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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)

FINAL RESULTS ANNOUNCEMENT AS OF 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Total revenue was RMB1,208.71 million (2015: RMB1,063.43 million)
- Revenue from aeronautical business was RMB680.28 million (2015: RMB580.05 million)
- Revenue from non-aeronautical business was RMB528.43 million (2015: RM483.38 million)
- Net profit attributable to shareholders was RMB392.94 million (2015: RMB438.77 million)
- Earnings per share was RMB0.83 (2015: RMB0.93)

BUSINESS HIGHLIGHTS

- The passenger throughput recorded 18.8038 million
- Aircraft takeoff and landing reached 135,523 times
- Cargo throughput was 274,535.90 tons

* *For identification proposes only*

RESULTS

The board of directors (the “**Directors**”) of HNA Infrastructure Company Limited (the “**Company**” or “**Meilan Airport**”) (the “**Board**”) is pleased to announce the financial position and operating results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2016, 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.

The selected consolidated financial information prepared according to Accounting Standards for Business Enterprises (as defined below) is as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note(s)</i>	2016 RMB	2015 RMB
Revenue	2	1,208,710,234	1,063,430,885
Less: Operating costs	3	(461,668,963)	(405,913,389)
Taxes and surcharges		(15,801,204)	(20,534,997)
General and administrative expenses	3	(62,402,238)	(57,923,244)
Finance expenses – net	4	(136,839,493)	(73,935,712)
Provision for asset impairment losses		–	(1,828,230)
Add: Investment (loss)/income	5	(879,621)	67,616,735
Including: Share of (loss)/profit of associates		(879,621)	67,616,735
Operating profit		531,118,715	570,912,048
Add: Non-operating income		18,166,626	16,329,901
Including: Gains on disposal of non-current assets		359,046	–
Less: Non-operating expenses		(8,702,083)	(8,437,774)
Including: Losses on disposal of non-current assets		(8,633,907)	(7,970,513)
Total profit		540,583,258	578,804,175
Less: Income tax expenses	6	(137,333,015)	(133,843,714)
Net profit		403,250,243	444,960,461
Attributable to shareholders of the Company		392,942,212	438,771,138
Minority interest		10,308,031	6,189,323
Earnings per share			
– Basic and diluted earnings per share	7	0.83	0.93
Other comprehensive income after tax		11,501,082	–
Total comprehensive income		414,751,325	444,960,461
Dividends	8	79,026,000	113,571,120

CONSOLIDATED BALANCE SHEET

	31 December	31 December
	2016	2015
<i>Note(s)</i>	RMB	RMB
ASSETS		
Current assets		
Cash at bank and on hand	952,868,307	1,023,267,032
Accounts receivable	254,279,646	303,184,304
Advances to suppliers	3,014,742	1,936,434
Interest receivable	4,131,919	1,122,387
Other receivables	8,311,392	23,965,933
Inventories	569,576	174,758
Other current assets	44,492,717	388,331,072
	<hr/>	<hr/>
Total current assets	1,267,668,299	1,741,981,920
	<hr/>	<hr/>
Non-current assets		
Long-term receivables	93,365,336	–
Long-term equity investments	1,384,104,022	1,210,687,572
Fixed assets	1,759,710,550	1,598,841,660
Construction in progress	1,730,470,347	568,551,255
Intangible assets	174,034,793	177,709,903
Deferred tax assets	7,658,716	7,816,592
Other non-current assets	1,778,818,773	1,656,654,004
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Total non-current assets	6,928,162,537	5,220,260,986
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Total assets	8,195,830,836	6,962,242,906
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		31 December	31 December
		2016	2015
	<i>Note(s)</i>	RMB	RMB
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	<i>10</i>	470,014,771	–
Accounts payable	<i>11</i>	21,743,187	19,064,006
Advances from customers		9,429,493	10,840,253
Employee benefits payable		33,168,416	27,881,900
Taxes payable		39,787,073	45,807,492
Interest payable		87,006,074	49,952,295
Dividends payable		499,500	499,500
Other payables		947,148,540	283,759,288
Non-current liabilities due within one year		<u>168,794,032</u>	<u>1,461,412,354</u>
Total current liabilities		<u>1,777,591,086</u>	<u>1,899,217,088</u>
Non-current liabilities			
Long-term borrowings	<i>12</i>	778,145,636	932,955,163
Corporate bonds	<i>13</i>	1,808,667,580	794,952,116
Long-term payables		83,958,872	62,177,707
Long-term employee benefits payable		524,126	1,244,453
Other non-current liabilities		<u>19,275,137</u>	<u>20,305,734</u>
Total non-current liabilities		<u>2,690,571,351</u>	<u>1,811,635,173</u>
Total liabilities		<u>4,468,162,437</u>	<u>3,710,852,261</u>
Shareholders' equity			
Share capital		473,213,000	473,213,000
Capital surplus		846,304,744	683,509,755
Surplus reserve		246,394,231	246,394,231
Other comprehensive income		11,501,082	–
Undistributed profits		<u>2,118,506,186</u>	<u>1,826,832,534</u>
Total capital and reserves attributable to shareholders of the Company		<u>3,695,919,243</u>	<u>3,229,949,520</u>
Minority interest		<u>31,749,156</u>	<u>21,441,125</u>
Total equity		<u>3,727,668,399</u>	<u>3,251,390,645</u>
Total liabilities and equity		<u>8,195,830,836</u>	<u>6,962,242,906</u>
Net current liabilities		<u>(509,922,787)</u>	<u>(157,235,168)</u>
Total assets less current liabilities		<u>6,418,239,750</u>	<u>5,063,025,818</u>

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.

As at 31 December 2016, the Group recorded net current liabilities of RMB509,922,787 (31 December 2015: RMB157,235,168). The Group has planned refinancing arrangements for the repayment of the Group’s borrowings and construction expenditure, including the proposed subscription of the Company’s domestic share by Haikou Meilan International Airport Co., Ltd. (the “**Parent Company**”) and Hainan HNA Infrastructure Investment Group Co., Ltd. (“**Hainan HNA Infrastructure**”), the proposed issue of H shares of the Company, and obtaining facility lines from several domestic financial institutions. Management has prepared the Group’s cash flow forecast for the year ended 31 December 2017, by taking into account the expected operating cash inflows and the commitments to provide sufficient fundings from a financial institution. 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 year ended 31 December 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.

	2016	2015
	RMB	RMB
Analysis of revenue (by nature)		
Aeronautical:		
Passenger service charges	258,865,736	229,766,658
Refund of Civil Aviation Development Fund	217,408,980	184,693,275
Ground handling service income	114,377,433	85,616,611
Fees and related charges on aircraft takeoff and landing	89,628,728	79,972,831
	680,280,877	580,049,375
Non-aeronautical:		
Franchise income	296,214,134	256,458,436
Freight and packaging income	76,666,706	104,666,441
Rental income	45,266,013	38,486,680
VIP room income	21,769,644	17,788,387
Parking income	18,813,859	17,023,384
Other income	69,699,001	48,958,182
	528,429,357	483,381,510
Total revenue	1,208,710,234	1,063,430,885

3. COST/EXPENSES BY NATURE

Depreciation and amortization expenses are analysed as follows:

	2016 <i>RMB</i>	2015 <i>RMB</i>
Depreciation of fixed assets	90,606,222	62,440,507
Amortisation of land use rights	<u>3,974,255</u>	<u>3,971,763</u>

4. FINANCIAL EXPENSES-NET

	2016 <i>RMB</i>	2015 <i>RMB</i>
Interest expenses	273,377,495	223,705,344
Including: Bank borrowings	164,435,715	155,317,856
Corporate bonds	102,254,141	63,733,086
Finance lease	6,687,639	4,654,402
Net foreign exchange losses	81,165,186	73,044,238
Less: Interest expenses and exchange losses capitalisation	(177,688,757)	(180,955,372)
Less: Interest income	(41,105,929)	(43,802,977)
Others	<u>1,091,498</u>	<u>1,944,479</u>
	<u>136,839,493</u>	<u>73,935,712</u>

5. INVESTMENT (LOSS)/INCOME

	2016 <i>RMB</i>	2015 <i>RMB</i>
Share of (loss)/profit of an associate-Hainan Airlines Airport Holding (Group) Company Limited (“ HNA Airport Holdings ”)	(890,279)	66,505,445
Share of profit of an associate-Haikou Decheng Industrial and Development Co., Ltd. (“ Haikou Decheng ”)	<u>10,658</u>	<u>1,111,290</u>
	<u>(879,621)</u>	<u>67,616,735</u>

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

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 year ended 31 December 2016 (2015: nil). Income tax expenses in the consolidated income statement represent the provision for the PRC corporate income tax (“CIT”).

	2016 <i>RMB</i>	2015 <i>RMB</i>
Current income tax	137,175,139	128,411,994
Deferred income tax	<u>157,876</u>	<u>5,431,720</u>
	<u>137,333,015</u>	<u>133,843,714</u>

The applicable tax rate of the Group in 2016 was 25% (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:

	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company (<i>RMB</i>)	<u>392,942,212</u>	<u>438,771,138</u>
Weighted average number of outstanding ordinary shares of the Company (<i>share</i>)	<u>473,213,000</u>	<u>473,213,000</u>
Basic earnings per share (<i>RMB</i>)	<u>0.83</u>	<u>0.93</u>

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted by the profit or 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 this year (2015: nil), diluted earnings per share equal to basic earnings per share.

8. DIVIDENDS

	2016	2015
2016 interim dividend paid of RMB0.094 per share (2015 interim dividend: RMB0.120 per share)	44,483,000	56,785,560
Proposed to distribute 2016 final dividend of RMB0.073 per share (2015 final dividend: RMB0.120 per share)	<u>34,543,000</u>	<u>56,785,560</u>
	<u>79,026,000</u>	<u>113,571,120</u>

During the year, 2016 interim cash dividend of RMB0.094 per share, totalling RMB44,483,000 (2015 interim cash dividend: RMB0.120 per share, totalling RMB56,785,560) was declared to the shareholders of the Company.

A final dividend of RMB0.073 per share, totalling RMB34,543,000 was proposed by the Board on 28 March 2017 (2015 final dividend: RMB0.120 per share, totalling RMB56,785,560). This dividend has not been recognized as a liability in the financial statements for the year ended 31 December 2016. It will be recognized in shareholders' equity for the year ending 31 December 2017.

9. ACCOUNTS RECEIVABLE

	31 December 2016 RMB	31 December 2015 RMB
Accounts receivable	256,107,876	305,012,534
Less: Provision for bad debts	(1,828,230)	(1,828,230)
	<u>254,279,646</u>	<u>303,184,304</u>

Credit terms granted to customers are determined on an individual basis by management with a general range from 1 to 3 months. As at 31 December 2016, the aging analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	31 December 2016 RMB	31 December 2015 RMB
Within 90 days	227,460,723	178,533,954
91 to 180 days	12,361,770	38,807,796
181 to 365 days	9,731,774	82,037,452
Over 365 days	6,553,609	5,633,332
	<u>256,107,876</u>	<u>305,012,534</u>

10. SHORT-TERM BORROWINGS

	31 December 2016 RMB	31 December 2015 RMB
Secured borrowings (a)	170,014,771	–
Guaranteed borrowings (b)	300,000,000	–
	<u>470,014,771</u>	<u>–</u>

(a) As at 31 December 2016, bank borrowings of US\$24,508,400 (equivalent to approximately RMB170,014,771) with interest rate of 0.20% per annum were secured by fixed deposits of RMB160,000,000.

(b) As at 31 December 2016, bank borrowings of RMB300,000,000 were guaranteed by the Parent Company with interest rate of 5.25% per annum.

11. ACCOUNTS PAYABLE

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

	31 December 2016 RMB	31 December 2015 RMB
Within 90 days	13,062,328	14,282,146
91 to 180 days	1,028,752	4,444,660
Over 180 days	7,652,107	337,200
	<u>21,743,187</u>	<u>19,064,006</u>

12. LONG-TERM BORROWINGS

	31 December 2016 RMB	31 December 2015 RMB
Asset-backed security borrowings	871,145,636	1,012,955,163
Secured borrowings	–	1,341,619,464
Less: current portion of long-term borrowings	(93,000,000)	<u>(1,421,619,464)</u>
	<u>778,145,636</u>	<u>932,955,163</u>

As at 31 December 2016, the weighted average interest rate of long-term borrowings is 7.81% (31 December 2015: 6.74%) per annum.

On 2 July 2015, the Company entered into an arrangement with CITIC Trust Co., Ltd. (中信信託有限責任公司) whereby the Company obtained financing from the trust of RMB1,100,000,000 under which the Company's entitlements to aviation service income for the period from 1 May 2015 to 30 April 2020 were pledged to the trust for issuing an asset-backed security ("ABS"). As at 31 December 2016, the remaining principal of the external borrowings of the ABS amounted to RMB873,000,000 (31 December 2015: RMB1,030,000,000). The assets and liabilities of the ABS have been consolidated into the Group's financial statements.

13. CORPORATE BONDS

	31 December 2015 RMB	Issuance in current year RMB	Issuance expenses RMB	Amortization in current year RMB	31 December 2016 RMB
Long-term corporate bonds	<u>794,952,116</u>	<u>1,020,000,000</u>	<u>(9,000,000)</u>	<u>2,715,464</u>	<u>1,808,667,580</u>

Related information regarding the bonds is as follows:

	Par value RMB	Issuance date	Maturity	Issuance amount RMB
Meilan bonds (a)	800,000,000	13 March 2012	7 years	800,000,000
Guohai private equity bonds I (b)	500,000,000	27 April 2016	3 years	500,000,000
Guohai private equity bonds II (c)	<u>520,000,000</u>	2 September 2016	3 years	<u>520,000,000</u>
	<u>1,820,000,000</u>			<u>1,820,000,000</u>

Interest accrued of the bonds is analysed as follows:

	Interest accrued			
	31 December 2015 RMB	Interest accrued in current year RMB	Interest paid in current year RMB	
Meilan bonds	49,746,667	62,053,333	(62,400,000)	49,400,000
Guohai private equity bonds I	–	24,900,000	–	24,900,000
Guohai private equity bonds II	–	11,549,699	–	11,549,699
	<u>49,746,667</u>	<u>98,503,032</u>	<u>(62,400,000)</u>	<u>85,849,699</u>

- (a) Pursuant to Zheng Jian Xu Ke [2011] No. 2082 approved by the China Securities Regulatory Commission (the “**CSRC**”), the Company issued registered book-entry corporate bonds of RMB800,000,000 which are listed on the Shanghai Stock Exchange (the “**Shanghai Stock Exchange**”) on 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) 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 “**Shenzhen Stock Exchange**”). The maturity of the bonds is 3 years, with fixed interest rate of 7.3% per annum, and the interest is payable annually on 27 April of each year and the principal is repayable upon maturity.
- (c) On 2 September 2016, the Company issued the phase II corporate bonds of RMB520,000,000 to qualified investors which are listed on the Shenzhen Stock Exchange. The maturity of the bonds is 3 years, with fixed interest rate of 6.7% per annum, and the interest is payable annually on 2 September of each year and the principal is repayable upon maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Revenue Review

Overview of Aviation Business

In 2016, boosted by the overall rapid growth of the PRC civil aviation industry, and benefited from certain favourable policies as well as the construction of the Hainan International Tourism Island and off-shore duty free policy, the passengers throughput of Meilan Airport continued to experience a substantial growth, and recorded a debut of exceeding 18 million of visits, enabling it to rise 1 place from last year to the 18th among all civil airports in China.

While continuously making dedicated efforts to strengthen its marketing on aviation business, the Company actively communicated with local government, enthusiastically amended and adjusted airlines incentives policies to attract and encourage investments and participation from more airlines. Moreover, the Group has achieved the navigation with the six ASEAN countries and Europe, implemented air and rail link agency services, introduced the first intercity bus routes, and initially constructed the regional hub for airport air and land transport system. The Group has conducted measures on de-peaking during winter and spring, and cooperated during the summer and autumn off-seasons, ensured the flight takeoff and landing with an increase of 13,696 flights over last year via the flexible market policies, whilst the patronage rate remained the same over the same period of last year. By virtue of the support from local government, the Group also coupled with the aviation tourism industry enterprises to carry out a variety of marketing promotion campaigns, and continued to enhance the attractiveness of Haikou civil aviation market.

For the year ended 31 December 2016, Meilan Airport operated a total of 239 originating routes, including 214 domestic routes, 20 international routes and 5 regional routes. Meilan Airport extended its reach to 121 cities, including 97 domestic cities, 19 international cities and 5 regional cities; and attracted 51 airlines to operate at Meilan Airport in total, including 30 domestic airlines, 9 international airlines and 4 regional airlines, and 8 domestic and international airlines to carry out alternate and temporary flights.

Details of the aviation traffic throughput of Meilan Airport in 2016 and comparative figures of last year are set out below:

	2016	2015	Change
Passenger throughput			
(headcount in ten thousand)	1,880.38	1,616.70	16.31%
in which: domestic	1,811.83	1,562.01	15.99%
international and regional	68.55	54.69	25.34%
Aircraft takeoff and landing (times)	135,523	121,827	11.24%
in which: domestic	129,404	116,938	10.66%
international and regional	6,119	4,889	25.16%
Cargo throughput (tons)	274,535.90	246,787.50	11.24%
in which: domestic	262,680.30	237,466.00	10.62%
international and regional	11,855.60	9,321.50	27.19%

The Group's total revenue from aviation business for 2016 was approximately RMB680,280,877, representing an increase of approximately 17.28% as compared to that of 2015. A breakdown of the Group's revenue from aviation business is as follows:

	Amount (RMB)	Changes over 2015
Passenger service charges	258,865,736	12.66%
Refund of Civil Aviation Development Fund	217,408,980	17.71%
Ground handling service income	114,377,433	33.59%
Fees and related charges on aircraft takeoff and landing	89,628,728	12.07%
Total revenue from aviation business	<u>680,280,877</u>	<u>17.28%</u>

Overview of Non-aviation Business

In 2016, the non-aviation business of the Group maintained growth momentum and achieved annual revenue of RMB528,429,357, representing a year-on-year increase of 9.32%. Its proportion to the Group's total revenue recorded to 43.72%. The continuous growth of non-aviation business was mainly due to continuous growth of the revenue from off-shore duty-free franchise and rental income due to the expansion of the business area after commencement of operation of the West Gallery since October 2015. Meanwhile, by ways of the flexible adjustment of the business model, and active utilization the area-effectiveness for commercial use, the Group maintained steady growth in the revenue of its non-aviation business. In 2016, the Group recorded franchise income accumulated to RMB296,214,134, representing a significant year-on-year increase of 15.50%, while freight and packaging income reached RMB76,666,706, representing a year-on-year decrease of 26.75%. Rental income reached RMB45,266,013, representing a year-on-year increase of 17.61%. In addition, parking fee income also reached RMB18,813,859, representing a year-on-year increase of 10.52%. Meanwhile, VIP room income reached RMB21,769,644, representing a year-on-year increase of 22.38%.

	Amount (RMB)	Changes over 2015
Franchise income	296,214,134	15.50%
Freight and packaging income	76,666,706	-26.75%
Rental income	45,266,013	17.61%
VIP room income	21,769,644	22.38%
Parking fee income	18,813,859	10.52%
Other income	69,699,001	42.36%
Total revenue from non-aviation business	<u>528,429,357</u>	<u>9.32%</u>

Franchise Income

In 2016, the franchise income of the Group amounted to RMB296,214,134, representing a year-on-year growth of 15.50%, which was mainly attributable to factors such as continuous expansion of the business area of Meilan Airport Off-shore Duty-Free Shop, diversified duty-free commodities, increase off-shore duty-free allowance innovative promotion means, resulting in the continuous growth in sales in off-shore duty-free shop. In 2016, revenue from off-shore duty-free franchise of the Group amounted to RMB181,997,903, representing a year-on-year growth of 5.94%.

Freight and Packaging Income

In 2016, the freight and packaging income of the Group aggregated to RMB76,666,706, representing a year-on-year decrease of 26.75%, which was due to the expiration of the freight service contracted by the Company with Hainan Airlines Company Limited, causing such decrease in freight and packaging income.

Rental Income

In 2016, the rental income of the Group amounted to RMB45,266,013, representing an increase of 17.61% compared with last year. The main reasons are that through the utilization of space resources, together with the flexible adjustment of the business model, further optimization over the spaces of the terminal, enhancement of the area-effectiveness for commercial use of the terminal, and the operation of West Gallery, the Company is able to guarantee a continuous growth of rental income.

Parking Fee Income

In 2016, the parking fee income of the Group aggregated to RMB18,813,859, representing a year-on-year growth of 10.52%, which was mainly due to the fact that the Company strengthened the renovation in order to further utilize the existing parking resources efficiently, which resulted in a growth in parking fee income.

Financial Review

Assets Analysis

As at 31 December 2016, the total assets of the Group amounted to RMB8,195,830,836, representing an increase of 17.72% over last year. Among which, current assets amounted to RMB1,267,688,299, representing 15.47% of the total assets, non-current assets amounted to approximately RMB6,928,162,537, representing approximately 84.53% of the total assets.

Costs Analysis

The operation cost and administrative expenses of the Group were RMB524,071,201 in 2016, representing an increase of RMB60,234,568 or 12.99% as compared to that of 2015, mainly attributed to:

- (1) the depreciation charge of the year increased by RMB28,165,715 of the Group, which was mainly due to the commencement of operation of the West Gallery and the auxiliary facilities;
- (2) the costs of the contract labour increased by RMB16,937,063 due to the increase of the contract labour of the Group in the year; and
- (3) the maintenance fee of the Group in the year amounted to RMB10,614,772, which was mainly due to the fact that the facilities operated over years, which increased the maintenance fee.

In 2016, the financial expenses of the Group amounted to RMB136,839,493, representing an increase of RMB62,903,781 as compared to the same period last year, which was mainly due to the increase of the Group's new loans and the change in the syndicated loan Libor.

Cash Flow

In 2016, the Group's net cash inflow from operating activities was RMB968,633,166, representing an increase of 123.02% over last year. Such increase was mainly due to the increase in operating income.

In 2016, the Group's net cash outflow from investing activities was RMB838,357,980, which was mainly attributable to payments for the construction of the Phase II expansion project and terminal complex project.

In 2016, the Group's net cash outflow from financing activities was RMB400,933,144, which was mainly attributable to the repayment of principal of loan from syndicated loan, and the payment of interests on borrowings and dividends.

Pledge of the Group's Assets

Certain land use rights of the West Gallery and for the constructions the international terminal, and part of the ground-level buildings 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 31 December 2016, the outstanding balance of the borrowing was RMB530,000,000.

On 2 July 2015, the Company entered into an arrangement with CITIC Trust Co., Ltd. (中信信託有限責任公司) whereby the Company obtained financing from the trust of RMB1,100,000,000 under which the Company's entitlements to aviation service income for the period from 1 May 2015 to 30 April 2020 were pledged to the trust for issuing an asset-backed security (the "ABS"). As at 31 December 2016, the remaining principal of the external borrowings of the ABS amounted to RMB873,000,000 (31 December 2015: RMB1,030,000,000).

On 27 April 2016, the Company borrowed US\$24,508,400 for short-term from Nanyang Commercial Bank (China) Limited (南洋商業銀行(中國)有限公司, "**Nanyang Bank**") with a fixed deposit of RMB160,000,000 as collateral. The annual interest rate was 0.20%. As at 31 December 2016, the loan balance was US\$24,508,400 (equivalent to approximately RMB170,014,771).

On 22 December 2016, the Company borrowed RMB300,000,000 from Nanyang Bank at an annual interest rate of 5.25%. As at 31 December 2016, the loan balance was RMB300,000,000.

Gearing Ratio

As at 31 December 2016, current assets of the Group were RMB1,267,668,299, total assets were RMB8,195,830,836, current liabilities were RMB1,777,591,086, total liabilities were RMB4,468,162,437, and net current liabilities were RMB509,922,787. The gearing ratio (total liabilities/total assets) of the Group was 54.52%, representing an increase of 1.22% over 2015, which was mainly attributable to the accrued construction fee payables based on the status of the terminal complex and Phase II expansion project; whilst the net current liabilities of 2016 was mainly due to the accrued fee of the construction work of the Group.

Foreign Exchange Risks

The businesses of the Group are principally conducted in Renminbi, except certain aviation revenue, purchase of equipment and consulting service fee which are denominated in US dollars or Hong Kong dollars. In view of the limited impact derived from the changes in foreign exchange rates on the Group's operating results, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risks.

Financial Instruments

As at 31 December 2016, financial instruments of the Group mainly included bank loans, corporate bonds, cash and bank deposits. The purpose of these financial instruments is to finance the Group's operations. Besides, the Group had other financial instruments in relation to daily operations, such as receivables (excluding prepayments) and payables (excluding statutory liabilities).

Contingent Liability

As at 31 December 2016, neither the Group nor the Company had any significant contingent liability.

Purchase, Sale or Redemption of The Shares

As at 31 December 2016, neither the Group nor the Company had purchased, sold or redeemed any of the shares of the Company.

Employment, Remuneration Policy and Training

As at 31 December 2016, the Group had a total of 873 employees, representing an increase of 140 employees over last year, which was mainly due to the needs derived from the business growth, the operation of the terminal complex project of Meilan Airport, and the new employment for talents to reserve for the construction of the Phase II expansion project. Employees are remunerated based on their performance, experience and prevailing industry practices. The Group will review the remuneration policy and related packages on a regular basis. Performance-based bonuses and commissions may be awarded to employees. The Group provided adequate trainings based on the requirement of employees, with an aim to upgrade the talent of employees. A total of 231 courses under the training scheme were completed, and 6,215 staff participated in such courses.

Retirement Pension

The Company and its subsidiaries shall participate in the retirement scheme operated by the relevant local governmental institutions. The PRC government shall be responsible for the pension of the retired employees. The Group has to make a contribution at a rate of 19% of the salary of the employees with permanent residence in the PRC. Once the Group contributes to the retirement scheme, the employer's contribution is fully owned by the employees. For the year ended 31 December 2016, the pension contribution of the Group was approximately RMB10,694,508 (2015: RMB9,497,804).

Other Information

In 2016, there was no significant change in other information in relation to the matters set out in Section 32 of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

OUTLOOK

The global economic recovery remains in turmoil in 2017. It undergoes a long-term adjustment after financial crisis as the Federal Reserve's announcement on a rate hike, the European Central Bank and the Bank of Japan withdrew the negative rate policy. It remains alarming towards weakened international economic growth, withdrawal of the United Kingdom from the European Union, new policies implemented by the newly elected US president and the potential oscillation in the global financial market. In 2017, it is expected that there will be an upward trend for global inflation.

Comparing with complicated international situation and the pinormal domestic circumstances, the construction of Hainan International Tourism Island is expected to maintain a healthy and sound momentum. With the introduction of the document “Thirteenth Five-Year Plan for the Tourism Development in Hainan Province (2016-2020)” (海南省旅遊業發展十三五規劃(2016-2020)), Hainan Province proposed to develop the tourism industry by “one island, two circles, four tours, multiple nodes”. During the “Thirteenth Five-Year Plan” period, Hainan Province will base on the status of the only tropical province in the PRC, and possess the “three superiorities” with the best ecosystem in the PRC, the biggest Chinese special economic zone and the only international travelling island in the PRC. Becoming a moderately prosperous society synchronously with other parts of the country, completing the basic construction of the international travelling island and constructing a beautiful Hainan are the “three objectives” put forward by the plan. To strive to cultivate Hainan as a blessed home for all people living in the province, the garden of all seasons for the Chinese nation and the paradise of vacation for all tourists are the “three visions” of the plan. These provided a clear direction to the Hainan tourism development. In pace with the gradual installation of the “Thirteenth Five-Year Plan”, the tourist facilities, management and operation, as well as its service quality, international reputation and goodwill of Hainan Province will further be enhanced. It is expected that the number of tourist inflow will be on continual rise, and provides a solid foundation for the development of Meilan Airport in 2017.

In addition, influenced by the more loosened off-shore duty-free policy, during the 2017 Spring Festival Golden Week, Hainan sales of off-shore duty-free commodities recorded 359,000 items and achieved aggregate sales amounted to RMB360,000,000, representing increases of 11.84% and 5.88%, respectively. Since the entering of Spring Festival Golden Week from the 31 January 2017, Meilan Airport’s average sales of goods exceeded RMB10,000,000 for each of eleven consecutive days and with a remarkable sales performance. Along with the further expansion on the business area of the Meilan Airport off-shore duty-free shop in the terminal complex project and the operation continues to be fiery, it is believed that it will incur better return to the Group.

The Company is of the view that, in 2017, along with the furtherance of the national development strategy “One Belt and One Road Initiative” and the construction of Hainan International Travelling Island, together with the adoption of off-shore duty-free policy, Meilan Airport’s international and domestic airlines will run smoothly, after the passenger throughput per annum reached total number over 18,800,000 in 2016, the number may go beyond 20,000,000 in 2017. To implement the Civil Aviation Administration of China’s (“CAAC”) Thirteenth Five-Year Plan and “Civil Aviation Advancing Belt and Road Construction Action Plan (2016-2030)” (民航推進“一帶一路”建設行動計劃(2016-2030)) will be the Company’s key emphasis in work, continuing to improve the safety alerting mechanism and safety performance management, as well as realizing and solidifying the fruitful results of the SKYTRAX’s five-star rating. While assuring the safety and services quality, the Company will grasp the opportunity with CAAC to further release the highest capacity for peak hours and to follow strategic development plan closely, exhuming both aviation and non-aviation markets potential, further to optimize the capital structure, improve market value and keep reducing the gearing ratio. The Group will strive to develop into an investment management group with capital management as the core, and integrate investment with development, and form strategic complementarity, achieving a healthy, sustainable development of Meilan Airport and bring better return to all shareholders of the Company.

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

In 2017, for the purpose of adapting a new aviation market development trend, the Group will focus more on developing the market of medium, small and new airlines as well as medium to small airports which are yet to open to air traffic and bring Meilan Airport's airlines network layout to completion. The Group will grasp the opportunity of revisions of aviation award policies proposed by the Civil Aviation Office of Hainan Province Government ("CAO") and coordinate better, so as to increase the support provided by the policy to Meilan Airport. The Group will launch "peak load shifting" (削峰填谷) during winter and spring and for the air routes, the Group will "choose the outstanding, pile up the peak" (擇優疊峰), enhancing the utilization rate during the winter and spring's idling time, encouraging putting wide-body flights into circulation and encouraging an increasing frequency for premium air routes. The Group will continue practising subsidy policy during off-peak in summer and autumn, as well as start working on specialized projects such as elevating patronage rate and operational efficiency. Cooperation with relevant airlines and airports will be strengthened, suitable promotion over branch-arterial combined products will be designed, aiming to build Meilan Airport as the most preferred central terminal airport for residents from the Southern Liangguang, further to expand Meilan Airport's source market. Construction on terminals in foreign cities and direct shuttle will continue. Focusing on strategy layout "One Belt and One Road Initiative", counting on favourable policies such as bonded aviation fuel and off-shore duty free, the Group will fully implement the development strategy of being airport center in Southeast Asia, so as to turn Meilan Airport into a regional aviation hub in Southern China.

STICK TO CORE CAPABILITY CONSTRUCTION, CONSTANTLY CLUTCH ATTENTION ON SAFETY

In 2017, the Group will adopt the Building-Investment-Management (BIM) concept as the guiding principle and adopt performance and risk management and control as the gripper to enhance the efficacy of the management system. At the same time, through building a safety management platform, developing and perfecting the safety management systems and standards, the Group will design a more comprehensive emergency protection system. Completing and raising on the safety standard of Meilan Airport's operation will be continued so as to meet the requirement of international civil aviation standard. The internationalisation of the security management crew's cultivation will be reinforced and the forefront of ideas on international security management will be followed.

The Group will improve normalization of inner security management by further strengthening access administration in the control zone; improve security management efficiency practically by integrating existing security resources rationally; and reinforce the whole control of transporting hazardous articles by establishing and improving supervisory mechanism on hazardous articles. To perfect the management of business training, the Group will organize to formulate a plan to establish training systems and commence transformation on practical training.

FIRMLY DEEPEN EFFICIENCY PROMOTION AND SOLIDLY DEVELOP BRAND IMPROVEMENT

In 2017, the Group will focus on improving the punctuality rate of flights via technological means. Meilan Airport's punctuality rate and efficiency safeguard mechanism will be tested by scientific research in the industry and organization, through data analysis and a data model to be set up to add up and analyze the flows of both flights and passengers. In addition, civil aviation technology means will be adopted, such as Head Up Display (HUD) flying mode to lower the impact of weather imposed to the airport, enhancing the utilization efficiency of runway taxiway. According to BIM concept, taking Airport Collaborative Decision Making (A-CDM) management platform as the core, the Group will intergrate and make use of existing information and operation resources, introduce and perfect scene monitoring system, scene guidance and control system etc., to build up a three-dimension, immediate and full flow ground operation database and set up a monitoring mode that is clear, visible, forecastable and analysable. Through building an intelligentized ground operation flow management mechanism and a dynamic management and operation interface, flexibly and dynamically coordinating resources distribution and coordinating air and land for discharging in order to form a seamless connection in air and land in every session, making operational direct flow intelligentized and promote efficient connection and close cooperation among airports, air traffic control and airlines.

In 2017, the Group will solidify the status of SKYTRAX five-star airport with full effort, transforming the brand building idea from "awards winning" to "reputation winning", and will establish a brand management system to enhance the brand management level of Meilan Airport from all aspects.

In 2017, the Group will continue to put the sustainable development strategy into practice and strive to get through the Airports Council International (ACI) green airport accreditation by "high in utilizing resources efficiently, low in affecting the environment" and persist in "green airport" in construction projects, building a globally outstanding airport with landscaped environment, convenient transportation, efficient services, warm hospitality, smooth process, complete functions and advanced equipment with rich island culture features.

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

In 2017, in order to utilize the edges of connecting Meilan Airport with Southeast coast and the Southeast Asia prime routes, forming a three-dimensional transport network which can penetrate the entire island and connect inner and outer of the island, and promoting Hainan as a strategic fulcrum role of "Maritime Silk Road", the Group will continue to step up its efforts in promoting construction projects, such as Meilan Airport Phase II expansion project and Ground Traffic Center (GTC). The Group will strive to cultivate Meilan Airport as a comprehensive three-dimensional transportation centre with its base in Northern Hainan, which gears to the need of entire Hainan province and radiates in Southeast Asia in 2020.

INTEREST PAYMENT OF CORPORATE BONDS

According to the announcement of the Company dated 19 March 2012, the Company announced to complete domestic issuance of corporate bonds with the principal amount of RMB800 million. Pursuant to the *Listing Announcement of 2011 Corporate Bonds of Hainan Meilan International Airport Co., Ltd.* (《海南美蘭國際機場股份有限公司二零一一年公司債券上市公告書》) released by the Company on the Shanghai Stock Exchange on 19 April 2012, the coupon rate of corporate bonds was 7.8%, whose interests from March 2015 to March 2016 were paid on 11 March 2016, in total RMB62,400,000.

PHASE II EXPANSION PROJECT

The Phase II expansion project has broken ground for a cornerstone on 18 November 2015 and commenced on 6 September 2016, whereby the land acquisition and demolition, project design, project approval, costs of procurement, construction and other work have been in full swing. It is expected that the project will be completed in 2018 and the trial operation will be commence in 2019.

TERMINAL COMPLEX PROJECT

The terminal complex project includes three main buildings, namely the commercial building, the hotel building and the parking building, in which the commercial building brings together the island free-duty products, products with Hainan features, aviation science and technology museum, cross-border telecommunication zone, food court and GTC, a transportation center, which is set as a large tourism complex, comprising “food, hospitality, travel, visit, shopping, entertainment.” The hotel building has around 1,000 rooms in total, featuring with a full-time restaurant, an aircrew restaurant and a gym room, etc., whereby the conditions of Meilan Airport inbound and outbound crew members and passengers’ hotel accommodation will be ameliorated upon the official business commenced. The parking building has nearly 3,000 parking spaces, with the assistance of advanced intelligent parking system, it will provide convenient parking services for travellers. On 25 January 2017, the Hainan Tourism Boutique, located on the second floor of the commercial building and the Haikou aviation science and technology museum, located on the third floor of the commercial building, had been commissioned.

ACQUISITION PROGRESS

According to the announcement of the Company dated 13 November 2015, the circular of the Company dated 4 December 2015 and the announcement of the Company dated 30 September 2016:

On 13 November 2015, the Company entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the parent Company, pursuant to which, the Company agreed to acquire 100% of the equity interest in Haikou Meilan Airport Assets Management Co., Ltd. (“**Meilan Airport Assets Management**”, 海南美蘭機場資產管理有限公司), 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 shall be 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 transactions 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 is conducting assets transfer procedures upon the approval of relevant government departments 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.

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

According to the announcement of the Company dated 30 December 2016:

- (1) the Company and the Parent Company entered into a domestic shares subscription agreement, pursuant to which the Parent Company agreed to subscribe not more than 190,463,284 new domestic shares of the Company as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company and not more than 250,626,566 new domestic shares of the Company by cash at an aggregate subscription price of not more than RMB2,000,000,000;
- (2) the Company and Hainan HNA Infrastructure entered into a domestic shares subscription agreement, pursuant to which Hainan HNA Infrastructure agreed to subscribe not more than 50,125,313 new domestic shares of the Company by cash at an aggregate subscription price of not more than RMB400,000,000;
- (3) the grant of the proposed Specific Mandate to the Board to issue not more than 150,375,940 new H Shares; and
- (4) proposed consequential amendments to the articles of association.

As at the date of this announcement, the Company has convened 6th session of the first Independent Board Committee meeting as well as 6th session of the third Board meeting on 30 December 2016 to consider and approve the relevant resolutions. Currently, the Company is in the process of preparation work, such as the circular of the general meeting, 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 specific issuance of Domestic Shares and proposed placing of new H Shares project in the future, and make disclosure timely to the public pursuant to the provisions of the Listing Rules.

INTELLIGENTIZED AIRPORT CONSTRUCTION

In 2016, according to the overall plan of the intelligentized construction of Meilan Airport, insisting on the conception of “happy e-travel, efficient e-use, e-control security, e-earning efficiency and low carbon e-enjoyment”, the Group kept further construction of the intelligentized airport. It has extended its reach to three main aspects including security, service and operation. Among them, the self check-in system has officially entered into operation, which is the first domestic airport with self check-in services throughout whole region. The official launch of the “all-in-one” service has resulted in a significant reduction in the waiting time for passengers who do not have to handle checked baggage, which improved the efficiency of Meilan Airport services. The wireless apron despatch system has been officially online, which realized the change over flight protection from “results management” to “process management”, in which it plays a vital role towards the system regarding the increase of release rate over Meilan Airport. The newly operated command system, apron tower system, self-service baggage system, greatly enhanced the capacity of Meilan Airport. Subsequent to the progressive introduction of the intelligentized system, Meilan Airport was awarded the “Unit with Excellence Practice in application of Internet Technology Annual Award” at the Civil Aviation Internet Conference, and was awarded the “Advanced Digitization of Informative and Intelligentized Collective Work Award” at the China Mobile Informative and Intelligentized Promotion Conference.

AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group’s results for the year ended 31 December 2016 have been agreed by the Group’s auditor, PricewaterhouseCoopers Zhong Tian LLP, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on the results announcement.

FINAL DIVIDEND

The Board has passed the resolution, at the forthcoming annual general meeting of the Company on Thursday, 18 May 2017, to recommend the payment of a final dividend on or before Friday, 14 July 2017 of RMB0.073 per share (tax inclusive) to shareholders of the Company whose names appear on the Company’s register of members on Monday, 29 May 2017 (the “**2016 Final Dividend**”). The 2016 Final Dividend shall be subject to the approval by shareholders of the Company at the forthcoming annual general meeting to be held by the Company.

The dividends to H-shareholders are declared in Renminbi but paid in HK\$. The exchange rate of Renminbi to HK\$ to be adopted shall be the average middle exchange rate of the five business days preceding and including the date of declaration of such dividends at the forthcoming annual general meeting on Thursday, 18 May 2017 as announced by the People’s Bank of China.

According to the *Corporate Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which took effect on 1 January 2008, and its implementation rules and the relevant interpretations by tax authorities in the PRC, when a Company makes distribution to non-resident enterprise shareholders whose names appear on the H-share register of the Company, such Company is required to withhold and pay on behalf of such shareholders an enterprise income tax at a rate of 10% in general (except as required otherwise by the laws, regulations and tax treaties regarding

tax revenue). Any shares registered in the name of a non-individual shareholder, including HKSCC Nominees Limited, other nominee or trustee, or other organisation and group, are deemed as shares held by non-resident enterprise shareholders. As such, the dividends that such shareholder is entitled to are subject to the enterprise income tax.

The Company will strictly comply with the laws and/or requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its non-resident enterprise shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will not deal with any request in relation to any delay or error in ascertaining the identities of shareholders, nor will the Company handle any disputes arising from the arrangement of withholding tax. However, the Company may provide assistance within its capability.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Tuesday, 18 April 2017 to Thursday, 18 May 2017 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified for attending and vote at the annual general meeting of the Company, all share transfer instruments, accompanied by the relevant share certificates and forms of transfer, shall be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 13 April 2017.

The Company's register of members will be closed from Wednesday, 24 May 2017 to Monday, 29 May 2017 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified for the 2016 Final Dividend, all share transfer instruments, accompanied by the relevant share certificates and forms of transfer, shall be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 23 May 2017. The Company will pay the 2016 Final Dividend on or before Friday, 14 July 2017 upon approval at the annual general meeting of the Company.

MATERIAL LITIGATION OR ARBITRATION

The Group had no material litigation or arbitration for the year ended 31 December 2016.

SHARE CAPITAL STRUCTURE

As at 31 December 2016, the total number of issued share capital of the Company was 473,213,000, of which:

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, so far as known to the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, supervisor or chief executive 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 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 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

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

H SHARES

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo (<i>Note 2</i>)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Zhang Zhiping (<i>Note 2</i>)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Financial Services Group Limited (<i>Note 2</i>)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Financial Group Limited (<i>Note 2</i>)	Interest of controlled corporations	94,343,000(L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (<i>Note 2</i>)	Beneficial owner	94,343,000(L)	41.58%	19.94%

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
UBS Group AG <i>(Note 3)</i>	Security interest in shares and interest of controlled corporations	27,365,400(L)	12.06%	5.78%
UBS AG <i>(Note 4)</i>	Beneficial owner, security interests in shares and interests of controlled corporations	27,174,400(L) 15,000(S)	11.98% 0.01%	5.74% 0.00%
ARC Capital Holdings Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
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%

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Greenwoods Asset Management Limited (<i>Note 6</i>)	Investment manager	13,844,000(L)	6.10%	2.93%
JP Morgan Chase & Co. (<i>Note 7</i>)	Beneficial owner and custodian corporation/approved lending agent	13,607,488(L)	5.99%	2.88%
Svenska Handelsbanken AB Publ. (<i>Note 8</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% interest in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. According to the disclosure of interest filed by UBS Group AG on the website of the 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 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 for the purpose of Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which in turn held 32,788,500 H shares of the Company in its capacity as a beneficial owner. 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 for the purpose of 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 32,788,500 H shares of the Company.
6. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited, which in turn was held 81% by Jiang Jinzhi. Greenwoods Asset Management Limited held 13,844,000 shares in the capacity of investment manager.
7. 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.
8. Svenska Handelsbanken AB Publ. held 11,387,747 shares in the Company by virtue of its capacity as investment manager.
9. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 31 December 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 executive 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 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 31 December 2016, none of the Directors, supervisors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that is required to be recorded in the register to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions (“**Model Code**”) by Directors as set out in Appendix 10 to the Listing Rules.

THE RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES TO ACQUIRE SHARES

None of the Director, supervisor and chief executive of the Company or their spouses or children under the age of 18 were granted any rights to subscribe any share in the Company.

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

During the 12 months ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold, redeemed or cancelled any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices thereon, including review of the relationship with external auditors, the Company’s financial reporting, risk management and internal control system. There was no disagreement between the Audit Committee and the external auditors on the accounting policies adopted by the Company. The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2016.

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

As at 31 December 2016, the Board is comprised of four independent non-executive Directors. As at 31 December 2016, the Audit Committee is comprised of three independent non-executive Directors, one of whom has obtained accounting qualification and is a member of the Hong Kong Institute of Certified Public Accountants.

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

The Board has always recognized the importance of good corporate governance to the healthy and sustainable development of the Group. The Company has adopted a code of conduct for securities transactions by Directors with terms no less exacting than those set out in the Model Code. After making specific enquiries, all Directors confirmed that they have complied with the Model Code and standards governing the securities transactions of directors according to the code of conduct during the 12 months ended 31 December 2016.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has endeavored to comply with all requirements of the CSRC and the Stock Exchange and other authorities. During the 12 months ended 31 December 2016, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, and met reasonable governance and disclosure requirements. The company will further improve the corporate governance and the transparency to shareholders of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk as well as the Company's website at www.mlairport.com. The 2016 annual report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company on or before 18 April 2017.

BOARD OF DIRECTORS

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

Executive Directors

WANG Zhen (*Chairman*)
YANG Xiaobin (*President*)
ZHOU Feng
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
28 March 2017