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**東北電氣發展股份有限公司**

**NEE NORTHEAST ELECTRIC DEVELOPMENT CO.,LTD.**

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

( Stock Code:0042)

## **Announcement on Termination of Lease Agreement of Connected Transaction**

References are made to the announcements of Northeast Electric Development Limited (the “**Northeast Electric**”, “**Company**” or “**NEE**”) dated 17 July 2018, 29 October 2018, and the circular dated 14 September 2018 in relation to, among other things, the Continuing Connected Transactions, being the leasing of the Properties by the Eight Companies (as lessor) to the Company (as lessee) under the Lease Agreement.

The proposal on the Property Lease Contract entered into by Hainan Garden Lane Flight Hotel Management Co., Ltd. (formerly known as Hainan Tangyuan Technology Co., Ltd., and changed name to Hainan Garden Lane Flight Hotel Management Co., Ltd. on 23 August 2019) (the “**Garden Lane Hotel**”), a non-wholly-owned subsidiary of the Company, and Hainan Guoshang Hotel Management Co., Ltd. (“**Hainan Guoshang**”), HNA Tianjin Center Development Co., Ltd. ( the “**Tianjin Center**”), Danzhou HNA Xintiandi Hotel Co., Ltd. (the “**Danzhou Xintiandi**”), Hangzhou Huagang HNA Resort Co., Ltd. (the “**Hangzhou Huagang**”), Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel) (the “**Jilin Province Tourism Group**”) was considered and approved at the 24th meeting of the 8th Board of Directors held on 17 July 2018 and the third extraordinary general meeting of 2018 held on 29 October 2018 by the Company, and constitute a connected transaction.

Due to the overall decoration and reconstruction in the leased fields, withdrawal of premises under operational adjustment by the lessors, disposal of assets by the lessors, etc., the original lease contract cannot be performed on a going concern

basis. Upon friendly negotiation with parties involved, Garden Lane Hotel, a non-wholly-owned subsidiary of the Company, entered into the Lease Termination Agreement with Hainan Guoshang, Tianjin Center, Danzhou Xintiandi, Hangzhou Huagang and Jilin Province Tourism Group (hereinafter collectively referred to the “**Five Companies**”), with a total leased area of 20,406 square meters involved and a total amount of RMB 44.86 million. The Five Companies compensated Garden Lane Hotel by RMB 3.075 million in aggregate. Apart from the termination of agreements on the leased fields with the above Five Companies, other lease agreements for property lease signed on the 17 July 2018 remain effective and are executed continuously.

As NEE and the Five Companies including Hainan Guoshang are controlled by Hainan Cihang Charity Foundation (海南省慈航公益基金會) and have a connected relationship, the transaction shall constitute a connected transaction. The transaction does not constitute a major asset restructuring as defined in the Administrative Measures for the Material Asset restructuring of Listed Companies, or constitute a backdoor listing. Therefore, it is not subject to approval by relevant authorities.

In the consideration of this transaction by the Board of the Company, the proposal was approved by non-connected Directors Mr. Su Weiguo and independent Directors Mr. Li Ming, Mr. Qian Fengsheng, Mr. Fang Guangrong while the connected directors Mr. Zhu Jie, Mr. Li Rui, Ms. Ma Yun, Mr. Bao Zongbao had abstained from the voting.

The Board (including the Independent Non-executive Directors) considers that the termination of the Lease Agreement pursuant to the terms thereof is fair and reasonable and on normal commercial terms and will not cause any material adverse impact on the business, operation or financial condition of the Group.

According to the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the connected transaction is subject to approval at the general meeting, and connected parties with interests in the transaction shall abstain from the voting.

According to Rules 14.36 and 14A.35 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited, where a previously announced transaction or connected transaction is subsequently terminated, an announcement shall be published.

This announcement is made pursuant to Rule 14A.35 of the Listing Rules in relation to the termination of the Connected Transactions.

The Lease Termination Agreement is a result of the negotiation between parties involved and the Company will not assume any legal liability of compensation for the Lease Termination Agreement. Therefore, it will not have a material impact on the entire production and operation and financial position of the Company, or damage the interests of the Company and other shareholders.

## **I. Profile of the Connected Transaction**

### **(I) Basic information on the connected transaction**

Due to the overall decoration and reconstruction of the leased fields, withdrawal of premises under operational adjustment by the lessors, disposal of assets by the lessors, etc., the original lease contract cannot be performed on a going concern basis. Upon friendly negotiation with parties involved, Garden Lane Hotel, a non-wholly-owned subsidiary of the Company, entered into the Lease Termination Agreement with Hainan Guoshang, Tianjin Center, Danzhou Xintiandi, Hangzhou Huagang and Jilin Province Tourism Group with a total leased area of 20,406 square meters and a total amount of RMB 44.86 million. The Five Companies compensated Garden Lane Hotel by RMB 3.075 million in aggregate.

Apart from the termination of agreements on the leased fields with the above Five Companies, other lease agreements for property lease signed on the 17 July 2018 remain effective and are executed continuously.

### **(II) Relationship with the Company**

As NEE and the Five Companies including Hainan Guoshang are controlled by Hainan Cihang Charity Foundation (海南省慈航公益基金會) and have a connected relationship, the transaction shall constitute a connected transaction.

### **(III) Consideration by the Board and approval procedures necessary for the agreement to take effect**

At the 7th meeting of the 9th Board of Directors on 29 August 2019, the proposal was approved by non-connected Directors Mr. Su Weiguo and independent Directors Mr. Li Ming, Mr. Qian Fengsheng, Mr. Fang Guangrong while the connected Directors Mr. Zhu Jie, Mr. Li Rui, Ms. Ma Yun and Mr. Bao Zongbao had abstained from the voting, according to relevant provisions of the China Securities Regulatory Commission, Shenzhen Stock Exchange, Hong Kong Stock Exchange and the Articles of Association of the Company (the “**Articles of Association**”).

The independent Directors of the Company had reviewed the termination transaction in advance and issued independent opinions. The transaction does not constitute a major asset restructuring as defined in the Administrative Measures for the Material Asset restructuring of Listed Companies according to relevant laws and regulations, and the Articles of Association. Therefore, it is not subject to approval by relevant authorities.

According to the Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, the termination transaction is subject to approval at the general meeting, and connected parties with interests in the transaction shall abstain from the voting.

According to Rules 14.36 and 14A.35 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited, where a previously announced transaction or connected transaction is subsequently terminated, an announcement shall be published.

## **II. Basic Information on the Connected Parties**

### **(I) Basic information**

#### **1. Hainan Guoshang Hotel Management Co., Ltd.**

**Company name:** Hainan Guoshang Hotel Management Co., Ltd.

**Company type:** Other limited liability companies

**Unified Social Credit Code:** 914600007742598762

**Registered address:** Room 1207, Haikou International Business Building, No. 38, Datong Road, Haikou

**Legal representative:** He Xihong

**Scope of business:** Hotel operation, hotel project investment and development, hotel management and consultation services, procurement of hotel supplies, tourism project investment and management, tourism project development, decoration project, sales of building materials, household appliances, electronic products and communication equipment, property services, catering, fitness, entertainment and mall operation, exhibition hall, conference hall, bars, cafes, beauty center, sauna center, swimming pools, tennis courts, motorcade, fitness center, rooms, pastries, retails of prepackaged foods and dairy products (excluding infant formula milk powder).

**Registered capital:** RMB 13,001.00 million

**Shareholders and shareholding structure:**

<b>No.</b>	<b>Shareholder name</b>	<b>Contribution amount (RMB 0'000)</b>	<b>Contribution ratio (%)</b>
1	HNA Hotel Holding Group Co., Ltd.	1,000,000	76.92
2	HNA Tourism Group Co., Ltd.	300,100	23.08
<b>Total</b>		<b>1,300,100</b>	<b>100.00</b>
<b>De facto controller: Hainan Cihang Charity Foundation</b>			

As of 31 December 2018, Hainan Guoshang recorded total audited assets of RMB 6,880.6223 million and net assets of RMB 6,556.3679 million. The annual revenue of 2018 was RMB 29.3148 million and the net profit was RMB -66.8 thousand. As of 30 June 2019, the total unaudited assets and net assets amounted to RMB 11,515.4773 million and RMB 6,553.1469 million respectively. The unaudited revenue was RMB 11.0654 million and the net

profit was RMB -3.3056 million for the six months ended 30 June 2019.

## **2. HNA Tianjin Center Development Co., Ltd.**

**Company name:** HNA Tianjin Center Development Co., Ltd.

**Company type:** Limited liability company (Chinese-foreign cooperation)

**Unified Social Credit Code:** 91120101780336460D

**Registered address:** Beiyang Building, Intersection of Nanjing Road and Guiyang Road, Heping District, Tianjin

**Legal representative:** Li Shijie

**Scope of business:** Operating lease of proprietary properties; investment consultation of property leasing, business consultation, property management, hotel management and operation; commercial retail; operation of general merchandise; wholesale and retails of textile, shoes and hats, clothing, commodities, kitchen wares, sanitary wares, groceries, cosmetics, stationery, office supplies, sports products and equipment, hardware and electrical appliances, household appliances, electronic products, furniture and decoration materials; retails of jewelry, arts and crafts; commodity display; relevant supporting services in shopping mall; management and operation of auxiliary parking lot; catering services; retails of prepackaged foods and bulk foods. (For limited branch operations) accommodation and relevant supporting services, entertainment, beauty treatment, leisure, fitness, swimming pool (natatorium), conference services, ticket agent and laundry services.

**Registered capital:** RMB 269.887709 million

### **Shareholders and shareholding structure:**

<b>No.</b>	<b>Shareholder name</b>	<b>Contribution amount (RMB 0'000)</b>	<b>Contribution ratio (%)</b>
1	Shanghai Yizhou Investment	18154.95	67.27

	Management Co., Ltd.		
2	SPA II Tianjin Center, Ltd.	6000	22.23
3	Hainan Garden Lane Flight Hotel Management Co., Ltd.	2833.8209	10.50
<b>Total</b>		<b>26988.770900</b>	<b>100.00</b>
<b>De facto controller: Hainan Cihang Charity Foundation</b>			

As of 31 December 2018, HNA Tianjin Center Development Co., Ltd. (Tangla Hotel) recorded total audited assets of RMB 13.0831 million and net assets of RMB -120.3254 million. The annual revenue of 2018 was RMB 41.093 million and the net profit was RMB -11.3072 million. As of 30 June 2019, the total unaudited assets and net assets amounted to RMB 28.1009 million and RMB -118.8775 million respectively. The unaudited revenue was RMB 16.7299 million and the net profit was RMB -2.1259 million for the six months ended 30 June 2019.

### **3. Danzhou HNA Xintiandi Hotel Co., Ltd.**

**Company name:** Danzhou HNA Xintiandi Hotel Co., Ltd.

**Company type:** Limited liability company (non-natural personal investment or holding corporation sole investment)

**Unified Social Credit Code:** 91469003665141289R

**Registered address:** East side of Telecommunication Building, Zhongxing Main Street, Nada Town, Danzhou (in Danzhou Xintiandi Garden Hotel)

**Legal representative:** Tan Yuping

**Scope of business:** Hotel management, hotel business, convention and exhibition reception, general merchandise, fitness and health care, catering, cultural entertainment, alcohol and tobacco retail.

**Registered capital:** RMB 30.00 million

**Shareholders and shareholding structure:**

No.	Shareholder name	Contribution amount (RMB 0'000)	Contribution ratio (%)
1	HNA Tourism Development Co., Ltd.	3000	100.00
<b>Total</b>		3000	<b>100.00</b>
<b>De facto controller: Hainan Cihang Charity Foundation</b>			

As of 31 December 2018, Danzhou Xintiandi recorded total audited assets of RMB 640.182 million and net assets of RMB 8.2251 million. The annual revenue of 2018 was RMB 21.5101 million and the net profit was RMB - 3.1618 million. As of 30 June 2019, the total unaudited assets and net assets amounted to RMB 783.9909 million and RMB 5.9382 million respectively. The unaudited revenue was RMB 7.8225 million and the net profit was RMB -2.2869 million for the six months ended 30 June 2019.

#### **4. Hangzhou Huagang HNA Resort Co., Ltd.**

**Company name:** Hangzhou Huagang HNA Resort Co., Ltd.

**Company type:** Limited liability companies

**Unified Social Credit Code:** 913300007236298220

**Registered address:** No.1 Yang Gong Causeway, Hangzhou

**Legal representative:** Yang Xin

**Scope of business:** Hotel, wine bar (refer to “Hygienic License”), shopping mall, recreation hall (chess room), tobacco retail (refer to “Tobacco Monopoly License”), ticket service (excluding airline), convention service and sales of daily necessities, clothing, arts and crafts, jewelry. (Items legally subject to approval shall be approved by relevant authorities prior to business operation).

**Registered capital:** RMB 67.64 million



## Shareholders and shareholding structure:

No.	Shareholder name	Contribution amount (RMB 0'000)	Contribution ratio (%)
1	HNA Hotel Holdings Co., Ltd.	3,720	55.00
2	Zhejiang Tourism Group Co., Ltd.	3,044	45.00
<b>Total</b>		<b>6,764</b>	<b>100.00</b>
<b>De facto controller: Hainan Cihang Charity Foundation</b>			

As of 31 December 2018, Hangzhou Huagang recorded total audited assets of RMB 89.8308 million and net assets of RMB 76.1452 million. The annual revenue of 2018 was RMB 48.2599 million and the net profit was RMB 2.2299 million. As of 30 June 2019, the total unaudited assets and net assets amounted to RMB 89.2005 million and RMB 74.5347 million respectively. The unaudited revenue was RMB 17.7030 million and the net profit was RMB -1.5268 million for the six months ended 30 June 2019.

### 5. Jilin Province Tourism Group Co., Ltd.

**Company name:** Jilin Province Tourism Group Co., Ltd.

**Company type:** Limited liability companies

**Unified Social Credit Code:** 912200007295866401

**Registered address:** No.1296 Xinmin Street, Changchun

**Legal representative:** Zhang Zhongren

**Scope of business:** Catering, accommodation, train, steamer and air ticketing, tourism bus services, swimming, bathing and hairdressing places, cafe, shopping mall (managed by branches with operation qualifications); guide interpreter, travel consulting services; hotel management; real estate development (operating with qualification certificate); scriptorium lease; daily necessities, wholesale and retail of clothing; food sales; parking operation (Items legally subject to approval shall be approved by relevant

authorities prior to business operation).

**Registered capital:** RMB 600 million

**Shareholders and shareholding structure:**

<b>No.</b>	<b>Shareholder name</b>	<b>Contribution amount (RMB 0'000)</b>	<b>Contribution ratio (%)</b>
1	HNA Tourism Group Co., Ltd.	25,400	42.33
2	Beijing Capital Airlines Co., Ltd.	24,600	41.00
3	HNA Group Co., Ltd.	10,000	16.67
<b>Total</b>		<b>60,000</b>	<b>100.00</b>
<b>De facto controller: Hainan Cihang Charity Foundation</b>			

As of 31 December 2018, Jilin Province Tourism Group (Changbaishan Hotel) recorded total audited assets of RMB 200.5243 million and net assets of RMB 140.3542 million. The annual revenue of 2018 was RMB 41.9048 million, and the net profit was RMB -11.7624 million. As of 30 June 2019, the total unaudited assets and net assets amounted to RMB 196.3404 million and RMB 133.0154 million respectively. The unaudited revenue was RMB 17.2382 million and the net profit was RMB -7.3388 million for the six months ended 30 June 2019.

**(II) Other information**

According to the verification through Executive Information Open Network of the Supreme People's Court of China (<http://zxgk.court.gov.cn>), as of the date of this announcement, Hainan Guoshang, Tianjin Center, Danzhou Xintiandi, Hangzhou Huagang and Jilin Province Tourism Group were not included in the list of persons who were untrustworthy or subjected to joint disciplinary actions.

### III. Basic Information About the Termination Agreement

This Lease Termination Agreement entered into by and between Party A (Hainan Guoshang, Tianjin Center, Danzhou Xintiandi, Hangzhou Huagang and Jilin Province Tourism Group) and Party B (Garden Lane Hotel) is to rescind the original leased fields with the area of 20,406 sq.m. in total, and the amount of contract termination is RMB 44.86 million in total. The Five Companies shall have to pay RMB 3.075 million to Garden Lane Hotel for compensation, as follows:

Abbreviation	Original lease term	Termination date	Area of leasehold termination (sq.m.)	Original contract amount (RMB 0'000)	Contract amount to be terminated (RMB 0'000)	Compensation paid by Party A to Party B (RMB 0'000)	Reasons for termination
1.Hainan Guoshang	1 July 2018-30 June 2021	The lease contract shall terminate since 1 September 2019	1,826	300	300	50	In order to avoid impact of the overall decoration and upgrade to the hotel (including the leased fields) by Party A on the normal production and operation of the Company, the Company require the Party A pay the compensation and terminate the agreement.
2.Tianjin Center			4,750	1,560	1,040	80	According to its overall business and development strategy, Party A decides to take back the fields leased in the previous period and operate by itself. As its operation has underperformed after the pre-lease and Party A agrees to pay the liquidated damages, the Company agrees to the contract cancellation.
3.Danzhou Xintiandi			2,150	234	156	32.5	As a result of assets disposal and transfer, Party A decides to terminate the lease and take back the leased land in advance, and agree to pay the compensation

4.Hangzhou Huagang			3,480	2,094	2,094	\	As the market environment has changed compared with the previous period, the actual input costs will increase significantly in comparison to the forecast, which may lead to the imbalance of profit and loss.
5.Jilin Province Tourism Group (Changbaishan Hotel)			8,200	1,344	896	145	Some equipment fails to meet the requirements and remain substandard even after the rectification with significant defects, which affects the normal production and operation. Hence, the Company requires to terminate the lease and a compensation paid by the Party A
<b>Total</b>	\	\	<b>20,406</b>	<b>5,532</b>	<b>4,486</b>	<b>307.5</b>	\

#### **IV. Main Contents of the Termination Agreement**

**Party A:** Hainan Guoshang, Tianjin Center, Danzhou Xintiandi, Hangzhou Huagang, and Jilin Province Tourism Group

(Note: Each of Party A, namely the above-mentioned five companies, entered into the Lease Termination Agreement with Party B.)

**Party B:** Hainan Garden Lane Flight Hotel Management Co., Ltd. (formerly known as Hainan Tangyuan Technology Co., Ltd., and changed name to Hainan Garden Lane Flight Hotel Management Co., Ltd. on 23 August 2019)

(I) The original Lease Contract between Party A and Party B shall be terminated after the signature and seal of Party A and Party B in the Termination Agreement and the approval at the general meeting of Party B's parent company, and the rights and obligations of both parties as agreed in the original Lease Contract shall be terminated from the date of termination. Party A is required to make related compensations (if any) to Party B within 10 days from the effective date of the Termination Agreement.

(II) The Termination Agreement is executed in Haikou and governed by Haikou jurisdiction.

(III) Before this Termination Agreement takes effect and the original Lease Contract is terminated, Party B shall settle all the payable expenses (property lease fees, etc.) incurred for the previous period to Party A, and Party A shall settle all the payable and refundable expenses to Party B incurred for the previous period.

(IV) Except for the aforesaid compensation (if any) that Party A shall pay to Party B, there are no other disagreements or disputes under the Lease Contract between both parties, and neither party shall assume any other liability for breach of contract from the date when the original Lease Contract is terminated.

#### **V. Influences of the Termination Transaction**

The Lease Termination Agreement is a result of the negotiation between parties involved and the Company will not assume any legal liability for compensation of the Lease Termination Agreement. Therefore, it will not have a material

impact on the entire production and operation and financial position of the Company, or damage the interests of the Company and other shareholders.

From the effective date of the Lease Termination Agreement concluded by Garden Lane Hotel and the Five Companies, the ordinary connected transaction agreements (relating to the collection and payment of business settlement fees, and the collection and withholding of water, electricity, gas and energy fees) entered into by the Company and Hainan Guoshang, Tianjin Center, Danzhou Xintiandi, and Jilin Province Tourism Group (Changbaishan Hotel), which was included in the Proposal on the Contemplated Ordinary Connected Transactions in 2019 considered and approved at the 31st meeting of the 8th Board held on 24 January 2019 and the first extraordinary general meeting of 2019 on 11 March 2019, were terminated accordingly. For details, please refer to the Announcement on the Contemplated Ordinary Connected Transactions in 2019 disclosed in the designated information disclosure media on 24 January 2019.

## **VI. Various Connected Transactions with the Connected Party on a Cumulative Basis**

Since the conclusion of the lease contract between Garden Lane Hotel and the Five Companies, the total amount for various transactions on a cumulative basis was RMB 11.66 million.

## **VII. Prior Approval and Independent Opinions of Independent Directors**

Independent directors of the Company have approved the termination transaction in advance and agreed to submit this proposal to the Board for consideration with their independent opinions as follows:

(I) Upon careful review of materials related to this transaction provided by the Company, it is regarded that they are informative and sufficient so the Board can make rational and scientific decisions. It is agreed to submit the proposal on the Lease Termination Agreement entered into by a non-wholly-owned subsidiary, Garden Lane Hotel and the Five Companies including Hainan Guoshang to the 7th meeting of the 9th Board for consideration.

(II) This transaction follows the principles of voluntariness, fairness and reasonableness and consensus. The termination transaction will not have a

material impact on the entire production and operation and financial position of the Company. Four companies have made certain cash compensation for Garden Lane Hotel. It is not found that there are behaviors and conditions which have caused damage to the interests of the Company and all minority shareholders, conforming to the provisions of related laws and regulations, and the Articles of Association.

(III) The Board considered the transaction according to legal procedures, and connected directors have abstained from voting, thus the decision procedures of the connected transaction conform to laws and regulations.

(IV) The transaction under the Lease Termination Agreement by Hainan Garden Lane Flight Hotel Management Co., Ltd. and the Five Companies including Hainan Guoshang is agreed. It is agreed to submit the proposal to the general meeting of the Company for consideration. Connected shareholders shall abstain from the voting.

By order of the Board  
***Zhu Jie***  
*Chairman*

Haikou, Hainan Province, the PRC

29 August 2019

*As at the date of this Announcement, the Board comprises of five executive Directors, namely Mr. Zhu Jie, Mr. Li Rui, Ms. Ma Yun, Mr. Bao Zongbao and Mr. Su Weiguo; and three independent non-executive Directors, namely Mr. Li Ming, Mr. Qian Fengsheng and Mr. Fang Guangrong.*