-on-year increase of 93%, and 2 negative reports, representing a year-on-year decrease of 33% in the first half of 2016.</p>

Serial No.	Names of risks	Key risk descriptions	Counter measures taken in the first half of 2016	Effect of risk-counter measures
3	Policy risk	Any change in the return subsidy proportion of civil aviation development fund and the airplane take-off and landing and other relevant charges standard due to the change in government policy or the issuance of new regulation may cause a major impact on the aviation business revenue and even the total profit of the Company.	<p>(1) Collect policy information and take timely measures. The Company has established a policy information collection and reporting mechanism to facilitate the management and relevant departments in timely grasping the policy changes trend and taking measures to cope with; and</p> <p>(2) By rationally planning the terminal function layout and updating the commercial positioning, the Company may increase the non-aviation business revenue from the franchise, freight &amp; packing, rent and parking lot so as to reduce the dependence on aviation business revenue.</p>	As the implementation of Interim Measures for the Collection, Use and Management of the Civil Aviation Development Fund (《民航發展基金徵收使用管理暫行辦法》) ended on 31 December 2015, the Group actively applied for the extension of such policy for the purpose of continuing enjoy the refund policy under the Civil Aviation Development Fund half a year before its expiration. On 31 December 2015, the Group received Notice by Ministry of Finance over the Issues regarding the Civil Aviation Development Fund and the Tourism Development Fund (《財政部關於民航發展基金和旅遊發展基金有關問題的通知》) (Finance and Tax [2015] No. 135 Paper) issued by the Ministry of Finance on 9 December 2015, which stipulates the refund policy that the Group enjoys under the Civil Aviation Development Fund remains unchanged till 31 December 2020.

## **PROSPECTS FOR THE SECOND HALF OF THE YEAR**

In the first half of 2016, International Air Transport Association increased its forecast for the half-year profit of the civil aviation industry and held the view that the overall profit of civil aviation industry in 2016 would keep growth.

In the first half of 2016, the global economy had experienced a dramatic change and continued to be more uncertain along with “Brexit” Vote, falling oil prices and changeable exchange rates. However, in face of the unfavourable factors including sluggish domestic economy and the pressure of domestic economic downturn, various indexes of the domestic civil aviation and transportation industry maintained uplifting momentum. Both the total transportation turnover and passenger transportation turnover increased over 10%. In the first half of 2016, the international air transportation of China kept rapid growth. 60 new international air routes were introduced by domestic airlines and the total turnover of international air transportation recorded a year-on-year growth of 18.7%, twice as fast as the domestic air transportation turnover. The civil aviation in Central and West China area developed rapidly. Most of the 151 new air routes introduced by 24 airline companies were concentrated in Central and West China. Along with the implementation of “One Belt and One Road” initiative, the civil aviation of China will play an important role and its economic benefits will increase significantly.

The Group considers that, in the second half of 2016, along with the execution of the State’s “One Belt and One Road” initiative and the construction of international tourist island in Hainan in full swing, and the sustained relief of the offshore duty-free policies, there will be stable operation of both international and domestic routes of Meilan Airport and healthy growth in major indexes such as annual passenger throughput. In terms of operation management, the Company will focus on meeting the requirements of “Sincere service” of CACC while effectively promoting service management level; focus on “procedure management” and “risk control”, and continue to implement emergency alert mechanism and safety performance management. Meanwhile, it will rectify its plan of becoming a SKYTRAX five star airport and try its best effort to achieve this target. In addition to ensuring safety and service quality, the Group will conduct cost control and generate new income sources so as to maintain annual profit level and strive for fruitful return to shareholders.

## **INTERIM DIVIDENDS**

The Board has resolved to recommend payment of an interim dividend of RMB0.094 per share (tax inclusive) on or before Friday, 25 November 2016 to shareholders of the Company whose names appear on the Company’s register of members on Tuesday, 25 October 2016 at the extraordinary general meeting to be held on Tuesday, 11 October 2016 (“2016 Interim Dividends”), and has authorised the Board to take any necessary actions in this regard as required by applicable laws and regulations.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company’s register of members will be closed from Sunday, 11 September 2016 to Tuesday, 11 October 2016 (both days inclusive), during which time no transfer of shares will be registered. To attend and vote at the extraordinary general meeting, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 9 September 2016.

The Company's register of members will be closed from Thursday, 20 October 2016 to Tuesday, 25 October 2016 (both days inclusive), during which time no transfer of shares will be registered. To qualify for the entitlement of the interim dividend, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 19 October 2016. Subject to approval at the extraordinary general meeting, the interim dividend will be paid on Friday, 25 November 2016.

## **MATERIAL LITIGATION OR ARBITRATION**

The Group had not involved in any material litigation or arbitration from 1 January 2016 to 30 June 2016.

## **OTHER INFORMATION**

### **Change of Directors**

The Board comprises eleven Directors. During the period from 1 January 2016 to 30 June 2016, changes in the directorship of the Company are as follows:

Mr. Liu Shanbin had taken over the role of executive director of Mr. Gao Jian from 18 May 2016, with a term of 3 years. His appointment was approved and ratified at the annual general meeting of the Company held on 18 May 2016.

### **Change of Senior Management**

Based on the Company's actual needs, Mr. Tu Haidong had taken over the role of vice president of Mr. Gao Jian from 29 March 2016. His appointment was subject to approval at the 19th meeting of the fifth session of the Board on 29 March 2016.

During the period from 30 June 2016 to the date of this interim results announcement, changes in the senior management of the Company are as follows:

Mr. Zhou Feng had taken over the role of chief financial officer of Mr. Zhang Peihua from 25 August 2016. His appointment is subject to approval at the first meeting of the sixth session of the Board on 25 August 2016.

## 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 Directors and supervisors nominated by shareholders of related parties would not enjoy allowance for the position from the year of 2013, but will receive appropriate wages depending on their specific duties in the Company. Other Directors and supervisors will receive their remuneration according to the remuneration package approved by the general meeting of shareholders.

## Remuneration of Company Secretary

Mr. Xing Zhoujin, being the company secretary nominated by shareholders of related parties, will not enjoy any allowance for holding the position, but will receive appropriate wages depending on his specific duties in the Company.

## Share Capital Structure

As at 30 June 2016, the total number of issued shares of the Company was 473,213,000, of which:

	<b>Number of Shares</b>	<b>Percentage to total issued shares</b>
Domestic shares	246,300,000	52%
H shares	226,913,000	48%
<b>Total</b>	<b><u>473,213,000</u></b>	<b><u>100%</u></b>

## Interests of Substantial Shareholders in Shares

As at 30 June 2016, so far as known to the Directors, supervisors and chief executives of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the HK Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”); or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group, or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

### ***Domestic shares***

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

### ***H Shares***

<b>Names of shareholders</b>	<b>Type of interests</b>	<b>Number of ordinary shares</b>	<b>Percentage to H shares issued</b>	<b>Percentage to total issued share capital</b>
Zhang Gaobo (Note 2)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Zhang Zhiping (Note 2)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited (Note 2)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Financial Group Limited (Note 2)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (Note 2)	Beneficial Interest	94,343,000(L)	41.58%	19.94%
UBS Group AG (Note 3)	security interests in shares and interest of controlled corporations	27,365,400(L)	12.06%	5.78%
UBS AG (Note 4)	Beneficial owner, security interests in shares and interest of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%
ARC Capital Holdings Limited (Note 5)	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%

<b>Names of shareholders</b>	<b>Type of interests</b>	<b>Number of ordinary shares</b>	<b>Percentage to H shares issued</b>	<b>Percentage to total issued share capital</b>
ARC Capital Partners Limited <i>(Note 5)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Equity Partners Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited <i>(Note 5)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited <i>(Note 5)</i>	Beneficial owner	32,788,500(L)	14.45%	6.93%
Deutsche Bank Aktiengesellschaft <i>(Note 6)</i>	Beneficial owner and security interest in shares	18,164,508(L)	8.01%	3.84%
Greenwoods Asset Management Limited <i>(Note 7)</i>	Investment manager	11,686,000(L)	6.10%	2.93%
JPMorgan Chase&Co. <i>(Note 8)</i>	Beneficial owner and custodian corporation/ approved lending agent	13,607,488(L)	5.99%	2.88%
Svenska Handelsbanken AB Publ. <i>(Note 9)</i>	Investment manager	11,387,747(L)	5.02%	2.41%



*Notes:*

1. Haikou Meilan International Airport Company Limited is a Company established in the PRC and is the controlling shareholder of the Company.
2. Zhang Gaobo and Zhang Zhiping held 49% and 51% interests in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interests in Oriental Patron Financial Services Group Limited. 100% interests of Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. According to the disclosure of interest filed by UBS Group AG on the website of the HK Stock Exchange, UBS Group AG was deemed to hold 8,896,000 shares through its security interest and hold 18,469,400 shares through its interest in a controlled corporation. UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A. and UBS Fund Management (Switzerland) AG were wholly – owned by UBS Group AG. UBS Group AG was deemed to hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 56,000 shares, 601,000 shares, 790,300 shares, 17,018,100 shares and 4,000 shares in the Company, respectively.
4. According to the disclosure of interest filed by UBS AG on the website of the HK Stock Exchange, among the 27,174,400 shares in the Company, UBS AG was deemed to hold 8,896,000 shares through security interest, and 18,263,400 shares through interests of a controlled corporation and 15,000 long position shares and 15,000 short position shares as beneficial owner. UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd were wholly-owned by UBS AG. UBS AG was deemed hold interests in the Company through owning the above-mentioned companies pursuant to Part XV of the SFO and were beneficially holding 14,194,100 shares, 1,905,000 shares, and 2,164,300 shares in the Company, respectively.
5. PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which in turn held 14.45% interests in H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which was in turn held 14.45% interests in H shares of the Company.
6. Among the 18,164,508 shares in the Company, Deutsche Bank Aktiengesellschaft was deemed to hold 18,161,000 shares as person having securities interests in shares and held 3,508 shares as beneficial owner.

7. Greenwood Asset Management Limited was wholly owned by Greenwood Asset Management Holdings Limited, which in turn was held 81% by Jiang Jinzhi. Greenwood Asset Management Limited held 13,844,000 shares by virtue of its capacity as investment manager.
8. Among the 13,607,488 shares in the Company, JPMorgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
9. Svenska Handelsbanken AB Publ. held 11,387,747 shares in the Company by virtue of its capacity as investment manager.
10. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2016, so far as known to the Directors, supervisors and chief executives of the Company, no other person (not being the Directors, supervisors, and chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the HK Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

#### **INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES**

As at 30 June 2016, no Directors, supervisors and chief executive of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### **THE RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES TO PURCHASE SHARES**

None of the Director, supervisor or chief executive of the Company or their respective spouses or children under the age of 18 was granted any rights to subscribe for Shares of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the listed securities of the Company during the six months ended 30 June 2016.

## **AUDIT COMMITTEE**

The audit committee has, together with the management, reviewed the interim report, including the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal control, financial reporting and non-exempt continuing connected transactions, including review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2016.

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

As of 30 June 2016, there were four independent non-executive Directors in the Board. As of 30 June 2016, 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.

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

The Company has adopted a code for securities transaction by the Directors on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with the Directors of the Company, all of the Directors have complied with the required standard set out in the Model Code and the code of conduct regarding directors' securities transaction during the six months ended 30 June 2016.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to complying with all the rules prescribed by the China Securities Regulatory Commission and the HK Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2016, the Company had complied with the code provisions of the Code on Corporate Governance contained in Appendix 14 to the Listing Rules and met with all reasonable governance and disclosure requirements. The Company will continue to improve its corporate governance and enhance its transparency to shareholders.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement will be published on the website of the HK Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the Company's website [www.mlairport.com](http://www.mlairport.com). The 2016 interim report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the HK Stock Exchange and the Company on or before 9 September 2016.

## **THE BOARD**

As at the date of this announcement, the Board comprised the following persons:

### *Executive Directors*

WANG Zhen (*Chairman*)  
YANG Xiaobin (*President*)  
ZHANG Peihua  
LIU Shanbin

### *Independent Non-executive Directors*

DENG Tianlin  
FUNG Ching, Simon  
George F MENG  
HE Linji

### *Non-executive Directors*

HU Wentai (*Vice Chairman*)  
CHAN Nap Kee, Joseph  
YAN Xiang

By order of the Board  
**HNA Infrastructure Company Limited**  
**Wang Zhen**  
*Chairman and Executive Director*

Haikou, the PRC  
25 August 2016