HAINAN AIRLINES COMPANY LIMITED
2016 ANNUAL REPORT SUMMARY

1. Important Statements
1.1 The annual report of the Hainan Airlines Company Limited (hereinafter referred to as "the Company") was reviewed and approved by the 2016 General Meeting of Shareholders. The Company’s development in the year of 2016 adhered to the principles of "solid development and quality growth". The Company has been appraised as the SKYTRAX World’s Top 50 Airlines and World’s Top 50 Brands in 2016. In the year of 2016, the Company achieved an accumulated profit of RMB 512,895 million yuan, an increase of 11.63% comparing with the same period of last year. The total passenger transportation volume reached 10,002,439 thousand people, increased by 7.3%. The total cargo transportation volume reached 17,002,480 tons, increased by 7.3%.

1.2 The Company's Shareholding Structure

The Company’s Shareholders as of the 2016 General Meeting of Shareholders: No.1 Shareholder: HNA Group, with a shareholding ratio of 33.07%.

2. Main Business or Products in the Report Period

2.1 Business Description

The Company is the sole airlines enterprise of mainland China which has been appraised as the SKYTRAX World’s Top 50 Airlines and World’s Top 50 Brands. The Company is a world-class outstanding airlines enterprise and brand of China. In the future, it would strive to achieve the goal of "HNA Group, ONE HNA, World’s Top Airlines". The Company is the sole service provider of the Hainan Smart Card Property, and has opened more than 40 international air routes which involves in 19 overseas cities and Taipei & Macao.

2.2 Financial Statement

The full text was published on the website of the SSE (http://www.sse.com.cn) on April 15, 2017. The Company would also apply to the general meeting to approve the proposal that the Company and its subsidiaries apply for the listed company's mutual guarantee quota for the year of 2016.

2.3 Additional Information

The Company would apply to the general meeting to approve the proposal that the Company and its subsidiaries apply for the listed company's mutual guarantee quota for the year of 2016.

3. Significant Events

3.1 Company's Operation

The Company's total operating income in 2016 was RMB 8,600,981 million yuan, an increase of 8.7% comparing with the same period of last year. The total passenger transportation volume reached 10,002,439 thousand people, increased by 7.3%. The total cargo transportation volume reached 17,002,480 tons, increased by 7.3%. The ASK (Available Seat Kilometers) increased by 10.04%. The completion rate of all-haulage passengers reached 90.39%, increased by 1.77% comparing with the same period of last year. The total cargo transportation volume reached 17,002,480 tons, increased by 7.3%.

3.2 Profit Sharing Preplan

The 2015 Profit Sharing Preplan was submitted to the general meeting for approval. The Board of Directors deliberated and passed through the 2015 Work Summary of the Committee on Public Relations.

4. Important Message

4.1 Internal Control System

The board of directors deliberated and passed through the 2015 Self-evaluation Report on Internal Control. The internal control system of the Company is a legal and effective system of the Company. The internal control auditors presented the Report on Internal Control. The full text could be referred to on the website of the SSE (http://www.sse.com.cn) for further details.

4.2 Report on Continuous Engagement of the Accounting Firm

The board of directors of the Company and its entire directors guarantee that there is no significant omission, fictitious description or serious misleading of information in this announcement and they will take legal responsibilities for it.

5. Key Figures

<table>
<thead>
<tr>
<th>Key Figures</th>
<th>2016</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation income</td>
<td>RMB 8,600,981 million</td>
<td>RMB 7,803,851 million</td>
<td>10.04%</td>
</tr>
<tr>
<td>Total passenger transportation volume</td>
<td>10,002,439 thousand</td>
<td>9,293,159 thousand</td>
<td>7.3%</td>
</tr>
<tr>
<td>Total cargo transportation volume</td>
<td>17,002,480 tons</td>
<td>15,776,344 tons</td>
<td>7.3%</td>
</tr>
<tr>
<td>ASK (Available Seat Kilometers)</td>
<td>10,002,439 thousand</td>
<td>9,091,305 thousand</td>
<td>10.04%</td>
</tr>
</tbody>
</table>

6. Historical Analysis of the Management

In 2016, the Company realized total items of principal business for amount of RMB 8,600,981 million yuan, an increase of 8.7% comparing with the same period of last year. Among 8,600,981 million yuan, the costs accounted for 8,100,561 million yuan, an increase of 9.0% comparing with the same period of last year. The total operating income of the Company reached RMB 512,895 million yuan, an increase of 11.63% comparing with the same period of last year. The total profit after tax reached RMB 512,895 million yuan, an increase of 11.63% comparing with the same period of last year.


7.1 Speculations on the change in financial statement

The Company’s active effort in the report period included the following speculations on the change in financial statement:

- The operation income increased due to the increase of ASK (Available Seat Kilometers).
- The total passenger transportation volume increased due to the increase of ASK (Available Seat Kilometers).
- The total cargo transportation volume increased due to the increase of ASK (Available Seat Kilometers).
- The total sales expenses increased due to the increase of ASK (Available Seat Kilometers).