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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 of Connected Transaction

On Signing Venues Lease Agreements

The Lease Agreements

The Board of Directors (the “**Board**”) of the Northeast Electric Development Company Limited (the “**Company**”) is pleased to announce that with a view of satisfying the operation needs of Hainan Garden Lane Flight Hotel Management Co., Ltd. (the “**Garden Lane Hotel**”), an indirect non-wholly-owned subsidiary of the Company, entered into the Lease Agreements with HNA Tianjin Center Development Co., Ltd.* (海航天津中心發展有限公司) (the “**Tianjin Center**”, the “**Lessor 1**”) and Dongguan Yujingwan Hotel* (東莞禦景灣酒店) (the “**Yujingwan**”, the “**Lessor 2**”) on 26 August 2021, pursuant to which the Lessor1 and Lessor 2 (collectively the “**Lessors**”) agreed to lease the venues to Garden Lane Hotel for the latter to develop its hotel and related supporting businesses. The Lease Agreements have lease a term commencing from 1 September 2021 to 31 December 2022 with total amount of leased venues is RMB8.1 million.

Implication of the Listing Rules

Because the Company, Tianjin Center and Yujingwan are all enterprises or other related parties under the controlled by the common de facto controller, namely Hainan Province Cihang Foundation* (海南省慈航公益基金會), the Lessors are deemed to be connected persons of the Company, and the Lease Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and related party transactions under the Shenzhen Listing Rules.

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of each Lease Agreement will be regarded as a one-off acquisition of assets of the Group for the purposes of the Listing Rules. As the Lease Agreements were entered into between the Group and Lessors controlled by a common de facto controller, the transactions contemplated under the Lease Agreements are to be aggregated as if they were one transaction pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the Lease Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 the total amount is RMB7,226,400, all are less than 5%, the transaction constitutes a one-off connected transaction. Therefore, the lease transactions constitutes a de minimis transaction of the Company subject to the announcement and annual report, exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Approval Procedures

The execution of the Lease Agreements was approved at the 24th meeting of the 9th Board of Directors held on 26 August 2021. The connected Directors as defined by the Listing Rules, namely Mr. Shang Duoxu and Mr. Wang Yongfan, abstained from voting at the Board meeting.

The Directors have confirmed that the terms of the Lease Agreement are fair and reasonable and the transactions contemplated under the Lease Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, the unit price of the lease was lower than the average price of the surrounding market of the lease target, reflecting the major shareholders and their Related parties' support to the Company are in the interests of the Company and the shareholders as a whole.

I. Profile of the Connected Transaction

(I) Basic information on the connected transaction

In order to enhance the ability of continuous operation and inject new vitality into the development of the hotel business, with the support of major shareholders and their related parties, Garden Lane Hotel, an indirect non-wholly-owned subsidiary of the Company, entered into the Lease Agreements with Tianjin Center and Yujingwan on 26 August 2021, to develop hotel and related supporting businesses. The Lease Agreements have lease a term commencing from 1 September 2021 to 31 December 2022 with total amount of leased venues is RMB8.1 million.

Capitalizing on the location of leased venues and experienced management practices and expertise on the hotel industry, Garden Lane Hotel will strive to create a characteristic and boutique hotel to bring new vitality for the continuing operation of the listed Company and to further promote the transformation of the Company from traditional manufacturing to modern service industry.

(II) Relationship with the Company

Because the Company, Tianjin Center and Yujingwan are all enterprises or other related parties under the controlled by the common de facto controller, namely Hainan Province Cihang Foundation* (海南省慈航公益基金會), the Lessors are deemed to be connected persons of the Company, and the Lease Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and related party transactions under the Shenzhen Listing Rules.

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

On the 24th meeting of the 9th Board of Directors on 26 August 2021, the proposal was approved by non-connected Director Mr. Su Weiguo , Mr. Guo Qianli and Mr. Li Guoqing and independent non-executive Directors Mr. Fang Guangrong, Mr. Wang Hongyu and Mr. Li Zhengning, while the connected Directors Mr. Shang Duoxu and Mr. Wang Yongfan had abstained from voting at the Board meeting, according to relevant provisions of the China Securities Regulatory Commission, Shenzhen Stock Exchange, Hong Kong Stock Exchange and the Articles of Association of Northeast Electric Development Company Limited (the “**Articles of Association**”).

The independent Directors of the Company had reviewed the connected 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, regulations and the Articles of Association. Therefore, it does not need to be approved by relevant authorities or submitted to the general meeting of the Company for consideration after the size tests.

(IV) Implication of the Listing Rules

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of each Lease Agreement will be regarded as a one-off acquisition of assets of the Group for the purposes of the Listing Rules. As the Lease Agreements were entered into between the Group and Lessors controlled by a common de facto controller, the transactions contemplated under the Lease Agreements are to be aggregated as if they were one transaction pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

Given that one or more of the applicable percentage ratios in respect of the Lease Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 the total amount is RMB7,226,400, all are less than 5%, the transaction constitutes a one-off connected transaction. Therefore, the lease transactions constitutes a de minimis transaction of the Company subject to the announcement and annual report, exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. Basic Information on the Connected Parties

(I) HNA Tianjin Center Development Co.,Ltd.* (海航天津中心發展有限公司)

Company Name: HNA Tianjin Center Development Co., Ltd.

Company type: limited liability company (sino-foreign cooperation)

Unified Social Credit Code: 91120101780336460D

Registered address: Beiyang Building at the intersection of Nanjing Road and Guiyang Road, Heping District, Tianjin

Legal representative: Cao Yong

Registered capital: RMB26,988.7709 million

Shareholders and shareholding structure:

No.	Shareholder name	Contribution amount (RMB0'000)	Contribution ratio (%)
1	Shanghai Yizhou Investment Management Co., Ltd.* (上海驛舟投資管理有限公司)	18,154.95	67.27
2	SPA II Tianjin Center, Ltd.	6,000	22.23
3	Hainan Garden Lane Flight Hotel Management Co., Ltd.* (海南逸唐飛行酒店管理有限 公司)	2,833.8209	10.50
Total		26,988.7709	100.00
De facto controller: Hainan Province Cihang Foundation* (海南省慈航公益基金會)			

History and main business:

HNA Tianjin Center Development Co., Ltd. was established on November 15 2005, mainly engaged in house leasing, accommodation and catering businesses.

Financial status:

As of December 31 2020, total assets were RMB3,793.6 million, net assets were RMB1,813.48 million, operating income was RMB72.68 million, and net profit was RMB-3.1 million.

As of March 31 2021, total assets were RMB3,794.12 million, net assets were RMB1,813 million, operating income was RMB26.95 million, and net profit was RMB120,000.

(II) Dongguan Yujingwan Hotel* (東莞禦景灣酒店)

Company name: Dongguan Yujingwan Hotel

Company Type: Limited Liability Company (Taiwan, Hong Kong, Macao and domestic joint venture)

Unified Social Credit Code: 914419007211845679

Registered address: Room 101, No. 4, Huying Road, Dongcheng Street, Dongguan City, Guangdong Province

Legal representative: Guo Zhizhong

Registered capital: RMB100 million

Shareholders and shareholding structure:

No.	Shareholder name	Contribution amount (RMB0'000)	Contribution ratio (%)
1	ACE China Development Co., Ltd. *(ACE 中國發展有限公司)	6,500	65
2	HNA Asset Management Co., Ltd. *(廣州海航資產管理有限公司)	3,500	35
Total		10,000	100
De facto controller: Since Guangzhou HNA Asset Management Co., Ltd. under the control of the Hainan Province Cihang Foundation* (海南省慈航公益基金會) holds 35% of Dongguan Yujingwan Hotel, Dongguan Yujingwan Hotel is another related party of Northeast Electric.			

(III) Other information

According to the verification through the Credit China website (<http://www.creditchina.gov.cn/>), as of the date of this announcement, Tianjin Center and Yujingwan were not included in the list of untrustworthy persons subject to enforcement.

III. Basic information on the target of the connected transaction

The Tianjin Center leased property is located at No. 219 Nanjing Road, Heping District, Tianjin. It belongs to the core business district of Tianjin. It is surrounded by subway stations and a number of public transportation hub networks. It is an ideal place for business activities and commercial gatherings. The property infrastructure and supporting facilities are relatively Complete and suitable for hotel management.

Yujingwan leased property is located at No. 4 Huying Road, Dongcheng Street, Dongguan City, a 10-minute drive from the city center and shopping malls, a 60-minute drive from Shenzhen Bao'an Airport, a 90-minute drive from Guangzhou Baiyun Airport, and a 90-minute drive from Hong Kong; close to Huying Country park, built on the hillside, surrounded by mountains and water, is known as the "oxygen bar"; the property infrastructure is relatively complete, and it is suitable for operation as a hotel.

IV. Pricing policy and basis of the connected transaction

After friendly negotiation between the company, Tianjin Center and Yujingwan, it was determined that the unit price of the lease was RMB0.3547/day/square meter and RMB0.47/day/square meter respectively, the unit price of the lease was lower than the average price of the surrounding market of the lease target, reflecting the major shareholders and their Related parties' support to the Company.

The Directors have confirmed that the terms of the Lease Agreement are fair and reasonable and the transactions contemplated under the Lease Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

V. Main contents of the connected transaction agreement

Party A(Lessor): Tianjin Center (the “Lessor 1”), Yujingwan (the “Lessor 2”).

(Remarks: Tianjin Center and Yujingwan are respectively Party A and each signed a lease contract with Party B)

Party B (Leasee): Hainan Garden Lane Flight Hotel Management Co., Ltd.

(I) Leased venues

Party A	leased property location	Lease area (square meters)
Lessor 1: Tianjin Center	No. 219 Nanjing Road, Heping District, Tianjin	19,114.68
Lessor 2: Yujingwan	No. 4 Huying Road, Dongcheng Street, Dongguan City, Guangdong Province	20,976

(II) Purpose

The venues leased by Party B is for the operation of the hotel and related supporting services, conforming to related national and local regulations on the use and management of venues.

(III) Lease term

Through negotiation between both parties, the lease term is from 1 September 2021 to 31 December 2022.

After the lease term expires, Party B is required to make a written renewal request to Party A within three months before the expiration of the lease term if Party B intends to renew the lease. After Party B is approved after going through consideration procedures according to compliance management requirements, the agreement can be extended for two years upon consensus through negotiation by both parties. The rental price during the renewal period is determined after negotiation between the two parties.

(IV) Rental and payment methods

Both parties agreed to pay venues rental fee in amounts set forth in the following table.

Party A	Monthly rent (RMB0'000)	Annual rent (RMB0'000)
Lessor 1: Tianjin Center	20.6250	247.50
Lessor 2: Yujingwan	30	360

Venue rental and venue management fee shall be paid monthly. Party B shall pay the rental fee of the month to Party A prior to the 15th day of each month.

Expenses incurred related to hotel operations during the lease term, including water, electricity, gas, heat energy and communication expenses, shall be borne by Party B, and Party A shall guarantee the normal use of the above energy by Party B.

(V) Venues repair and return

Party A shall guarantee the leased venues and facilities are in normal and safe conditions for use. Meanwhile, Party B shall use the leased venue in a proper way and maintain it in a good state.

Party B shall apply to Party A ahead of time in writing if it needs to renovate and expand all buildings within the leased scope, and shall not carry out construction and renovation arbitrarily.

In order to guarantee smooth design and reconstruction of decorations to the leased venue by Party B, Party A agrees to provide professional as-built drawings for all buildings within the leased scope (including architecture, structure, water, electricity, heat and gas), and relevant drawings and data for reconstruction, expansion and dismantlement of the buildings over the years.

When Party B returns the property, the venues shall be in a state for normal use. Decorations made by Party B during the lease period are not required to be removed. The property shall be inspected and accepted by Party A in returning, and respective expenses shall be settled by both parties.

(VI) Sublease, transfer, exchange and mortgage

Party B shall obtain the prior written consent of Party A if it intends to lease or sublease part of the premises for operational purposes during the lease term.

During the lease term, if Party A needs to mortgage the property, it shall notify Party B in writing at least 30 days in advance, and guarantee that the mortgagee agrees the contents stipulated in the Lease Agreement and the rights of Party B will not be affected.

During the lease term, Party A shall notify Party B at least three months in advance if it needs to sell and dispose of the property. Party B shall enjoy the preemptive right under the same conditions.

(VII) Early termination

Each of the parties to each Lease Agreement may by two (2) months' prior notice in writing to the other party terminate each Lease Agreement, subject to the settlement of all fees and payments due.

(VIII) Liability for breach

In case of losses of Party B caused by property and debt disputes of Party A, Party A shall fully compensate Party B (including expenses of decoration and renovation, equipment procurement and supporting facilities, and operating losses). If Party B is unable to operate due to the above reasons, Party B is entitled to terminate the agreement and require Party A to pay liquidated damages equivalent to the rental for 12 months in that year according to the Lease Agreement. If the liquidated damages are insufficient to make up for the losses of Party B, Party A shall compensate the difference between the losses and liquidated damages.

In the event of damages to the property and property losses or personal injury of Party B are caused by the failure of Party A in performing the repair and maintenance responsibilities hereof timely, Party A shall assume the compensation liability.

If Party B delays to pay the rental, it needs to pay liquidated damages at the rate of 0.05% of the rental payable for each day of delay.

(IX) Other terms

This contract is established on the date of signature and seal by the representatives of both parties, and it will take effect from the date of approval by the competent authority of the parent company of party B.

VI. Purposes and influences of the connected transaction

This time, Garden Lane Hotel will carry out hotel business to Tianjin Center and Yujingwan leased venues. While the company is promoting the resumption of work and production and safe production and operations in an orderly manner, it will further develop the hotel business in the post-epidemic period, which is conducive to improving the company's continuous operation. Ability is conducive to injecting new vitality into the development of the company's hotel business and is conducive to maximizing the interests of all shareholders.

VII. Various connected transactions with the connected party on a cumulative basis

From the beginning of 2021 to the disclosure date of this announcement, the total amount of various connected transactions that have occurred between Northeast Electric and its subsidiaries, Tianjin Center and Yujingwan (including other connected persons controlled by the same entity or in mutual control relationships) is approximately RMB6.25 million.

VIII. Prior Approval and Independent Opinions of Independent Directors

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

(I) The Company has communicated with us in advance on matters related to the signing of the house lease contract. After carefully reviewing the relevant materials provided by the company on this transaction, we believe that the transaction meets the company's actual business needs and is conducive to further enhancing the company's ability to continue operations. The rental pricing reflects the support of the controlling shareholder and its related parties to the company. There are situations in which the relationship between related parties is used to damage the interests of listed companies and small and medium shareholders. We agree to submit the proposal to the 24th meeting of the ninth Board of Directors for deliberation.

(II) These lease transactions are to enhance the Company's ability to continue operating. The rent pricing reflects the support of the controlling shareholder and its related parties to the company, and does not harm the interests of listed companies and small and medium shareholders. When the Board of Directors voted on this proposal, all related Directors Voting has been avoided; we agree to this lease transaction.

By order of the Board
Shang Duoxu
Chairman

Haikou, Hainan Province, the PRC
26 August 2021

As at the date of this Announcement, the Board comprises of five executive Directors, namely Mr. Shang Duoxu, Mr. Wang Yongfan, Mr. Su Weiguo, Mr. Guo Qianli and Mr. Li Guoqing; and three independent non-executive Directors, namely Mr. Fang Guangrong, Mr. Wang Hongyu and Mr. Li Zhengning.

** for identification purpose only*