



WILLIAM C. KIRBY
F. WARREN MCFARLAN
JOYCELYN W. EBY

HNA Group: Global Excellence with Chinese Characteristics

Chen Feng rested his cup of "Zhao Si Tribute" tea^a on a pile of books that ranged from Buddhist philosophy to the latest Hurun Report^b as his eyes took in his expansive view of the city of Haikou, the capital of Hainan province. From his office on the 30th floor of HNA Group's Buddha-shaped corporate headquarters, his gaze caught everything from the signature palm trees and blue coastline of the "Hawaii of China," to the offices of the Hainan Provincial government, located on land leased from HNA Group. The government headquarters was bordered by a wide swath of land under development as part of the HNA Group Real Estate Business Unit's latest project—creating a Central Business District for Haikou. His company had come a long way since leasing its first two airplanes in 1993. Diversified and internationalized, it had already entered the Global 500 in 2015 (See **Exhibit 1** for information on the scope of the HNA Group). Beyond taking pride in the scale of his operation, Chen was particularly proud of the quality of his business. "In terms of service," Chen asserted, "we are already at the highest international level."

Chen's thoughts were interrupted by a knock on the door. Li Xianhua, CEO of the HNA Group, entered his office, looking downcast. As CEO, he was responsible for implementing Chen's vision, and the copy of the recently released 2015 World Airline Awards he passed to Chen indicated disappointing results.^c Hainan Airlines had hovered around the #20 spot for five years, and in 2015, despite HNA

^a In the early 16th century, Confucian scholar Wang Yangming cultivated tea trees in Guizhou. During the reign of the Qianlong emperor in Qing dynasty, a Guizhou scholar achieved one of the top three scores in the civil service examination, and thus had an audience with the emperor. As a gift, he brought with him tea from the tree planted by Wang Yangming. The emperor, impressed with the tea, named it "Zhao Si Tribute" Tea, after the local tribes of Guizhou. Subsequently, scholars at the Guizhou Agricultural Academy cultivated around 16 acres of the trees, but did not market the tea very well. Chen Feng tasted the tea while visiting the local tea shop, and immediately offered to buy all of the tea. As Chen noted, "Right now, the best tea in China is only in two places: the local government, and in the entrepreneurial world."

^b Also known as "China's Rich List," the Hurun Report tracked and ranked high net-worth individuals in China.

^c While there were multiple international awards for airlines, the Skytrax World Airline Awards were the most comprehensive, international investigation of passenger experience. The results came from data collected through online passenger surveys completed between September 2014 and May 2015. Airline customers were asked their opinions on 41 key performance indicators of airline product and service. The 18.89 million completed surveys represented customers from 105 different countries and covered over 245 airlines, including international and domestic carriers.

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management's confidence in its product, its ranking had fallen to #22 (see **Exhibit 2** for a complete listing of HNA's rankings since 2011 and **Exhibit 3** for a listing of the top airlines in Asia). Li was quick to point out that, as it had been for many years, Hainan Airlines was ranked as the top airline in China both overall and for service. Indeed, it was well ahead of its domestic competitors in international rankings: China Southern, China Eastern, and Air China ranked 36th, 85th, and 93rd, respectively, in the 2015 World Airline Awards. Moreover, Hainan Airlines had maintained its elite 5-star rating from the professional quality assessment team at Skytrax since 2011 (see **Exhibit 4** for a breakdown of Hainan Airlines' 2015 Skytrax ratings). Chen wondered, why hadn't this domestic success yet translated into international customer recognition?

Elevating service to an international standard was not the only challenge for Chen as he sought to bring his domestic success to the international stage. Chen was a Buddhist researcher and scholar, and a proponent of traditional Chinese culture. He attributed much of HNA's success to its unique corporate culture, a combination of Confucian, Buddhist, and Daoist values developed by Chen over the years. So far, he felt that HNA had been able to continue to incorporate its culture into its international acquisitions. But as it continued to grow globally, would it be able to maintain a cohesive culture?

Growth and Development of HNA Group

First, you have to have an excellent service mentality; you are working for the customer. Second, safety has to be the most important principle. All of your work in your company revolves around these two items, including your investments, training, airplane repair; everything focuses on these two goals. Achieving these two goals can be divided up into very specific, concrete steps that can be focused on every day. In 20 years we were able to reach them. We didn't give up for a single day.

— Chen Feng

In succeeding in the airline industry, HNA Group had proved its tenacity in a heavily state-controlled environment. Its seat share of the Chinese domestic market grew from 3% in 1993 to around 15% in 2013 (see **Exhibit 5** for a graph of the Chinese domestic market share by seats in 2013). By 2015, its fleet included over 540 aircraft. This rapid development came in three major phases. First, from 1993-2003, HNA focused on developing its core business: its flagship airline. Second, from 2003-2008, HNA diversified its business by expanding to a wide variety of related industries. Third, from 2008 on, HNA focused on international expansion.

Phase One: Private Fledgling in a State-Controlled Industry

The story of Hainan Airlines began with the designation of Hainan as a province and Special Economic Zone in 1988. (It had previously fallen under the jurisdiction of Guangdong province.) This change in governance coincided with a national push for the establishment of regional airlines to support trade and economic growth. Governing an island with low accessibility, Hainan officials were particularly interested in reducing transportation bottlenecks in and out of the province. The provincial government recruited Chen, who had a professional background in economics, strategy, and aviation, from a position in China's Civil Aviation Administration to lead the province's airline development. He was joined in 1990 by Wang Jian, a former co-worker at the Civil Aviation Administration and expert in civil aviation management, international negotiations and foreign economic relations. Together, they formed the core team of the newly founded airline. Wang eventually served as the HNA Group Co-Chairman and Chairman of the Strategic Planning Preparation Committee.

Wang's role in the core entrepreneurial team demonstrated the importance of strategic planning in Chen's organization. CEO Li noted, "From the beginning until now, among all the Chinese companies I know, HNA places the most emphasis on setting strategies for development." The strategies they employed often differed from industry norms. As CEO Li recalled,

I came to HNA in January 1991, and in April or May of 1991 we had a meeting. At that meeting, two development strategies were put forward that still guide our work today. One was that we should use the stock market and stock issuance to solve HNA's development capital needs, achieve integration of industrial-finance capital, and build a modern corporate management system... [Second], we realized that in the future we wanted HNA to be an international airline company, so we had to use [large, long haul] aircraft from the beginning.

Following the first strategy, HNA was established in 1993 not as a purely state-owned enterprise, but rather as a joint venture between the Hainan provincial government and private interests led by Chen and Wang. Li, who was among the first 30 employees of HNA along with current President Tan Xiangdong, Vice-Chairman Chen Wenli, and Director Li Qing, attributed much of HNA's success to this hybrid ownership model, which allowed HNA to avoid the traditional pitfalls of either state-owned enterprises or family-owned businesses. HNA was to be a private-public enterprise that maintained a high-touch relationship with the government. Government involvement was a necessity, as the Chinese airline industry at that time was characterized by high levels of government control over airplane purchasing and route allotment.

Second, HNA focused on large aircraft—an unusual approach in the industry. Vice-Chairman Chen Wenli explained that most other airline companies started by operating regional aircraft, and then began to operate mainline aircraft only after accumulating experience, money, and flight routes. HNA thus bucked the industry-accepted accumulation-of-experience-based growth trajectory, and also rejected conventional practices in choosing aircraft. Many Chinese airlines at that time purchased Russian-manufactured Tupolev airplanes, which were already banned from North America and Europe due to their violation of noise restrictions. Through communication, negotiation, and political maneuvering, HNA was able to convince its government partners from the beginning to purchase only Boeing airplanes that would serve both their immediate needs as well as their long-term strategy.

Outfitted with this corporate structure and quality airplanes, HNA still faced a market dominated by the "Big Three": Air China, based in Beijing; China Eastern Airlines, based in Shanghai; and China Southern Airlines, based in Guangzhou. These airlines, each fully state-owned, enjoyed privileges in the government's allocation of routes and planes. They also had stronger brand recognition than the start-up airline from Hainan. Therefore, Wang noted, "HNA needed to use its excellent managerial skills and notable innovative capabilities to stand out from competitors. Only then would it be able to establish its own role in the Chinese aviation market and become a famous airline in China, the region, and the world." HNA first focused on three key priorities. As General Manager of Strategy and Development Miao Weisheng noted, "In this phase, we just sought survival. Internally, we decided to focus on *safety, service...and building our brand*. We quickly became successful in building our brand. Our service, especially, was rated very highly. It's still true now."

HNA's quest for survival was boosted by the prestige and the financial flexibility garnered when it sold shares worth US \$25 million to American Aviation, owned by George Soros' Quantum Fund in 1995.¹ While HNA struggled for much of its first decade, in 1997 it sold 71 million B-shares on the Shanghai stock exchange, followed by a further sale of 205 million A-shares in 1999.²

Phase Two: Hedging against Future Crisis

First, we refined our core products. Second, we sold off assets to increase liquidity. Third, in management structures, we kept emphasizing culture. . . . Every time a global crisis hit in China, we saw it coming and were able to prepare in advance.

— Chen Feng

If a company wants to transform into something bigger and stronger, it must develop from tightly-knit to scattered, from passive to active. It must maintain a balance between cohesion and diversification, achieving 'one spirit, different bodies.'

— Wang Jian

Just as Hainan Airlines completed its foundation for development, it was hit by three major external crises. In 1997, the Asian financial crisis upset the economies of many of China's neighbors. Although China emerged from the crisis largely unscathed, the experience raised the specter of financial crisis and currency devaluation in China. In 2001, the September 11th attacks on the United States changed the global airline industry overnight. In the absence of passenger demand, China's Big Three airlines brought many of their large planes back from international routes to fly domestic routes, increasing industry supply within China. Finally, the SARS crisis in 2003 grounded planes in Beijing for weeks. The Big Three airlines received an infusion of funding from the government to get them through the downturn; HNA, however, was left to weather the storm alone.

During these tumultuous years, HNA came to realize that in order to protect itself from risk and remain competitive in a heavily state-dominated industry, it needed to diversify. It therefore chose to grow by expanding into industries with less state control. This also allowed HNA to take greater advantage of Hainan's booming tourism industry. HNA gradually established a presence in closely related industries in which it could leverage its existing expertise, through a strategy it called the "one body, two wings" policy. HNA also created a more complex corporate structure, officially establishing HNA Holding Limited (later renamed HNA Group) in January 2000. That year, HNA laid the foundation for HNA Holding by acquiring Haikou's Meilan Airport. For HNA Tourism, it established the HNA Hotel Group to run two hotels in Haikou. HNA Tourism subsequently expanded the number of hotels it owned, and also moved into tour companies, corporate air travel, and car rental. HNA Group also identified a hole in the aircraft leasing market. Miao noted, "Leasing can be more profitable than building airplanes or operating them. But there was no plane leasing company in China." HNA Capital was established to fill this gap, eventually expanding to ship and shipping container leasing as well.

Phase Three: International Expansion

International companies can't get into domestic capital markets, and Chinese companies can't get into foreign capital markets. The mismatch of these markets was an opportunity for HNA.

— Chen Feng

HNA leadership valued the analysis of leading economic indicators. By early 2007, they sensed an oncoming crisis in global financial markets. In analyzing their various businesses for strengths and weaknesses, the leadership team identified their logistics business as being most at risk. Chen, Wang, and other leaders set about carrying out their strategy of "*Guan ting bin zhuan* [close, suspend, merge, pivot]." Businesses that had yet to establish steady cash flows or were operating at a deficit were closed (*guan*). Those that were still quite weak would have operations temporarily suspended (*ting*). Some businesses would be merged with others (*bin*), while some would pivot to face other markets (*zhuan*).

Using this four-pronged approach to consolidating assets, HNA ultimately adjusted and optimized a set of companies.

Because of this early consolidation and China's relatively early recovery from the 2008 financial crisis, HNA was fairly liquid and faced a global buyers' market of cheaply priced assets. Thus HNA entered its third phase of development: internationalization. In 2009, HNA leadership believed that the market had reached its nadir and began to purchase assets in related industries around the world. In order to better manage its burgeoning international operations, HNA also set up an international headquarters in Hong Kong responsible for international mergers and acquisitions across all five of its industry groups. (See **Exhibit 6** for a diagram of the HNA industry group structure in 2015, and **Exhibit 7** for a summary of international acquisitions from 2006-2015.) Wang reflected on the choice of Hong Kong as a new international base:

Hong Kong is the strategic stronghold from which we will display our new iteration of the HNA spirit. Globalization first requires deep roots in order to flourish. As HNA globalizes, it builds upon the roots of the Chinese people. Hong Kong and Mainland China come from the same roots, the same race. This is something that no other place can provide us. Hong Kong is an international shipping center, an Asian financial center, and a place where Western and Chinese culture have mixed. Hong Kong was the best choice from which to build a bridge between HNA and the world.

Building a Global Portfolio International acquisitions were a strategic way for Hainan Airlines to gain access to more flight routes while bypassing the most cumbersome Chinese bureaucratic controls. With an eye on key markets for Chinese tourists, HNA acquired a 48% share in Aigle Azur, France's second largest airline, in 2012. Later that same year Hainan Airlines, together with Ghanaian public sector partners, established Africa World Airlines based in Accra.

Besides passenger travel, HNA Aviation expanded its airplane maintenance and airline employee training businesses abroad as well, by acquiring myTECHNIC, a Turkish aircraft maintenance company in 2010. It acquired ACT, a Turkish cargo airline in 2011, and gained an 80% share in the International Aviation College of Australia in 2013. These acquisitions expanded the overall international assets of HNA Aviation to US \$4 billion. In 2015, HNA Aviation fully acquired Swissport, the world's largest ground and cargo handling company, the largest overseas acquisition by a Chinese airline company in recent years.

Other industry units in the HNA Group besides HNA Aviation ventured internationally as well. A key expansion for the HNA Group was the 2011 acquisition of SEACO, then the world's 5th largest container leasing company. Not only did it fit in well with HNA's existing industrial chain, it also had high annual revenue and profit. Three years later, this acquisition became even more valuable when SEACO acquired Cronos. Both companies became part of the HNA-owned Bohai Leasing Company, which became the largest container leasing company in the world. Other companies under the HNA Group internationalized as well; for example, HNA Tourism became the largest shareholder in the Spanish NH Hotel Group and acquired a 15% interest in Red Lion Hotels, opening the door to the North American hotel business. In 2015, HNA Holdings purchased the iconic 30 South Colonnade Street building in London, headquarters of Thomson Reuters.

Strategy President Tan explained that HNA's international merger and acquisition spree incorporated several strategies. First, HNA focused on retaining local talent in its new subsidiaries. When HNA acquired SEACO, for example, the entire senior level management team was retained. "We believe that they are excellent staff," Chen recalled. When SEACO's CEO retired, HNA promoted SEACO's original CFO to the top position. Later, when SEACO acquired Cronos, HNA made sure that

SEACO followed this same strategy, retaining the entire management team. Chen would “not let them reduce people to reduce cost, but rather focused on increasing business in order to grow.”

In addition to staff retention, HNA focused on communication. To improve communication, HNA would send a management member from headquarters to participate in company management, albeit within the original management structure. Managers from the acquired company would be invited to HNA headquarters in China for meetings and orientation. As it gained experience with mergers, HNA also improved its internal communication, promoting better cooperation and a smoother transition between the merger team and the operations team.

Increased emphasis on communication was key to bridging cultural divides during the acquisition process. Deputy General Manager of International Affairs and Investment of Hainan Aviation Xiao Fei noted, “The difference between Chinese and European peoples’ culture and values is quite big. We see problems and think about them differently. Consequently, it is easy to create many misunderstandings. Therefore, we really care a lot about increasing communication and exchange.” HNA employees adapted some of their practices to fit the expectations of their global partners. For example, Chinese employees of the same company typically shared rooms during business travel, which confused HNA’s French partners. HNA employees began to live in separate rooms during their business trips to France, acquiescing to the cultural norms of their foreign partners.

A third element of HNA’s strategy was the promotion of its corporate culture within its new acquisitions. “When we grow,” Chen noted, “We also integrate our culture into new acquisitions. For example, after we acquired NH Hotels, the Spanish hotel company, I went over and lectured to them about HNA’s history and culture. After I finished speaking, all 300 people stood up and repeated the HNA Ten Commandments.” (See **Exhibit 8** for the Ten Commandments in official English translation and Chinese.) At each newly acquired or invested company, Chen repeated this performance, directly introducing new employees and affiliates to the HNA corporate culture.

HNA also began to focus on bringing its internal practices up to international standards. Hainan Airlines became the first Chinese airline to pass ISO9000 and ISO9002 quality certifications.^d The group also looked toward international best practices in management to bolster its own systems, incorporating Six Sigma training and the EVA management practices into its operations.

Similarly, Hainan Airlines emphasized international standards of service to compete with other highly regarded Asian and global airlines. Flight attendants went through a host of preparations for increasingly globalized service; key skills like spoken English ability were tied to salary levels and language skills played an increasingly important role in hiring decisions for cabin staff. The cabin service department had a team dedicated to researching international best practices in customer service as well as food and beverage offerings. (See **Exhibit 9** for a sample food and beverage menu from Hainan Airlines’ Boston-Shanghai business class service.) The airline also used feedback from international evaluators like Skytrax as well as regular exchange with airlines from other countries to strengthen its service and product offerings.

Maintaining Original Strengths During all of this expansion, HNA remained true to its three original strategic goals: safety, service, and brand building. HNA kept abreast of the latest developments in safety technology, and tried to be the first-adopter of new technology in China, often

^d The ISO was an international, independent organization that developed quality standards for international use. The ISO 9000-series standards were comprised of standards for quality management systems broadly applicable across different industries. Certification implies that a company has demonstrated its ability to consistently meet customer demands and abide by regulatory standards.

at great expense. HNA also established its own training academies for pilots and airplane staff as well as its own airplane maintenance facilities to ensure safety and customer satisfaction throughout their Hainan airlines experience. From 2011 to 2013, Hainan Airlines customers reported satisfaction ratings of 84%. The airline also reported a 100% resolution rate of customer complaints. In 2015, the German professional publication *Aero International* ranked Hainan Airlines as the eighth safest airline in the world, and the safest airline in Mainland China.

Building the brand of the upstart private airline had been a longer process, but was starting to demonstrate results as well. In 2015, Hainan Airlines was ranked as the 59th most valuable brand in China by BrandZ. Although this was still significantly lower than the Big Three (Air China ranked at 19, China Eastern at 28, and China Southern at 34), its 2015 results represented the highest growth in brand value of the four airlines: 11%.³

A Diversified, International Conglomerate Overall, the HNA Group was realizing the fruits of twenty years of strategic growth. Chen noted that "First, we created a world-class airline. We raised the level of airline companies in China to the highest international standard.... Second, we reached the level of a world-class company." In 2014, HNA group revenue reached 160 billion RMB, representing a compound annual growth rate (CAGR) of 38% since its establishment in 1993. In the same period, its assets had grown close to 500 billion, with a CAGR of 33%. As HNA expanded, it took responsibility to ensure that all of its investments abided by its "Five Do Not Invests" policy:

1. Do not take on projects that do not fit with the strategic development direction of HNA Group;
2. Do not take on projects that do not have positive cash flow income;
3. Do not take on projects that do not have mature financing plans;
4. Do not take on projects that do not fit within the industry groups of the company;
5. Do not take on projects that cannot scale.

These policies had served the expansion of HNA Group well; by 2015, it was comprised of 269 entities, including 10 listed companies and 28 foreign companies located in 11 countries on five continents. Of its 170,000 employees, 70,000 were outside the Chinese mainland. Its international businesses accounted for 15% of total HNA Group assets and 24% of its gross income. Its flagship aviation group operated 540 planes on 680 flight routes. HNA Holdings, the group's essential industries investment arm, managed 9 airports and properties in over 40 cities across China. HNA Tourism operated 151 tourism agencies serving Asia, Europe, and North America, and owned controlling shares in 443 hotels in over 30 cities around the world. HNA Capital offered a wide variety of services from insurance to banking and owned Bohai leasing, the world's largest container leasing business. HNA Logistics controlled over 40 ships, including bulk carriers, oil tankers, and container vessels with annual shipping capacities of 18 million tons, 7 million tons, and 220,000 twenty-foot equivalent units, respectively. Jinhai Heavy Industry Company, an affiliated enterprise of HNA Logistics Group, was one of ten largest shipbuilding enterprises in China and one of the top ten in the world, in terms of orders in hand.

While such rapid expansion might appear risky, Chen reflected, "Where on this earth is there not risk? There is risk everywhere. It just depends on your destiny. If your luck is good, then you will overcome the risks." First and foremost in Chen's efforts to improve the luck of his company was his dedication to HNA's unique and complex corporate culture.

Corporate Culture

Whatever we wanted to do, we have succeeded in doing. Why do we have such good luck? It's not because of divine intervention. God should be equal to all of us. This happened because of our kindness and our work for the common good. If businesspeople are kind and caring, they will receive support from all sides. We accumulate returns and contribute to society, creating a bigger return. This corporate culture has been communicated to employees at all levels through our training. Our 100,000 employees all have the same mindset: creating a better world for humankind and building world peace.

— Chen Feng

Only when a company is aligned with national interest, the public good, and the interests of employees, can it build the foundations of an unfailing, 100-year company.

— Wang Jian

Chen attributed much of HNA's success to its corporate culture, which he had developed over the course of twenty years. The corporate culture combined ancient Chinese philosophy and Buddhist ideals with Chen's own personal touch: "simple and complicated, obvious and profound." As Chen described,

When I was founding the company, I thought: What method could we use to bind everyone together? Should we give money? Well, then if we run out of money we will be in trouble because no one will work for us. Will it be okay to rely on a system? No, Chinese people are too clever, they can always get around systems...We need culture, and respect for culture and moral development. So we need all of these things: money, a system, and a company culture in order to succeed.

Over time, Chen and his team developed a corporate culture that Chen himself played a large role in installing and maintaining across the growing company. Chen personally attended the orientations of all new employees, lecturing on the history of HNA and its corporate culture and values. Even as HNA spread its operations across the globe, Chen still attended to this duty. Wang reflected, "A person needs a spirit, a race needs a spirit, and a company also needs a spirit. This is the foundation from which HNA has established our corporate culture. We rise up to a spiritual perspective to think about building our corporate culture." HNA employees from Chen and Wang down to recent hires praised and identified with HNA culture. Many longtime employees of HNA attributed their loyalty to the company to their identification with its culture and values.

Attitudes

The essence of HNA's philosophy is love. The culture of HNA avows a spirit of love and devotion. The core of this love and devotion is the Buddhist concept of 'non-self' and altruism.

— Wang Jian

In its early stages of development, HNA focused on the core values of cohesion, dedication, and rapid development. These three values inspired the six core spirits of HNA's work: (1) focusing on present conditions while also considering the broader context; (2) acting in support of others in harmonious cooperation; (3) contributing selflessly and undertaking tasks despite criticism; (4) working hard to economize and act entrepreneurially; (5) working hard in a honest, conscientious, and responsible manner; (6) committing one's energy to the collective fate of the company. The three core values also required employees to abide by "Three more, two lesses, and two hearts": more

understanding and support, more warmth and caring, and more service for others; less doubt and misunderstanding, and fewer quarrels; and using compassionate and understanding hearts to solve problems in the workplace and in life.

HNA continued to clarify and strengthen its cultural values as it grew as an organization, and in 2010, put forward its current corporate culture guiding values, the “four commons”: common ideal, common beliefs, common striving, and common philosophy. The common ideal of HNA was to “benefit the prosperity of humankind and to create world peace.” The common beliefs of HNA were sincerity, conscience, beauty, and love. The common striving entailed striving for public recognition, public participation, public achievement, and public sharing. The common philosophy was one governed by integrity, performance, and innovation. The four commons linked Buddhist and traditional Chinese moral values with business standards. Chen explained how this philosophy related to business:

We need to ask the question: what kind of companies does mankind need? What kind of business? How can we overcome the shortcomings of business and make the most of its strong suits? As it has developed, HNA has constantly explored how to build a new kind of civilization for mankind. A company has to make money. If it doesn't, then it's a charity or it disappears. But while you are making money, you should not damage society, public goods, and the wellbeing of others in order to make this profit. One should not forget moral principles at the sight of profits. This is the culture of China business ethics.

The “four commons” colored the experience of every HNA employee. Front-end staff members, such as the flight attendants who trained at HNA Group’s Sanya Aviation and Tourism College, were steeped in the corporate culture throughout their education. Senior level managers all the way up to Chen and the Board made sure that the company ethos guided their work, even on major decisions such as how to implement mergers. For example, in 2001, when Hainan Airlines merged with Xinhua Airlines, HNA’s human resource policy ensured that Xinhua employees received the same treatment as HNA employees and neither had their titles lowered nor had any cut in compensation. “You can’t do things like they do on America’s Wall Street,” Chen said. “We have an ethical bottom line, and rules for business.”

Employees at all levels were able to recite the “four commons” as well as the HNA “Ten Commandments.” These ten phrases have been translated into the local languages of the countries in which HNA operates, including English, Turkish, Spanish, and French. As employees progressed to higher levels within the company, they received more training in the corporate culture. Training helped to reinforce the theoretical and systematic underpinnings on HNA’s operational strategy. The theoretical corporate culture influenced management systems and techniques that also drew on global best practices like EVA and Six Sigma. HNA Group attributed much of its success to this comprehensive strategy that used both ideas and systems to govern and nurture the business interactions and personal development of employees.

Chen was confident that the culture of HNA resonated equally well with employees of all nationalities, despite its roots in Chinese philosophy. Xiao Fei noted, “We have done a lot of work on cultural integration . . . we look for the common elements. Our company wants to do good things for society, for economic development. Everyone can agree on this! We can work from this as a starting point.” Xiao further added that despite the comprehensive nature of HNA’s culture, they were flexible in its implementation abroad. “Much of the content is from traditional Chinese culture. We won’t make everyone accept all of this. We just pick out the part of it that is related to economic and social development, to humankind. The humanist parts relate to many people. We won’t require [foreign employees] to accept it 100%. We want cultural integration, not cultural conquering.”

Actions

Outward-facing HNA's elaborate corporate culture promoted involvement of the company and its employees in society at large. Corporate social responsibility (CSR) projects were an important part of HNA's work, and the nature of its CSR projects had evolved in parallel with the company's three phases of growth. From 1993 to around 2003, HNA's CSR work focused on contributing to its local environs, building schools and providing disaster relief in Hainan province.

From 2003 to 2010, as HNA began to diversify, its CSR projects diversified as well. Its projects ranged from engineering wells and building schools to launching an annual social innovation business competition. HNA also developed signature CSR initiatives that it could implement on a larger scale. One such project was the Brightness Action project, carried out in cooperation with Beijing Tongren Hospital and the Steering Group on National Blindness Prevention. These organizations partnered to provide treatment for cataract patients, first across China and then around the world.

As HNA group began to internationalize, so too did its CSR efforts. The Brightness Action project began operations in Malawi, Zimbabwe, and Mozambique, predating HNA Group's corporate expansion to the African continent. By 2015, the Brightness Action project had cured the cataracts of nearly 5,300 patients.

HNA expanded its natural disaster response efforts beyond China's borders as well. When an earthquake of disastrous severity hit Nepal in 2015, many of its employees signed up to participate in HNA-organized disaster relief efforts. HNA cooperated with United Nations organizations, including UNICEF and UNESCO, on nutrition, education, and child protection programs in Asia and Africa.

HNA's contributions to society were recognized both within China and internationally. HNA Group was awarded the "China Charity Prize," the highest recognition of philanthropic work given by the Chinese Ministry of Civil Affairs four times. In 2012, it received the UN South-South Corporate Social Responsibility Award in recognition of its charity work in China and Africa. By 2015, HNA Group had spent a total of nearly US\$140 million on its social responsibility projects.

In 2010, HNA established the Cihang Foundation with a donation of over US\$3 million. The foundation continued HNA Group's original focus on disaster relief, medical care, and education. The scope of the foundation's work was further expanded when the HNA Group donated a 20% ownership stake to the Foundation, making it the largest shareholder in HNA Group. Nor was the foundation done growing; Chen explained, "The founders all signed a contract, saying that we are free to enjoy our money as we live, but upon death, we will give all of our money to the foundation. It will not be passed down or sold. . . . We are trying to develop a new concept of finance and fulfillment. Everything will be donated." Chen saw this as one step toward his ultimate vision for HNA's corporate culture. In the future, he wanted HNA to become "a creator and disseminator of a new era of commercial civilization," that is, an economically and socially influential global conglomerate that evangelized the integration of social responsibility with profitmaking in global business.

Inward-facing HNA leadership believed that part of the company's social responsibility was also to create a positive work and life environment for its employees. Many employees were highly satisfied with their work environment and opportunities for advancement. One employee, who had been with HNA for over 16 years, noted that in the early years there was some employee attrition by those that didn't feel they fit in with the culture, but those who do stay "are eager to rise through the ranks, have a vision that includes helping society, and feel that they have a chance to succeed here" (see **Exhibit 10** for statistics on employee satisfaction, retention, and benefits). Although satisfying, HNA was a demanding company for which to work; the corporate culture had nurtured a fast-paced,

energetic work environment. Employees joked about the difference between “Hainan speed”—the leisurely pace of business-as-usual on the tropical island—and “HNA speed”—the pace of work that had supported the growth of HNA from local airline to international conglomerate in 20 years.

The leaders also cared about employees’ quality of life. When housing prices on Hainan began to rise rapidly in the early 21st century, many lower-level HNA employees such as service staff in HNA hotels were priced out of the housing market. HNA responded by building “HNA Town”, an apartment complex of 15,000 homes in Haikou, which were sold to employees at cost (less than 50% of the market price). This wildly successful initiative was repeated in other cities with large numbers of HNA employees. Chen noted that this way, “Every employee is able to feel the benefit of the company’s development.”

Still, Li noted that HNA’s reputation for socially-responsible excellence had yet to spread beyond China’s borders. “In China, everyone already really respects HNA, and says that HNA has very good service and very good safety. HNA has also done a lot of charity and social projects, so people think that HNA is a company that cares. I believe that after 2020, HNA will not only be respected like this by people domestically, but will have this kind of respect internationally by those who understand.” HNA leadership agreed that international respect would come when HNA achieved a stronger global corporate presence.

Competing at Home and Abroad

If a company doesn’t develop, it will die out. If a society doesn’t move forward, it will lag behind the rest of the world. HNA cannot and will not let the wheels of history cast us to the back. We must chase after history, and overtake the current of global development. Therefore, we need to carry out a transformation.

— Wang Jian

In its quest to build up as high a reputation globally as it enjoyed domestically, Hainan Airlines had to compete not only with the rapidly expanding domestic airline sector, but also entrenched global competitors.

Homegrown Competition

All along, HNA had faced stiff, state-supported competition, but still it had managed to thrive and expand its domestic market share. Even after the state-sponsored consolidation of provincial airlines in 2002 expanded the capacity of the Big Three, Hainan managed to stay afloat. By the time the state lifted what the Centre for Aviation called a “*de facto* moratorium on new airlines” in 2013, Hainan Airlines had already firmly established its high reputation.⁴ Between November 2013 and November 2014, plans were announced for 19 new airlines in China, including two low-cost carriers (see **Exhibit 11** for a list of the airlines announced during this period). By July 2015, eight of these had actually launched, with one further airline expected to launch in the summer and the remaining ten still in planning phases.

This was not as sudden an increase in competition for HNA as it initially appeared. Of the 19 newly planned airlines, seven were at least partially owned by HNA. By increasing their partnerships with local governments in less-developed border areas of China, HNA was able to not only expand its domestic capacity, but also demonstrate its adherence to the national policy of “One Belt, One Road,” which called for stronger ties with China’s neighbors to the West and South.

In facing this more complex market within China, HNA was bolstered by its high reputation among domestic consumers. Hainan Airlines was ranked as the best airline in China in the 2015 World Airline Awards compiled by Skytrax.⁵ In the 2014 Civil Aviation Passenger Service Evaluation (CAPSE)^e, Hainan Airlines ranked second in passenger satisfaction and in-flight service after Xiamen Airlines.⁶

Growing capacity and strong reputation left Hainan Airlines well-positioned to take advantage of the burgeoning domestic tourism market. Boston Consulting Group (BCG) predicted that by 2020, Chinese customers would spend around \$850 billion over the course of 2.5 billion trips.⁷ International travel was expected to account for over 100 million of those trips, with an estimated market value of nearly \$250 billion.⁸

While HNA had proven adept at gaining footholds in the domestic market by focusing on second- and third-tier cities to differentiate from the Big Three, it still had to compete with the Big Three for international route allocation to serve the growing tourism needs of Chinese customers. Even while liberalizing the domestic market, the Chinese government retained tight control over international routes, preferring to allow only one Chinese carrier to fly each route. The Big Three each had priority on routes originating in their respective hubs, leaving HNA access to routes to second-tier cities, such as Boston, Seattle, and San Jose.⁹ HNA's acquisition of Aigle Azur was one of its creative attempts to gain access to a main route (in this case, Beijing-Paris), by going through the first step of bureaucratic route approval in a foreign country (France) rather than in China. But for international flights, the Big Three were not the only competition.

International Rivals

Hainan Airlines' strategy of differentiation through excellent service had worked on a domestic level, but internationally it faced much fiercer competition. Hainan Airlines' achievement of the World Airline Awards' ninth-place ranking for airline staff service in Asia was significant, as was its tenth-place ranking for cabin staff globally. Together, however, these rankings indicated that Hainan Airlines' closest competitors for service excellence could almost all be found in its surrounding region. Other Asia-based airlines like Cathay Pacific, Singapore Airlines, and Japan Airlines had long histories of excellence and extensive lists of accolades for their customer service. Moreover, all airlines that ranked higher than Hainan Airlines for overall customer experience (HNA ranked tenth) as well as the Big Three were members of major international codeshare alliances.¹⁰ Hainan Airlines was not a member of one of these alliances, but was confident that its bi-lateral partnerships, such as the frequent flyer agreement it announced with Alaska Airlines in 2015, were more beneficial than a broad alliance.¹¹

Articles praising HNA did so for its excellence compared to the Big Three and other Chinese airlines, not for excellence compared to a global or regional standard. One article praising the brand performance of Chinese airlines opened by quoting HBS student Alex Lim (MBA 2016) as describing a flight on Hainan Airlines as "definitely one of the better experiences I've had on a Chinese airline."¹² A travel reviewer in the *Economist* noted that he "would rather fly with Hainan than with its bigger publicly owned peers."¹³ Still, in order to compete in Asia and the world, Hainan Airlines needed to be perceived on the same level as its highly-regarded regional peers (compare Hainan Airlines' food and beverage service menu in **Exhibit 9** with that of Cathay Pacific in **Exhibit 12**).

^e Established in 2012, CAPSE was produced by the Civil Aviation Resource Net of China. CAPSE was based on over 66,000 passenger surveys given to passengers immediately after flight. The surveys asked passengers to rate their experience on a scale of 1 (poor) to 5 (excellent) in eight categories: inflight service, onboard announcements, inflight food, cabin appointment, inflight entertainment, service in abnormal circumstances, boarding service, and baggage service.

Competing for more non-Chinese and particularly Western customers might require some changes to product offerings. BCG's research showed that Chinese and Western customers had very different travel service preferences. For example, Chinese customers placed more value on services related to baggage—like hotel baggage delivery or higher weight allowances for checked luggage—and those that conferred a sense of exclusivity—like lounge access and priority airport lines.¹⁴ Hainan Airlines thus faced the challenge of retaining its high reputation amongst the growing number of Chinese travelers while also developing a menu of customer service and value-added options that would earn it a similarly high reputation among Western consumers with different tastes.

Conglomerate Competition

As a conglomerate, HNA Group was in a unique position in the international market. Other airlines, like Lufthansa, had expanded to a broader range of passenger aviation related services like cargo transport and onboard catering. The Icelandair Group went further and encompassed not just passenger airlines but also tourism businesses, leasing, and other services.¹⁵ However, none of these compared to the scope and scale of HNA Group's diversification.

On the other hand, some of Hainan Airlines' major competitors, like Cathay Pacific and Asiana, were owned by larger, heavily diversified conglomerates (the Swire Group¹⁶ owned 46% of Cathay Pacific, while South Korean *chaebol* Kumho Asiana Group owned a majority share of Asiana). HNA Group had been built out from the original platform of Hainan Airlines into a wide variety of related industries and were all governed by the same corporate culture and charismatic leader. In the global economy, HNA Group was a rare example of a large, diverse, international conglomerate that had grown out of commercial airline operations.

Towards “Prosperity for Mankind and World Peace”

Overall, our greatest obstacle is ourselves. We need to constantly improve ourselves, our culture, and make sure that our leaders are able to acclimate themselves to the requirements of future development and scale. Our culture, our honest values, our management model, our ability to drive things all depend on our own quality and self-improvement. Our business can grow as big as we envision it in our minds. We welcome international staff, not divided by country or skin color. We have an equal platform where everyone can work toward achieving their dreams, the betterment of mankind, and world peace.

— Chen Feng

We hope that HNA will become a great enterprise, an enterprise for the public, an enterprise that makes a greater contribution to our country and people. Only then, will we be able to develop HNA into a hundred-year company or a thousand-year company. When people struggle and work for their beliefs, they will release a torrent of limitless power. We struggle in order to achieve greatness for the Chinese people and prosperity and power of our country.

— Wang Jian

HNA had big goals for its future. In 2015, the HNA Group achieved a major corporate milestone when it was ranked #464 in the Global 500, reporting US \$25.6 billion in revenue and assets of \$80 billion.¹⁷ HNA's 20-year vision saw HNA transformed into a well-respected, world-renowned company that would use its power to promote its charitable mission and, as Chen often said, to “create a new era of commercial civilization.” The first phase of this vision would be implemented from 2015 to 2020. During this time, HNA planned to transform itself from a modern, comprehensive service company into an industrial and financial holding group, and grow more than eightfold, with an annual

revenue of \$190 billion to \$240 billion and assets ranging from \$800 billion to \$1.6 trillion. At that point, HNA planned to be in the top 10 of the Global 500. In phase two, from 2020 to 2025, HNA would continue to operate its core businesses like Hainan Airlines, but would primarily focus on its investments as a financial holding group, and would quadruple in size, with revenue of over \$800 billion and \$5-6 trillion in assets, over 70% of which would be managed. In phase three, from 2025 to 2035, the group would continue to grow but would focus ever greater efforts on what Chen called its “social mission.” If, as Chen wished, HNA were to “create a new era” for global commerce, it would do so by promotion of the “Buddhist ideals of mercy, altruism, and wisdom.”

Chen believed that the HNA corporate culture would play a key role in achieving his vision for expansion. Indeed, the sense of loyalty and generosity fostered by its corporate culture had already helped HNA get through some tough times. In 2008, when HNA had first been struck by the global financial crisis, employees accepted salary cuts and some even offered to loan their savings to the company to increase liquidity. The culture had even started to extend to newly-acquired foreign companies, such as SEACO, which adopted HNA Group’s practice of retaining original top-level management in its acquisition of Cronos.

At the same time, there had been some limits to HNA’s success. Rapid internationalization also exposed HNA to geopolitical forces outside of China’s borders. When HNA Aviation had acquired a stake in Aigle Azur in order to apply for flight rights for a Paris-Beijing flight through the French bureaucracy,^f conflict between Russia and France over unrest in the Ukraine kept Russia from approving France’s request for airspace for the flight. HNA was left with a stake in Aigle Azur, but was still blocked out of its target Paris route.

Global economic forces affected HNA as well. In 2007, in response to harbingers of economic downturn, the HNA Group Board had decided that HNA Logistics was the weakest company in the HNA Group portfolio and needed to contract as much and as quickly as possible. They asked the president of this company to sell off its 97 ships. As CEO Li recalled, “For ships that were rented, [we told him to] cut off the contract and return them early. We’ll pay whatever the fee is.” However, the president of HNA Logistics, who had a long professional history at a state-owned shipping company, disagreed with the HNA leadership’s assessment of the situation and did not act on these instructions. In six months, he sold off just one ship. With the global economy already crashing, HNA was unable to sell off or break rental contracts on any more of the ships as planned, and subsequently had to initiate a much more aggressive contraction plan.

This memory of the broken chain of command loomed as HNA pushed to create an ever larger global network. Of great concern to the company was how to promote the same type of employee and leadership loyalty to the company and its culture as HNA became more diffuse across multiple cultures and countries. This concern extended to the issue of corporate succession. Many members of the HNA Group Board of Directors, including Wang, Tan, Chen Wenli, Li, and Chen Feng himself, were nearing retirement age. Although HNA had been proactively preparing for this transition by promoting members of a younger generation to the Board, the top management team still wondered, would the next generation be able to lead as effectively and with as international a perspective as Chen Feng and this generation?

^f Bilateral agreements between national governments (such as France and China) were used to ensure the rights of both countries’ airlines to fly routes connecting the countries. However, the Chinese government still maintained control over route allocation to Chinese airlines. Thus, by acquiring a French airline, HNA could gain the route allocation in France for the French airline, and then offer codeshare service through Hainan Airlines.

Strength in leadership was especially critical to achieving HNA Group's ambitious plans for further international expansion. By 2015, around 15% of its total assets came from companies based outside of China. Tan expected that international assets would rise to 40% by 2020, and Chen was already planning for a future in which HNA Group held 50% foreign assets. Chen and Wang also planned to combine this global corporate presence with a global social presence to promote respect for the HNA brand abroad.

At the core of the HNA Group's brand was Hainan Airlines, which remained a key focus of Chen and Wang. They sat down with Li to discuss the rankings he had brought into Chen's office. While rapidly expanding across industries and national borders, HNA faced the challenge of continuing to improve its core product—passenger flights on Hainan Airlines. Would Hainan Airlines be able to compete with the best airlines in Asia (and, therefore, in the world)? Meanwhile, would HNA Group's corporate culture be able to support and remain relevant to its increasingly international empire? Would Chen's cultural and strategic legacy thrive under the next generation of company leadership? Would HNA be able to achieve the lofty goals outlined in its 20-year vision?

Exhibit 1 HNA Group as of February 2015



By February 2015

Source: Company documents.

Exhibit 2 Rankings of Hainan Airlines in Recent World Airline Awards

Year	Airline (World)	Cabin Staff (World)	Airline (Asia)	Airline Staff (Asia)	Airline (China)	Airline Staff (China)
2015	22	10	10	9	1	1
2014	19	10	9	10	1	1
2013	19	9	10	Not ranked ^a	1	1
2012	20	10	10	Not ranked ^b	1	1
2011	23	Not ranked ^b	Not ranked ^b	Not ranked ^b	1	1

Source: Compiled from Skytrax World Airline Awards, 2015, <http://www.worldairlineawards.com/> accessed December 10, 2015.

^a Only the top five airlines were reported.

^b Only the top three airlines were reported.

Exhibit 3 2015 World Airline Award Results--Asia

Airline	Alliance	World Ranking	Asia Ranking
Singapore Airlines	Star	2	1
Cathay Pacific	oneworld	3	2
ANA All Nippon Airways	Star	7	3
Garuda Indonesia	Skyteam	8	4
EVA Air	Star	9	5
Asiana Airlines	Star	11	6
Dragonair	oneworld affiliate	18	7
Thai Airways	Star	19	8
Japan Airways	oneworld	21	9
Hainan Airlines	--	22	10

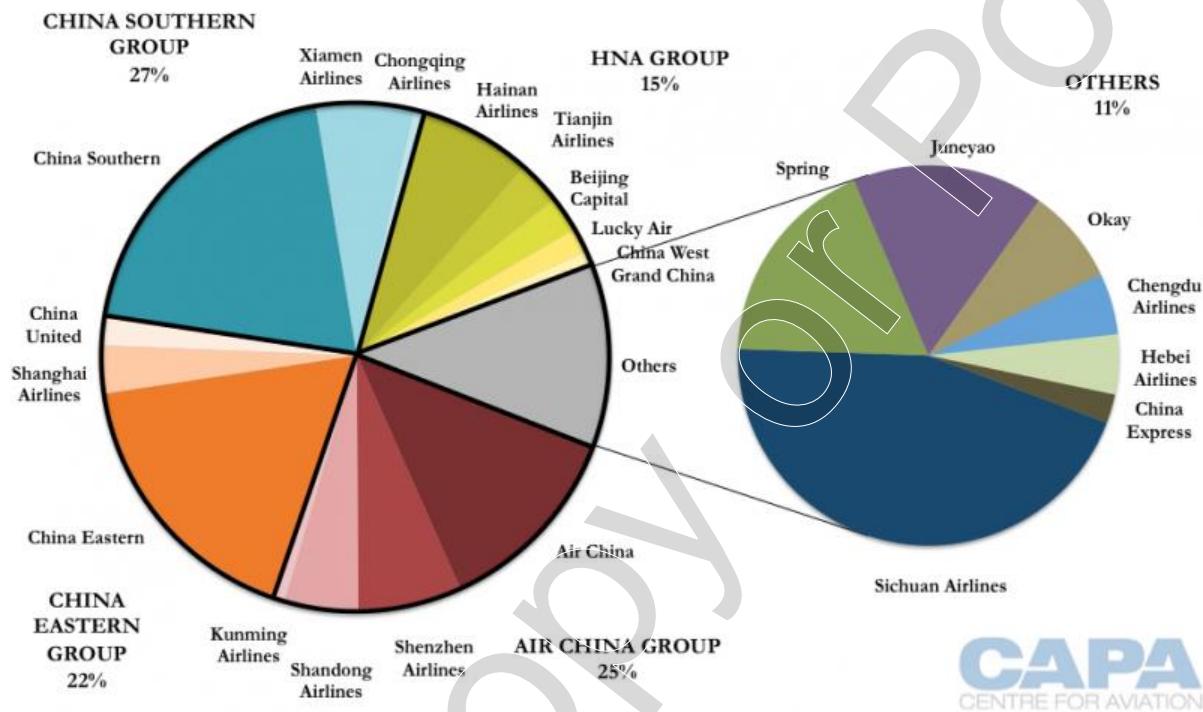
Source: Compiled from "Skytrax World Airline Awards, 2015," <http://www.worldairlineawards.com/> accessed December 10, 2015; "Star Alliance: Member Airlines," <http://www.staralliance.com/en/> accessed December 10, 2015; "One World: Member Airlines," <http://www.oneworld.com/> accessed December 10, 2015; "Sky Team Member Airlines," <http://www.skyteam.com/> accessed December 10, 2015.

Exhibit 4 HNA 2015 Skytrax Ratings

Category	Ratings by Cabin and Flight Length				
	First (domestic)	Business (general/ long haul)	Business (short haul)	Economy (general/ long haul)	Economy (short haul)
Overall	4.5	5	5	4.5	4
Airport service	Check-in service	4.5	4	-	4
	Boarding	4.5	4	-	4
	Arrival assistance	4.5	4.5	-	4
	Transfer service and assistance	5	4.5	-	4.5
	Arrival lounge facilities and staff service	4	4	-	-
	Baggage delivery	5	4.5	-	4.5
Lounge	Meet, greet & assist service	4.5	-	-	-
	Lounge comfort, ambience and natural daylight	4.5	4	-	-
	Seat availability, comfort and privacy	4	4	-	-
	Washroom and shower facilities	4	3.5	-	-
	Cleanliness of lounge, washrooms/ showers	4	3.5	-	-
	Hot and cold food options	4.5	3	-	-
	Quality of lounge catering	4	3.5	-	-
	Lounge WiFi and internet options	4	3.5	-	-
	Staff enthusiasm and attitude	5	4	-	-
	Staff efficiency, problem solving skills	4	4	-	-
Onboard product	Staff friendliness and service hospitality	4.5	4.5	-	-
	Staff language skills	3.5	3	-	-
	Seat comfort	4.5	4.5	4.5	4
	Comfort items: duvet, pillows, turndown	5	5	5	4.5
	Cleanliness of cabin, seats, panels	4.5	4.5	4.5	4.5
	Washroom cleanliness and presentation	4.5	5	5	5
	Inflight entertainment	4	4	4	4
	Onboard WiFi and internet connectivity	-	-	-	-
Cabin staff	Quality of onboard catering	4.5	5	4.5	4.5
	Dine-on-demand service	-	4	-	-
	Newspapers and magazines	3.5	4	3.5	3.5
	Total cabin service efficiency	4.5	4.5	4.5	4.5
	Enthusiasm and attitude to customers	5	5	5	5
	Interaction with customers	4	4	3.5	4
	Cabin presence and attention through flight	5	5	4.5	5
	Friendliness and service hospitality	4.5	5	5	5

Source: Compiled from "Hainan Airlines 5-Star Airlines," Skytrax Website, 2015, <http://www.airlinequality.com/ratings/hainan-airlines-star-rating/> accessed December 10, 2015.

Exhibit 5 Chinese Domestic Air Travel Market by Seat Shares, 2013



Source: "15 New Passenger Airlines to Launch in China. Though Small in Size, They will Rattle the Status Quo," CAPA Centre for Aviation, May 3, 2014, <http://centreforaviation.com/analysis/15-new-passenger-airlines-to-launch-in-china-though-small-in-size-they-will-rattle-the-status-quo-165997>, accessed August 7, 2015.

Note: Excludes carriers that fly under another carrier's code, such as Dalian Airlines flying under Air China's CA code.

CAPA
CENTRE FOR AVIATION

Exhibit 6 HNA Group Structure

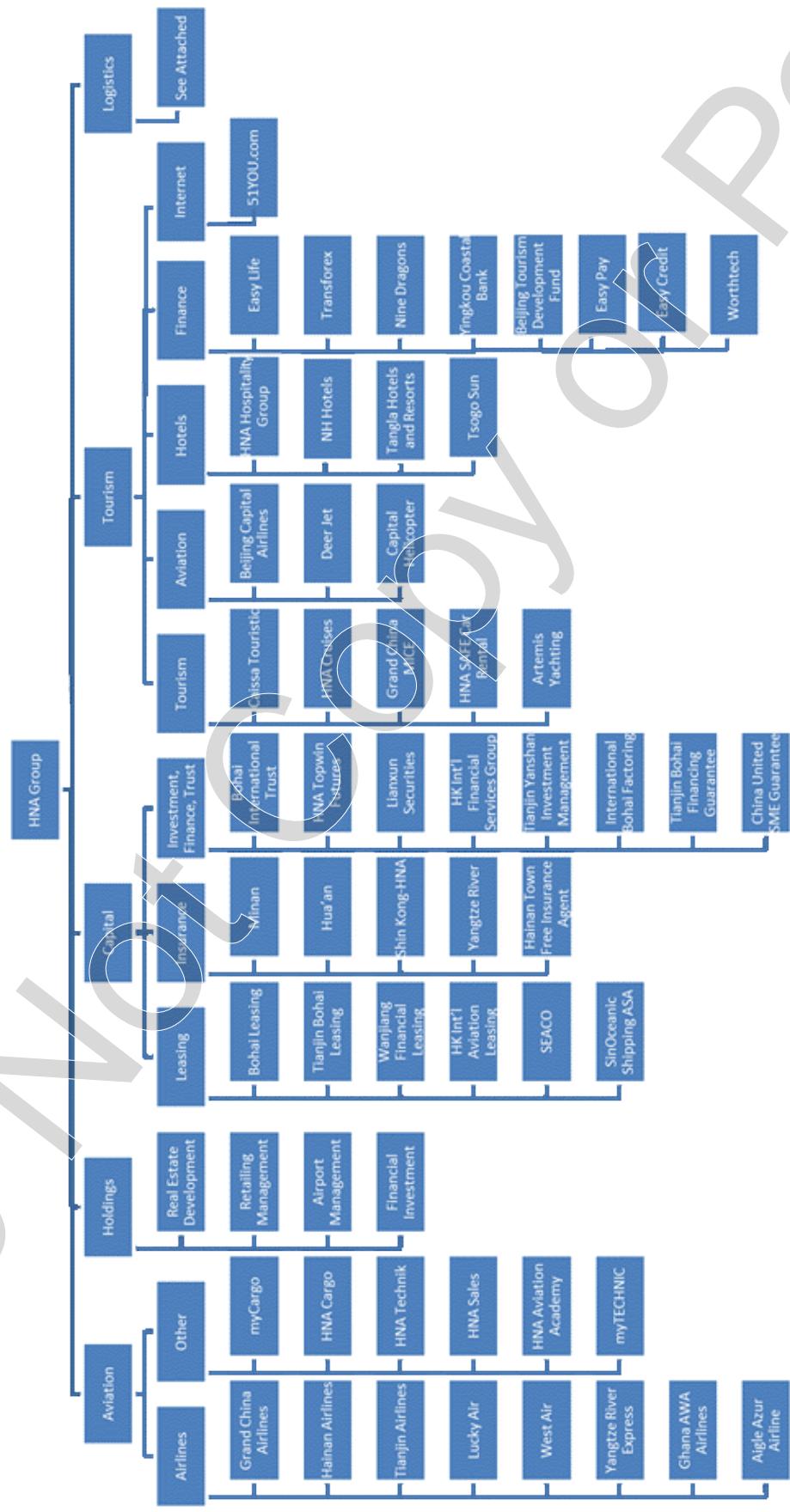
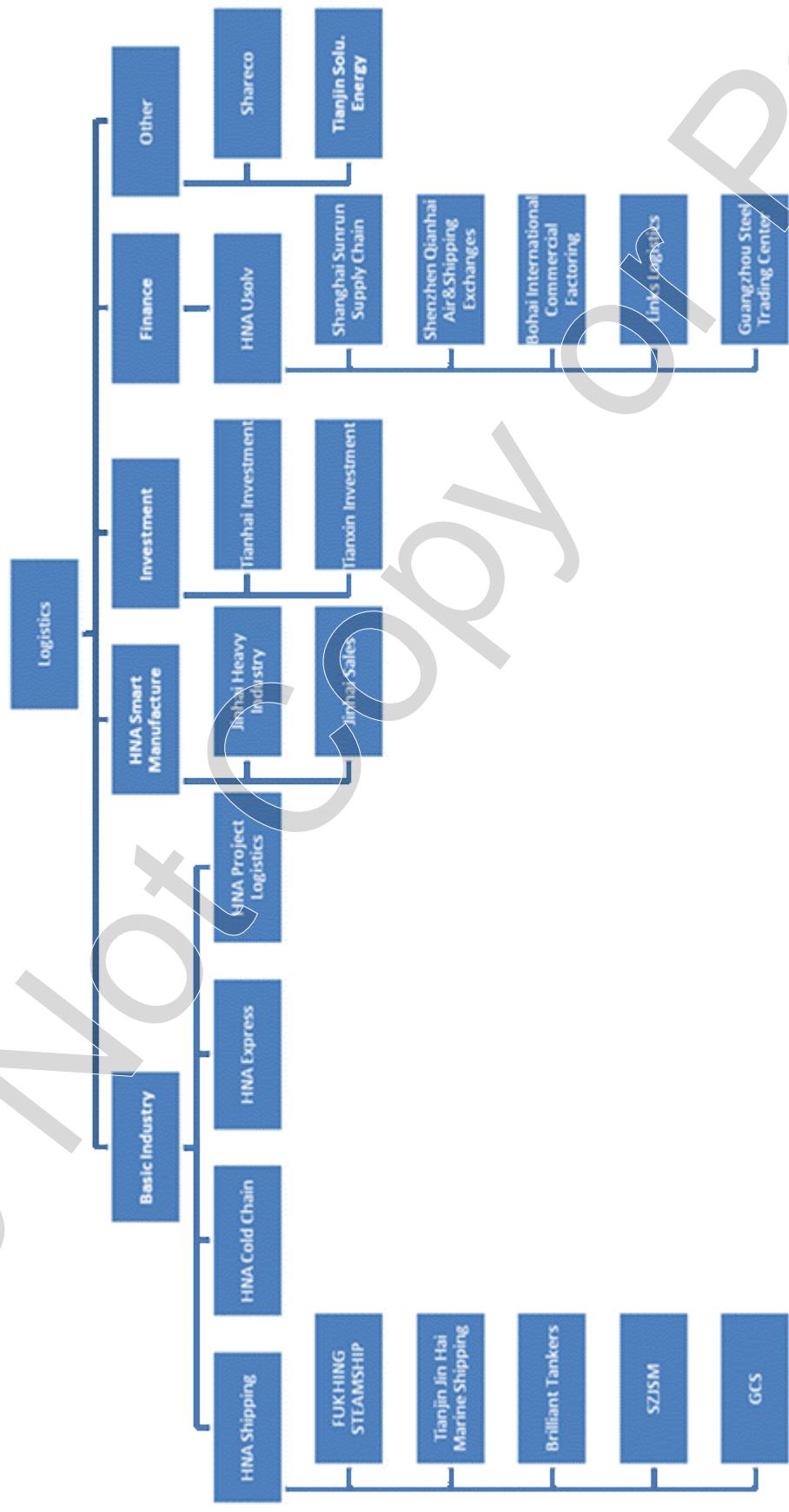


Exhibit 6 (continued)



Source: Company documents.

Note: The International Office of the HNA Group, not pictured in the diagram above, cuts across all five industry groups in a matrix management system.

Exhibit 7 International Mergers and Acquisitions of HNA Group

Year	Company	HNA Group	Country
2006	Hong Kong Airlines Limited Hong Kong Express Airways Limited ZhongJi International Shipping	Aviation Aviation Logistics	Hong Kong Hong Kong Hong Kong
2007	SA Sode Hotel Hotel Carrefore de L'Europe (Edipras) Hong Kong International Aviation Leasing Company Limited	Tourism Tourism International	Belgium Belgium Hong Kong
2009	Hong Kong Airlines Corporate Jet Management Limited	Aviation	Hong Kong
2010	Allco Aircraft Leasing/HKAC SinOceanic Shipping myTECHNIC Nicklaus Club Monterey GC Tankers Hong Kong International Financial Services	Capital Capital Aviation Property Logistics Property	Australia Norway Turkey United States Singapore Hong Kong
2011	Hong Thai Travel ACT Airlines/myCargo SEACO 1180 AOA Member LLC	Tourism Aviation Capital Property	Hong Kong Turkey Singapore United States
2012	Africa World Airlines Aigle Azur Airlines Waterscape Resort II, LLC /CASSA Hotel Hosea International Ltd./One York Street	Aviation Aviation Tourism Property	Ghana France United States Australia
2013	Arena International Aviation TIP Trailer Leasing NH Hotel Group HNA International Investment	Aviation Capital Tourism Property	Australia Netherland Spain Hong Kong
2014	Cronos Hawker Pacific	Capital Tourism	United States Hong Kong
2015	Comair Red Lion Hotels Swissport Avolon Holdings Ltd. (<i>announced but not closed</i>) Hudson Boulevard Building (<i>announced but not closed</i>)	Aviation Tourism Holding Capital Property	South Africa United States Switzerland Ireland United States

Source: Company documents.

Exhibit 8 Official English Translation and Original Chinese of HNA Ten Commandments

English	Simplified	Chinese
Thrive might we on the strength of many; resolved we are, through principles we advance.	Harmony Perseverance	团体以和睦为兴盛 精进以持恒为准则
In good health we toast to habit; to forgiveness we reach in conflict.	Healthy Diet Forgiveness	健康以慎食为良药 诤仪以宽恕为旨要
Compassion reflects our character; indolence we call the enemy of knowledge.	Kindness and Respect	长幼以慈爱为进德 学问以勤习为入门
The people we place on founded integrity; to others we reason in humble modesty.	Hard Work Sincerity	凡事以预立而不劳 处众以谦恭为有礼
In all things we give vigilance to labors lost; in caution received we find favorable cause.	Modesty Be Prepared	待人以至诚为基石 接物以谨慎为根本
	Cautious when Dealing with Issues	

Source: HNA Group Website 2015, <http://www.hnagroup.com/en/corporation/our-values/core-values/index.html> and company documents, accessed December 2015.

Exhibit 9 Hainan Airlines Boston to Shanghai Business Class Menu



海南航空 敬上

非常感谢您搭乘海南航空的班机，海南航空将不断努力，给所有尊贵的旅客提供最好的飞行体验。

由餐饮总监王弘人先生带领的优秀空厨团队及机组人员很荣幸能为您提供不同以往的美酒佳肴和温馨的服务，我们挑选中国传统八大菜系之精华与世界各地特色美食，每季逐一呈现给我们

最后，请各位贵宾尽情享用海航为您准备的空中美馔。

祝您 用餐愉快

三万英尺特色佳肴

Gourmet dining at thirty thousand feet

中国地大物博，餐饮文化博大精深，影响世界数百年。因地域气候差异、食材差别，东南西北风味迥异。中国菜肴经过漫长历史演变以及在选料、切配、烹饪等技艺方面自成体系的做工和风味，已形成了享誉世界的八大菜系，即湘菜、鲁菜、川菜、粤菜、浙菜、湘菜和徽菜。按地域文化又可划分为北京菜、东北菜、西北菜、山西菜、河北菜、江西菜、台湾菜等，并且各地均有当地特色小吃。海航也规划将各大菜系的典型菜肴呈现于三万英尺的机舱供各位贵宾享用。

祝您用餐愉快

Pudong-Boston Cycle A

Dinner Menu

Enjoy our full dining service or feel free to select individual dishes from the menu. Available at any time during the flight.

Chinese

Chinese Starter
Smoked fish with roasted pork, celery and lotus root
or
Fried shrimp with mango salsa, smoked chicken with grilled zucchini and lime wedge

Chinese
Chinese sour and spicy seafood bouillon
Creamy soup of asparagus purple

Chinese
Garden mesclun salad
Choice of dressings:
Thousands Island, Italian dressing or Honey mustard dressing

Chinese Specialties:

Sautéed shrimp with Szechuan chili sauce
Shanghai style stir-fried pork and assorted vegetables in chili soy bean paste
Accompaniment: Sautéed assorted vegetables
or
Roasted duck breast with BBQ sauce
or
Fried abalone slice with chicken
Accompaniment: Sautéed pok choy with shiitake mushroom
Choice of steamed rice or mixed grain rice

Western
Western Favorites:
Grilled beef fillet with red pepper sauce
Accompaniment: Roasted new potato with herb, grilled zucchini and cherry tomato

International Selection:

Lunette al torto with roasted chicken in mushroom cream sauce
(Can be vegetarian diet)

Asorted bread with butter
Latte bread/农民吐司/Multi-grain roll/Focaccia
ron/Brie/cheese

Cheese Selection
Brie/Epo/农夫奶酪
Fresh seasonal fruit
Blackberry tart with strawberry sauce
Gourmet ice cream

Fresh baked coffee or tea

Bitte freuen

Please accept our apology if your service or meal is not available

HAINAN AIRLINES

a particular vintage year or your preference is not available. In this case, our crew would like to recommend an alternative.

We aim to offer a diverse selection of liquors and wines. We apologize if, on occasion, a particular vintage year or your preference is not available. In this case, our crew would like to recommend an alternative.

Please accept our apology if your choice of meal is not available.

Exhibit 9 (continued)

G.H. Mumm Cordon Rouge



G.H. Mumm Cordon Rouge produced in 1778 is blushed from Pinot Noir, Chardonnay and Pinot Meunier. As a worthy example of G.H. Mumm's quest for excellence, Mumm Cordon Rouge is a distinctively fresh, full-bodied champagne with impeccable consistency of taste. Emblematic of the richness and finesse which characterise the company's own vineyards, Cordon Rouge has been wearing its famous red ribbon since 1876. It is now synonymous with a house credo of impeccable quality. G.H. Mumm Cordon Rouge delivers a weak 'Tartine' fine acidity and nutty taste. With rich flowers of fresh flowers and preserved fruits, strong temptation of dried fruits and nuts, G.H. Mumm Cordon Rouge matches well with shrimp and fish.

We delicately selected the G.H. Mumm Cordon Rouge from France for our distinguished guest. It was 2013 'Best National Business Class Champagne' Survey and 2012 'Aeronautical Purple Class Champagne Survey by international famous magazine Global Traveler'.

Wine Name

Ch. D'Escamps La poule Blanche



This is a wonderfully fresh wine with an elegant character and can be easily paired with a Roquette and Farniente salad or Seabold Linguine. A side order of Louis Jordan's JumboFive completes the scene. There ain't nothing here but us chickens!

Wine Name

San Medin Sauvignon Blanc



The San Medin line is a classic example of the successful philosophy of Miguel Torres first famous for producing great value wines in his native Spain, and now also in Chile. San Medin Sauvignon Blanc is a fresh, floral scented wine with rich body and a full palate. With classic Sauvignon Blanc flavors of green, citrus and a bit of grass, framed by gentle acidity, this wine is quite flavorful and refreshing. It matches well with lightly spiced dishes.

Wine Name

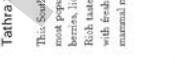
Château Gaudry Perrinat



Château Gaudry Perrinat is from Bordeaux of France which has intense art violet color. The wine is spicy, generous, and strong. Tasty, ample and distinguished lamina presents a rich mouth with nuances of blackberry. This wine is good paired with roasted lamb, beef, rice, fish or cheese.

Wine Name

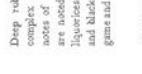
Tatara Shiraz



This Shiraz Australia wine is made of Shiraz which is the most popular grape in Australia. Abundant a world of red berries, licorice and concentrated figgity Shiraz flavor. Rich taste on the palate, balanced and elegant wine with fresh and vitality of Australia. It matches well with maternal meat.

Wine Name

Sangre de Toro



Deep ruby color with a hint of ochre. Rich complex Mediterranean aromas with exuberant notes of spices and blackberries. Velvety tannins are noted on the palate with elegant flavors of licorice and small dark forest fruits (blueberries and blackcurrants). Spicy with notes, cassis, gins and traditional Spanish meat dishes.

We delicately selected the Sangre de Toro from Spain for our distinguished guest. It was 2013 'International Flyer Class Red Wine and the International Business Class Red Wine Survey' by International famous magazine Global Traveler.

We aim to offer a diverse selection of liquors and wines. We apologize if, on occasion, a particular vintage year or your preference is not available. In this case, our crew would like to recommend an alternative.

Exhibit 10 Employee Experience Statistics

Category	2011	2012	2013
Number of employees	115,019	103,536	108,416
Employees under contract	100%	100%	100%
Employees in labor union	73%	88%	92%
Number of appeals resolved in employee appeal system	29	33	16
Female managers (as percentage of all management)	19.6%	18.9%	19.5%
Non-Han (as percentage of all employees)	5%	5.8%	5.9%
Number of disabled people employed	912	923	931
New instances of occupational diseases	0	0	0
Total instances of occupational diseases	0	0	0
Coverage of health records	100%	100%	100%
Employee satisfaction	79%	--	70%
Employee retention rate	84.6%	80.77%	86.48%
Social insurance coverage rate	100%	100%	100%
Average annual salaried vacation days per capita	12.7	11.9	12.4
Number of places filled at employee trainings	185,400	674,200	886,900
RMB invested in employee trainings	577 million	645 million	714 million
People helped by Employee Mutual Help fund	137	166	181
RMB spent from Employee Mutual Help fund	1,903,000	2,967,000	3,022,000

Source: Company documents.

Note: Data on employee engagement was collected annually by Hewitt Associates.

Exhibit 11 Airline Industry Expansion, 2013–2015

Airline	Launch Date	Airline Shareholder	Other Shareholders
Loong Airlines	Dec-13	None	Huixiang Investment & Commerce, Delux Wealth Group, Asian Win Investment, Caulfield Investment
Donghai Airlines	Mar-14	None	East Pacific Group
Qingdao	Apr-14	Shandong Airlines (Air China)	Qingdao Municipal Transport Development Group, Nanshan Group
Ruili Airlines	May-14	None	Yunnan Jingcheng Group
Urumqi	Aug-14	HNA	Urumqi Urban Construction Investment
Fuzhou Airlines	Oct-14	HNA	Fuzhou State-owned Assets Investment Holdings, Centruy Golden Resources Group, Ningbo Ruitong Network Technology
Jiu Yuan LCC	Jan-15	Juneyao	Eilon Resources Group, Macrolink Group
Beibu Gulf Airlines	Feb-15	Tianjin Airlines (HNA)	Guangxi Beibu Gulf Investment Group
Jiangxi Airlines	Scheduled Oct-2015	Xiamen (China Southern)	Jiangxi Aviation Investment
Hefei Airlines	Not set	Joy Air (China Eastern)	Aviation Industry Corporation of China, Hefei Municipal Government
Heilongjiang Airlines	Not set	HNA	Heilongjiang Provincial Government
Jilin Airlines	Not set	TBA	TBA
Qinghai Airlines	Not set	TBA	TBA
Sutong Airlines	Not set	None	Nantong Tongzhou Bay Aviation Industry
Yangtze River Express	Not set	HNA (Expanding to passenger service)	China Airlines, Yang Ming Marine Transport Corp, Wan Hai Lines, China Container Express Lines
Chang'an Airlines	Not Set	HNA	Originally independent, currently a part of Grand China Air, will possibly be spun out again
Guilin Airlines	Not Set	HNA	Guilin Municipal Government
<Unnamed>	Not Set	Okay Airways	Heilongjiang Municipal Government, TBA
<Unnamed LCC>	Not Set	Possibly Peach Airways	First Eastern Investment, Zhengzhou City Manli Transportation Group

Source: "China's 19 New Passenger Airlines will be Mostly Full Service and along the East Coast," CAPA Centre for Aviation, November 19, 2014, <http://centreforaviation.com/analysis/chinas-19-new-passenger-airlines-will-be-mostly-full-service-and-along-the-east-coast-196677>, accessed August 7, 2015; HNA Group Website 2015, <http://www.hnagroup.com/en/business/hna-airlines/aviation-introduction/yangzi-express.html>.

Exhibit 12 Cathay Pacific Boston to Hong Kong Business Class Menu

From our culinary team 我們誠意為你奉上

Welcome aboard this Cathay Pacific flight.

I am proud to lead a talented team dedicated to providing you with a memorable dining experience.

We know that traveling well starts with the food and the best ingredients, that's why we offer locally sourced and endeavour to use sustainable produce when creating our dishes.

Our menus are ever changing, taking the opportunity to incorporate fresh vegetables and fruits which are in season whilst also offering lighter and healthy dining options.

We always offer plenty to delight your taste buds and I invite you to experience our award winning selection of wines and beverages to complement your meal today.

Enjoy your journey with us.

歡迎乘搭國泰航空

很榮幸能帶領我們的優秀團隊，為閣下提供難忘的用餐體驗。

誠意請閣下始於優質的膳食，因此我們慎選本地環保食材，不時更新菜單，加入時令新鮮蔬果，更備有輕食及健康餐膳可供選擇。為增添旅客的味覺享受，我們特意獻上一系列得獎餐酒及飲料，讓閣下在空中用餐體驗更圓滿。

謹祝閣下旅途愉快，開胃為意！

Aaron Claxton

Aaron Claxton
Manager Catering Services
Cathay Pacific

Supper

We have created a selection of meal choices for your enjoyment as you prepare to wind down and settle in

A TASTY BLEND OF

Freshly prepared savoury dips and bread sticks

WITH A CHOICE OF

Steamed sea bass with preserved olives, stir-fried vegetables and steamed jasmine rice

Grilled USDA prime beef tenderloin, rosemary kipfler potatoes, mixed vegetables and demi glace

A FRESH NOTE OF

Seasonal berries

* CHEESE PLATE

Brie, Manchego, Taleggio crackers, green grapes and quince paste

FOR THOSE PREFERRING A LIGHTER MEAL

White asparagus soup and bread sticks

Mesclun salad, seared jumbo scallops and pesto, olive oil and balsamic dressing

A fresh note of seasonal berries

 Freshly brewed coffee
and a selection of teas

PRALINES

Snacks

Available upon request

Brioche, prime beef short rib burger, cheddar, tomato, gherkin, red onion confit and tomato ketchup

Roasted duck in noodle soup

 Ice cream

Breakfast

Served prior to arrival

REFRESH WITH

Orange or apple juice

Mango smoothie

Fresh seasonal fruit

Natural or fruit yoghurt

Assorted cereals

FOLLOWED BY

Leek and red pepper omelette, back bacon, veal sausage, roasted plum tomatoes and potato hash

Stir-fried rice vermicelli, chicken, preserved green mustard and choy sum

Seafood congee, steamed mushroom rice roll and imperial soy sauce

BREAD BASKET

 Freshly brewed coffee
and a selection of teas

 Freshly brewed coffee
and a selection of teas

Exhibit 12 (continued)

Drink List

Champagne	White Wines	Red Wines	Beer	Port
CHAMPAGNE DEUTZ, BRUT CLASSIC This award-winning champagne features lovely aromas and flavours of pear and citrus fruit. Layered with baked hazelnut, honey and sweet vanilla notes, the wine is balanced by refreshing acidity with a long, lingering finish. It is a perfect aperitif and goes well with delicate dishes.	ST HUBERT ESTATE WINERY ZINNOV BLANC OKANAGAN VALLEY 2013 Produced in The Okanagan Valley, the second largest Canadian wine region, this award-winning Pinot Blanc offers delicate ripe apple, peach and lemon aromas. The mouth feels fresh and pure, yet rich with a long finish. It pairs very well with seafood dishes and goat cheese.	PETER SCHWEIGER GRÜNER VELTLINER "TERRASSEN" KAMITTAI RESERVE 2013 This Austrian Grüner Veltliner displays fresh and subtle aromas of ripe peach and citrus. On the palate there is an appealing mix of ripe and intense fruit followed by a long and persistent mineral finish. It is a great food companion and also wonderful to enjoy on its own.	ORIENTAL BREEZE A sour-plum juice and cranberry juice based non-alcoholic drink with honey and fresh lemon juice and a hint of rose water.	DOW'S LATE BOTTLED VINTAGE PORT 2009 This wine is sourced from the same vineyards that, in exceptional years, produce Dow's renowned Vintage Port. It is aged only in oak casks and bottled 5 to 6 years after the harvest. It is a full-bodied Port with spicy fruit flavours and an elegant nose, well rounded on the palate and has the traditional Dow's dried finish. This makes it one of the finest Late Bottled Vintage Ports available.
COFFEES Freshly brewed coffee espresso • cappuccino and caffè latte regular or decaffeinated	TEAS Hong Kong style milk tea Ceylon • Japanese • jasmine • oolong organic selection: samonile • ear grey and peppermint	HOT CHOCOLATE	Red Wines	
SOFT DRINKS Coke • Coke Light • Sprite • Perrier water tonic water • soda water and ginger ale			Chivas Regal 12 Years Old • Johnnie Walker Gold Reserve • Jack Daniel's • Canadian Club International selection	
APÉRITIFS AND COCKTAILS Bombay Sapphire Dry Gin • Bacardi Rum • Absolut Vodka • Martini Rosso • Martini Extra Dry • Campari • Sweet and Dry Sherry • Bloody Mary • Screwdriver			Signature Drinks	
	Whiskies		LIQUEURS Drambuie • Cointreau • Bailey's Irish Cream	
			CLOUD NINE A refreshing combination of Vodka, Cointreau and Sprite with a refreshing touch of lemon flavour.	

Endnotes

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