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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)**

**INTERIM RESULTS ANNOUNCEMENT AS AT 30 JUNE 2015**

**FINANCIAL HIGHLIGHTS**

- Total revenue was RMB571.69 million  
(for the six months ended 30 June 2014: RMB457.06 million)
- Revenue from aeronautical business was RMB305.71 million  
(for the six months ended 30 June 2014: RMB265.40 million)
- Revenue from non-aeronautical business was RMB265.99 million  
(for the six months ended 30 June 2014: RMB191.67 million)
- Net profit attributable to shareholders was RMB232.04 million  
(for the six months ended 30 June 2014: RMB166.47 million)
- Earnings per share was RMB0.49  
(for the six months ended 30 June 2014: RMB0.35)

**BUSINESS HIGHLIGHTS**

- The passenger throughput recorded 8.4507 million  
(for the six months ended 30 June 2014: 7.196 million)
- Aircraft takeoff and landing reached 63,117 times  
(for the six months ended 30 June 2014: 54,964 times)
- Cargo throughput was 137,546.40 tons  
(for the six months ended 30 June 2014: 120,448.90 tons)

**RESULTS**

The board of directors (the “**Directors**”) of HNA Infrastructure Company Limited (formerly known as “**Hainan Meilan International Airport Company Limited**”) (the “**Company**” or “**HNA INFRA**” or “**Meilan Airport**”) (the “**Board**”) is pleased to announce the unaudited financial position and operating results of the Company and its subsidiaries (the “**Group**”) as at 30 June 2015 and for the six months ended 30 June 2015, together with the comparative figures for the corresponding period of 2014.

\* *For identification purposes only*

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

## CONSOLIDATED INCOME STATEMENT

	<i>Note(s)</i>	Six months ended 30 June	
		2015	2014
		<i>RMB</i> Unaudited	<i>RMB</i> Unaudited
<b>Revenue</b>	2	<b>571,693,772</b>	457,063,933
Less: Operating costs	3	(215,574,343)	(154,831,432)
Taxes and surcharges		(10,835,223)	(8,295,714)
General and administrative expenses	3	(26,581,577)	(28,254,506)
Finance expenses – net	4	(11,363,651)	(53,870,889)
Provision for asset impairment losses		(682,149)	–
Add: Investment income	5	10,799,264	11,812,933
Including: Share of profit of associates		<u>10,799,264</u>	<u>11,812,933</u>
<b>Operating profit</b>		<b>317,456,093</b>	223,624,325
Add: Non-operating income		882,177	1,076,919
Less: Non-operating expenses		(6,072,135)	(250,934)
Including: Losses on disposal of non-current assets		<u>(5,653,066)</u>	<u>(184,323)</u>
<b>Total profit</b>		<b>312,266,135</b>	224,450,310
Less: Income tax expenses	6	(75,641,170)	(53,801,605)
<b>Net profit</b>		<b>236,624,965</b>	170,648,705
Attributable to shareholders of the Company		<u>232,036,002</u>	166,467,595
Minority interest		<u>4,588,963</u>	4,181,110
<b>Earnings per share</b>			
– Basic and diluted earnings per share	7	<u>0.49</u>	0.35
<b>Other comprehensive income after tax</b>		<u>–</u>	<u>–</u>
<b>Total comprehensive income</b>		<b><u>236,624,965</u></b>	<b><u>170,648,705</u></b>
<b>Dividends</b>	8	<b><u>56,785,560</u></b>	<b><u>40,223,100</u></b>

## CONSOLIDATED BALANCE SHEET

	<i>Note(s)</i>	As at <b>30 June</b> <b>2015</b> <b>RMB</b> <b>Unaudited</b>	As at 31 December 2014 <b>RMB</b> Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and in hand		<b>1,632,316,944</b>	1,884,557,387
Accounts receivable	9	<b>190,297,562</b>	120,702,313
Advances to suppliers		<b>3,130,944</b>	1,763,323
Interest receivable		<b>2,438,655</b>	2,269,667
Other receivables		<b>9,207,503</b>	4,560,931
Inventories		<b>234,484</b>	36,417
Other current assets		<b>6,190,364</b>	785,832
<b>Total current assets</b>		<b><u>1,843,816,456</u></b>	<u>2,014,675,870</u>
<b>Non-current Assets</b>			
Long-term receivables		<b>380,000,000</b>	380,000,000
Long-term equity investments		<b>1,138,946,126</b>	1,128,146,862
Fixed assets		<b>1,029,900,235</b>	1,040,314,740
Construction in progress		<b>259,463,293</b>	122,543,328
Intangible assets		<b>179,695,785</b>	181,681,666
Deferred tax assets		<b>12,965,038</b>	13,156,516
Other non-current assets		<b>860,442,391</b>	841,228,194
<b>Total non-current assets</b>		<b><u>3,861,412,868</u></b>	<u>3,707,071,306</u>
<b>Total assets</b>		<b><u>5,705,229,324</u></b>	<u>5,721,747,176</u>

		As at 30 June 2015 RMB Unaudited	As at 31 December 2014 RMB Audited
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	10	17,157,549	15,234,088
Advances from customers		7,434,272	9,290,271
Employee benefits payable		16,577,418	24,119,398
Taxes payable		30,777,234	44,688,696
Interest payable		18,876,873	50,416,960
Dividends payable		19,089,654	499,500
Other payables		153,957,975	114,236,355
Current portion of non-current liabilities		<u>520,559,464</u>	<u>444,673,972</u>
<b>Total current liabilities</b>		<u>784,430,439</u>	<u>703,159,240</u>
<b>Non-current liabilities</b>			
Long-term borrowings	11	966,684,437	1,245,963,758
Corporate bonds	12	794,274,518	793,619,030
Long-term payables		55,249,828	66,295,336
Long-term employee benefits payable		1,717,634	2,273,043
Other non-current liabilities		<u>17,955,734</u>	<u>19,082,600</u>
<b>Total non-current liabilities</b>		<u>1,835,882,151</u>	<u>2,127,233,767</u>
<b>Total liabilities</b>		<u>2,620,312,590</u>	<u>2,830,393,007</u>
<b>Shareholders' equity</b>			
Share capital		473,213,000	473,213,000
Capital surplus		668,585,780	668,585,780
Surplus reserve		246,394,231	246,394,231
Undistributed profits		<u>1,676,882,958</u>	<u>1,487,909,356</u>
<b>Total capital and reserves attributable to shareholders of the Company</b>		<u>3,065,075,969</u>	<u>2,876,102,367</u>
Minority interest		19,840,765	15,251,802
<b>Total equity</b>		<u>3,084,916,734</u>	<u>2,891,354,169</u>
<b>Total liabilities and equity</b>		<u>5,705,229,324</u>	<u>5,721,747,176</u>
<b>Net current assets</b>		<u>1,059,386,017</u>	<u>1,311,516,630</u>
<b>Total assets less current liabilities</b>		<u>4,920,798,885</u>	<u>5,018,587,936</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 were disclosed in accordance with CAS 32 “Interim Financial Statements” issued by the Ministry of Finance of the PRC.

**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 chairman 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 its business within one business segment – the business of operating an airport and provision of related services in the PRC and the Group also operates within one geographical segment because its revenues are primarily generated from and its assets are located in the PRC.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>RMB</b>	RMB
<b>Analysis of revenue (by nature)</b>		
Aeronautical:		
Passenger service charges	<b>122,498,277</b>	105,779,019
Refund of Civil Aviation Development Fund	<b>97,355,630</b>	84,605,787
Fees and related charges on aircraft takeoff and landing	<b>41,746,577</b>	36,696,198
Ground handling service income	<b>44,105,915</b>	38,317,205
	<b>305,706,399</b>	265,398,209
Non-aeronautical:		
Franchise income	<b>134,828,821</b>	103,720,487
Freight and packing income	<b>72,256,810</b>	34,136,151
Rental income	<b>18,946,343</b>	17,655,068
Parking income	<b>8,586,217</b>	7,513,916
VIP room income	<b>7,211,978</b>	11,877,073
Other income	<b>24,157,204</b>	16,763,029
	<b>265,987,373</b>	191,665,724
Total Revenue	<b>571,693,772</b>	457,063,933

### 3. COST/EXPENSES BY NATURE

Operating costs and general and administrative expenses include the following items:

	Six months ended 30 June	
	2015	2014
	<i>RMB</i>	<i>RMB</i>
Depreciation of fixed assets	29,922,350	29,097,041
Amortisation of land use rights	<u>1,985,882</u>	<u>1,985,882</u>

### 4. FINANCIAL EXPENSES-NET

	Six months ended 30 June	
	2015	2014
	<i>RMB</i>	<i>RMB</i>
Interest expenses	84,588,582	85,328,526
Including: Bank borrowings	50,155,439	51,162,514
Corporate bonds	31,858,608	30,853,334
Finance lease	2,574,535	3,312,678
Net foreign exchange (gains)/losses	(2,648,577)	12,775,963
Less: Interest and exchange losses capitalisation	(51,114,105)	(35,792,758)
Interest income	(20,023,074)	(9,411,494)
Others	<u>560,825</u>	<u>970,652</u>
	<u>11,363,651</u>	<u>53,870,889</u>

### 5. INVESTMENT INCOME

	Six months ended 30 June	
	2015	2014
	<i>RMB</i>	<i>RMB</i>
Share of profit of investees under equity method – Hainan Airlines Airport Holding (Group) Company Limited (“HNA Airport Holdings”)	10,802,395	11,812,933
Share of loss of investees under equity method – Haikou Decheng Industrial and Development Co., Ltd. (“Haikou Decheng”)	<u>(3,131)</u>	<u>–</u>
	<u>10,799,264</u>	<u>11,812,933</u>

No significant restrictions on the repatriation of investment income.

Investment income derived from unlisted companies in the current period amounted to RMB10,799,264 (for the six months ended 30 June 2014: RMB11,812,933).

## 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 period (for the six months ended 30 June 2014: nil). Income tax expenses in the consolidated income statement represent provision for the PRC corporate income tax (“CIT”).

	Six months ended 30 June	
	2015	2014
	<i>RMB</i>	<i>RMB</i>
Current income tax	75,449,692	49,509,940
Deferred income tax	191,478	4,291,665
	<u>75,641,170</u>	<u>53,801,605</u>

The applicable tax rate of the Group for the current period is 25% (for the six months ended 30 June 2014: 25%).

## 7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
Consolidated net profit attributable to ordinary shareholders of the Company ( <i>RMB</i> )	<u>232,036,002</u>	<u>166,467,595</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>0.49</u>	<u>0.35</u>

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in current period (for the six months ended 30 June 2014: nil), diluted earnings per share equal to basic earnings per share.

## 8. DIVIDENDS

	Six months ended 30 June	
	2015	2014
2014 final dividend paid of RMB0.091 per share (for the six months ended 30 June 2014: RMB0.084 per share)	<b>43,062,400</b>	39,730,000
Proposed to distribute 2015 interim dividend of RMB0.120 per share (for the six months ended 30 June 2014: RMB0.085 per share)	<b>56,785,560</b>	40,223,100
	<b><u>99,847,960</u></b>	<b><u>79,953,100</u></b>

During the current period, 2014 final cash dividend of RMB0.091 per share, totaling RMB43,062,400 (for the six months ended 30 June 2014: 2013 final cash dividend RMB0.084 per share, totaling RMB39,730,000) was declared to the shareholders of the Company.

An interim dividend of RMB0.120 per share, totaling RMB56,785,560 was proposed by the Board on 21 August 2015 (2014 interim dividend: RMB0.085 per share, totaling RMB40,223,100). This interim dividend has not been recognised as a liability in this interim financial information.

## 9. ACCOUNTS RECEIVABLE

	30 June 2015 RMB	31 December 2014 RMB
Accounts receivables	<b>194,818,737</b>	124,541,339
Less: provision for bad debts	<b>(4,521,175)</b>	(3,839,026)
	<b><u>190,297,562</u></b>	<b><u>120,702,313</u></b>

Credit terms granted to customers are determined on an individual basis by the management with a general range from 1 to 3 months. As at 30 June 2015, the ageing analysis of accounts receivable, based on the dates of recognition, is set out as follows:

	30 June 2015 RMB	31 December 2014 RMB
Within 90 days	<b>131,416,939</b>	104,971,482
91 to 180 days	<b>55,769,911</b>	5,790,303
181 to 365 days	<b>1,790,235</b>	6,200,229
Over 365 days	<b>5,841,652</b>	7,579,325
	<b><u>194,818,737</u></b>	<b><u>124,541,339</u></b>



## 10. ACCOUNTS PAYABLE

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

	<b>30 June 2015 RMB</b>	31 December 2014 RMB
Within 90 days	<b>11,782,343</b>	9,249,894
91 to 180 days	<b>2,760,935</b>	2,478,336
Over 180 days	<b>2,614,271</b>	3,505,858
	<b><u>17,157,549</u></b>	<b><u>15,234,088</u></b>

## 11. LONG-TERM BORROWINGS

	<b>30 June 2015 RMB</b>	31 December 2014 RMB
Secured borrowings	<b>1,458,829,237</b>	1,662,055,758
Less: current portion of long-term borrowings	<b>(492,144,800)</b>	(416,092,000)
	<b><u>966,684,437</u></b>	<b><u>1,245,963,758</u></b>

As at 30 June 2015, the weighted average interest rate of long-term borrowings is 6.13% (31 December 2014: 5.86%) per annum.

As at 30 June 2015, bank borrowings of RMB1,348,824,328 (31 December 2014: RMB1,496,882,684) are secured by the 51% interest in Hainan Meilan International Airport Cargo Co., Ltd. held by the Company and the Group's land use rights with carrying amounts of RMB8,593,242 (original cost: RMB11,852,138). Interest is payable every quarter and the principal is due for repayment by installments on or before 30 December 2016.

As at 30 June 2015, bank borrowings of RMB110,004,909 (31 December 2014: RMB165,173,074) are secured by the 24.5% interest of HNA Airport Holdings held by the Company. Interest is payable every quarter and the principal is due for repayment by installments on or before 26 January 2016.

## 12. CORPORATE BONDS

	<b>31 December 2014</b>	<b>Amortization</b>	<b>30 June 2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Long-term corporate bonds	<u>793,619,030</u>	<u>655,488</u>	<u>794,274,518</u>

Related information is as follows:

	<b>Par value</b>	<b>Issuance date</b>	<b>Maturity</b>	<b>Issuance amount</b>
	<i>RMB</i>			<i>RMB</i>
Corporate bonds	<u>800,000,000</u>	<u>13 March 2012</u>	<u>7 years</u>	<u>800,000,000</u>

Interest accrued of the bonds is analysed as below:

	<b>Interest accrued</b>			
	<b>31 December 2014</b>	<b>Interest accrued in current period</b>	<b>Interest paid in current period</b>	<b>30 June 2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Corporate bonds	<u>49,746,667</u>	<u>30,853,334</u>	<u>(62,400,000)</u>	<u>18,200,001</u>

Pursuant to Zheng Jian Xu Ke [2011] No. 2082 approved by the China Securities Regulatory Commission, the Company issued corporate bonds of RMB800,000,000 on Shanghai Stock Exchange on 13 March 2012. The maturity of the bonds is 7 years, the fixed interest rate is 7.8% per annum, interest is repayable annually on 15 March of each of the years and the principal is repayable upon maturity.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2015, the Group's total revenue amounted to RMB571,693,772, representing an increase of 25.08% as compared to the corresponding period of 2014. Net profit attributable to shareholders amounted to RMB232,036,002, representing an increase of 39.39% as compared to the corresponding period of 2014. Earnings per share amounted to RMB0.49 (the corresponding period of 2014: earnings per share RMB0.35).

## OPERATING ENVIRONMENT

### *CIVIL AVIATION INDUSTRY IN CHINA*

In the first half of 2015, the world's economy remained mild recovery. Affected by the over-supply of the international crude oil market and the continuously intense political atmosphere in some areas such as Middle East, the price of the international crude oil lingered in low level. In particular, the signing of the comprehensive agreement on Iranian nuclear program in July 2015 between Iraq and the US, the United Kingdom, France, China, Russia and Germany at Vienna, will strike a serious blow to the crude oil market in the coming middle to long term, and deteriorate the already over-supply situation. The further decline of the crude oil price will bring development opportunities for the global civil aviation industry.

During the first half of 2015, the completed flight hours and the number of flights of the civil aviation industry of China totaled 4.082 million and 1.744 million, respectively, representing a year-on-year increase of 12.2% and 8.7%, respectively. The total traffic turnover was 40.51 billion tons/km, the passenger traffic volume was 210 million and the cargo and mail traffic volume was 2.991 million tons, representing a year-on-year growth of 14.5%, 12.5% and 6.6%, respectively. There were 3 newly established air transportation companies and 24 general aviation companies.

The civil aviation industry of China enjoyed significant increase in scale of economy in the first half of 2015. The total profits of the industry for the first half of 2015 reached RMB29.24 billion, representing a year-on-year increase of RMB21.4 billion. Such result hit a record high by outpacing the whole-year record of 2014 (total profit for the whole year of 2014: RMB28.89 billion).

The Group will be well equipped by keeping an eye on the development trend of the civil aviation industry of China in the second half of 2015 and intensively studying the state policies so as to strive for the increase of capacity by airlines on the premise of safe flight, as well as the continuous consolidation of Meilan Airport's position among the major airports in China.

## *TOURISM IN HAINAN*

In the first half of 2015, the tourism of Hainan Province maintained rapid growth. For the period ended 30 June 2015, the number of domestic and foreign tourists staying overnight amounted to 24.9079 million, representing a year-on-year growth of 11.16%. The total revenue from tourism were RMB24.634 billion, representing a year-on-year increase of 13.7%.

On 28 March 2015, the “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road” (《推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動》) (the “**Vision and Action**”) was promulgated by the National Development and Reform Commission (the “**NDRC**”), the Ministry of Foreign Affairs and the Ministry of Commerce (the “**MOC**”) of the PRC. The “Belt and Road Initiative”, a core principle of the Vision and Action, aroused worldwide attention. In order to grasp the opportunities to be arising from the “Belt and Road Initiative”, on 13 May 2015, Hainan Tourist Attractions Association (海南省旅遊景區協會) and the Association of Travel Agencies of Hainan (海南省旅行社協會) signed a “Joint Declaration in relation to the Development of Hainan Province into a World Class Special Tourist Zone” (《推進海南省建設世界一流旅遊特區共同宣言》), pursuant to which, both parties will join hands to develop Hainan into a shining pearl lying on the 21st Century Maritime Silk Road through mutual communication and coordination.

To cope with the State’s “Belt and Road Initiative”, the Tourism Development Committee of Hainan (海南省旅遊發展委員會) and HNA Tourism Group Co., Ltd. (海航旅遊集團有限公司) duly entered into a strategic cooperation agreement on 7 May 2015. Under such agreement, both parties will establish joint venture for investment and financing, and set up various funds, such as tourism fund and cruise fund, in order to optimize the infrastructures of Hainan tourism. They will actively facilitate integration of aviation industry, informatisation and tourism so as to bring robust development in the inbound tourism market of Hainan. They will strive to develop Hainan into a major international tourist area and an ideal destination for leisure and vacation, and eventually, attract more foreign tourists to experience and enjoy fun in Hainan.

Full support from the local government is the key to the continuous rapid development of the tourism in Hainan. The People’s Government of Hainan Province and the Customs of Haikou of the PRC (the “**Haikou Customs**”) had launched new incentives for aviation industry and the policies of bonded oil for aviation. They had devoted much effort on the expansion of customer base for Haikou aviation industry, encouraged and attracted domestic and foreign airlines to increase the number of flights that land at Haikou. Different incentives have been tailored for the airlines, new routes and chartered routes, boosting the development of the tourism in Hainan.

## *KEY TOURISM PROJECTS IN HAINAN*

In the first half of 2015, the government at all levels of Hainan Province strives to drive the development of key tourism projects.

In April 2015, with diversified and modern design and rich resources for eco-tourism, the Mission Hill Resort, Haikou was awarded National 4A rating. It was the fourth resort awarded such honour after the Holiday Beach, Haikou, the Haikou Geological Park of Volcano Clusters and Hainan Tropical Wildlife Park. The “Feng Xiaogang Movie Town” in such resort has also become one of the most featured cultural areas. Its structures adopted the style of early Republic, combined with active commercial activities, turning it into a sparkling tourist spot in Northern Hainan.

The construction of the “Universal Studio 100” project, the first project in the cultural industry in Hainan Province, launched by Changchun Film Studio has been commenced in June 2015. The first phase of such project will start trial operation in October 2016. As currently expected, the Golden Rooster and Hundred Flowers Film Festival and the Chinese American Film Festival for the year 2017 and 2018 are to be held in the studio.

Boao Happy City International Medical & Tourism Pilot Zone, China’s first ever state-level development zone integrating international medial and tourism services, low-carbon ecological community and international organisations, has undertaken seven projects, involving International Life and Health Testing Centre ( 國際生命健康測調中心 ) and International New Energy Medical Research Center ( 國際新能量醫學研究中心 ), with a total investment of RMB2.38 billion. Construction of the infrastructures of the projects will be commenced in August 2015.

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

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

## *TRANSPORTATION ON THE ISLAND*

- Hainan West Ring High-speed Railway project, with a total length of 345 kilometers and a designed speed of 200 kilometers per hour, has its railway track duly laid as at 30 June 2015 and has completed closed loop stage with East Ring Railway. Such progress symbolized an inauguration of the roundabout railway in Hainan, enabling Hainan to realise an era of life in which people spends three hours in transportation through this roundabout railway and combined airway-railway traffic. The conditions for Hainan West Ring High-speed Railway to open to traffic are expected to be satisfied by the end of 2015.
- In the first half of 2015, Hainan Province has driven the development of key transportation projects in full swing. Tunchang–Qiongzong Highway, being part of the key network of the “farmland-shaped” high speed railway in Hainan Province, has been open to traffic on 30 May 2015. On the same day, the construction of Qiongzong – Wuzhi Mountain – Ledong High-speed Railway, with a total length of 129 kilometers and a total investment of RMB11.7 billion, has been started. It is expected to be open to traffic in 2018. The construction of the Dinghai Bridge, connecting three transportation hubs in Haikou, Dingan and Chengmai and having a total investment of RMB500 million, has been carrying out smoothly and is expected to be open to traffic in 2015. The development of Hainan’s largest independent bridge-tunnel Pu Qian Bridge has been running smoothly and is expected to be open to traffic in 2015.
- In respect of airport investment and development, the construction of the Qionghai Boao Airport, which commenced on 19 March 2015, has been underway as scheduled and is expected to commence operation by the end of 2016.

## *OFFSHORE DUTY FREE*

In the first half of 2015, with further relief to the State’s offshore duty free policies, the sales of duty free commodities of Hainan once again reached a record high. Two duty free shops in Haikou and Sanya had sold 3.62 million duty free commodities in aggregate with sales amounted to RMB3.18 billion and the total number of shopping tourists amounted to 986,000, representing a year-on-year growth of 27.1%, 54.8% and 39.9%, respectively.

For the six months ended 30 June 2015, Haimian Haikou Meilan Airport Duty-Free Shop Co., Ltd. (海免海口美蘭機場免税店有限公司) (the “**Meilan Airport Offshore Duty-Free Shop**”) recorded sales revenue of RMB666.87 million and total shoppers of 369,109, representing a year-on-year increase of 45.60% and 36.28%, respectively.

Meilan Airport Offshore Duty-Free Shop has a current operating area of 5,277 square meters. According to the West Gallery extension project in Meilan Airport, the operating area of Meilan Airport Offshore Duty-Free Shop will be increased by approximately 2,644 square meters and will commence operation in September 2015 along with the West Gallery. It is expected to bring considerable franchise income to Meilan Airport.

In May 2015, Meilan Airport Offshore Duty-Free Shop has commenced “Deposit at Departure, Claim at Arrival” services. That means, tourists who ask for this service and fill in deposit form after purchasing duty-free commodities in Meilan Airport Offshore Duty-Free Shop would be able to enjoy the luggage deposit services at departure. When they arrive, they could pick up their commodities at the “Luggage Claim Area” at Meilan Airport upon signing of the confirmation and leave the restricted area. Such service not only enhances the convenience of tourists, but also improves their shopping experience.

The “Duty-Free Commodities e-Shop” ([www.mianshui365.com](http://www.mianshui365.com)), jointly launched by Hainan Duty-Free Company Limited (海南省免税品有限公司), Meilan Airport Offshore Duty-Free Shop and Hainan E King Technology Company Limited (海南易建科技股份有限公司), has been duly open since June 2014 and recorded single-day highest turnover of RMB3.25 million and an average monthly increase in sales of over 80%. Meanwhile, the sales of Meilan Airport Offshore Duty-Free Shop has been uplifting year by year, reaching an annual sales growth of more than 47% and a total turnover from inauguration until now of RMB2 billion. Meilan Airport Offshore Duty-Free Shop has started a fever of purchasing duty-free commodities.

To enhance convenience and improve shopping experience in Hainan, building on the success of the “Commodities Claim at Airport After Purchasing at Duty-Free Shop” at Sanya, “Claim upon Purchase” at Haikou, and “Purchase at Two Shops per One Departure” models, Haikou Customs launched new ways of duty-free commodities claim services including “Claim Upon Purchase, Tax Return after Payment” and “Mailing Service at Special Situations”, etc.

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

## **BUSINESS AND REVENUE REVIEW**

### *OVERVIEW*

In the first half of 2015, in compliance with the industrial safety at work objective of the State, the Group has strengthened and improved its safety management to ensure a safe and stable environment for the operation of Meilan Airport. The Group has also successfully fulfilled the transportation security tasks for major events, including the Boao Forum for Asia Annual Conference, and has won high recognitions from various sectors.

The Group has achieved success in brand buildings during the first half of 2015. With excellent staff performance, professional image and sincere attitude, the Group has been awarded the “China’s Best Airport with Excellence Staff Performance” by SKYTRAX, which is the first airport across the nation to obtain such honour. Once again, it has obtained an award of “the World’s Best Airport” with 5 to 15 million passenger throughput by ASQ (Airport Service Quality), and has been shortlisted in the “Best Airport in Asia Pacific Region” award for the first time. For the second half of 2015, the Group will focus on the realignment of its key project of becoming SKYTRAX five-star airport, aiming at realizing its goal within this year.

During the first half of 2015, the Group continued to expand the construction of intelligent airport with three major focuses including safety, services and operation. Among which, the online trial run of 119 fire control system has effectively enhanced the ability of precise command and quick response of Meilan Airport in terms of fire control. The operations of the self baggage check system, one passport clearance system and self check-in system have realized full self-serviced departure procedures at Meilan Airport and enabled Meilan Airport to be certified as a “Golden Airport” by the IATA (International Air Transport Association). The trial runs of the digital intercom system, 4G exclusive network, alternate flight system and new VIP room system have further optimized the operating flow of the airport.

Since August 2013, when the construction of the West Gallery expansion project commenced, the project has been carrying out on schedule with high quality and has currently entered into a final stage of inspection and acceptance. The trial run is expected to start in September 2015. Over 90% of the west apron construction project has been completed and will commence operation in parallel to the West Gallery expansion project, during which the number of aprons at Meilan Airport will be increased from 65 to 78. Besides, the feasibility report in respect of the Phase II expansion project of Meilan Airport has been approved by the NDRC. Land requisition and preliminary design have been carried out in full swing. It is expected to commence construction in October 2015.



In addition, in the first half of 2015, adhering to the principal of “people-oriented”, the Group continued to care for its staff by making, in aggregate, an investment of more than RMB1.5 million to organize more than 18 staff caring activities like “Embrace the Nature” hiking activities, festival greetings, body check, etc., which helped enhancing bonds between staff, increasing group cohesiveness and thereby paving solid foundation for forming a stable, united, healthy and energetic working team. At the same time, the Group paid sustainable effort in social welfare activities through participation of blood donation, visiting charity houses, tree planting, and actively performed its social responsibility.

### *OVERVIEW OF AVIATION BUSINESS*

Against a backdrop of overall rapid development of the civil aviation industry, together with various favourable factors such as the development of international tourist island and offshore duty-free policy, on 13 August 2015, Meilan Airport has achieved a passenger throughput of over 10 million for five consecutive years. The Group hit a record high this year with 135 days and 46 days earlier than in 2011, when the record of over 10 million was achieved for the first time, and 2014, respectively. It continued to strengthen its marketing efforts in major aviation markets. By closer communication with local government, active realignment in and extension of flight incentives, Meilan Airport has attracted many airlines to increase their capacity. It has also set up a tourism association at Haikou with the local government and fully utilized the resources from the platform in order to promote seamless development of the civil aviation industry through flourishing tourism.

In the first half of 2015, Meilan Airport operated 163 aviation routes, including 153 domestic routes, 3 regional routes and 7 international routes. It had flights to 80 destinations, including 73 domestic cities, 3 regional cities and 4 international cities. There are 34 airlines operating in Meilan Airport, including 25 domestic airlines, 4 regional airlines and 5 international airlines. Since entering into the summer and autumn flight season in 2015, Meilan Airport opened an additional of 33 routes over the corresponding period of last year. The overall flight execution rate stood at 82.97% and passenger throughput increased by 19.73% as compared to the summer and autumn flight season in 2014.

The Group scientifically and rationally formulated customized marketing strategies and targets, actively visited international and local airlines to promote our airlines, conducted extensive cooperation with airlines and tourism agents to launched holiday products with air routes covering different countries and regions such as Thailand, Singapore, Korea, Japan, Taiwan, Hong Kong, etc., and achieved a favorable results. Therefore, the international and regional transportation capacity of the Group also achieved historically best performance as compared to the corresponding period. For the six months ended 30 June 2015, the international and regional passenger throughput amounted to 266,300, representing a year-on-year growth of 0.34%.

Details of the aviation traffic throughput of in the first half of 2015 and the comparison figures of the corresponding period of last year are set out below:

	<b>First half of 2015</b>	<b>First half of 2014</b>	<b>Change (%)</b>
Aircraft takeoff and landing ( <i>flights</i> )	<b>63,117</b>	<b>54,964</b>	<b>14.83</b>
in which: Domestic	60,575	52,538	15.30
International and regional	2,542	2,426	4.78
Passenger throughput ( <i>headcount in ten thousand</i> )	<b>845.07</b>	<b>719.60</b>	<b>17.44</b>
in which: Domestic	818.44	693.06	18.09
International and regional	26.63	26.54	0.34
Cargo throughput ( <i>tons</i> )	<b>137,546.40</b>	<b>120,448.90</b>	<b>14.19</b>
in which: Domestic	132,167.10	116,222.60	13.72
International and regional	5,379.30	4,226.30	27.28

The Group's revenue from aviation business for the six months ended 30 June 2015 was approximately RMB305,706,399, representing an increase of approximately 15.19% as compared to the corresponding period of 2014. Details are as follows:

	<b>Amount (RMB)</b>	<b>Change over the corresponding period of 2014 (%)</b>
Passenger service charges	122,498,277	15.81
Refund of Civil Aviation Development Fund	97,355,630	15.07
Ground handling service income	44,105,915	15.11
Related charges on aircraft takeoff and landing	41,746,577	13.76
<b>Total revenue from aviation business</b>	<b><u>305,706,399</u></b>	<b><u>15.19</u></b>

## OVERVIEW OF NON-AVIATION BUSINESS

In the first half of 2015, the non-aviation business of the Group maintained growth momentum and achieved revenue of RMB265,987,373 for the six months ended 30 June 2015, representing an increase of 38.78% over the corresponding period of 2014. The increase was mainly attributable to the significant increases in both the franchise income of the Meilan Airport Offshore Duty-Free Shop and the freight and packaging income. Besides, the Group has made rational planning on the terminals and actively explore new business to ensure persistent increase in revenue from non-aviation business.

	<b>Amount</b>	<b>Change over the</b>
	<b>(RMB)</b>	<b>corresponding</b>
		<b>period of</b>
		<b>2014</b>
		<b>(%)</b>
Franchise income	134,828,821	29.99
Freight and packaging income	72,256,810	111.67
Rental income	18,946,343	7.31
Parking income	8,586,217	14.27
VIP room income	7,211,978	-39.28
Other income	24,157,204	44.11
<b>Total revenue from non-aviation businesses</b>	<b>265,987,373</b>	<b>38.78</b>

### FRANCHISE INCOME

In the first half of 2015, the aggregated franchise income of the Group amounted to RMB134,828,821, representing a year-on-year increase of 29.99%. The increase was mainly attributable to the growth of sales revenue of Meilan Airport Offshore Duty Free Shop, which contributed to the increase in franchise income of the Group.

### FREIGHT AND PACKAGING INCOME

In the first half of 2015, the total freight and packaging income of the Group amounted to RMB72,256,810, representing a year-on-year increase of 111.67%. The increase was mainly attributable to the increases in the business volume of the cargo freight services and the sales of packaging materials.

## *RENTAL INCOME*

In the first half of 2015, the total rental income of the Group amounted to RMB18,946,343, representing a year-on-year increase of 7.31%.

## *PARKING INCOME*

In the first half of 2015, the total parking income of the Group was RMB8,586,217, representing a year-on-year growth of 14.27%, which was mainly because there was increase in the passenger throughput in Meilan Airport, and the Group strengthened the management of the parking lot and its surrounding areas and fully utilized the existing parking area.

## *VIP ROOM INCOME*

In the first half of 2015, the total VIP room income of the Group amounted to RMB7,211,978, representing a year-on-year decrease of 39.28%. This was mainly due to the decrease in reception volume of VIP room services caused by relevant domestic policies.

## **FINANCIAL REVIEW**

### *ASSET ANALYSIS*

As at 30 June 2015, total assets of the Group amounted to RMB5,705,229,324, of which RMB1,843,816,456 were current assets and RMB3,861,412,868 were non-current assets. The total assets decreased by 0.29% over that as at 31 December 2014.

### *COST AND EXPENSE ANALYSIS*

In the first half of 2015, the Group's operating costs amounted to RMB215,574,343, and the administrative expenses amounted to RMB26,581,577, totaling RMB242,155,920, which represented a year-on-year increase of 32.26%. The increase in costs and expenses was mainly attributable to:

- (1) cost of the cargo freight business increased by RMB35,966,611 as the volume of the cargo freight services grew;

- (2) staff cost increased by RMB9,579,105 as compared to the corresponding period of 2014 as the Group raised the remuneration level of its staff and increased the number of its staff; and
- (3) the cost of contract labour increased by RMB5,424,790 due to the increase in the number of contract labour to cope with the business needs of the Company.

In the first half of 2015, the Group's finance expenses amounted to RMB11,363,651, which represented a decrease of RMB42,507,238 as compared to the corresponding period of 2014. The decrease was mainly attributable to the increase in capitalisation of interests, increase in interest income from entrusted loan from related party, and gain from translation of US currency as a result of appreciation of RMB.

### *GEARING RATIO*

As at 30 June 2015, the Group had total current assets of RMB1,843,816,456, total assets of RMB5,705,229,324, total current liabilities of RMB784,430,439 and total liabilities of RMB2,620,312,590. As at 30 June 2015, the Group's gearing ratio (total liabilities/total assets) was 45.93%, representing a decrease of 3.54% as compared to that as at 31 December 2014. The decrease was caused by the repayment of borrowings of US\$9,000,000 to China Development Bank, the repayment of the borrowing of US\$25,000,000 to the Taiwan syndication and the payment of interests accrued in 2014.

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

The long-term borrowing of US\$72,500,000 from China Development Bank was secured by 24.5% equity interests in HNA Airport Holdings held by the Group. As at 30 June 2015, the outstanding balance of the borrowing was US\$17,993,475 (equivalent to RMB110,004,909).

The Group's long-term borrowing of US\$250,000,000 from Taiwan syndication was secured by the 51% equity interests in Hainan Meilan International Airport Cargo Co., Ltd. held by the Group and certain land use rights of the Group with book value amounting to RMB8,593,242. As at 30 June 2015, outstanding balance of the borrowing was US\$225,000,000 (equivalent to RMB1,375,560,000).

Certain land use rights for the construction of the West Gallery and the international terminal have been pledged to secure a long-term borrowing granted to the Group and Haikou Meilan International Airport Company Limited (the "**Parent Company**") (being the joint borrowers) by China Development Bank. As at 30 June 2015, the balance of the long-term borrowing was RMB590,000,000.

### *CAPITAL STRUCTURE OF THE GROUP*

As at 30 June 2015, the total issued share capital of the Company was RMB473,213,000. Currently, the Group has borrowings from China Development Bank of US\$17,993,475 with an interest rate of Libor ("**London InterBank Offered Rate**") plus 3.4% and the borrowings from Taiwan syndication of US\$225,000,000 with an interest rate of Libor plus 3.3%.

### *SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCES*

As at 30 June 2015, the Company held 24.5% equity interests in HNA Airport Holdings. In the first half of 2015, the Company recorded an investment income of RMB10,802,395 based on the net profit attributable to parent company of HNA Airport Holdings.

### *MATERIAL ACQUISITIONS AND DISPOSALS*

As at 30 June 2015, the Company did not carry out any new and major acquisitions and disposals.

### *EMPLOYEES AND REMUNERATION POLICY*

As at 30 June 2015, the Group had a total of 734 employees, representing an increase of 6 employees as compared to the beginning of this year. The increase was mainly due to normal staff recruitment. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices. The Group reviews its remuneration policy and packages on a regular basis. Bonuses and commissions may be awarded to employees as incentives based on performance assessment.

### *ENTRUSTED DEPOSITS AND OVERDUE FIXED DEPOSITS*

As at 30 June 2015, the Group did not have any entrusted deposits or overdue fixed deposits.

### *CONTINGENT LIABILITIES*

As at 30 June 2015, the Group did not have any contingent liabilities.

### *EXPOSURE TO FOREIGN EXCHANGE RISKS*

The businesses of the Group are principally conducted in RMB, except certain revenue from aviation business, purchase of equipment and consultation fee which are denominated in US\$ or HK\$. The dividends to H-share holders are declared in RMB but paid in HK\$. According to the overall arrangement in relation to the acquisition of 24.5% equity interests in HNA Airport Holdings, the balance of the US\$ denominated borrowing from China Development Bank in relation to the said acquisition was US\$17,993,475, while the balance of the US\$ denominated syndicated borrowing from Taiwan syndication to finance the construction of the terminal complex project was US\$225,000,000. The principals and interests of these two borrowings should be borne by the Group. Therefore, any fluctuation in the exchange rate of RMB against

US\$ will affect the financial performance of the Group. The Group has not entered into any forward contract to hedge its exposure to foreign exchange risk.

#### *INTEREST RATE RISK*

The Group is obliged to repay the principal and interests of the US\$ denominated bank borrowings of US\$17,993,475 and US\$225,000,000 granted by China Development Bank and the Taiwan syndication respectively. Any changes in Libor and interest rate adjustment by the People's Bank of China will affect the interest expenses and results of the Group.

#### *NO OTHER MATERIAL CHANGE*

Other than those discussed in this interim results announcement, there has been no material change in relation to the information disclosed in the Company's 2014 Annual Report in accordance with Rule 32 set out in Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**").

#### **PROGRESS OF ADDITIONAL ISSUE AND ACQUISITION PROJECT**

In accordance with the disclosures made in the announcements and circular issued by the Company dated 2 July 2014, 31 July 2014 and 15 August 2014, respectively, the poll results announcement dated 30 September 2014, and the announcements dated 31 December 2014, 31 March 2015, 30 June 2015 and 31 July 2015:

The Company and the Parent Company entered into a subscription agreement, pursuant to which the Parent Company has agreed to subscribe for 66,615,016 new domestic shares in the Company in cash at the aggregate subscription price of RMB379,039,440 (equivalent to HK\$477,319,531.5).

The Company entered into the sale and purchase agreement with Xinhua Lianhang Airport Industry Investment Development Co., Ltd. ("**Xinhua Lianhang**"), HNA International Tourism Island Development (Group) Co., Ltd. ("**Haidao Development**") and Hainan HNA Engineering Construction Co., Ltd. ("**HNA Engineering**") as the Vendors, pursuant to which (i) the Company had conditionally agreed to acquire and Xinhua Lianhang had conditionally agreed to sell the Sale Shares of Wuhan HNA Lanhai Airport Industry Development Co., Ltd. ("**Wuhan Linkong**"), representing 80% equity interest in Wuhan Linkong at a consideration of RMB379,039,440 (equivalent to approximately HK\$477,319,531.5), which will be satisfied in full by cash; and (ii) the Company had conditionally agreed to acquire and Haidao Development and HNA Engineering had conditionally agreed to sell Sale Shares of the Hainan Haidao

Commercial Management Co., Ltd. (“**Haidao Commercial**”), representing 100% equity interest in Haidao Commercial at an aggregate consideration of RMB1,273,518,200 (equivalent to approximately HK\$1,603,725,223.5), which will be satisfied in full partly by setting off the Loan Advances and partly by the allotment and issue of the Consideration Shares. The completion of the sale and purchase of the Wuhan Linkong Sale Shares and the Haidao Commercial Sale Shares are inter-conditional and shall take place simultaneously.

Completion of the Subscription Agreement is conditional upon fulfillment of the following conditions: (a) the passing of resolutions by the Board and the meetings of the Shareholders (including Class Meetings) in accordance with the Articles and the Listing Rules approving the Subscription Agreement and the transactions contemplated thereunder; (b) the Parent Company having obtained the internal approvals from its competent decision making bodies; and (c) all necessary approvals, authorizations, consents having been obtained from and all necessary registrations and filings (if required) having been completed with all competent governmental authorities or regulatory bodies or other third parties in respect of the Subscription Agreement and the transactions contemplated thereunder by the Company and the Parent Company. None of the conditions precedent above is waivable. In the event any of the conditions precedent are not fulfilled on or before 31 December 2014 or such later date as may be agreed between the Company and the Parent Company, the Subscription Agreement shall automatically be terminated (save that the clauses relating to confidentiality, notices and governing law shall continue to have full force and effect).

To date, the Company has spent tremendous and continuous effort in obtaining all necessary governmental approvals. However, as at 31 July 2015 (the Long Stop Date of the Subscription Agreement and the Sale and Purchase Agreement), the Company is still unable to obtain the necessary approvals from the Civil Aviation Administration of China and the MOC in respect of the Subscription Agreement and the Sale and Purchase Agreement and the transactions contemplated thereunder. As a result, the Subscription Agreement and the Sale and Purchase Agreement shall automatically be terminated in accordance with the terms thereof, and neither party shall have any obligations nor liabilities towards each other thereafter save for any antecedent breaches of the terms of the Subscription Agreement and the Sale and Purchase Agreement.

On 31 July 2015 (after trading hours of the HK Stock Exchange), a termination deed was signed between the Company and the Parent Company, pursuant to which, each of the parties has agreed to release the other from all obligations and liabilities arising from or related to the Subscription Agreement and none of the parties shall take any action to claim for damages in relation to the Subscription Agreement. Meanwhile, the Company, Xinhua Linhang, Haidao Development and HNA Engineering have signed a termination confirmation to formally record their common consent on the termination of the SPA, in which each of the parties has also agreed that it shall not take any action to claim for damages against the others.



At the same time, the Board hereby informs the shareholders and the potential investors of the Company that should there be any new agreement be reached in relation to the Subscription Agreement and the SPA in the future, the Company will report such agreement to the Board and at the general meeting for consideration, and make a timely disclosure to the market pursuant to the Listing Rules after obtaining unanimous consent about the new proposal.

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

The “Franchise Contract in respect of Leasing of Venue for Offshore Duty-Free Business” and the “Meilan Airport Venue Leasing Contract” (collectively, the “**Duty-Free Contracts**”) entered into between the Group and Meilan Airport Offshore Duty-Free Shop have been expired. Both parties are in the process of friendly negotiations for the renewal of the Duty-Free Contracts.

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

In recent years, benefited from seamless mutual cooperation, the current operating area of Meilan Airport Offshore Duty-Free Shop has expanded to 5,227 square meters from 2,200 square meters at business inception. The operating area of Meilan Airport Offshore Duty-Free Shop will be further increased when the West Gallery commences operation. The sales performance of Meilan Airport Offshore Duty-Free Shop increased from RMB0.38 billion in 2012 to RMB0.92 billion in 2014, and the sales amount of duty-free goods was recorded at RMB0.67 billion in the first half of 2015. It is hoped that the sales target of RMB1 billion will be achieved in 2015.

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

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

In the first half of 2015, statistics from the IATA showed that benefiting from the continuous low price of crude oil internationally and recovery of the global economy, the global air transportation industry is expected to gain further improved net profit of US\$25 billion in 2015, representing a year-on-year increase of approximately 25%. However, the serious incidents happened in TransAsia Airways from Taiwan and the Germanwings have, to a certain extent, struck a blow to the annual profit of the aviation industry.

During the first half of 2015, in face of the unfavourable factors including sluggish domestic economy and the pressure of economic downturn, various indexes of the civil aviation and transportation industry maintained uplifting momentum. Both the total transportation turnover and passenger transportation turnover increased over 12.5% with development quality of the industry significantly enhanced. With the development paces of international routes faster than domestic routes, Middle and Western China faster than those in the Eastern area, and branch lines faster than main lines, the market imbalance will be further improved. All in all, the uncertainties in global economy still exist, while it is less possible to see a burst of soaring demand in aviation industry. With the international crude oil price lingering in low level, the scale of economy of the air transportation industry will experience persistent increase. The profitability of the aviation industry of China is expected to rise significantly in 2015.

The Group considers that, in the second half of 2015, along with the execution of the State's "Belt and Road Initiative" and the construction of international tourist island in Hainan in full swing, and the sustained relief of the offshore duty-free policies, there will be stable operation of both international and domestic routes of Meilan Airport and healthy growth in major indexes such as annual passenger throughput. In terms of operation management, the Company will focus on "procedure management" and "risk control", and continue to implement emergency alert mechanism and safety performance management. Meanwhile, it will rectify its plan of becoming a SKYTRAX five star airport and try its best effort to develop its soft power. In addition to ensuring safety and service quality, the Group will conduct cost control and generate new income sources so as to maintain annual profit level and strive for fruitful return to shareholders.

## **INTERIM DIVIDEND**

The Board has resolved to recommend payment of an interim dividend of RMB0.120 per share (tax inclusive) on or before Wednesday, 23 December 2015 to shareholders of the Company whose names appear on the Company's register of members on Friday, 13 November 2015 at the extraordinary general meeting to be held on Friday, 30 October 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from Wednesday, 30 September 2015 to Friday, 30 October 2015 (both days inclusive), during which time no transfer of shares will be registered. To attend and vote at the extraordinary general meeting, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 29 September 2015.

The Company's register of members will be closed from Sunday, 8 November 2015 to Friday, 13 November 2015, during which time no transfer of shares will be registered. To qualify for the entitlement of the interim dividend, all instruments of transfer, accompanied by the relevant share certificates and form of transfer shall be delivered to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 6 November 2015. Subject to approval at the extraordinary general meeting, the interim dividend will be paid on Wednesday, 23 December 2015.

## **MATERIAL LITIGATION OR ARBITRATION**

The Group had not involved in any material litigation or arbitration from 1 January 2015 to 30 June 2015.

## **OTHER INFORMATION**

### **Change of Directors**

The Board comprises eleven Directors. During the period from 1 January 2015 to 30 June 2015, changes in the directorship of the Company are as follows:

Mr. Zhang Hao had taken over the role of executive director of Mr. Liang Jun from 16 February 2015, with a term of 3 years. His appointment was approved and ratified at an extraordinary general meeting held on 16 February 2015.

Mr. He Linji had taken over the role of independent non-executive director of Mr. Xu Bailing from 18 May 2015, with a term of 3 years. His appointment was approved and ratified at an annual general meeting held on 18 May 2015.

From 30 June 2015 to the date of this interim results announcement, changes in the directorship of the Company are as follows:

Mr. Gao Jian had taken over the role of executive director of Mr. Zhang Hao from 3 July 2015, with a term of 3 years. His appointment was approved and ratified at an extraordinary general meeting held on 3 July 2015.

### **Change of Members in Sub-Committees of the Board**

Since Mr. Xu Bailing no longer served as an independent non-executive director of the Company, he ceased to be chairman of the audit committee, chairman of the nomination committee and member of the strategic committee of the Board correspondingly.

Mr. Deng Tianlin, the independent non-executive director of the Company, had taken over the role of Mr. Xu Bailing to be chairman of the audit committee.

Mr. He Linji, the independent non-executive director of the Company, replaced Mr. Xu Bailing to be chairman of the nomination committee and member of the strategic committee.

Their appointments were approved at the 15th meeting of the fifth session of the Board on 4 June 2015.

### **Change of Senior Management**

Based on the Company's actual needs, Mr. Gao Jian duly assumed the position of vice standing executive of the Company from 30 March 2015, while Mr. Wen Jiang was appointed as vice president of the Company with effective from 30 March 2015. Their appointment were approved at the 13rd meeting of the fifth session of the Board on 30 March 2015.

### **Remuneration of Directors and Supervisors**

The Company held the 2012 Annual General Meeting on 27 May 2013, where the "Resolution in Relation to the Remuneration Packages for the Directors and Supervisors of the Company in 2013" was considered and approved. It provided that Directors and supervisors nominated by shareholders of related parties would not enjoy allowance for the position from the year of 2013, but will receive appropriate wages depending on their specific duties in the Company.

### **Remuneration of Company Secretary**

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

## Share Capital Structure

As at 30 June 2015, the total number of issued shares of the Company was 473,213,000, of which:

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

## Interests of Substantial Shareholders in Shares

As at 30 June 2015, so far as known to the Directors, supervisors and chief executives of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the HK Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”); or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group, or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

## Domestic Shares

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 (Note 1)	Beneficial owner	Corporate	237,500,000(L)	96.43%	50.19%

## ***H Shares***

<b>Names of shareholders</b>	<b>Type of interests</b>	<b>Number of ordinary shares</b>	<b>Percentage of H shares issued</b>	<b>Percentage of total issued share capital</b>
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 AG ( <i>Note 3</i> )	Beneficial owner, security interests in shares and interests of controlled corporations	29,476,400(L)	12.99%	6.23%
	Beneficial owner	8,000(S)	0.00%	0.00%
UBS Group AG ( <i>Note 4</i> )	Security interests in shares and interest of controlled corporations	29,476,400(L)	12.99%	6.23%
	Interest of controlled corporations	8,000(S)	0.00%	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%

<b>Names of shareholders</b>	<b>Type of interests</b>	<b>Number of ordinary shares</b>	<b>Percentage of H shares issued</b>	<b>Percentage of total issued share capital</b>
Pacific Alliance Group Asset Management Limited <i>(Note 5)</i>	Investment manager	32,788,500(L)	14.45%	6.93%
PAG Holdings Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Group Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Pacific Alliance Investment Management Limited <i>(Note 5)</i>	Interest of controlled corporations	32,788,500(L)	14.45%	6.93%
Walden Ventures Limited <i>(Note 5)</i>	Beneficial owner	32,788,500(L)	14.45%	6.93%
Deutsche Bank Aktiengesellschaft <i>(Note 6)</i>	Beneficial owner and security interest in shares	18,164,508(L)	8.01%	3.84%
Greenwoods Asset Management Limited <i>(Note 7)</i>	Investment manager	13,844,000(L)	6.10%	2.93%
JPMorgan Chase & Co. <i>(Note 8)</i>	Beneficial owner and custodian corporation/ approved lending agent	13,607,488(L)	5.99%	2.88%
Svenska Handelsbanken AB Publ. <i>(Note 9)</i>	Investment manager	11,387,747(L)	5.02%	2.41%

*Notes:*

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is a controlling shareholder of the Company.
2. Zhang Gaobo and Zhang Zhiping held 49% and 51% interests in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interests in Oriental Patron Financial Services Group Limited. 100% interests of Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. Among the 29,476,400 shares in the Company, UBS AG was deemed to hold 6,833,000 shares through its security interest in those shares and held 8,000 shares as beneficial owner. UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Limited were all wholly-owned by UBS AG, and beneficially held 17,569,100 shares, 2,164,300 shares and 2,902,000 shares in the Company, respectively.

4. UBS Group AG held 96.64% equity interest in UBS AG. For further details, please refer to Note 3 above.
5. PAG Holdings Limited held 99.17% interests in Pacific Alliance Group Limited, which in turn held 90% interests in Pacific Alliance Investment Management Limited.

Pacific Alliance Investment Management Limited held 52.53% interests in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interests in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares by virtue of its capacity as investment manager. ARC Capital Holdings Limited is a company controlled by ARC Capital Partners Limited pursuant to Part XV of the SFO. ARC Capital Holdings Limited held 46.67% interests in Walden Ventures Limited, which in turn held 14.45% interests in H shares of the Company.

Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares by virtue of its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a company controlled by Pacific Alliance Group Asset Management Limited pursuant to Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interests in Walden Ventures Limited, which was in turn held 14.45% interests in H shares of the Company.

6. Among the 18,164,508 shares in the Company, Deutsche Bank Aktiengesellschaft was deemed to hold 18,161,000 shares as person having securities interests in shares and held 3,508 shares as beneficial owner.
7. 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 by virtue of its capacity as investment manager.
8. Among the 13,607,488 shares in the Company, JPMorgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
9. Svenska Handelsbanken AB Publ. held 11,387,747 shares in the Company by virtue of its capacity as investment manager.
10. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at 30 June 2015, so far as known to the Directors, supervisors and chief executives of the Company, no other person (not being the Directors, supervisors, and chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the HK Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.



## **Interests of Directors, Supervisors and Chief Executives in Shares**

As at 30 June 2015, no Directors, supervisors and chief executive of the Company have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the HK Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

## **The Rights of Directors, Supervisors and Chief Executives to Purchase Shares**

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

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

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the listed securities of the Company during the six months ended 30 June 2015.

## **AUDIT COMMITTEE**

The audit committee has, together with the management, reviewed the interim results announcement, including the accounting standards and practices adopted by the Group, and discussed matters relating to auditing, internal control, financial reporting and non-exempt continuing connected transactions, including review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2015.

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

As of 30 June 2015, there were four independent non-executive Directors in the Board. As of 30 June 2015, the audit committee comprised three independent non-executive Directors, including one personnel with appropriate professional qualifications of accounting and the membership of the Hong Kong Institute of Certified Public Accountants.

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

The Company has adopted a code for securities transaction by the Directors on terms no less exacting than the required standards of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with the Directors of the Company, all of the Directors have complied with the required standard set out in the Model Code and the code of conduct regarding directors' securities transaction during the six months ended 30 June 2015.

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

The Company is committed to complying with all the rules prescribed by the China Securities Regulatory Commission and the HK Stock Exchange and regulations of other competent authorities. For the six months ended 30 June 2015, the Company had complied with the code provisions of the Code on Corporate Governance contained in Appendix 14 to the Listing Rules and met with all reasonable governance and disclosure requirements. The Company will continue to improve its corporate governance and enhance its transparency to shareholders.

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

This interim results announcement will be published on the website of the HK Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the Company's website [www.mlairport.com](http://www.mlairport.com). The 2015 interim report of the Company containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the HK Stock Exchange and the Company on or before 18 September 2015.

## **THE BOARD**

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

### *Executive Directors*

WANG Zhen (*Chairman*)

YANG Xiaobin (*President*)

GAO Jian (*Vice Standing Executive*)

ZHANG Peihua (*Vice-president and  
Chief Financial Officer*)

### *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

21 August 2015