

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



**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 2017**

### **FINANCIAL HIGHLIGHTS**

- Total revenue was RMB1,469.86 million (2016: RMB1,208.71 million)
- Revenue from aeronautical business was RMB826.76 million (2016: RMB680.28 million)
- Revenue from non-aeronautical business was RMB643.10 million (2016: RMB528.43 million)
- Net profit attributable to shareholders was RMB484.44 million (2016: RMB392.94 million)
- Earnings per share was RMB1.02 (2016: RMB0.83)

### **BUSINESS HIGHLIGHTS**

- The passenger throughput recorded 22.5848 million
- Aircraft takeoff and landing reached 157,535 times
- Cargo throughput was 299,178.50 tons

\* *For identification purposes 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 2017, which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative figures for the corresponding period of 2016.

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

### CONSOLIDATED INCOME STATEMENTS

	<i>Note(s)</i>	<b>2017</b> <i>RMB</i>	2016 <i>RMB</i>
<b>Revenue</b>	2	<b>1,469,855,195</b>	1,208,710,234
Less: Cost of sales	3	<b>(630,446,317)</b>	(461,668,963)
Taxes and surcharges		<b>(20,155,561)</b>	(15,801,204)
Selling and distribution expenses	3	<b>(2,295,362)</b>	—
General and administrative expenses	3	<b>(89,480,074)</b>	(62,402,238)
Financial expenses - net	4	<b>(117,467,650)</b>	(136,839,493)
Reversal of asset impairment losses		<b>348,837</b>	—
Add: Investment income/(loss)	5	<b>16,831,976</b>	(879,621)
Including: Share of profit/(loss) of associates		<b>16,831,976</b>	(879,621)
Losses on disposals of assets		<b>(2,406,226)</b>	(8,274,861)
Other income		<b>23,922,422</b>	—
<b>Operating profit</b>		<b>648,707,240</b>	522,843,854
Add: Non-operating income		<b>1,107,800</b>	17,807,580
Less: Non-operating expenses		<b>(1,428)</b>	(68,176)
<b>Total profit</b>		<b>649,813,612</b>	540,583,258
Less: Income tax expenses	6	<b>(156,820,949)</b>	(137,333,015)
<b>Net profit</b>		<b>492,992,663</b>	403,250,243

	<i>Note(s)</i>	<b>2017</b> <b>RMB</b>	2016 <b>RMB</b>
Classified by continuity of operations			
Net profit from continuing operations		<b>492,992,663</b>	403,250,243
Net profit from discontinued operations		—	—
Classified by ownership of the equity			
Attributable to shareholders of the Company		<b>484,440,167</b>	392,942,212
Minority interests		<b>8,552,496</b>	10,308,031
<b>Other comprehensive income, net of tax</b>		<b><u>(10,770,378)</u></b>	<u>11,501,082</u>
Attributable to shareholders of the Company		<b>(10,770,378)</b>	11,501,082
Other comprehensive income that will be subsequently reclassified to profit or loss		<b>(10,770,378)</b>	11,501,082
Shares of other comprehensive income of the investee accounted for using equity method that will be subsequently reclassified to profit or loss		<b>(10,770,378)</b>	11,501,082
<b>Total comprehensive income</b>		<b><u>482,222,285</u></b>	<u>414,751,325</u>
Attributable to shareholders of the Company		<b>473,669,789</b>	404,443,294
Attributable to minority interests		<b>8,552,496</b>	10,308,031
<b>Earnings per share</b>			
— Basic and diluted earnings per share	7	<b><u>1.02</u></b>	<u>0.83</u>

## CONSOLIDATED BALANCE SHEET

		<b>31 December</b>	31 December
		<b>2017</b>	2016
	Note(s)	<b>RMB</b>	<b>RMB</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand		<b>730,521,238</b>	952,868,307
Accounts receivable	9	<b>331,266,374</b>	254,279,646
Prepayments		<b>3,244,160</b>	3,014,742
Interests receivable		<b>10,331,985</b>	4,131,919
Other receivables		<b>12,039,565</b>	8,311,392
Inventories		<b>345,830</b>	569,576
Other current assets		<b><u>78,619,784</u></b>	<u>44,492,717</u>
<b>Total current assets</b>		<b><u>1,166,368,936</u></b>	<u>1,267,668,299</u>
<b>Non-current assets</b>			
Long-term receivables		<b>54,358,488</b>	93,365,336
Long-term equity investments		<b>1,373,582,971</b>	1,384,104,022
Investment properties		<b>1,272,974,299</b>	—
Fixed assets		<b>2,550,683,680</b>	1,759,710,550
Construction in progress		<b>892,261,651</b>	1,730,470,347
Intangible assets		<b>164,571,183</b>	174,034,793
Long-term prepaid expenses		<b>7,520,928</b>	—
Deferred tax assets		<b>7,045,112</b>	7,658,716
Other non-current assets		<b><u>1,588,783,218</u></b>	<u>1,778,818,773</u>
<b>Total non-current assets</b>		<b><u>7,911,781,530</u></b>	<u>6,928,162,537</u>
<b>Total assets</b>		<b><u>9,078,150,466</u></b>	<u>8,195,830,836</u>

		<b>31 December</b>	31 December
		<b>2017</b>	2016
	Note(s)	<b>RMB</b>	<b>RMB</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings		—	470,014,771
Accounts payable	10	<b>77,926,873</b>	21,743,187
Advances from customers		<b>25,401,632</b>	9,429,493
Employee benefits payable		<b>36,627,653</b>	33,168,416
Taxes payable		<b>71,422,251</b>	39,787,073
Interests payable		<b>85,654,247</b>	87,006,074
Dividends payable		<b>499,500</b>	499,500
Other payables		<b>624,755,360</b>	947,148,540
Current portion of non-current liabilities		<b><u>215,751,426</u></b>	<u>168,794,032</u>
<b>Total current liabilities</b>		<b><u>1,138,038,942</u></b>	<u>1,777,591,086</u>
<b>Non-current liabilities</b>			
Long-term borrowings		<b>560,003,253</b>	778,145,636
Debentures payable	11	<b>1,813,305,592</b>	1,808,667,580
Long-term payables		<b>1,458,673,787</b>	83,958,872
Long-term employee benefits payable		<b>191,064</b>	524,126
Other non-current liabilities		<b><u>15,944,540</u></b>	<u>19,275,137</u>
<b>Total non-current liabilities</b>		<b><u>3,848,118,236</u></b>	<u>2,690,571,351</u>
<b>Total liabilities</b>		<b><u>4,986,157,178</u></b>	<u>4,468,162,437</u>
<b>Shareholders' equity</b>			
Share capital		<b>473,213,000</b>	473,213,000
Capital surplus		<b>829,722,095</b>	846,304,744
Surplus reserve		<b>246,394,231</b>	246,394,231
Other comprehensive income		<b>730,704</b>	11,501,082
Retained earnings		<b><u>2,504,993,353</u></b>	<u>2,118,506,186</u>
<b>Total equity attributable to shareholders of the Company</b>		<b><u>4,055,053,383</u></b>	3,695,919,243
Minority interests		<b><u>36,939,905</u></b>	<u>31,749,156</u>
<b>Total equity</b>		<b><u>4,091,993,288</u></b>	<u>3,727,668,399</u>
<b>Total liabilities and equity</b>		<b><u>9,078,150,466</u></b>	<u>8,195,830,836</u>
<b>Net current asset/(liabilities)</b>		<b><u>28,329,994</u></b>	<u>(509,922,787)</u>
<b>Total assets less current liabilities</b>		<b><u>7,940,111,524</u></b>	<u>6,418,239,750</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.

The financial statements are prepared on a going concern basis.

Certain notes to the financial statements of the Group have been supplemented in accordance with the requirements of the new Hong Kong Companies Ordinance effective in 2016.

In 2017, the Ministry of Finance released the ‘Accounting Standard for Business Enterprises No. 42—Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations’, revised ‘Accounting Standard for Business Enterprises No. 16—Government Grants’ and the ‘Circular on Amendment to Formats of Financial Statements of General Industry’ and its interpretation (Cai Kuai [2017] 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected of Consolidated statement
The Group recorded the corporate income tax refund, subsidy for normal flight release, etc. obtained in 2017 in other income. The comparatives for the year ended 31 December 2016 were not restated.	Not applicable	Not applicable
		<b>2016 RMB</b>
The Group recorded the gains or losses on disposals of fixed assets and intangible assets, occurred in 2017, in losses on disposals of assets. The comparatives for the year ended 31 December 2016 were restated accordingly.	Losses on disposals of assets Non-operating income Non-operating expenses	(8,274,861) (359,046) 8,633,907
		<b>2016 RMB</b>
In accordance with presentation requirement of the related accounting standards, two additional lines, as stated in the right column, were added to income statement. The comparatives except mentioned above for the year ended 31 December 2016 were not restated.	Net profit from continuing operations Net profit from discontinued operations	403,250,243 —

## 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 management reviews the Group’s internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. The management considers the Group conducts business within one business segment—the business of operating an airport and a hotel 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>2017</b>	2016
<b>Analysis of revenue (by nature)</b>	<b>RMB</b>	<b>RMB</b>
Aeronautical:		
Passenger service charges	<b>306,327,568</b>	258,865,736
Refund of Civil Aviation Development Fund	<b>260,875,858</b>	217,408,980
Ground handling service income	<b>147,570,418</b>	114,377,433
Fees and related charges on aircraft takeoff and landing	<b>111,979,196</b>	<u>89,628,728</u>
	<b><u>826,753,040</u></b>	<u>680,280,877</u>
Non-aeronautical:		
Franchise income	<b>381,087,859</b>	296,214,134
Freight and packaging income	<b>77,356,543</b>	76,666,706
Rental income	<b>56,014,028</b>	45,266,013
VIP room income	<b>26,680,324</b>	21,769,644
Parking income	<b>19,595,233</b>	18,813,859
Other income	<b>82,368,168</b>	<u>69,699,001</u>
	<b><u>643,102,155</u></b>	<u>528,429,357</u>
Total revenue	<b><u>1,469,855,195</u></b>	<u>1,208,710,234</u>

### 3. COST/EXPENSES BY NATURE

Depreciation and amortization expenses are analysed as follows:

	2017	2016
	<i>RMB</i>	<i>RMB</i>
Depreciation of fixed assets	105,346,132	90,606,222
Depreciation of investment properties	17,883,940	—
Amortisation of intangible assets	<u>3,898,584</u>	<u>3,974,255</u>

### 4. FINANCIAL EXPENSES-NET

	2017	2016
	<i>RMB</i>	<i>RMB</i>
Interest expenses	219,890,025	273,377,495
Including: Debentures payable	138,182,560	102,254,141
Bank borrowings and entrusted loans	73,139,465	164,435,715
Finance lease	8,568,000	6,687,639
Net foreign exchange (gains)/losses	(7,868,372)	81,165,186
Less: Capitalized financial expenses	(64,370,502)	(177,688,757)
Less: Interest income	(30,527,054)	(41,105,929)
Others	<u>343,553</u>	<u>1,091,498</u>
	<u>117,467,650</u>	<u>136,839,493</u>

### 5. INVESTMENT INCOME/(LOSS)

	2017	2016
	<i>RMB</i>	<i>RMB</i>
Investment income/(loss) recognised for long-term equity investment of unlisted companies under equity method	<u>16,831,976</u>	<u>(879,621)</u>

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



## 6. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided for as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2017 (2016: nil). Income tax expenses in the consolidated income statement represent the provision for the PRC corporate income tax (“CIT”).

	2017	2016
	<i>RMB</i>	<i>RMB</i>
Current income tax calculated based on tax law and related regulations	156,207,345	137,175,139
Deferred income tax	<u>613,604</u>	<u>157,876</u>
	<u><b>156,820,949</b></u>	<u><b>137,333,015</b></u>

According to Article 27 of the Corporate Income Tax Law and the relevant provisions of the Financial and Taxation [2014] Circular No. 55, the net incomes generated from the international terminal of the Company is entitled to the preferential income tax treatment of “three years’ exemptions and three years’ half levy” as it meets the criteria of “ the incomes generated from investment in and business operations of the important public infrastructure projects supported by the state” . In 2017, the second year of half levy, the applicable tax rate for the net incomes generated from the international terminal was 12.5%, while the applicable tax rate of other business of the Group was 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:

	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company ( <i>RMB</i> )	<u>484,440,167</u>	<u>392,942,212</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><b>1.02</b></u>	<u><b>0.83</b></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 (2016: nil), diluted earnings per share equal to basic earnings per share.

## 8. DIVIDENDS

	2017	2016
2017 interim dividend paid of RMB0.134 per share (2016 interim dividend: RMB0.094 per share)	<b>63,410,000</b>	44,483,000
Proposed to distribute 2017 final dividend of RMB0.090 per share (2016 final dividend: RMB0.073 per share)	<b><u>42,378,000</u></b>	<u>34,543,000</u>
	<b><u>105,788,000</u></b>	<u>79,026,000</u>

During the year, 2017 interim cash dividend of RMB0.134 per share, calculated by issued shares of 473,213,000, totalling RMB63,410,000 (2016 interim cash dividend: RMB0.094 per share, totalling RMB44,483,000) was declared to the shareholders of the Company.

A final dividend of RMB0.090 per share, calculated by issued shares of 473,213,000, totalling RMB42,378,000 was proposed by the Board on 26 March 2018 (2016 final dividend: RMB0.073 per share, totalling RMB34,543,000). This dividend has not been recognized as a liability in the financial statements for the year ended 31 December 2017. It will be recognized in financial statements for the year ending 31 December 2018.

## 9. ACCOUNTS RECEIVABLE

	31 December 2017 RMB	31 December 2016 RMB
Accounts receivable	<b>332,745,767</b>	256,107,876
Less: Provision for bad debts	<b><u>(1,479,393)</u></b>	<u>(1,828,230)</u>
	<b><u>331,266,374</u></b>	<u>254,279,646</u>

Credit terms granted to customers are determined by management on an individual basis with a general term ranging from 1 to 3 months. As at 31 December 2017, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	31 December 2017 RMB	31 December 2016 RMB
Within 90 days	<b>305,342,252</b>	227,460,723
91 to 180 days	<b>21,079,854</b>	12,361,770
181 to 365 days	<b>5,650,314</b>	9,731,774
Over 365 days	<b><u>673,347</u></b>	<u>6,553,609</u>
	<b><u>332,745,767</u></b>	<u>256,107,876</u>

## 10. ACCOUNTS PAYABLE

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

	<b>31 December 2017 RMB</b>	31 December 2016 RMB
Within 90 days	<b>56,739,658</b>	13,062,328
91 to 180 days	<b>14,118,346</b>	1,028,752
Over 180 days	<b><u>7,068,869</u></b>	<u>7,652,107</u>
	<b><u>77,926,873</u></b>	<u>21,743,187</u>

## 11. DEBENTURES PAYABLE

	<b>31 December 2016 RMB</b>	<b>Amortization of premium RMB</b>	<b>31 December 2017 RMB</b>
Long-term debentures payable	<u>1,808,667,580</u>	<u>4,638,012</u>	<u>1,813,305,592</u>

Related information regarding the debentures is as follows:

	<b>Par value RMB</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Issuance amount RMB</b>
Meilan debentures (a)	800,000,000	13 March 2012	7 years	800,000,000
Guohai private equity debentures I (b)	500,000,000	27 April 2016	3 years	500,000,000
Guohai private equity debentures 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 for the debentures is analysed as below:

	<b>Interest accrued</b>			
	<b>31 December</b>	<b>Interest</b>	<b>Interest</b>	<b>31 December</b>
	<b>2016</b>	<b>accrued in</b>	<b>paid in</b>	<b>2017</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Meilan debentures (a)	49,400,000	62,400,000	(62,400,000)	49,400,000
Guohai private equity debentures I (b)	24,900,000	36,400,000	(36,500,000)	24,800,000
Guohai private equity debentures II (c)	<u>11,549,699</u>	<u>34,744,548</u>	<u>(34,840,000)</u>	<u>11,454,247</u>
	<u>85,849,699</u>	<u>133,544,548</u>	<u>(133,740,000)</u>	<u>85,654,247</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 debentures of RMB800,000,000 which were listed on the Shanghai Stock Exchange (the “Shanghai Stock Exchange”) on 13 March 2012. The maturity of the debentures 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 Guohai private equity debentures phase I of RMB500,000,000 to qualified investors which were 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 Guohai private equity debentures phase II of RMB520,000,000 to qualified investors which were 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 2017, 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 20 million of visits, enabling it to rise 1 place from last year to the 17th among all civil airports in China.

Revolving around the deployment of key tasks such as constructing the regional aviation hub, serving the national “One Belt One Road” initiative, updating the internationalization level of Hainan International Tourism Island, Meilan Airport promoted the development of domestic route networks in depth and transformed the international market into a transportation system with “more non-stop international flights and high frequency of flights”; opened an additional 9 international routes which increased the number of navigable countries in ASEAN from 6 to 9; maintained frequent communication with airlines in respect of analysis of operations and potential routes; adopted market incentives such as “de-peaking” and “increment during the summer and autumn off-seasons” to better promote the growth in flights and passenger throughput for the year.

For the year ended 31 December 2017, Meilan Airport operated a total of 255 originating routes, including 228 domestic routes, 22 international routes and 5 regional routes. Meilan Airport extended its reach to 134 cities, including 108 domestic cities, 21 international cities and 5 regional cities; and attracted 56 airlines to operate at Meilan Airport in total, including 34 domestic airlines, 12 international airlines and 5 regional airlines, and 5 domestic and international airlines to carry out alternate and temporary flights.

Details of the aviation traffic throughput of Meilan Airport in 2017 and comparative figures of last year are set out below:

	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Passenger throughput</b>			
<b>(headcount in ten thousand)</b>	<b>2,258.48</b>	1,880.38	20.11%
in which: domestic	<b>2,169.37</b>	1,811.83	19.73%
international and regional	<b>89.11</b>	68.55	29.99%
<b>Aircraft takeoff and landing (times)</b>	<b>157,535</b>	135,523	16.24%
in which: domestic	<b>148,842</b>	129,404	15.02%
international and regional	<b>8,693</b>	6,119	42.07%
<b>Cargo throughput (tons)</b>	<b>299,178.50</b>	274,535.90	8.98%
in which: domestic	<b>285,134.60</b>	262,680.30	8.55%
international and regional	<b>14,043.90</b>	11,855.60	18.46%

The Group's total revenue from aviation business for 2017 was RMB826,753,040, representing an increase of 21.53% as compared to that of 2016. A breakdown of the Group's revenue from aviation business is as follows:

	<b>Amount</b>	<b>Changes over</b>
	<b>(RMB)</b>	<b>2016</b>
Passenger service charges	306,327,568	18.33%
Refund of Civil Aviation Development Fund	260,875,858	19.99%
Ground handling service income	147,570,418	29.02%
Fees and related charges on aircraft takeoff and landing	<u>111,979,196</u>	<u>24.94%</u>
<b>Total revenue from aviation business</b>	<b><u>826,753,040</u></b>	<b><u>21.53%</u></b>

### *Overview of Non-aviation Business*

In 2017, the non-aviation business of the Group maintained growth momentum and achieved annual revenue of RMB643,102,155, representing a year-on-year increase of 21.70%. Its proportion to the Group's total revenue recorded to 43.75%. In 2017, the Group focused on building a five-star Meilan business, proceeding from the construction of the terminal complex and enhancement of brand. It utilized the existing resources in depth, explored market potential, comprehensively promoted the construction of new commercial model, and promote the overall enhancement of sales, leading to satisfactory achievement in revenue from its non-aviation business. In 2017, the Group recorded franchise income accumulated to RMB381,087,859, representing a year-on-year increase of 28.65%, while freight and packaging income reached RMB77,356,543, representing a year-on-year increase of 0.90%. Rental income reached RMB56,014,028, representing a year-on-year increase of 23.74%. In addition, parking fee income also reached RMB19,595,233, representing a year-on-year increase of 4.15%. Meanwhile, VIP room income reached RMB26,680,324, representing a year-on-year increase of 22.56%.

	<b>Amount</b> <i>(RMB)</i>	<b>Changes over</b> <b>2016</b>
Franchise income	381,087,859	28.65%
Freight and packaging income	77,356,543	0.90%
Rental income	56,014,028	23.74%
VIP room income	26,680,324	22.56%
Parking fee income	19,595,233	4.15%
Other income	<u>82,368,168</u>	<u>18.18%</u>
<b>Total revenue from non-aviation business</b>	<b><u>643,102,155</u></b>	<b><u>21.70%</u></b>

### *Franchise Income*

In 2017, the franchise income of the Group amounted to RMB381,087,859, representing a year-on-year growth of 28.65%, 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 and increased passenger throughput, resulting in the continuous growth in sales in off-shore duty-free shop. In 2017, revenue from off-shore duty-free franchise of the Group amounted to RMB242,021,006, representing a year-on-year growth of 32.98%.

### *Freight and Packaging Income*

In 2017, the freight and packaging income of the Group aggregated to RMB77,356,543, representing a year-on-year increase of 0.90%, which was mainly due to a slight increase in the Group's inbound delivery service business.

### *Rental Income*

In 2017, the rental income of the Group amounted to RMB56,014,028, representing an increase of 23.74% compared with last year. The main reasons are that through the utilization of space resources, together with the flexible adjustment of the business model, the optimization of commercial layout over the spaces of the terminal, the enhancement of the area-effectiveness for commercial use of the terminal, and the operation of terminal complex, the Company is able to guarantee a continuous growth of rental income.

### *VIP Room Income*

In 2017, the VIP room income of the Group aggregated to RMB26,680,324, representing a significant year-on-year increase of 22.56%. The main reason was that the Company actively innovated VIP service business as passenger throughput increased. The company further improved its service quality, which led to an increase in the amount of VIP customers received.

### *Parking Fee Income*

In 2017, the parking fee income of the Group aggregated to RMB19,595,233, representing a year-on-year growth of 4.15%, which was mainly due to the fact that the Company completed the renovation and the terminal complex was put into operation to expand its parking resources, which resulted in a growth in parking fee income.

## **Financial Review**

### *Assets Analysis*

As at 31 December 2017, the total assets of the Group amounted to RMB9,078,150,466, representing an increase of 10.77% over last year. Among which, current assets amounted to RMB1,166,368,936, representing 12.85% of the total assets, non-current assets amounted to RMB7,911,781,530, representing approximately 87.15% of the total assets.



### ***Costs Analysis***

The operation cost, promotion and selling expenses and administrative expenses of the Group were RMB722,221,753 in 2017, representing an increase of RMB198,150,552 or 37.81% as compared to that of 2016, mainly attributed to:

- (1) the staff cost recorded an increase of RMB29,745,440 as compared with that of 2016 due to a normal rise in the remuneration level;
- (2) the depreciation charge of the Group for the year increased by RMB32,623,850, which was mainly due to the commencement of operation of the terminal complex and the auxiliary facilities;
- (3) the expenses of labour dispatch and service outsourcing increased by RMB74,615,094 due to an increase in the remuneration level of labour dispatched employees and the outsourcing of some of its services in line with the business development of the Group; and
- (4) the maintenance fee of the Group for the year amounted to RMB26,452,754, which was mainly due to maintenance of the facilities and equipment of the terminal building according to the requirement of brand construction of the five-star airport, which increased the maintenance fee.

In 2017, the financial expenses of the Group amounted to RMB117,467,650, representing a decrease of RMB19,371,843 as compared to the same period last year, which was mainly due to a decrease of interest and exchange loss as a result of partial loan repayment by our Group.

### ***Cash Flow***

In 2017, the Group's net cash inflow from operating activities was RMB1,062,862,349, representing an increase of 9.73% over last year. Such increase was mainly due to the increase in operating income.

In 2017, the Group's net cash outflow from investing activities was RMB295,059,625, which was mainly attributable to payments for the construction of the terminal complex project.

In 2017, the Group's net cash outflow from financing activities was RMB847,247,482, which was mainly attributable to the repayment of principal of loan from short-term borrowings, and the payment of interests on borrowings and dividends.

### ***Pledge of the Group's Assets***

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 2017, the remaining principal of the external borrowings of the ABS amounted to RMB679,000,000 (31 December 2016: RMB873,000,000).

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

### ***Gearing Ratio***

As at 31 December 2017, current assets of the Group were RMB1,166,368,936, total assets were RMB9,078,150,466, current liabilities were RMB1,138,038,942, and total liabilities were RMB4,986,157,178. As at 31 December 2017, the gearing ratio (total liabilities/total assets) of the Group was 54.92%, representing an increase of 0.40% over 2016, which was mainly attributable to the accrued payables but unpaid amount according to the progress of the terminal complex project and the Phase II expansion project.

### ***Foreign Exchange Risks***

The businesses of the Group are principally conducted in Renminbi, except certain aviation revenue, purchase of equipment and consulting service fee which are denominated in US dollars or Hong Kong dollars. 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 2017, 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 2017, neither the Group nor the Company had any significant contingent liability.

### ***Employment, Remuneration Policy and Training***

As at 31 December 2017, the Group had a total of 933 employees, representing an increase of 60 employees over last year, which was mainly due to normal recruitment of employees. 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 220 courses under the training scheme were completed, and 6,007 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 2017, the pension contribution of the Group was approximately RMB16,719,669 (2016: RMB10,694,508).

## **OUTLOOK**

In 2018, global economic growth is expected to gradually rebound. In particular, there is an accelerated trend in the growth of emerging economies. The recovery of global trade and cross-border investment are crucial factors leading to economic growth. Along with sustained recovery in investment, manufacturing and trade, the global economic growth is expected to be slightly accelerated in 2018, embracing a full recovery after the international financial crisis, and China will remain a key driver for the global economic growth. The year 2018 is the beginning year to implement the spirit of the 19th CPC National Congress, the 40th anniversary of China's reform and opening up, a crucial year to build a moderately prosperous society in all respects and a key and transitional year to implement the "13th Five-Year" Plan.

Along with the gradual recovery of global economy, the construction of Hainan International Tourism Island will leverage on opportunities in the era and maintain a healthy and sound momentum. The “General Plan for the Tourism Development in Hainan Province (2017-2030)” (《海南省旅遊發展總體規劃(2017-2030)》) (the “Plan”) issued by the General Office of Hainan Provincial Government indicates that an international tourism island will be basically established by 2020: Hainan will be built into a reform and innovation pilot zone of China’s tourism industry and a demonstration province in all-for-one tourism; its tourist service facilities, operation and management and service level will be fully compatible with the prevailing international standards of tourism services; its international tourist reputation and popularity will be greatly enhanced; the quality and efficiencies of tourism industry will be fully improved; a revolutionary breakthrough will be made in comprehensive management, investment and financing, development guidance, public service and market supervision of tourism and other aspects, and the “three superiorities”, i.e., ecological environment, special economic zone and international travelling island, will be fully leveraged to build it into a world-class island vacation tourism destination. In pace with the gradual installation of the aforesaid 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 provide a solid foundation for the development of Meilan Airport in 2018.

In addition, influenced by the more loosened off-shore duty-free policy, during the 2017 Spring Festival Golden Week, Hainan recorded a strong off-shore duty-free sale with 493,000 items sold, aggregate sales of RMB450 million and 99,000 shopping tourists, representing a year-on-year increase of 37.3%, 25% and 32%, respectively. Meilan Airport’s sales of goods for the Golden Week exceeded RMB79 million, representing a year-on-year increase of 27%. 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 considers that in 2018, along with the development strategy of the national “One Belt and One Road (一帶一路)” and the comprehensive and in-depth promotion of the construction of Hainan International Tourism Island and the continuous opening of the tax-free policy of the outlying islands, the international and domestic routes of Meilan Airport is expected to run smoothly and the annual passenger throughput will gradually increase. The Company will focus on implementing the “13th Five-Year” Development Plan of the Civil Aviation Administration and the “Action Plan of Promoting “One Belt and One Road” Initiatives for Civil Aviation (2016-2030) (《民航推進“一帶一路”建設行動計劃(2016-2030)》)”, insist on equal emphasis on safety and efficiency, continuously

strengthen the construction of safety services, make full efforts to promote the exploitation of aviation market and enhance core competitiveness, strengthen the international port construction, cross-border e-commerce, international distribution and international re-export functions, build an aviation logistics network linking Australia, New Zealand and Southeast Asia, and comprehensively enhance the profitability of non-aviation business at Meilan Airport. The Company will take the entrance into the SKYTRAX Global TOP10 within three years as post-five-star brand target and extensively participate in industry authoritative accreditation apart from ACI (Airports Council International) and SKYTRAX to strengthen positive interaction with the media and enhance brand value. Through capital operation and maintaining relationship with the investors, the Company will establish a sound corporate value management system. Through roadshows, performance announcements and other events, the Company is expected to promote the enhancement of corporate value and strive to achieve the healthy and sustainable development of Meilan Airport so that all shareholders of the Company will receive feedback with more brilliant achievements.

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

In 2018, 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 to deepen its transformation and accelerate the development of international market to continuously improve the quality of development in aviation market. On the one hand, the Group will, domestically, try to achieve a full coverage of airports in China's provincial capitals and develop the international transit network for a purpose to transport passengers to the international routes; internationally, we will innovate international transportation products centered on a "four-combined-transport (四空聯運)" system (i.e., aviation-aviation, aviation-railway, aviation-intercity bus and aviation-cruise), and continuously perfect the layout of the international route network in Meilan Airport centered on the construction of "point, line and panel (點、線、面)". On the other hand, a "rush hour (尖峰時刻)" proposal will be introduced to improve the efficiency of utilizing airport schedule and ground support resources and focusing on the strategic layout of "pan-south China sea economic cooperation circle (泛南海經濟合作圈)" of Hainan province and counting on favourable policies such as bonded aviation fuel and off-shore duty free, the Group will swear to turn Meilan Airport into an aviation hub in the "pan-south China sea economic cooperation circle (泛南海經濟圈)" for an ultimate purpose of serving "One Belt and One Road (一帶一路)".

## **STICK TO CORE CAPABILITY CONSTRUCTION, CONSTANTLY CLUTCH ATTENTION ON SAFETY**

In 2018, the Group will emphasize base-level management, solidify the foundation and practice basic skills to ensure “zero tolerance for security risks (安全隱患零容忍)”. Various safety management work will be carried out in detail and in strict accordance with the actual conditions. The Group will make endeavors to improve the safety operating efficiency of Meilan Airport with a focus on “standards, compliance and building an international well-known brand (標準、合規、打造國際知名品牌)”; ascertain the main responsibility in safety production and improve a mechanism of outsourcing management; restructure the system of safety management starting from management and control of safety risks to enhance a multi-dimensional security management model that is dominated by the “systems of decision-making, institution, regulation and feedback (決策體系、制度體系、監管體系、反饋體系)”.

## **FIRMLY DEEPEN EFFICIENCY PROMOTION AND SOLIDLY DEVELOP BRAND IMPROVEMENT**

In 2018, 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; according to the Notice on Further Promoting the Overall Construction of Airport-Collaborative Decision Making (A-CDM) (關於進一步統籌推進機場協同決策(A-CDM)建設的通知) issued by the Civil Aviation Administration, Meilan Airport will take the initiative to promote the construction of A-CDM system in order to achieve information interconnection among airport, airlines, air traffic control and supervising units, thereby guaranteeing prompt and smooth communication between various entities and further improving ground operating efficiencies and quick response and disposal capability of Meilan Airport in case of large-scale flight delays.

In 2018, the Group will solidify the status of SKYTRAX five-star airport with full effort, and will take the entrance into the SKYTRAX Global TOP10 within three years as post-five-star brand target and extensively participate in industry authoritative accreditation apart from ACI and SKYTRAX to strengthen positive interaction with the media and enhance brand value.

In 2018, the Group will continue to put the sustainable development strategy into practice, learn from successful development experience of advanced domestic airports, promote the sustainable development strategy, consistently practice the concept of green development of “environmental protection, conservation, technology and humanization (環保、節約、科技、人性化)” through enhancement

of energy demand management, renewable energy alternatives, carbon emission reduction, low water consumption, maximization of cycle utilization of water and traffic accessibility, so as to lay a solid foundation for the construction of green airports.

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

In 2018, the Group will utilize the edges of connecting Meilan Airport with Southeast coast and the Southeast Asia prime routes, to form a three-dimensional transport network which can penetrate the entire island and connect inner and outer of the island, promote Hainan province as a strategic fulcrum role of “Maritime Silk Road (海上絲綢之路)”, strengthen the construction of international ports, cross-border e-commerce, international distribution and international re-export functions, and build an aviation logistics network linking Australia, New Zealand and Southeast Asia. The Group will also continue to step up its efforts in promoting construction of Meilan Airport Phase II expansion project and 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.

### **INTELLIGENTIZED AIRPORT CONSTRUCTION**

In 2017, according to the overall planning of Meilan Airport for the construction of intelligent airports, the Group continued to deepen the construction of intelligent airports. The Group completed the construction of data exchange platform for Meilan Airport, realizing data interaction with third party platforms to explore the value of data assets. It established data driven business operation and decision control model, and formed the data ecosystem of Meilan Airport. The Group completed the construction of Internet of Things platform, which improved management efficiency and utilization rate of equipment, achieving intelligent allocation of energy. The Group finalized the construction of “e-Clearance” with full process self-service clearance at Meilan Airport. With innovative technologies such as face recognition, the Group optimized existing business process of Meilan Airport and offered convenient clearing services for travelers using its “Paperless Clearance”. In furtherance, the Group realized outdoor navigation with Gaode Map at Meilan Airport and terminal indoor navigation for travelers using WeChat. The Group provided full process services for travelers with Meilan Airport being the core scenario, and offered intelligent traveler services at Meilan Airport relying on the Internet and big data.

## **INTEREST PAYMENT OF DEBENTURES PAYABLE**

According to the announcement of the Company dated 19 March 2012, the Company announced to complete domestic issuance of debentures with the principal amount of RMB800 million. Pursuant to the Listing Announcement of 2011 Corporate Bonds of Hainan Meilan International Airport Co., Ltd. (《海南美蘭國際機場股份有限公司二零一一年公司債券上市公告書》) released by the Company on the Shanghai Stock Exchange on 19 April 2012, the coupon rate of debentures was 7.8%, whose interests from March 2016 to March 2017 were paid on 13 March 2017, in total RMB62,400,000.

The Company issued the first tranche of its non-public corporate bonds of RMB500 million to qualified investors on the Shenzhen Stock Exchange on 27 April 2016. The maturity of the bonds was 3 years with fixed interest rate of 7.3% per annum and the interest is payable annually. Interest of RMB36,500,000 for the period between April 2016 to April 2017 had been paid on 21 April 2017.

The Company issued the second tranche of its non-public corporate bonds of RMB520 million to qualified investors on the Shenzhen Stock Exchange on 2 September 2016. The maturity of the bonds was 3 years with fixed interest rate of 6.7% per annum and the interest is payable annually. Interest of RMB34,840,000 for the period between September 2016 to September 2017 had been paid on 29 August 2017.

## **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 by the end of 2018, the Phase II expansion project will be basically completed, and in 2019, the Phase II expansion project will commence decoration work inside the terminal while carrying out joint defense and united test, trial flight and traffic operation of the industry. The Phase II expansion project, as a key major infrastructure construction project in Hainan province, will integrate various modes of transportation such as aviation, railway and road once completed. By then, an efficient and convenient traffic transfer system will be established, facilitating the upgrade of Haikou tourism industry and logistics industry, that is of positive significance to Meilan Airport for building itself a regional aviation hub of south China and southeast Asia, as well as putting into full play of its strategic supporting role of the maritime silk road.



## TERMINAL COMPLEX PROJECT

The terminal complex project encompasses the commercial building, the hotel building, GTC (Ground Traffic Center, a traffic hub) and the parking building. The commercial building brings together various business patterns, including island free-duty shopping, aviation science and technology museum, Hainan featured products shopping, Bole-future science and technology museum, cross-border e-commerce zone and food court.

On 1 August 2017, GTC on the ground floor of the terminal complex was put into official operation, integrating inter-city express, bus, high-speed railway and taxi and other transportation tools, thereby providing multiple and convenient traffic services for travelers. On 1 November 2017, the outlying island free-duty shop in the commercial building of the terminal complex was officially opened for business. On 1 January 2018, the group check-in area was put into formal use, which is a new exploration of Meilan Airport to combine its airport services with traditional commerce. On 8 February 2018, the Meilan Airport hotel officially opened. It has nearly 1,000 rooms, which makes it become the largest international airport hotel in the PRC in terms of the size of room. This hotel is equipped with full-time dining room, aircrew canteen, gym and multi-functional conference room. The parking building has over 3,000 parking lots, equipped with intelligent access gate system and self-service payment station, which can improve traffic out efficiency, facilitating the construction of smart parking space.

## 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, 30 March 2017 and 29 September 2017:

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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, 27 April 2017 and 1 February 2018:

- (1) the Company and the Parent Company entered into a domestic shares subscription agreement and a domestic shares subscription supplemental agreement, pursuant to which the Parent Company agreed to subscribe 189,987,125 new domestic shares of the Company as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company and 250,000,000 new domestic shares of the Company by cash at an aggregate subscription price of RMB2,000,000,000;

- (2) the Company and Hainan HNA Infrastructure Investment Group Co., Ltd. (“**Hainan HNA Infrastructure**”) entered into a domestic shares subscription agreement and a domestic shares subscription supplemental agreement, pursuant to which Hainan HNA Infrastructure agreed to subscribe 50,000,000 new domestic shares of the Company by cash at an aggregate subscription price of RMB400,000,000;
- (3) the grant of the proposed Specific Mandate to the Board of the Company to issue not more than 200,000,000 new H Shares; and
- (4) proposed consequential amendments to the articles of association.

The extraordinary general meeting, H shares class meeting and domestic shares class meeting were held on 2017 and the resolutions relating to the above have been duly passed. As CSRC is in the process of approving them, the Company convened another extraordinary general meeting, H shares class meeting and domestic shares class meeting on 20 March 2018, reviewing and approving the delay in the relevant resolutions mentioned above. As at the date of this announcement, the Company is in the course of preparing relevant conditions precedent. The Company will notify the shareholders of the Company and potential investors with the information on the progress of the specific issuance of Domestic Shares and proposed placing of new H Shares project in the future.

#### **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 2017 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 Friday, 25 May 2018, to recommend the payment of a final dividend on or before Friday, 20 July 2018 of RMB0.090 per share (tax inclusive) to

shareholders of the Company whose names appear on the Company's register of members on Friday, 15 June 2018 (the "2017 Final Dividend"). The 2017 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 Friday, 25 May 2018 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 Wednesday, 25 April 2018 to Friday, 25 May 2018 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified for attending and vote at the annual general meeting of the Company, all share transfer instruments, accompanied by the relevant share certificates and forms of transfer, shall be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 April 2018.

The Company's register of members will be closed from Friday, 8 June 2018 to Friday, 15 June 2018 (both days inclusive), during which no transfer of shares will be registered. In order to be qualified for the 2017 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 7 June 2018. The Company will pay the 2017 Final Dividend on or before Friday, 20 July 2018 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 2017.

## **SHARE CAPITAL STRUCTURE**

As at 31 December 2017, the total number of issued share capital of the Company was 473,213,000, of which:

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

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES**

As at 31 December 2017, 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 of Hong Kong Limited (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%
UBS Group AG <i>(Note 3)</i>	Security interest in shares and interest of controlled corporations	24,926,400(L)	10.99%	5.27%
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%

Name of shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
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%
Leitzes Alexander Scott ( <i>Note 6</i> )	Trustee	18,898,000(L)	8.33%	3.99%
Lights On Ventures, LLC ( <i>Note 6</i> )	Interest of controlled corporation	18,898,000(L)	8.33%	3.99%
Solve A Maze I LLC ( <i>Note 6</i> )	Interest of controlled corporation	18,898,000(L)	8.33%	3.99%
Solve A Maze II LLC ( <i>Note 6</i> )	Interest of controlled corporation	18,898,000(L)	8.33%	3.99%
Karst Peak Asia Master Fund ( <i>Note 6</i> )	Beneficial owner	18,898,000(L)	8.33%	3.99%
Karst Peak Capital Management (Cayman) Limited ( <i>Note 6</i> )	Interest of controlled corporation	18,898,000(L)	8.33%	3.99%
Leitzes Adam Gregory ( <i>Note 6</i> )	Interest of controlled corporation	18,898,000(L)	8.33%	3.99%
JP Morgan Chase & Co. ( <i>Note 7</i> )	Beneficial owner and custodian corporation/approved lending agent	13,607,488(L)	5.99%	2.88%
Greenwoods Asset Management Limited ( <i>Note 8</i> )	Investment manager	13,549,000(L)	5.97%	2.86%
Unique Element Corp. ( <i>Note 8</i> )	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Jiang Jinzhi ( <i>Note 8</i> )	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
Greenwoods Asset Management Holdings Limited ( <i>Note 8</i> )	Interest of controlled corporations	13,549,000(L)	5.97%	2.86%
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% 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 4,151,000 shares through its security interest and hold 20,775,400 shares through its interest in a controlled corporation. 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 576,000, 660,300, 19,535,100 and 4,000 long position 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 14.45% interest in the H shares of the Company. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited 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 14.45% interest in the H shares of the Company.
6. According to the disclosure of interest filed on the website of the Stock Exchange, Karst Peak Asia Master Fund held 18,898,000 shares in the Company and was wholly-owned by Karst Peak Capital Management (Cayman) Limited, which was held by Solve A Maze I LLC and Lights On Ventures, LLC as to 65% and 35%. Solve A Maze I LLC was wholly owned by Leitzes Adam Gregory. Lights On Ventures, LLC was wholly owned by Solve A Maze II LLC, which was held as to 100% by Leitzes Alexander Scott in capacity as a trustee. Pursuant to Part XV of the SFO, each of Karst Peak Capital Management (Cayman) Limited, Solve A Maze I LLC, Lights On Ventures, LLC, Solve A Maze II LLC, Leitzes Adam Gregory and Leitzes Alexander Scott is deemed to have interest in the shares held by Karst Peak Asia Master Fund.
7. Among the 13,607,488 shares in the Company, JP Morgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
8. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited. 81% shares of Greenwoods Assets Management Holdings Limited were held by Unique Element Corp., which in turn was wholly owned by Jiang Jinzhi. Greenwoods Asset Management Limited held 13,549,000 shares in the capacity of investment manager.
9. Handelsbanken Fonder AB, Handelsinvest Investeringsforvaltning A/S and Handelsbanken Funds held 11,160,000 shares. 187,000 shares and 40,747 shares in the Company, respectively. All of the three companies are held by Svenska Handelsbanken AB Publ. as to 100%. Svenska Handelsbanken AB Publ. held 11,387,747 shares in the capacity of investment manager.



10. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 31 December 2017, 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 2017, 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 2017, 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 2017.

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

As at 31 December 2017, the Board is comprised of four independent non-executive Directors. As at 31 December 2017, 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 2017.

## **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 2017, 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](http://www.hkexnews.hk) as well as the Company's website at [www.mlairport.com](http://www.mlairport.com). The 2017 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 2018.

## **BOARD OF DIRECTORS**

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

### *Executive Directors*

LIAO Hongyu (*Chairman*)  
TU Haidong (*President*)  
ZHOU Feng  
XING Zhoujin

### *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**  
**Liao Hongyu**  
*Chairman and Executive Director*

Haikou, the PRC  
26 March 2018