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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)

**CONTINUING CONNECTED TRANSACTIONS
THE LEASE AGREEMENT**

THE LEASE AGREEMENT

The Board is pleased to announce that on 12 March 2018, Meilan Freight, a non-wholly owned subsidiary of the Company, and the Parent Company entered into the Lease Agreement, pursuant to which the Parent Company agreed to lease the Leased Assets to Meilan Freight for use of providing ground services to passengers for a term commencing from 12 March 2018 to 11 March 2019 (both days inclusive).

LISTING RULES IMPLICATIONS

As of the date of this announcement, the Parent Company holds 50.19% of the total issued shares of the Company and is a substantial shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) in respect the Continuing Connected Transactions is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 12 March 2018, Meilan Freight, a non-wholly owned subsidiary of the Company, and the Parent Company entered into the Lease Agreement, pursuant to which the Parent Company agreed to lease the Leased Assets to Meilan Freight for use of providing ground services to passengers for a term commencing from 12 March 2018 to 11 March 2019 (both days inclusive).

THE LEASE AGREEMENT

The material terms of the Lease Agreement are set out as follows:

- 1. Date:** 12 March 2018
- 2. Parties:**
 - (i) the Parent Company, as the leaser; and
 - (ii) Meilan Freight, a non-wholly owned subsidiary of the Company, as the lessee.
- 3. Term:** The term of the Lease Agreement is for a term commencing from 12 March 2018 to 11 March 2019 (both days inclusive).
- 4. Purpose:** The Leased Assets shall be used only for the purpose of providing ground services to passengers or other services within the business scope of Meilan Freight.
- 5. Subject matter:** the Leased Assets, comprising of:
 - (i) the Land Use Rights of the New Cargo Terminal with a total area of approximately 128,540 sq.m.;
 - (ii) the Property of the New Cargo Terminal with a total gross floor area of approximately 26,600 sq.m.; and
 - (iii) the Equipment, including, among others, storehouses, low-voltage power distribution boxes (低壓配電櫃), high-voltage power distribution boxes (高壓配電櫃), air conditioners, luggage carousels and cameras.

6. Rental and payment:

The annual rental of the Leased Assets payable by Meilan Freight to the Parent Company under the Lease Agreement shall be RMB8,000,000 in aggregation (including the annual rental of the Land Use Rights of approximately RMB3,569,000, the annual rental of the Property of approximately RMB2,659,000 and the annual rental of the Equipment of approximately RMB1,772,000), which is determined based on arm's length negotiations between the two parties with reference to (i) the total area of the New Cargo Terminal under the Land Use Rights and the total gross floor area of the Property; (ii) the prevailing market rental for the land use rights or properties located at similar locations i.e. approximately RMB28 per sq.m. per year for the Land Use Rights and approximately RMB100 per sq.m. per year for the Property; and (iii) the depreciation of the Equipment.

The Directors confirmed that the rental of the Leased Assets agreed between Meilan Freight and the Parent Company is fair and reasonable and constitutes a normal commercial term.

Meilan Freight shall pay the rental, on a monthly basis, to the bank account designated by the Parent Company within fifteen (15) business days after receipt of the invoices issued by the Parent Company. A penalty of 0.04% per day on the overdue rental will be charged for the late payment.

7. Deposit:

Meilan Freight shall pay a deposit of RMB20,000 to the Parent Company within ten (10) days upon the execution of the Lease Agreement for deduction of overdue rental, penalty and other expenses (if any).

8. Historical amount:

Since the Parent Company and Meilan Freight had not entered into similar transactions under the same business cooperation model in the past, there is no historical transaction amount available.

9. Annual Caps: Set out below are the Annual Caps of the rental estimated to be payable by Meilan Freight to the Parent Company for a term commencing on 12 March 2018 and ending on 11 March 2019:

	For the year ending	
	31 December	
	2018	2019
	<i>(RMB)</i>	<i>(RMB)</i>
Annual Caps	6,667,000 ¹	1,334,000 ²

Note 1: This transaction amount represents the rental payable by Meilan Freight to the Parent Company for the period from 12 March 2018 to 31 December 2018.

Note 2: This transaction amount represents the rental payable by Meilan Freight to the Parent Company for the period from 1 January 2019 to 11 March 2019.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

To satisfy the business needs of Meilan Freight, Meilan Freight and the Parent Company entered into the Lease Agreement, through which, Meilan Freight can use the Leased Assets to provide better ground services and other services to the passengers in Meilan Airport and expand its operating area as well as increase its operational efficiency.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms and conditions of the Lease Agreement and the 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 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.

Each of Mr. Liao Hongyu, Mr. Hu Wentai, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian is interested in the above transactions and therefore had abstained from voting on the relevant resolution of the Board approving the same.

LISTING RULES IMPLICATIONS

As of the date of this announcement, the Parent Company holds 50.19% of the total issued shares of the Company and is a substantial shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the Continuing Connected Transactions contemplated under the Lease Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Rule 14.07 of the Listing Rules) in respect the Continuing Connected Transactions is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control measures to ensure that the Continuing Connected Transactions are in accordance with the terms of the Lease Agreement and in compliance with the Listing Rules:

- (1) the finance department of the Company shall conduct monthly checks and review, and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Lease Agreement and the Annual Caps are not exceeded;
- (2) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (3) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Annual Caps in accordance with the requirements of the Listing Rules.

GENERAL INFORMATION

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

Meilan Freight is principally engaged in the sale agency business of international, regional and domestic air cargo transportation; the business of delivery, booking and transfer of cargo; and the agency business of cargo import and export at Meilan Airport.

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

DEFINITIONS

“Annual Caps”	the proposed aggregate annual caps for the Continuing Connected Transactions contemplated under the Lease Agreement for a term commencing on 12 March 2018 and ending on 11 March 2019
“Board”	the board of Directors
“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
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Lease Agreement
“Directors”	the directors of the Company
“Equipment”	the equipment owned by the Parent Company, including, among others, storehouses, low-voltage power distribution boxes (低壓配電櫃), high-voltage power distribution boxes (高壓配電櫃), air conditioners, luggage carousels and cameras
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Land Use Rights”	the land use rights of the New Cargo Terminal (with a total area of approximately 128,540 sq.m.) owned by the Parent Company

“Lease Agreement”	the lease agreement entered into between Meilan Freight and the Parent Company on 12 March 2018, pursuant to which the Parent Company agreed to lease the Leased Assets to Meilan Freight for use of providing ground services to passengers or other services within the business scope of Meilan Freight for a term commencing on 12 March 2018 and ending on 11 March 2019 (both days inclusive)
“Leased Assets”	the subject matter under the Lease Agreements, comprising of the Land Use Rights, the Property and the Equipment
“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
“Meilan Freight”	海南美蘭國際機場貨運有限責任公司 (Hainan Meilan International Airport Freight Co., Ltd.*), a limited liability company established in the PRC on 24 February 2010, a non-wholly owned subsidiary of the Company, of which 51% equity interests were held by the Company and 49% equity interests were held by VeloX Express Co., Ltd.* (神行速運有限公司) as at the date of this announcement
“New Cargo Terminal”	the new cargo terminal of Meilan Airport
“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 on 25 August 1998, which is the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Property”	the property of the New Cargo Terminal (with a total gross floor area of 26,600 sq.m.) owned by the Parent Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares issued by the Company
“Shareholders”	registered holder(s) of the shares of the Company

“sq.m.” square metre(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By the order of the Board
HNA Infrastructure Company Limited*
Liao Hongyu
Chairman

Haikou, the PRC
12 March 2018

As at the date of this announcement, the Board comprises of (i) four executive Directors, namely Mr. Liao Hongyu, Mr. Tu Haidong, Mr. Zhou Feng and Mr. Wu Jian; (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*