

# HAINAN AIRLINES COMPANY LIMITED

## 2017 ANNUAL REPORT SUMMARY

### HAINAN AIRLINES HOLDING COMPANY LIMITED

**1. Important Notice**  
 1.1 This summary of the annual report is abstracted from the full text of the annual report of the Hainan Airlines Holding Company Limited (hereinafter referred to as the Company). In order to fully understand the Company's business achievements, financial situation and future development plans, the investor shall read the full annual report carefully on the website of the SSE or other designated media of the CSRC.

1.2 The board of directors ("BoD"), the board of supervisors, directors, supervisors and senior management hereby guarantee the truthfulness, accuracy and completeness of the annual report and will take both individual and joint responsibilities for significant omission, fictitious description or serious misleading of it.

1.3 The entire members of the BoD participated the meeting of the board of directors.  
 1.4 The PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued the standard unqualified Auditor's Report for the Company.

1.5 2017 Profit Sharing Pre-plan  
 Subject to the auditor's report issued by the PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit belongs to the parent company of the Hainan Airlines Holding Company Limited in the 2017 consolidated financial statement accounted for RMB 3,322,947,000 yuan, which included RMB 270,000,000 yuan of other equity instruments holders and RMB 3,052,947,000 yuan of net profit belonging to the ordinary shareholders. According to the auditing result of the PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the parent company realized net profit of RMB 2,825,157,000 yuan in 2017, therefore the actual profit available for distribution accounts for RMB 2,722,641,000 yuan after withdrawing the statutory surplus reserves of RMB 282,516,000 yuan and distributing the dividends of other equity instruments holders of RMB 270,000,000 yuan.

The Company made the 2017 profit distribution plan as: It would distribute cash dividends of RMB 302,510,000 yuan to all shareholders, which is a cash dividend of RMB 0.18 yuan per ten shares (tax included) on the basis of total share amount of 16,806,120,000 shares.  
 2. Basic Information  
 2.1 Company profile

Stock Profile				
Stock Type	Stock Listed at	Stock Abbreviation	Stock Code	Stock Abbreviation Before the Change
A Share	Shanghai Stock Exchange	HHKG	600221	HH
B Share	Shanghai Stock Exchange	HHKG-B	900945	HH-B

Contact Method		Secretary of the BoD	Representative of the BoD on Security Affairs
Name	Wu Qiang	Zhang Dawei	
Office Address	Haihang Building, No. 7 Guoxing Avenue, Haikou, Hainan	Haihang Building, No. 7 Guoxing Avenue, Haikou, Hainan	
Tel.	0898-6673-9961	0898-6673-9961	
E-mail	hhgfdshmsbs@hainair.com	hhgfdshmsbs@hainair.com	

2.2 Introduction of the main business in the report period  
 2.2.1 Main business and operation model  
 The Company mainly conducts international and domestic (including Hongkong & Macao) passenger and freight air transport business; aviation related services; air travel production of on-board supplies, aviation equipment, ground service equipment and spare parts; terminal building services and management; insurance agency services (limited to personal accident insurance). Regular and irregular air passenger and cargo transport are the main business of the Company.

2.2.2 Industry development  
 2.2.2.1 Generals of international air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.2 Generals of domestic air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.3 Generals of international air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.4 Generals of domestic air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.5 Generals of international air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.6 Generals of domestic air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.7 Generals of international air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

2.2.2.8 Generals of domestic air transportation industry  
 According to the statistics of the CAAC, the total turnover of air transportation in 2017 made a breakthrough and reached the highest volume of 108.310,000,000 ton-kilometers, increase by 12.5%; air passenger transportation volume will account for 551,570,000 person times, increase by 13%; the total air freight transportation will reach 7,058,000 tons, increase by 5.7%. According to the statistics of the International Civil Aviation Organization (ICAO), the Asia-Pacific market led by China has become the region with the strongest growth in air passenger traffic in 2017. The revenue passenger-flow kilometer (RPK) reached the increase of 10.1%. China is currently the second largest aviation market after the United States.

Item	2017	2016	Increase/Decrease(%)	2015
Total assets	197,347,888	148,144,017	33.21	125,381,272
Operation income	59,903,948	40,678,130	47.26	35,225,439
Net profit belongs to shareholders of the listed enterprise	3,322,947	3,138,255	5.89	3,002,694
Net profit belongs to shareholders of the listed enterprise after tax	2,567,472	2,303,889	11.44	2,206,849
Net assets belongs to shareholders of the listed enterprise	57,616,522	55,960,539	2.96	33,481,556
Net cash flow from operating activities	12,960,134	12,287,089	5.48	12,536,467
Basic earnings per share (yuan per share)	0.182	0.210	-13.33	0.246
Diluted average per share (yuan per share)	0.182	0.210	-13.33	0.246
Weighted average ROE (%)	5.91	7.60	-1.69	10

2.2.3 Financial highlights in quarters  
 Monetary Unit: In RMB 1,000 yuan

Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operation income	14,537,808	13,988,414	16,656,180	14,721,546
Net profit belongs to shareholders of the listed enterprise	835,140	312,193	1,610,431	565,183
Net profit belongs to shareholders of the listed enterprise after non-recurring profit and loss	727,091	261,227	1,482,413	96,741
Net cash flow from operating activities	4,877,093	213,216	3,604,348	4,265,477

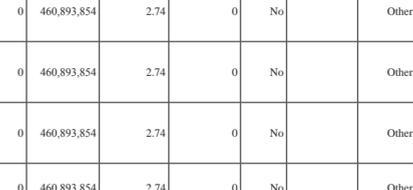
Specifications on the difference between the quarterly financial data and disclosed periodical report data  
 ( ) Applicable (v) Not applicable  
 2.4 Share capital and shareholders  
 2.4.1 Number of ordinary shareholders & preferred shareholders restored voting rights and particulars about top 10 shareholders

Shareholder	Increase/Decrease	Shareholding Amount at Period End	Shareholding Percentage (%)	Shareholding Amount of Shares with Trading Restriction	Frozen Shares	Nature of Shareholders
Grand China Air Co., Ltd.	0	4,089,167,580	24.33	0	Pledged	3,808,032,301
Haikou Meilan International Airport Co., Ltd.	0	862,848,902	5.13	0	Pledged	862,000,000
Changjiang Wealth-Pudong Development Bank-Shanghai Pudong Development Bank Company Limited (Haikou Branch)	0	825,055,865	4.91	0	No	Other
HNA Group Company Limited	0	593,941,394	3.53	0	Pledged	593,920,000
Changjiang Leasing Co., Ltd.	0	517,671,098	3.08	0	Pledged	517,545,280
Merchants Wealth Construction Bank-CITIC Trust-CITIC Hangyuan Financial Investment Collective Capital Trust Plan	0	460,893,854	2.74	0	No	Other
HuaFu Fund-Xingye Bank-Chang'an International Trust-Chang'an Trust-HNA Directional Placement No.1 Single Fund Trust	0	460,893,854	2.74	0	No	Other
China Railway Trust Company Limited-CITIC Trust-HNA Directional Placement Equity Investment Collective Capital Trust Plan	0	460,893,854	2.74	0	No	Other
CITIC Construction Fund-Haiku Bank-Tibet Trust-Shunjun No. 27 Single Fund Trust	0	460,893,854	2.74	0	No	Other
SWS MU Fund-ICBC-Shaaxi Provincial International Trust-Shaaxi International Investment-Qingyuan No. 8 Directional Investment Collective Capital Trust Plan	0	418,994,413	2.49	0	No	Other

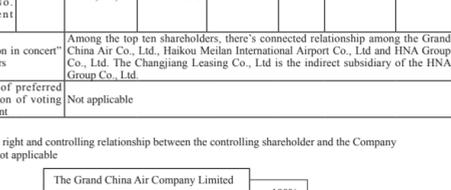
Note to relationship or "action in concert" among the top ten shareholders  
 Among the top ten shareholders, there's connected relationship among the Grand China Air Co., Ltd., Haikou Meilan International Airport Co., Ltd and HNA Group Co., Ltd. The Changjiang Leasing Co., Ltd is the indirect subsidiary of the HNA Group Co., Ltd.

Specifications on amount of preferred shareholders with restoration of voting rights and shareholding amount  
 Not applicable

2.4.2 Chart of the property right and controlling relationship between the controlling shareholder and the Company  
 (v) Applicable ( ) Not applicable



2.4.3 Chart of the property right and controlling relationship between the actual controller and the Company  
 (v) Applicable ( ) Not applicable



2.4.4 Total number of the shareholders of preferred share and top 10 shareholders  
 ( ) Applicable (v) Not applicable  
 2.5 Information of bonds  
 (v) Applicable ( ) Not applicable  
 2.5.1 Basic information of bonds

Bond Name	Abbreviation	Code	Issue Date	Maturity Date	Bond Balance	Interest Rate (%)	Debt Service Mode	Trading Floor
2011 Corporate Bond								
11Haihag02	122071.SH		May 24, 2011	May 24, 2021	1,440,000	6.20	按年付息、到期还本	上海证券交易所

2.5.2 Interest and principal payment  
 (v) Applicable ( ) Not applicable  
 The Company pays off the principal and interest of the bonds on time.  
 2.5.3 Information of bond rating  
 (v) Applicable ( ) Not applicable  
 The Company entrusted the Shanghai Brilliance Credit Rating & Investors Service Company Limited to carry out the tracking rating on the 2011 corporate bonds. It issued the 2011 Tracking Rating Report on the Corporate Bond of the Company. The initial rating was AA-. The rating in 2012-2014 were AA-. In 2015-2016, the rating result was AAA and the prospective rating steady. In the report tracking rating on the enterprise bonds of 11Haihag02 and issued the Tracking Rating Report on the Corporate Bond. The subjective rating is AAA, prospective rating is steady and debt credit rating AAA.

The Yunnan Xiangpeng Airlines Company Limited (the subsidiary of the Company) entrusted the Pengyuan Credit Rating Service Company Limited to carry out credit rating on the corporate bonds of it in 2012. It issued the 2012 Tracking Rating Report on the Corporate Bond of the Xiangpeng Airlines. The corporate bond of the Xiangpeng Airlines in 2012 accounted for RMB 700,000,000 yuan. The initial rating of the corporate bond of the Xiangpeng Airlines was AA-. The tracking rating in 2013-2016 were AA. In the report period, it carried out tracking rating on the corporate bonds of 12 Dianshianghang and issued the 2017 Tracking Rating Report on the Corporate Bond. The subjective rating is AA, prospective rating is AA, prospective rating is steady and debt credit rating AA.

In 2015, the Company entrusted the Shanghai Brilliance Credit Rating & Investors Service Company Limited to carry out the tracking rating on the 2014 Medium-term Note (Phase I). It issued the 2015 Rating Report on the 2014 Medium-term Note (Phase I) of the Company. The subjective rating is AAA, prospective rating was steady and debt rating AAA. In the report period, it carried out tracking rating on the 2014 Medium-term Note (Phase I) and issued the 2016 Tracking Rating Report. The subjective rating is AAA, prospective rating is steady and debt rating AAA.

The Tianjin Airlines Company Limited (the subsidiary of the Company) entrusted the Shanghai Brilliance Credit Rating & Investors Service Company Limited to carry out the tracking rating on the 2016 Medium-term Note (Phase II, III) of it. It issued the Rating Report on the 2016 Medium-term Note of the Tianjin Airlines. The subjective rating is AA+, prospective rating was steady and debt rating AA+.

In 2015, the Company entrusted the United Credit Rating Service Company Limited to carry out the credit rating on the Assets Backed Special Plan of Haihang101-104 of it. It issued the Special Credit Rating Report on the BSP Assets-backed Special Plan (Phase I) of the Company. The initial rating was AA+.

The Company entrusted in 2017, after preliminary accounting, the gross domestic product (GDP) for the whole year was of RMB 82.7 trillion yuan, an increase of 6.9% over the previous year at comparable prices, the first annual increase since 2010. The national average per capita disposable income accounted for RMB 25,974 yuan, an nominal increase of 9.0% over the previous year and a real growth of 7.3% after price factor which was 1.0% faster than the previous year. It's estimated that the GDP growth rate in 2017 would be slightly slower than 6.9% generally forecasted in 2017.

In 2017, the world economic growth rebounded significantly. The downturn of global economic growth rate stopped and cyclical upward momentum continued to enhance. The International Monetary Fund (IMF) forecasts that global output grew by 3.7% in 2017, 0.5% higher than in 2016. The GDP growth rate of developed economies reached 2.3%, up 0.6% from 2016. The GDP growth rate of emerging and developing economies was 4.9%, 0.3% higher than in 2016. It's expected that the global economic growth in 2018 and 2019 would continue and growth rate reach 3.9%.

In 2017, the domestic economic operation was stable and good, better than expected. The economic vitality, motive power and potential were constantly released. The stability, coordination and sustainability of domestic economic operation were obviously enhanced, and stable and healthy development was achieved. China National Bureau of Statistics released data on China's economic performance in 2017. The national gross domestic product (GDP) for the whole year was of RMB 82.7 trillion yuan, an increase of 6.9% over the previous year at comparable prices, the first annual increase since 2010. The national average per capita disposable income accounted for RMB 25,974 yuan, an nominal increase of 9.0% over the previous year and a real growth of 7.3% after price factor which was 1.0% faster than the previous year. It's estimated that the GDP growth rate in 2017 would be slightly slower than 6.9% generally forecasted in 2017.

In 2017, the CA issued a number of policies to keep strengthening the regulation and control over the aviation industry development and promote supply-side reform in all directions. The policies mainly include the Measures for the Allocation and Use of International Aviation Rights Resources and the Notice on Issuing Policies and Measures to Adjust the Flight Structure,

BSP Assets-backed priority security of the HNA(Phase I)	Haihag104	123608	April 10, 2015	Jan. 23, 2020	1,500,000	7.55	Interest payment per year; principal repayment on maturity	SSE
---	-----------	--------	----------------	---------------	-----------	------	--	-----

BSP Assets-backed priority security of the HNA(Phase II)	Haihag201	123907	Sept. 17, 2015	June 23, 2018	2,000,000	5.55	Interest payment per year; principal repayment on maturity	SSE
--	-----------	--------	----------------	---------------	-----------	------	--	-----

BSP Assets-backed priority security of the HNA(Phase II)	Haihag202	123908	Sept. 17, 2015	April 23, 2020	2,000,000	5.80	Interest payment per year; principal repayment on maturity	SSE
--	-----------	--------	----------------	----------------	-----------	------	--	-----

BSP Assets-backed priority security of the HNA(Phase II)	Haihag203	123909	Sept. 17, 2015	June 23, 2020	2,000,000	6.10	Interest payment per year; principal repayment on maturity	SSE
--	-----------	--------	----------------	---------------	-----------	------	--	-----

BSP Assets-backed priority security of the HNA(Phase III)	Haihag301	142022	Aug. 18, 2016	Nov. 23, 2018	2,000,000	4.30	Interest payment per year; principal repayment on maturity	SSE
---	-----------	--------	---------------	---------------	-----------	------	--	-----

BSP Assets-backed priority security of the HNA(Phase III)	Haihag302	142023	Aug. 18, 2016	Sept. 23, 2019	2,000,000	5.15	Interest payment per year; principal repayment on maturity	SSE
---	-----------	--------	---------------	----------------	-----------	------	--	-----

BSP Assets-backed priority security of the HNA(Phase III)	Haihag303	142024	Aug. 18, 2016	Nov. 23, 2020	2,000,000	5.80	Interest payment per year; principal repayment on maturity	SSE
---	-----------	--------	---------------	---------------	-----------	------	--	-----

2012 Corporate bond of the Yunnan Xiangpeng Airlines	12Dianshianghang	124102	Dec. 14, 2012	Dec. 13, 2019	700,000	7.29	Interest payment per year; principal repayment on maturity	SSE
--	------------------	--------	---------------	---------------	---------	------	--	-----

2017 Corporate bond of the Yunnan Xiangpeng Airlines(Phase I)	17Xiangpeng Airlines 01	143144	June 16, 2017	June 20, 2022	600,000	7.98	Interest payment per year; principal repayment on maturity	SSE
---	-------------------------	--------	---------------	---------------	---------	------	--	-----

2015 Assets-backed note of the Yunnan Xiangpeng Airlines(Phase I)	15Xiangpeng Airlines ABN001C	81564003	Mar. 26, 2015	Mar. 27, 2018	1,200,000	7.50	Interest payment per year; principal repayment on maturity	NAFMII
---	------------------------------	----------	---------------	---------------	-----------	------	--	--------

2015 Assets-backed note of the Yunnan Xiangpeng Airlines(Phase I)	15Xiangpeng Airlines ABN001D	81564004	Mar. 26, 2015	Mar. 27, 2019	1,200,000	7.80	Interest payment per year; principal repayment on maturity	NAFMII
---	------------------------------	----------	---------------	---------------	-----------	------	--	--------

2015 Assets-backed note of the Yunnan Xiangpeng Airlines(Phase I)	15Xiangpeng Airlines ABN001E	81564005	Mar. 26, 2015	Mar. 27, 2020	1,200,000	8.20	Interest payment per year; principal repayment on maturity	NAFMII
---	------------------------------	----------	---------------	---------------	-----------	------	--	--------

US Dollar Bond	US Dollar Bond		Feb. 7, 2013	Feb. 7, 2020	7,187,620	3.625	每半年付息、到期还本	SGX
----------------	----------------	--	--------------	--------------	-----------	-------	------------	-----

US Dollar Bond	US Dollar Bond		June 22, 2017	June 21, 2018	7,187,620	5.50	每半年付息、到期还本	SGX
----------------	----------------	--	---------------	---------------	-----------	------	------------	-----

US Dollar Bond	US Dollar Bond		Nov. 1, 2017	Oct. 31, 2018	7,187,620	6.35	每半年付息、到期还本	SGX
----------------	----------------	--	--------------	---------------	-----------	------	------------	-----

2014 Medium-term note (Phase I) of HNA	14HNA MTN001	101456019	May 27, 2014	May 9	400,000	8.00	Interest payment per year; principal repayment on maturity	Shanghai Clearing House
--	--------------	-----------	--------------	-------	---------	------	--	-------------------------

Private directional debt financing tool of the Tianjin Airlines Co., Ltd. (2015 Phase I, II, (2016 Phase I, II, (2017 Phase I, II, III)	16jin Airlines PPN 001	031668001	Jan. 7, 2016	Jan. 8, 2019	500,000	6.70	Interest payment per year; principal repayment on maturity	NAFMII
---	------------------------	-----------	--------------	--------------	---------	------	--	--------

Private directional debt financing tool of the Tianjin Airlines Co., Ltd. (2015 Phase II, (2016 Phase I, II, (2017 Phase I, II, III)	16jin Airlines PPN 002	031667024	Oct. 19, 2016	Oct. 20, 2017	1,000,000	5.20	Interest payment per year; principal repayment on maturity	NAFMII
--	------------------------	-----------	---------------	---------------	-----------	------	--	--------

Private directional debt financing tool of the Tianjin Airlines Co., Ltd. (2015 Phase II, (2016 Phase I, II, (2017 Phase I, II, III)	15jin Airlines PPN 003	031568033	Dec. 29, 2015	Dec. 30, 2018	500,000	7.00	Interest payment per year; principal repayment on maturity	NAFMII
--	------------------------	-----------	---------------	---------------	---------	------	--	--------

Private directional debt financing tool of the Tianjin Airlines Co., Ltd. (2015 Phase II, (2016 Phase I, II, (2017 Phase I, II, III)	17jin Airlines PPN 001	031772019	July 20, 2017	July 20, 2020	1,000,000	7.82	Interest payment per year; principal repayment on maturity	NAFMII
--	------------------------	-----------	---------------	---------------	-----------	------	--	--------

Private directional debt financing tool of the Tianjin Airlines Co., Ltd. (2015 Phase II, (2016 Phase I, II, (2017 Phase
--