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海航基礎股份有限公司

HNA Infrastructure Company Limited*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 357)

**(1) MAJOR AND CONNECTED TRANSACTION – THE PARENT COMPANY
DOMESTIC SHARES SUBSCRIPTION AGREEMENT
(2) THE HAINAN HNA DOMESTIC SHARES SUBSCRIPTION AGREEMENT
(3) PROPOSED NEW H SHARES ISSUE UNDER SPECIFIC MANDATE
AND
(4) PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF
ASSOCIATION**

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders



THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

On 30 December 2016, the Company and the Parent Company entered into the Parent Company Domestic Shares Subscription Agreement, pursuant to which the Parent Company agreed to subscribe for Subscription Shares I, which include: (i) not more than 190,463,284 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company; and (ii) not more than 250,626,566 new Domestic Shares by cash at an aggregate subscription price of not more than RMB2,000,000,000 (equivalent to approximately HK\$2,232,641,000).

THE HAINAN HNA DOMESTIC SHARES SUBSCRIPTION AGREEMENT

On 30 December 2016, the Company and Hainan HNA entered into the Hainan HNA Domestic Shares Subscription Agreement, pursuant to which, Hainan HNA agreed to subscribe for Subscription Shares II, being not more than 50,125,313 new Domestic Shares by cash at an aggregate subscription price of not more than RMB400,000,000 (equivalent to approximately HK\$446,528,000).

PROPOSED NEW H SHARES ISSUE UNDER SPECIFIC MANDATE

On 30 December 2016, the Board resolved to convene the EGM and the Class Meetings for the grant of the proposed Specific Mandate to the Board to issue not more than 150,375,940 New H Shares, representing not more than 31.78% of the total share capital of the Company before the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue, and 13.49% of total share capital of the Company as enlarged by the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue; and representing not more than 66.27% of share capital of H Shares of the Company before the New H Shares Issue, and 39.86% of share capital of H Shares of the Company as enlarged by the New H Shares Issue.

The proposed New H Shares Issue is subject to, among other things, (i) the approval of relevant resolutions to be passed at the EGM; (ii) the Class Meetings to proceed with the New H Shares Issue; (iii) the obtaining of the necessary approvals from the relevant PRC administrative and/or regulatory authorities, including but not limited to the CSRC; (iv) the Parent Company Domestic Shares Subscription Agreement and the Hainan HNA Domestic Shares Subscription Agreement becoming effective; (v) the entering into of the placing agreement between the Company and the placing agent(s) in relation to the placing of the New H Shares and such placing agreement not being terminated in accordance with the terms therein; and (vi) the Listing Committee granting listing of and permission to deal in the New H Shares to be issued and allotted pursuant to the proposed New H Shares Issue. A separate announcement will be made if the Board proceeds to issue New H Shares pursuant to the proposed Specific Mandate.

PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 30 December 2016, the Board resolved to convene the EGM and the Class Meetings for the grant of authority to make consequential amendments to the Articles of Association as the Board thinks fit to reflect the latest registered capital structure of the Company as a result of each of the issue of the Subscription Shares I, the Subscription Shares II and the proposed New H Shares Issue.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent Company holds 50.19% of the total share capital and is a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreement are more than 25% and the consideration exceeds HK\$10,000,000, the Parent Company Subscription constitutes non-exempt connected transaction for the Company.

In addition, as certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of the Listing Rules in relation to the acquisition of the Phase I Runway Assets contemplated under the Parent Company Domestic Shares Subscription Agreement are more than 25% but less than 100%, such transaction constitute major transaction of the Company under Chapter 14 of the Listing Rules.

Accordingly, the Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder are subject to reporting, announcement and the approval of the Independent Shareholders' taken on a poll at the EGM and the Class Meetings.

An Independent Board Committee, comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder, has been established to advise the Independent Shareholders on the terms of such transactions. First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder.

EGM AND CLASS MEETINGS

The EGM and Class Meetings will be convened to consider and, if thought fit, approve the Parent Company Subscription, the Hainan HNA Subscription, the proposed New H Shares Issue and the proposed consequential amendments to the Articles of Association. The Parent Company will abstain from voting on the resolutions to be proposed at the EGM and the Class Meetings (if applicable) for approving the Parent Company Subscription.

GENERAL

A circular containing, among other things, information relating to (i) the Parent Company Subscription, the Hainan HNA Subscription, the proposed New H Shares Issue and the proposed consequential amendments to the Articles of Association; (ii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (iv) notices convening the EGM and Class Meetings, will be despatched to the Shareholders as soon as practicable and currently expected to be on or before 23 February 2017 as the Company would require additional time to prepare and finalise certain information to be included in the circular.

As the proposed issue of Domestic Shares pursuant to the Parent Company Domestic Shares Subscription Agreement and the Hainan HNA Domestic Shares Subscription Agreement and the proposed New H Shares Issue may or may not be completed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Details of each of the Parent Company Subscription, the Hainan HNA Subscription, the proposed New H Shares Issue and the proposed consequential amendments to the Articles of Association are set out below:

I. THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT

Background

Reference is made to the prospectus of the Company dated 6 November 2002 in relation to the option agreement entered into between the Company and the Parent Company on 30 May 2002 and the supplemental agreement dated 25 October 2002 (the “**2002 Option Agreement**”), pursuant to which the Parent Company granted to the Company options to purchase from the Parent Company any aeronautical or non-aeronautical businesses and assets owned or to be owned by the Parent Company from time to time in accordance with the terms of the 2002 Option Agreement.

The Company delivered a preliminary notice to the Parent Company on 12 October 2016 indicating its intention to acquire the Phase I Runway Assets. In accordance with the terms of the 2002 Option Agreement, an independent professional valuer, Vigers Appraisal & Consulting Limited, was engaged to value Phase I Runway Assets.

According to the valuation report prepared by Vigers Appraisal & Consulting Limited, the aggregate appraised asset value of the Phase I Runway Assets as at 31 October 2016 was RMB1,519,897,000. The book value of the Phase I Runway Assets as at 31 October 2016 was approximately RMB575,291,000. Upon receipt of the valuation report, the Company issued a further notice to the Parent Company on 10 November 2016 confirming its intention to acquire the Phase I Runway Assets by way of issuing new Domestic Shares to the Parent Company as consideration.

Subscription Shares I

On 30 December 2016, the Company and the Parent Company entered into the Parent Company Domestic Shares Subscription Agreement, details of which are set out below:

Date: 30 December 2016

Parties: (a) the Company; and
(b) the Parent Company.

Pursuant to the Parent Company Domestic Shares Subscription Agreement, the Parent Company agreed to subscribe for Subscription Shares I, which include: (i) not more than 190,463,284 new Domestic Shares as consideration for the transfer of the Phase I Runway Assets by the Parent Company to the Company; and (ii) not more than 250,626,566 new Domestic Shares by cash at an aggregate subscription price of not more than RMB2,000,000,000 (equivalent to approximately HK\$2,232,641,000).

The cash subscription price for Subscription Shares I shall be paid by the Parent Company to the bank account of the Company within fifteen (15) Business Days (or otherwise as agreed between the Parent Company and the Company in writing) upon the satisfaction of the conditions precedent set out in the Parent Company Domestic Shares Subscription Agreement.

Subscription Shares I will be allotted and issued at the subscription price of not less than RMB7.98 per Subscription Shares I. The final subscription price of the Parent Company Subscription will be determined by the Board (or its authorized persons) subject to the authorization to be granted by the Shareholders in the EGM and Class Meetings and the approval from the CSRC with reference to the prevailing market price of H shares of the Company and the market condition after arm's length negotiation between the Company and the Parent Company. The applicable exchange rate of Renminbi to Hong Kong dollars shall be the exchange rate of Renminbi to Hong Kong dollars promulgated by the People's Bank of China on the date of determination of the final subscription price of the Parent Company Subscription.

Solely for illustration purposes, the minimum subscription price of RMB7.98 per Subscription Shares I (equivalent to approximately HK\$8.91) represents:

- (a) a premium of approximately 15.86% of the closing price of HK\$7.69 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 16.02% of the average closing price of approximately HK\$7.68 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of approximately 11.93% of the average closing price of approximately HK\$7.96 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

Solely for illustration purposes, assuming a subscription price of RMB7.98 per Subscription Shares I pursuant to the Parent Company Domestic Shares Subscription Agreement and the largest subscription amount closest to the maximum consideration of RMB2,000,000,000 in cash and the value of the Phase I Runway Assets, being an aggregate of RMB3,519,897,000, the aggregate nominal value of the Subscription Shares I is RMB441,089,850.

A separate announcement will be made by the Company after the final subscription price of the Parent Company Subscription has been determined.

The Directors (other than Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, all being independent non-executive Directors who are members of the Independent Board Committee whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) consider that the terms and conditions of the Parent Company Domestic Shares Subscription Agreement have been negotiated on an arm's length basis, on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Effectiveness of the Parent Company Domestic Shares Subscription Agreement is conditional upon fulfilment of the following conditions or otherwise agreed by the Parent Company and the Company in writing or waived by the Company in writing:

- (a) the passing of resolutions by the Board and the Independent Shareholders at the meetings of the Shareholders in accordance with the Articles of Association and the Listing Rules approving, among others, (i) the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (ii) the proposed New H Shares Issue;

- (b) the passing of resolutions by the board of directors of the Parent Company and the meetings of the shareholders of the Parent Company approving the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription;
- (c) the governmental approvals from relevant competent departments and/or regulatory authorities including the CAAC and Ministry of Commerce of the PRC (if necessary) in relation to the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and
- (d) the approval from the Stock Exchange (where relevant), and the approval from SFC (where applicable), in relation to the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription.

INFORMATION OF THE PHASE I RUNWAY ASSETS

The Phase I Runway Assets which consist of Phase I runway of Meilan Airport and other auxiliary facilities, are located at the Meilan Airport in Haikou City, Hainan Province, the PRC. Phase I runway of Meilan Airport is approximately 3,600 meters long and 60 meters wide, equipped with the parallel taxiway which is approximately 3,600 meters long and 44 meters wide, 78 aircraft parking stands, globally advanced navigational lighting aid system, communication navigation equipment and other service facilities. It can satisfy the full-weight takeoff and landing requirements of large aircrafts, such as Boeing 747-400 and handled more than 18 million passengers in 2016. The original cost of the construction of the Phase I Runway Assets of the Parent Company was approximately RMB575,291,000.

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreement, the Phase I Runway Assets is owned and operated by the Parent Company. Pursuant to an agreement (the “**Runway Agreement**”) entered into between the Parent Company and the Company dated 25 October 2002, the Parent Company agreed to, among others, operate and maintain the runway and other ancillary assets (including Phase I Runway Assets) in accordance with the applicable regulatory and industrial standards and keep the runway in good working condition in consideration for a right to 25% of certain of the aircraft movement fees, passenger charges and basic ground handling service fees (the “**Service Fees**”) as set out in the Runway Agreement. Please refer to the prospectus of the Company dated 6 November 2002 for further details on the Runway Agreement.

Upon the completion of the acquisition of the Phase I Runway Assets, the Phase I Runway Assets will be wholly owned by the Company and the Company will enter into a supplemental agreement with the Parent Company to reduce the Parent Company’s share of Service Fees from 25% to such decreased amount to be approved by CAAC to reflect the change in the ownership of the Phase I Runway Assets. Further disclosure in relation to such supplemental agreement will be made by the Company in accordance with the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent Company holds 50.19% shareholding interest of the Company and is a substantial shareholder of the Company. Accordingly, the Parent Company is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Parent Company Subscription contemplated under the Parent Company Domestic Shares Subscription Agreement are more than 25% and the consideration exceeds HK\$10,000,000, the Parent Company Subscription constitutes non-exempt connected transaction for the Company.

In addition, as certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of the Listing Rules in relation to the acquisition of the Phase I Runway Assets contemplated under the Parent Company Domestic Shares Subscription Agreement are more than 25% but less than 100%, such transaction constitute major transaction of the Company under Chapter 14 of the Listing Rules.

Accordingly, the Parent Company Domestic Shares Subscription Agreement and the transactions contemplated thereunder are subject to reporting, announcement and the approval of the Independent Shareholders' taken on a poll at the EGM and the Class Meetings.

An Independent Board Committee, comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji, none of whom has any direct or indirect interest in the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder, has been established to advise the Independent Shareholders on the terms of such transactions. First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder.

II. THE HAINAN HNA DOMESTIC SHARES SUBSCRIPTION AGREEMENT

On 30 December 2016, the Company and Hainan HNA entered into the Hainan HNA Domestic Shares Subscription Agreement, details of which are set out below:

Date: 30 December 2016

Parties: (a) the Company; and

(b) Hainan HNA.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hainan HNA is not a connected person (as defined under the Listing Rules) of the Company.

Subscription Shares II

Pursuant to the Hainan HNA Domestic Shares Subscription Agreement, Hainan HNA agreed to subscribe for Subscription Shares II, being not more than 50,125,313 new Domestic Shares by cash at an aggregate subscription price of not more than RMB400,000,000 (equivalent to approximately HK\$446,528,000) in cash.

Not more than RMB400,000,000 (equivalent to approximately HK\$446,528,000) as the cash subscription price for Subscription Shares II shall be paid in cash by Hainan HNA to the bank account of the Company within fifteen (15) Business Days (or otherwise as agreed between Hainan HNA and the Company in writing) upon the satisfaction of the conditions precedent set out in the Hainan HNA Domestic Shares Subscription Agreement.

Subscription Shares II will be allotted and issued at the subscription price of not less than RMB7.98 per Subscription Shares II. The final subscription price of the Hainan HNA Subscription will be determined by the Board (or its authorized persons) subject to the authorization to be granted by the Shareholders in the EGM and Class Meetings and the approval from the CSRC with reference to the prevailing market price of H shares of the Company and the market condition after arm's length negotiation between the Company and the Hainan HNA. The applicable exchange rate of Renminbi to Hong Kong dollars shall be the exchange rate of Renminbi to Hong Kong dollars promulgated by the People's Bank of China on the date of determination of the final subscription price of the Hainan HNA Subscription.

Solely for illustration purposes, the minimum subscription price of RMB7.98 per Subscription Shares II (equivalent to approximately HK\$8.91) represents:

- (a) a premium of approximately 15.86% of the closing price of HK\$7.69 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 16.02% of the average closing price of approximately HK\$7.68 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of approximately 11.93% of the average closing price of approximately HK\$7.96 per H Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

Solely for illustration purposes, assuming a subscription price of RMB7.98 per Subscription Shares II pursuant to the Hainan HNA Domestic Shares Subscription Agreement and the largest subscription amount closest to the maximum consideration of RMB400,000,000 payable thereunder, the aggregate nominal value of the Subscription Shares II is RMB50,125,313.

A separate announcement will be made by the Company after the final subscription price of the Hainan HNA Subscription has been determined.

The Directors consider that terms and conditions of the Hainan HNA Domestic Shares Subscription Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Effectiveness of the Hainan HNA Domestic Shares Subscription Agreement is conditional upon fulfilment of the following conditions or otherwise agreed by Hainan HNA and the Company in writing or waived by the Company in writing:

- (a) the passing of resolutions by the Board and the Shareholders at the meetings of the Shareholders in accordance with the Articles of Association and the Listing Rules approving, among others, (i) the Hainan HNA Domestic Shares Subscription Agreement and the Hainan HNA Subscription; and (ii) the proposed New H Shares Issue;

- (b) the passing of resolutions by the board of directors of Hainan HNA and the meetings of the shareholders of Hainan HNA (if necessary) approving the Hainan HNA Domestic Shares Subscription Agreement and the Hainan HNA Subscription;
- (c) the governmental approvals from relevant competent departments and/or regulatory authorities including the CAAC and Ministry of Commerce of the PRC (if necessary) in relation to the Hainan HNA Domestic Shares Subscription Agreement and the Hainan HNA Subscription; and
- (d) the approval from the Stock Exchange (where relevant), and the approval from SFC (where applicable), in relation to the Hainan HNA Domestic Shares Subscription Agreement and the Hainan HNA Subscription.

III. PROPOSED NEW H SHARES ISSUE UNDER SPECIFIC MANDATE

Introduction

On 30 December 2016, the Board resolved to convene the EGM and the Class Meetings for the grant of the proposed Specific Mandate to the Board to issue not more than 150,375,940 New H Shares, representing not more than 31.78% of the total share capital of the Company before the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue, and 13.49% of total share capital of the Company as enlarged by the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue; and representing not more than 66.27% of share capital of H Shares of the Company before the New H Shares Issue, and 39.86% of share capital of H Shares of the Company as enlarged by the New H Shares Issue.

The proposed New H Shares Issue is subject to, among other things, (i) the approval of relevant resolutions to be passed at the EGM; (ii) the Class Meetings to proceed with the New H Shares Issue; (iii) the obtaining of the necessary approvals from the relevant PRC administrative and/or regulatory authorities, including but not limited to the CSRC; (iv) the Parent Company Domestic Shares Subscription Agreement and the Hainan HNA Domestic Shares Subscription Agreement becoming effective; (v) the entering into of the placing agreement between the Company and the placing agent(s) in relation to the placing of the New H Shares and such placing agreement not being terminated in accordance with the terms therein; and (vi) the Listing Committee granting listing of and permission to deal in the New H Shares to be issued and allotted pursuant to the proposed New H Shares Issue. A separate announcement will be made if the Board proceeds to issue New H Shares pursuant to the proposed Specific Mandate.

Proposed Issue of the New H Shares

(a) *Class of Shares to be issued*

Shares to be issued are H Shares with nominal value of RMB1.00 each.

(b) *Time of issuance*

The Company will select an appropriate time and issuance window within the validity period of the resolutions to be passed at the EGM and the Class Meetings to proceed with the New H Shares Issue. The specific time of issue will be determined by the Board with reference to the international capital market conditions, as well as the progress of review by the domestic and foreign administrative and/or regulatory authorities.

(c) *Size of issuance*

The proposed New H Shares to be issued shall not exceed 150,375,940 shares, representing not more than 31.78% of the total share capital of the Company before the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue, and 13.49% of total share capital of the Company after the Parent Company Subscription, the Hainan HNA Subscription and the New H Shares Issue; and representing not more than 66.27% of share capital of H Shares of the Company before the New H Shares Issue, and 39.86% of share capital of H Shares of the Company after the New H Shares Issue.

(d) *Ranking of New H Shares*

Unless otherwise required by the applicable PRC laws and regulations and the Articles of Association, the New H Shares proposed to be issued should rank *pari passu* with the existing issued Domestic Shares and H Shares in all respects.

(e) *Listing*

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the proposed New H Shares to be allotted and issued.

(f) *Method of issuance*

The proposed New H Shares Issue will be carried out by way of private placement.

(g) *Target placees*

Upon the grant of the Specific Mandate, the Board may proceed to place the New H Shares to qualified institutional, corporate and individual and other investors, who will be independent of and not connected with any Director, supervisor, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

(h) Pricing mechanism

The New H Shares will be issued at a price to be determined by the Board after taking into account the interests of existing Shareholders, investors' capabilities and the potential issuance risks, as well as the market practice and applicable regulatory requirements, and with reference to the capital market conditions and the valuations of comparable companies at the time when the Company issues the New H Shares, provided that the issue price will be not lower than RMB7.98 (equivalent to approximately HK\$8.91), which was net asset value per share of the Company as at 30 June 2016. In any event, the determination of the issue price of the New H Shares will comply with all applicable laws and regulations in the PRC and take into account the relevant market practice.

(i) Method of subscription

The New H Shares are to be subscribed by the investors in cash, and issued and allotted in accordance with the terms of the placing agreement to be entered into between the Company and the placing agent(s) in relation to the proposed New H Shares Issue.

(j) Accumulated profits

Any accumulated profits of the Company which remain undistributed immediately before the proposed New H Shares Issue shall be for the benefit of all the Shareholders (including the subscriber(s) of the New H Shares) as a whole.

(k) Use of proceeds

Please refer to the section headed "VI-Use of Proceeds" below for details on use of proceeds.

(l) Validity period of the resolutions

The resolutions relating to the Specific Mandate to be set out in the notices of the EGM and Class Meetings will be valid for an initial term of 12 months, commencing from the date of passing of the relevant resolutions at the EGM and the Class Meetings.

Proposed Specific Mandate to Issue the New H Shares

The Board will seek the Shareholders' authorization at each of the EGM and the Class Meetings to authorize the Board and the persons delegated by the Board to deal with all the matters in relation to the New H Shares Issue with full authority for an initial term of 12 months following the passing of the relevant resolution(s) at the EGM and/or the Class Meetings. Such matters include but are not limited to:

- (a) execute and submit all the relevant applications, reports and other documents to the relevant PRC and overseas regulatory departments or authorities and deal with all the relevant approvals, registration, filing, sanction and permission;

- (b) determine the terms of the proposed New H Shares Issue, including the determination of the actual size, issue price (including the price range and final price), timing, method and target placee(s) of the proposed New H Shares Issue, the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate to issue the New H Shares, making adjustment to the use of proceeds of the proposed New H Shares Issue, and any other relevant matter;
- (c) negotiate and enter into subscription agreements with the placing agent(s) in relation to the proposed New H Shares Issue, and approving any revision or amendments to such placing agreement;
- (d) deal with all the matters in relation to obtaining all the approvals and permissions from the relevant authorities including but not limited to the CSRC, the Stock Exchange and/or any other relevant PRC and overseas authorities in relation to the proposed New H Shares Issue;
- (e) depending on the requirements at the time of the issuance, engage and appoint financial advisor, the placing agent(s), PRC and overseas legal advisers and other relevant agencies in relation to the proposed New H Shares Issue and enter into engagement or appointment letters and other relevant legal documents;
- (f) make appropriate amendments to the terms of the proposed New H Shares Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;
- (g) execute, implement, amend and complete any document and do any act as necessary and appropriate in relation to the proposed New H Shares Issue;
- (h) approve the publication of relevant announcement(s), circular(s) and notice(s) in relation to the proposed New H Shares Issue on the website of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
- (i) obtain the approval from the Stock Exchange for listing of and permission to deal in all of the New H Shares to be issued and allotted pursuant to the New H Shares Issue on the Main Board of the Stock Exchange.

Upon the authorization by the Shareholders at the EGM and the Class Meetings as mentioned above, the Board will delegate such authorization to Mr. Wang Zhen (王貞先生) and Mr. Zhou Feng (周鋒先生), both being executive Directors, severally or jointly, to exercise with full discretion the authorization granted by the Shareholders to the Board as mentioned above.

As at the date of this announcement, the Company has not made any applications in relation to the proposed New H Shares Issue to the CSRC. A separate announcement will be made if the Board proceeds to issue New H Shares pursuant to the proposed Specific Mandate.

POSSIBLE CHANGE IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Solely for illustration purposes, assuming that: (i) the proposed Specific Mandate is granted by the Shareholders at the forthcoming EGM and Class Meetings; (ii) the Board exercises the proposed Specific Mandate; (iii) all conditions for the proposed New H Shares Issue have been satisfied; (iv) the maximum of 150,375,940 New H Shares are issued pursuant to the proposed Specific Mandate; (v) the Parent Company Domestic Shares Subscription Agreement and the Hainan HNA Domestic Shares Subscription Agreement become effective; and (vi) the Parent Company subscribes for the maximum number of the Subscription Shares I pursuant to the Parent Company Subscription and Hainan HNA subscribes for the maximum number of the Subscription Shares II pursuant to the Hainan HNA Subscription, the possible changes in the share capital and shareholding structure of the Company will be as follows:

Class of Shares	As at the date of this announcement		Immediately after issuance of Subscription Shares I, Subscription Shares II and the New H Shares	
	No. of Shares	Percentage of total issued Share (%)	No. of Shares (maximum)	Percentage of total issued Share (%)
Domestic Shares				
Parent Company	237,500,000	50.19	678,589,850	60.87
Hainan Airlines Co., Ltd.* (海南航空股份有限公司)	5,287,500	1.12	5,287,500	0.47
HNA Group Co., Ltd.* (海航集团有限公司)	3,512,500	0.74	3,512,500	0.32
Hainan HNA	0	0	50,125,313	4.50
H Shares				
H Shares in issue	226,913,000	47.95	226,913,000	20.35
New H Shares	0	0	150,375,940	13.49
Total Number of Issued Shares	473,213,000	100	1,114,804,103	100

IV. PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 30 December 2016, the Board resolved to convene the EGM and the Class Meetings for the grant of authority to make consequential amendments to the Articles of Association as the Board thinks fit to reflect the latest registered capital structure of the Company as a result of each of the issue of Subscription Shares I, Subscription Shares II and the New H Shares.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE PARENT COMPANY DOMESTIC SHARES SUBSCRIPTION AGREEMENT, THE HAINAN HNA DOMESTIC SHARES SUBSCRIPTION AGREEMENT AND THE PROPOSED NEW H SHARES ISSUE

1. Acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreement

Prior to the acquisition of the Phase I Runway Assets under the Parent Company Domestic Shares Subscription Agreement, the Phase I Runway Assets is owned and operated by the Parent Company. The Directors are of the view that the current separation of operation of the Phase I Runway Assets and the terminal buildings of Meilan Airport leads to unclear delineation of responsibilities which affects the operational efficiency and security of Meilan Airport. The acquisition of the Phase I Runway Assets will enable the Company to better run its operational assets consistent with the “High Standard, Strict Compliance” (高標準，嚴要求) standards prevalent in the civil aviation industry.

In addition, upon the completion of the acquisition of the Phase I Runway Assets, the Parent Company’s share of the Service Fees will reduce from 25% to such lesser amount to be approved by CAAC. The increase of the Service Fees Runway Revenue to be received by the Company going forward, as a result of the acquisition of the Phase I Runway Assets, will strengthen the revenue stream and competitiveness of the Company.

2. Equity fundraising to improve working capital

Meilan Airport, being the only airport situated in Haikou City which is a strategic city under the “One Belt, One Road” (一帶一路) initiative, is well positioned to capture opportunities in connection with the implementation of the “One Belt, One Road” initiative. The Directors are of the view that the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue will improve its capital structure, strengthen its financial risk resilience, enhance its solvency and expand its financial base. As such, the Company wishes to take advantage of the relatively low cost to raise additional funds through the issue of domestic shares and H shares to Shareholders and investors to replenish its working capital to equip the Group to take on expansion projects and to fund any operational needs of existing direct wholly-owned subsidiaries of the Company (including the repayment of debts).

VI. USE OF PROCEEDS

Solely for illustration purposes, assuming the New H Shares are fully placed at the minimum issue price of RMB7.98 (equivalent to approximately HK\$8.91) and the Parent Company and Hainan HNA subscribe the maximum Domestic Shares at the minimum subscription price of RMB7.98 (equivalent to approximately HK\$8.91), the gross proceeds from the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue will be approximately RMB3,600,000,000 (equivalent to approximately HK\$4,018,754,000) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB3,560,000,000 (equivalent to approximately HK\$3,974,101,000).

The net proceeds from the Parent Company Subscription, the Hainan HNA Subscription and the proposed New H Shares Issue, after deducting relevant expenses, will be used as follows:

- (i) approximately 35% shall be used for acquisition of office buildings, conference centres, amenities centres, training centres and staff quarters and other associated facilities;
- (ii) approximately 30% shall be used for expansions, upgrades, improvements and maintenance of existing terminal buildings and other areas of Meilan Airport;
- (iii) approximately 10% shall be used for the development, optimisation and expansion of the operation and business of direct wholly-owned subsidiaries of the Company including but not limited to Hainan Meilan Airport Commercial Investment Co., Ltd.* (海南美蘭機場商業投資有限公司), Hainan Meilan Airport Hotel Investment Co., Ltd.* (海南美蘭機場酒店投資有限公司) and Hainan Meilan Airport Terminal Investment Holding Co., Ltd.* (海南美蘭機場航站樓投資控股有限公司), to capture opportunities in connection with the implementation of the “One Belt, One Road” (一帶一路) initiative;
- (iv) approximately 10% shall be used for introducing innovative technology and upgrading Meilan Airport to “smart airport”;
- (v) approximately 10% shall be used to replenish the working capital of the Company; and
- (vi) approximately 5% shall be used to reduce outstanding liabilities of the Group.

VII. EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity or any issue of equity securities in the 12 months preceding the date of this announcement.

VIII. EGM AND CLASS MEETINGS

The EGM and Class Meetings will be convened to consider and, if thought fit, approve the Parent Company Subscription, the Hainan HNA Subscription, the proposed New H Shares Issue and the proposed consequential amendments to the Articles of Association. The Parent Company will abstain from voting on the resolutions to be proposed at the EGM, the Class Meetings (if applicable) for approving the Parent Company Subscription.

IX. GENERAL

A circular containing, among other things, information relating to (i) the Parent Company Subscription, the Hainan HNA Subscription, the proposed New H Shares Issue and the proposed consequential amendments to the Articles of Association; (ii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription; and (iv) notices convening the EGM and Class Meetings, will be despatched to the Shareholders as soon as practicable and currently expected to be on or before 23 February 2017 as the Company would require additional time to prepare and finalise certain information to be included in the circular.

The Company is principally engaged in the management and operation of aeronautical and non-aeronautical businesses at Meilan Airport in Haikou City, Hainan Province, the PRC.

The Parent Company is principally engaged in ancillary airport service business.

Hainan HNA is principally engaged in investment, construction and management of properties and infrastructures.

As the proposed issue of Domestic Shares pursuant to the Parent Company Domestic Shares Subscription Agreement and the Hainan HNA Domestic Shares Subscription Agreement and the proposed New H Shares Issue may or may not be completed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

X. DEFINITIONS

For the purpose of this announcement, capitalized terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“Articles of Association”	articles of association of the Company and its appendices
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“CAAC”	Civil Aviation Administration of China (中國民用航空局)

“Class Meetings”	the respective class meetings of the Domestic Shareholders and the H Shareholders to be convened by the Company immediately following the conclusion of the EGM or any adjournment thereof for the purpose of considering and, if thought fit, approving (i) the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder, (ii) the Hainan HNA Domestic Shares Subscription Agreement and the Hainan HNA Subscription contemplated thereunder, (iii) the proposed New H Shares Issue, and (iv) the proposed consequential amendments to the Articles of Association and other related matters, including any adjournment in respect thereof
“Company”	HNA Infrastructure Company Limited* (海航基礎股份有限公司), a joint stock company incorporated in the PRC on 28 December 2000 with limited liability
“connected person”	shall have the meaning as defined in the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the domestic ordinary share(s) with a nominal value of RMB1.00 each in the registered share capital of the Company, which is/are subscribed for in RMB
“Domestic Shareholder(s)”	holders of Domestic Shares
“EGM”	the extraordinary general meeting to be convened by the Company for the purposes of considering and, if thought fit, approving (i) the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder, (ii) the Hainan HNA Domestic Shares Subscription Agreement and the Hainan HNA Subscription contemplated thereunder, (iii) the proposed New H Shares Issue, and (iv) the proposed consequential amendments to the Articles of Association and other related matters, including any adjournment in respect thereof
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hainan HNA”	海南海航基礎設施投資集團股份有限公司 (Hainan HNA Infrastructure Investment Group Company Limited*), a joint stock company incorporated in the PRC on 12 May 1993 with limited liability
“Hainan HNA Domestic Shares Subscription Agreement”	the domestic subscription agreement dated 30 December 2016 entered into between the Company and Hainan HNA in relation to the subscription of not more than 50,125,313 new Domestic Shares in aggregate
“Hainan HNA Subscription”	the subscription of the Subscription Shares II contemplated under the Hainan HNA Domestic Shares Subscription Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Parent Company Domestic Shares Subscription Agreement and the Parent Company Subscription contemplated thereunder
“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Parent Company Domestic Shares Subscription Agreement, and the Parent Company Subscription contemplated thereunder
“Independent Shareholders”	Shareholders who are not involved or interested in the transactions contemplated under the Parent Company Domestic Shares Subscription Agreement
“Last Trading Day”	29 December 2017
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meilan Airport”	the civil airport known as 海口美蘭國際機場 (Haikou Meilan International Airport*) located in Haikou City, Hainan Province, the PRC

“New H Shares”	the maximum number of 150,375,940 H Shares proposed to be issued upon the exercise of the Specific Mandate
“New H Shares Issue”	the issue of the New H Shares by way of private placing upon the exercise of the Specific Mandate, if granted, subject to fulfilment of certain conditions stated in this announcement
“Parent Company”	海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.*), a limited liability company established in the PRC which is the controlling shareholder of the Company
“Parent Company Domestic Shares Subscription Agreement”	the agreement dated 30 December 2016 entered into between the Company and the Parent Company in relation to the subscription of not more than 441,089,850 new Domestic Shares in aggregate
“Parent Company Subscription”	the subscription of the Subscription Shares I contemplated under the Parent Company Domestic Shares Subscription Agreement
“Phase I Runway Assets”	the Phase I runway of Meilan Airport and other auxiliary facilities as more particularly described in the Parent Company Domestic Shares Subscription Agreement
“PRC”	the People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“SFC”	Securities & Futures Commission of Hong Kong
“Shareholder(s)”	the Domestic Shareholders and the H Shareholders
“Shares”	Domestic Shares and H Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Board by the Shareholders at the EGM and the Class Meetings to issue not more than 150,375,940 New H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares I”	not more than 441,089,850 new Domestic Shares in aggregate proposed to be subscribed pursuant to the Parent Company Domestic Shares Subscription Agreement

“Subscription Shares II” not more than 50,125,313 new Domestic Shares in aggregate proposed to be subscribed pursuant to the Hainan HNA Domestic Shares Subscription Agreement

“%” per cent

For the purpose of this announcement, the exchange rate of HK\$1.00= RMB0.8958 have been used for currency translation, where applicable. Such exchange rates are for illustrative purposes and do not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

By order of the Board
HNA Infrastructure Company Limited*
Wang Zhen
Chairman

Haikou, the PRC
30 December 2016

As at the date of this announcement, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Yang Xiaobin, Mr. Zhou Feng and Mr. Liu Shanbin; (ii) three non-executive Directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F Meng and Mr. He Linji.

* For identification purposes only