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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)**

**DISCLOSEABLE TRANSACTION IN RELATION TO THE  
RENEWAL OF FINANCIAL SERVICES AGREEMENT,  
RENEWAL OF CONTINUING CONNECTED TRANSACTION,  
RESIGNATION OF AN EXECUTIVE DIRECTOR AND THE CHIEF  
FINANCIAL OFFICER  
AND PROPOSED APPOINTMENT OF AN EXECUTIVE DIRECTOR AND  
APPOINTMENT OF THE CHIEF FINANCIAL OFFICER**

**RENEWAL OF FINANCIAL SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 29 August 2013.

On 25 August 2016, the Company and HNA Group Finance entered into the Financial Services Agreement, pursuant to which HNA Group Finance has agreed to continue to provide the Group with (i) the Deposit Services; (ii) the General Credit Services; and (iii) the Other Financial Services during the term of the Financial Services Agreement subject to the terms and conditions provided therein.

The Deposit Services and the Other Financial Services are aggregated pursuant to Rule 14.22 of the Listing Rules. The General Credit Services do not fall within the definition of transactions under Chapter 14 of the Listing Rules thus are not aggregated.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Deposit Services and the Other Financial Services exceed 5% but are less than 25%, the Deposit Services and the Other Financial Services constitute discloseable transactions for the Company, and are therefore subject to disclosure by way of an announcement under Chapter 14 of the Listing Rules.

**RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 28 November 2013.

On 25 August 2016, the Company and the Parent Company entered into the Airport Composite Services Agreement in respect of the Non-exempt Continuing Connected Transactions for the period from 1 January 2017 to 31 December 2019.

The Parent Company, holding 50.19% shares of the Company, is the holding company of, and therefore a connected person of the Company under the Listing Rules and the transactions contemplated under the Airport Composite Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transactions contemplated under the Airport Composite Services Agreement on an annual basis are less than 5%, the Airport Composite Services Agreement is exempt from independent shareholders' approval requirements but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

### **RESIGNATION OF AN EXECUTIVE DIRECTOR AND THE CHIEF FINANCIAL OFFICER**

The Board announces that Mr. Zhang has tendered his resignation from his position as an executive Director with effect from the date of the EGM and chief financial officer of the Company with effect from 25 August 2016 due to work reallocation.

### **PROPOSED APPOINTMENT OF AN EXECUTIVE DIRECTOR AND APPOINTMENT OF THE CHIEF FINANCIAL OFFICER**

The Board announces that an ordinary resolution will be proposed at the EGM to be held on 11 October 2016 to appoint Mr. Zhou as an executive Director with effect from the date of the EGM and Mr. Zhou has been appointed as the chief financial officer of the Company with effect from 25 August 2016.

### **CIRCULAR**

A circular containing, among others, details of the proposed appointment of an executive Director, together with a notice of the EGM, will be despatched to the Shareholders in compliance with the Listing Rules.

## **FINANCIAL SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 29 August 2013, in relation to the Existing Financial Services Agreement. The Existing Financial Services Agreement has a term of three years commencing from 29 August 2013 to 28 August 2016. The Company and HNA Group Finance, as the parties to the Existing Financial Services Agreement, intend to continue the transactions under the Existing Financial Services Agreement.

On 25 August 2016, the Company and HNA Group Finance entered into the Financial Services Agreement, pursuant to which HNA Group Finance has agreed to continue to provide the Group with (i) the Deposit Services; (ii) the General Credit Services; and (iii) the Other Financial Services during the term of the Financial Services Agreement subject to the terms and conditions provided therein.

### **Principle Terms**

- 1. Date:** 25 August 2016
- 2. Parties:** the Company; and  
HNA Group Finance.

- 3. Services:** provided that HNA Group Finance could obtain the relevant approval from the CBRC, HNA Group Finance shall provide to the Group financial services, including: (1) financial consultation, credit certification and relevant consulting and agency services; (2) cash reception and payment; (3) provision of guarantee; (4) bill acceptance and discount services; (5) settlement services; (6) Deposit Services; (7) loans and finance leasing services; (8) consumer credit and buyer's credit services; and (9) other financial services approved by the CBRC.
- 4. Service Principles:** HNA Group Finance has undertaken to adhere to the following principles in providing the aforementioned financial services to the Group: (1) the interest rate for the Group's deposits with HNA Group Finance shall be fixed at the deposit interest rate issued by PBOC and shall not be lower than the equivalent deposit interest rate with other financial institutions for the same period in the PRC; (2) the interest rate of loans provided to the Group by HNA Group Finance shall be fixed at the benchmark lending interest rate as issued by the PBOC and shall not be higher than the lending interest rate of other financial institutions for the same period in the PRC; (3) where applicable, the fees charged by HNA Group Finance for providing the Other Financial Services to the Group shall be determined based on the standards of the PBOC and other national competent authorities, and shall not be more than those charged by other financial institutions in the PRC for providing the similar services; (4) HNA Group Finance shall regularly provide its operation and financial status to the Group to ensure the Group's information right; and (5) HNA Group Finance shall establish complete and effective risk assessment system as well as internal control system to ensure the security of funds.
- 5. Expected Interest:** based on the current interest rate issued by the PBOC, it is estimated that the annual amount of interest accrued from the Deposit Services shall not exceed RMB2,800,000 (equivalent to approximately HK\$3,220,000). The net profits before and after taxation attributable to the deposit services under the Existing Financial Services Agreement for the two financial years immediately preceding the Financial Services Agreement are set out below:

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	("RMB")	("RMB")
Net profits before taxation	10,544,802	4,006,843
	(approximately HK\$12,127,000)	(approximately HK\$4,608,000)
Net profits after taxation	7,908,602	3,005,132
	(approximately HK\$9,095,000)	(approximately HK\$3,456,000)

6. **Discretion of the Company:** during the term of the Financial Services Agreement, the Group may choose to maintain the business relationship with HNA Group Finance or to obtain similar services from other financial institutions.
7. **Termination:** if there is any loss to the money of the Company while it is being handled by HNA Group Finance, HNA Group Finance shall provide full amount compensation and the Company may unilaterally terminate the Financial Services Agreement.
8. **Term:** the Financial Services Agreement is for a term of three years commencing from the date of the Financial Services Agreement. The Financial Services Agreement will replace the Existing Financial Services Agreement from the date thereof.

## **Maximum Daily Deposit and Fees for Other Financial Services**

### *Deposit Services*

Pursuant to the Financial Services Agreement, the Group's maximum daily deposit balance with HNA Group Finance within the term of the Financial Services Agreement shall not exceed RMB800,000,000 (equivalent to approximately HK\$920,000,000). Such proposed maximum daily deposit balance was determined with reference to the historical figures and future plans of the Group in relation to the deposit services provided by HNA Group Finance to the Group under the Existing Financial Services Agreement.

### *Other Financial Services*

The Other Financial Services mainly include the consulting services to be provided by HNA Group Finance to the Group. The Board estimated that the annual financial consulting fees payable by the Group to HNA Group Finance during the term of the Financial Services Agreement shall not exceed RMB2,000,000 (equivalent to approximately HK\$2,300,000). Such annual cap was determined after arm's length negotiation with reference to the historical figures in relation to the consulting services provided by HNA Group Finance to the Group under the Existing Financial Services Agreement.

## **AIRPORT COMPOSITE SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 28 November 2013.

On 25 August 2016, the Company and the Parent Company entered into the Airport Composite Services Agreement in respect of the Non-exempt Continuing Connected Transactions for the period from 1 January 2017 to 31 December 2019.

### **Principle Terms**

1. **Date:** 25 August 2016
2. **Parties:** the Company; and  
the Parent Company.

- 3. Services:** pursuant to the Airport Composite Services Agreement, the Parent Company has agreed to provide or procure any third party, if necessary, with the Company's consent, to provide to the Company the following services:
- (a) security guard service;
  - (b) cleaning and environment maintenance;
  - (c) sewage and refuse processing;
  - (d) power and energy supply and equipment maintenance;
  - (e) passengers and luggage security inspection; and
  - (f) other services required by the Company.
- 4. Price and payment:** (i) charges as to the service in items (a) to (c) above will be determined in accordance with the cost incurred by the Parent Company in providing such services plus a 5% management fee; (ii) charges as to the service in item (d) above will be determined in accordance with the cost incurred by the Parent Company in providing such service plus a 25% management fee; (iii) charges as to the service in item (e) above shall be calculated in accordance with the standards prescribed by the CAAC and collected by the Company on behalf of the Parent Company from the relevant airlines; and (iv) charges as to other services in item (f) above shall be calculated by reference to the pricing standards prescribed by the relevant PRC government authorities (if any), or, in the absence of the same, the industry pricing standards or a cost plus mark-up fee basis.
- The service fee shall be paid either on a quarterly or an annual basis and shall be determined by the parties to the Agreement depending on the type of services to be provided by the Parent Company and in accordance with normal business practices.
- 5. Term:** a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

## Historical and Annual Caps of the Non-exempt Continuing Connected Transactions

### Historical Figures

The following table shows the actual transaction amounts in respect of the transactions between the Company and the Parent Company for the two years ended 31 December 2015 and the expected transaction amount for the year ending 31 December 2016:

	Year ended 31 December		Year ending
	2014	2015	31 December
	(“RMB”)	(“RMB”)	2016 (expected
			Transaction
			Amount <sup>1</sup> )
			(“RMB”)
Airport composite services by the Parent Company	20,900,706 (approximately HK\$24,036,000)	22,171,223 (approximately HK\$25,497,000)	25,960,000 (approximately HK\$29,854,000)

*Note 1:* the expected transaction amount for the year 2016 of the Non-exempt Continuing Connected Transactions was determined with reference to the actual transaction amount for the first half of the year 2016, which was RMB13,282,897, and the annual cap of RMB25,960,000 for the year ending 31 December 2016, as disclosed in the announcement of the Company dated 28 November 2013.

### New Annual Caps

The Board has considered and proposed that the following caps be set for the annual volumes of the relevant transactions above for the same period from 1 January 2017 to 31 December 2019:

	Year ending 31 December		
	2017	2018	2019
	(“RMB”)	(“RMB”)	(“RMB”)
Airport composite services by the Parent Company	37,180,000 (approximately HK\$42,757,000)	46,800,000 (approximately HK\$53,820,000)	52,800,000 (approximately HK\$60,720,000)

### Basis of the New Annual Caps

The above New Annual Caps are determined with reference to various factors including but not limited to the historical transaction amounts recorded by the Company and, solely for the purposes of determination of the New Annual Caps, the anticipated increases in the business of the Company and the requirement for services under the Non-exempt Continuing Connected Transactions.

In particular, the New Annual Caps was calculated based on the expected transaction amount for 2016 which is RMB25,960,000 with an estimated annual growth rate of 10% for the cargo transportation determined by the independent air traffic consultants appointed by the Company at the time of the Company's initial public offering in the year 2002 and the gross area of Meilan Airport amounting to approximately 150,000 square meters, which represents nearly 30% increase after the formal operation of West Gallery (西指廊) on 25 October 2015. With the expansion of operational area, the service required by the Company under the Airport Composite Agreement will be increased accordingly.

## **RESIGNATION OF AN EXECUTIVE DIRECTOR AND THE CHIEF FINANCIAL OFFICER**

The Board announces that Mr. Zhang Peihua (張佩華先生) (“**Mr. Zhang**”) has tendered his resignation from his position as an executive Director with effect from the date of EGM and the chief financial officer of the Company with effect from 25 August 2016 due to work reallocation.

Mr. Zhang made significant contributions to the Company by applying his extensive experience of operation and management. Mr. Zhang has confirmed that he has no disagreement with the Board and has no any other matters in relation to his resignation that need to be brought to the attention of the Shareholders or the Stock Exchange.

The Board would like to take this opportunity to express its gratitude to Mr. Zhang for his valuable contribution to the Company during his term of office.

## **REASONS FOR ENTERING THE FINANCIAL SERVICES AGREEMENT AND THE AIRPORT COMPOSITE SERVICES AGREEMENT**

### **The Financial Services Agreement**

It is the main business of HNA Group Finance to provide financial services to intra-group members. During the terms of the Existing Financial Services Agreement, the Group has benefited from the efficient and cost-saving services provided by HNA Group Finance. By using HNA Group Finance’s system, intra-group fund settlement and transaction costs can be reduced. In addition, the fees charged by HNA Group Finance for providing the Other Financial Services to the Group shall not be more than those charged by other financial institutions in the PRC for providing similar services. The Board believes that the terms of the Financial Services Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

### **The Airport Composite Services Agreement**

The Company is principally engaged in the management and operation of the aeronautical and the non-aeronautical businesses at Meilan Airport. The Non-exempt Continuing Connected Transactions under the Airport Composite Services Agreement are necessary for and are beneficial to the Company and therefore is of commercial benefit to the Company and the Group as a whole. Entering into the Non-exempt Continuing Connected Transaction has facilitated and will continue to facilitate the operation and growth of the Group’s business.

The Directors (including the independent non-executive Directors) are satisfied that (i) the terms and conditions of the Airport Composite Services Agreement and the Non-exempt Continuing Connected Transactions contemplated thereunder have been negotiated on an arms’ length basis and are on normal commercial terms; (ii) such transactions will be conducted in the ordinary and usual course of business of the Company; (iii) the annual caps for the year 2017, 2018 and 2019 are reasonable; and (iv) terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **The Financial Services Agreement**

The Deposit Services and the Other Financial Services are aggregated pursuant to Rule 14.22 of the Listing Rules. The General Credit Services do not fall within the definition of transactions under Chapter 14 of the Listing Rules thus are not aggregated.

As the applicable percentage ratios defined under Rule 14.07 of the Listing Rules in relation to the Deposit Services and the Other Financial Services exceed 5% but are less than 25%, the Deposit Services and the Other Financial Services constitute discloseable transactions for the Company, and are therefore subject to disclosure by way of an announcement under Chapter 14 of the Listing Rules.

### **The Airport Composite Services Agreement**

The Parent Company, holding 50.19% shares of the Company, is the holding company of, and therefore a connected person of the Company under the Listing Rules and the transactions contemplated under the Airport Composite Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the transactions contemplated under the Airport Composite Services Agreement on an annual basis are less than 5%, the Airport Composite Services Agreement is exempt from independent shareholders' approval requirements but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Mr. Wang Zhen, Mr. Hu Wentai, Mr. Yang Xiaobin, Mr. Zhang Peihua and Mr. Liu Shanbin, being Directors, are nominated to the Board by the Parent Company, and are deemed to have material interests in the Non-exempt Continuing Connected Transactions. Therefore, they have abstained from voting at the meeting of the Board convened for the purpose of approving the Non-exempt Continuing Connected Transactions. Save as disclosed above, none of other Directors has a material interest in such transactions.

## **PROPOSED APPOINTMENT OF AN EXECUTIVE DIRECTOR AND APPOINTMENT OF THE CHIEF FINANCIAL OFFICER**

The Board announces that an ordinary resolution will be proposed at the EGM to be held on 11 October 2016 to appoint Mr. Zhou Feng (周鋒先生) (“**Mr. Zhou**”) as an executive Director with effect from the date of the EGM and the appointment of Mr. Zhou as the chief financial officer of the Company with effect from 25 August 2016.

In order to allow the Shareholders to make an informed decision in respect of the proposed appointment, the biographical details of Mr. Zhou is set out below pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Zhou, aged 45, graduated from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) majoring in planning statistics in 1993.



Mr. Zhou has over 23 years of experience in finance and corporate management. Mr. Zhou served as a deputy director in the funds management office of finance and accounting department of Air Changan Co., Ltd.\* (長安航空有限責任公司) from July 1993 to July 2001. He successively worked in project development and management department of HNA Group Co., Ltd.\* (海航集團有限公司) as a project development clerk from July 2001 to February 2002 and a project manager of merger and acquisition business division from February 2002 to July 2002. From July 2002 to July 2004, Mr. Zhou successively served as a deputy general manager in the assets management department of Hainan Airport Co., Ltd.\* (海南機場股份有限公司), an alternate manager in the business development and management office of the airport section of airport management department of HNA Group Co., Ltd.\* (海航集團有限公司) and a manager in the Haikou Meilan Airport management office of airport management department of HNA Group Co., Ltd.\* (海航集團有限公司). From July 2004 to June 2010, Mr. Zhou successively served as the general manager in the assets management department of Hainan Airport Co., Ltd.\* (海南機場股份有限公司), chief financial officer in Haikou Meilan International Airport Co., Ltd.\* (海口美蘭國際機場有限責任公司), general manager in the project development department of HNA Airport Group Co., Ltd.\* (海航機場集團有限公司) and general manager in the project management department of HNA Airport Holdings (Group) Co., Ltd.\* (海航機場控股(集團)有限公司). Mr. Zhou served as the general manager in the business development department of Sanya Phoenix International Airport Co., Ltd.\* (三亞鳳凰國際機場有限責任公司) from July 2010 to March 2011, the president in HNA (Guizhou) Investment and Development Co., Ltd.\* (海航(貴州)投資開發有限公司) from April 2011 to September 2011 and the chief financial officer in Western Air Co., Ltd.\* (西部航空有限責任公司) from November 2011 to August 2016.

Mr. Zhou will be appointed as an executive Director for a term of three years commencing from the grant of approval at the EGM and subject to re-election in accordance with the articles of association of the Company or pursuant to the Listing Rules. The remuneration of Mr. Zhou as an executive Director will be determined with reference to the remuneration policies as approved at the annual general meeting of the Company.

Save as disclosed above, Mr. Zhou (i) has not held any other directorship in listed public companies in the last three years; (ii) does not have any relationship with any other Directors, supervisors and senior management of the Company or substantial shareholders or controlling shareholders of the Company; and (iii) was not interested in any shares of the Company as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). There is no information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

## **GENERAL INFORMATION**

The Company is principally engaged in aeronautical and non-aeronautical businesses at Meilan Airport.

HNA Group Finance is a non-bank financial institution established in the PRC. HNA Group Finance mainly engages in the provision of financial service, including financial consultation, credit certification and relevant consulting and agency services, cash reception and payment, provision of guarantee, bill acceptance and discount services, settlement services, deposit services, loans and finance leasing services, consumer credit and buyer's credit services. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, HNA Group Finance is not a connected person (as defined under the Listing Rules) of the Company.

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

## DEFINITION

“Airport Composite Services Agreement”	the airport composite services agreement entered into between the Company and the Parent Company on 25 August 2016 in relation to the Non-exempt Continuing Connected Transactions
“Board”	board of Directors
“CAAC”	中國民用航空總局 (General Administration of Civil Aviation of China), also known as Civil Aviation Administration of China
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
“Company”	HNA Infrastructure Company Limited (海航基礎股份有限公司), a joint stock company incorporated in the PRC with limited liability
“connected person”	shall have the meaning as defined in the Listing Rules
“Deposit Services”	the deposit services to be provided by HNA Group Finance to the Group under the Financial Services Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 11 October 2016 to consider, inter alia, the proposed appointment of an executive Director
“Existing Financial Services Agreement”	the financial services agreement entered into between the Company and HNA Group Finance on 29 August 2013
“Financial Services Agreement”	the financial services agreement entered into between the Company and HNA Group Finance on 25 August 2016
“General Credit Services”	the general credit services to be provided by HNA Group Finance to the Group under the Financial Services Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HNA Group Finance”	海航集團財務有限公司 (HNA Group Finance Co., Ltd.*), a non-bank financial institution established in the PRC
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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, PRC

“New Annual Caps”	the proposed annual caps in respect of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2019
“Non-exempt Continuing Connected Transactions”	the non-exempt continuing connected transactions which are and will continually to be entered into between the Company and the Parent Company pursuant to the terms and conditions of the Airport Composite Services Agreement
“Other Financial Services”	financial services other than the Deposit Services and General Credit Services to be provided by HNA Group Finance to the Group under the Financial Services Agreement
“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
“PBOC”	中國人民銀行 (People’s Bank of China)
“PRC”	People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*In this announcement, RMB has been translated to HK\$ at the exchange rate of RMB1.00 to HK\$1.15 for illustration purpose only. No representation is made that any amounts in HK\$ or RMB have been, could have been or could be converted at this or any other rate.*

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

Haikou, the PRC  
25 August 2016

*As at the date of this announcement, the Board comprises of (i) four executive Directors, namely Mr. Wang Zhen, Mr. Yang Xiaobin, Mr. Zhang Peihua 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