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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

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

(Stock Code: 0042)

DISCLOSEABLE AND CONNECTED TRANSACTIONS DISPOSAL OF EQUITY INTEREST IN A JOINT VENTURE

THE DISPOSAL

The Board is pleased to announce that on January 12 2024, the Transferor (a indirect non wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Transferee, pursuant to which the Transferor agreed to sell, and the Transferee agreed to acquire, 30% of the equity interests in the JV Company (representing the entire equity interest in the JV Company held by the Group) at the consideration of up to RMB9.1 million (equivalent to approximately HK\$9.928 million).

As at the date of this announcement, the JV Company is a joint venture of the Company and is owned as to 30% by the Transferor. Upon completion of the Disposal, the Group will no longer hold any equity interest in the JV Company, and its performance will no longer be reflected in the share of results of joint ventures of the Company.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, Taisheng Real Estate (Shanghai) Co., Ltd.* (泰升房地產(上海)有限公司) ("**Shanghai Taisheng**"), which is indirect wholly-owned subsidiary by Hainan HNA No. 2 Trust Management Service Co., Ltd.* (海南海航二號信管服務有限公司) ("**HNA Trust Management**").

Beijing Haihongyuan holds 81,494,850 Domestic shares, representing 9.33% of the equity interest in the Company, which is indirect wholly-owned subsidiary by HNA Trust Management.

As at the date of this announcement, as the Company, the Transferor, and the Transferee are both enterprises under the control of HNA Information Management, Therefore, Transferee Shanghai Taisheng deemed to be a connected person of the Company under Chapter 14A of

the Listing Rules.

According to the listing rules of the Hong Kong Stock Exchange, this transaction constitutes a connected transaction of the Group. As one or more of the applicable percentage rates defined in Rule 14A.76 of the listing rules do not exceed 25% and the total consideration is also less than HKD 10 million, Rule 14A.76 of the listing rules applies, stating that "this connected transaction is exempt from compliance with relevant circulars (including independent financial opinions) and shareholder approvals", This exempts the issuance of shareholder notices and shareholder meeting reviews.

INTRODUCTION

The Board is pleased to announce that on January 12 2024, the Transferor (a indirect non wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Transferee, pursuant to which the Transferor agreed to sell, and the Transferee agreed to acquire, 30% of the equity interests in the JV Company (representing the entire equity interest in the JV Company held by the Group) at the consideration of up to RMB9.1 million (equivalent to approximately HK\$9.928 million).

DETAILS OF THE EQUITY TRANSFER AGREEMENT ARE SET OUT BELOW:

Date : January 12 2024

Parties : (a) Transferor (a indirect non wholly-owned subsidiary of the Company)

(b) Transferee

As at the date of this announcement, as the Company, the Transferor, and the Transferee are both enterprises under the control of HNA Information Management, Therefore, Transferee Shanghai Taisheng deemed to be a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter : Pursuant to the Equity Transfer Agreement, the Transferor has agreed to sell, and the Transferee has agreed to acquire, 30% of the equity interests in the JV Company.

The JV Company is a company established under the laws of the PRC with limited liability which, as at the date of this announcement, is owned as to 30% by the Transferor. The total paid-up capital of the JV Company as at the date of this announcement is RMB50 million, of which RMB15 million was made by the Transferor and RMB35 million was made by

Hainan HNA Industrial Real Estate Management Co., Ltd.* (海南海航實業不動產管理有限公司) . The JV Company is principally engaged in hotel-related businesses and property leasing.

Upon completion of the Disposal, the Group will no longer hold any equity interest in the JV Company, and its performance will no longer be reflected in the share of results of joint ventures of the Company.

Consideration

The consideration of the Disposal is RMB9.1 million (equivalent to approximately HK\$9.928 million).

Basis of consideration

The consideration was determined after arm's length negotiations between the Transferor and the Transferee having considered (i) the face value of the paid-up capital of the JV Company owned by the Transferor; (ii) the appraised value of the 30% equity interests of the JV Company as of the Evaluation Date on September 30 2023 as provided in the Valuation Report; (iii) the audited net assets of approximately RMB9.2 million as at September 30 2023, and the financial position of the JV Company; and (iv) the difficulties that currently exist as detailed in, and the factors further contained in, the section headed "Reasons and Benefits of the Disposal" below.

Valuation

An independent valuation has been conducted against the JV Company by an independent valuer, to assess the fair value of the 30% equity interests of the JV Company as of the valuation Date on September 30 2023. The independent valuer issued the Valuation Report on December 15 2023.

The evaluation method used for this evaluation is the asset based approach. The reasons for selecting evaluation methods are as follows:

Reason for failure to extract income method evaluation: According to the civil ruling (2021) Qiongpo No. 1-6 issued by the Hainan Provincial High People's Court, the evaluated unit has been included in the substantive merger and reorganization case of 321 companies of HNA Group, and the period and amount of enterprise income cannot be reasonably predicted. Therefore, the income method evaluation is not applicable in this case.

The reason for extracting the asset-based method for evaluation: Chongqing Hotel has identified all assets and liabilities in the balance sheet on the evaluation benchmark date and can be evaluated separately using appropriate methods. Therefore, the asset-based method has been selected for this evaluation.

According to the Valuation Report, based on the above and the net assets of the JV Company as at the Evaluation Date in the amount of approximately RMB9.2 million, the fair value of 30% equity interests of the JV Company was approximately RMB9.2 million as at the Evaluation Date.

The valuation was based on certain principal factors, including, (i) the financial and operating situation of the JV Company, (ii) the general economic outlook, the specific economic and competitive elements affecting the JV Company's businesses, its industry and market, (iii) the nature and prospects of the industry the JV Company is operating, (iv) the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business, and (v) the stage of development, business risks, financial position and credit risk of the JV Company; and certain assumptions, including, among others, that there will be no material changes to the regulatory and economic environment governing the industry, no material changes to the financial performance of the JV Company and guideline companies.

The Directors have reviewed the assumptions adopted in the Valuation Report and have been advised that the key assumptions adopted in the Valuation Report are commonly used in valuing similar companies. There are no irregularities noted by the Directors in relation to the quantitative inputs in the valuation. The Directors (including the independent non-executive Directors) therefore consider the key assumptions, the quantitative inputs and methodology adopted in the valuation are fair and reasonable.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Disposal is fair and reasonable.

Prerequisite

The transferor, its parent company Northeast Electric Development Co., Ltd., and the transferee have obtained all necessary consent and approval for this agreement and its transactions.

Completion of sale matters

The equity transfer agreement shall be completed after the industrial and commercial registration of the equity transfer of the joint venture company in accordance with the equity transfer agreement.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The financial information of the JV Company, as extracted from the audited financial statements of the JV Company prepared in accordance with the Chinese Generally Accepted Accounting Principles, Chinese Accounting Standards for Business Enterprises, is summarised as follows:

Items	January to September 2023 (audited) (RMB'000)	For the year ended 31 December 2022 (audited) (RMB'000)
Income	6,100	8,580
Net profit after taxation	-40,930(Note 1)	29,676(Note 2)

As shown in the audited consolidated financial statements of the JV Company:

as of September 30 2023, its audited net asset value was approximately RMB 30.69 million;

as of December 31 2022, its audited net asset value was approximately RMB 71.62 million.

Note 1:

In March 2019, Chongqing Hotel provided collateral for loans from Minsheng Bank with all its properties as related parties. These collateral assets have been included in the debt assets of the restructuring plan for the substantive merger and reorganization of 321 companies of HNA Group, and the mortgagee has the priority right to be repaid. Based on the completion of the bankruptcy reorganization plan of HNA Group, impairment of investment real estate has been confirmed in this audit, at the same time, the rental income right value was recognized for the income generated from renting out investment real estate during the lease term, and a total impairment loss of RMB39,665,590.01 was recognized for investment real estate assets in this period.

Note 2:

According to the completion of the bankruptcy reorganization plan of HNA Group, the other accounts receivable and other payables in the financial statements of Chongqing Hotel include other accounts receivable and other payables that have been sealed within 321 merged and reorganized enterprises. According to the reorganization plan, the creditor's rights and debts between the 321 substantially merged and reorganized enterprises have been cleared during the reorganization process. The adjustment of the difference between other receivables and other payables is included in non operating income, resulting in an increase of RMB34,977,228.32 in non operating income for the year 2022.

Chongqing Hotel entered bankruptcy reorganization proceedings on February 10 2021, and was included in the substantive merger and reorganization of 321 companies of HNA Group. Considering that its related assets have not been released from mortgage, the mortgagee has the priority right to repayment according to the reorganization plan, and the amount of mortgage debt is greater than the market value of the assets. Therefore, the long-term equity investment has been fully depreciated during the 2020 audit. Please refer to the Annual Results Announcement for 2020 disclosed by the Company on March 29 2021 and the Announcement on Impairment and Recognition of Losses.

The sale of assets has no adverse impact on the company's financial condition, operating results, business integrity, and independence. This transaction is beneficial for optimizing the company's assets and has a positive impact on the company's current profits. After the completion of this transaction, the company will increase its asset disposal income, with an expected total profit increase of approximately RMB 9 million. The net proceeds from the sale will be used as the general operating funds of the Group.

Reasons and Benefits of the Disposal

The sale of equity in Chongqing Hotel is beneficial for the Group to activate its assets and integrate resources, supplement its liquidity needs, and further enhance the Group's risk resistance and ability to continue operating.

We plan to sell our 30% equity and the Group will no longer have any equity in the business operated by the joint venture. After the completion of the sale, the net proceeds received also contribute to increasing the cash flow of the Group.

Having taken into account the above factors, the Directors (including the independent nonexecutive Directors) consider that the Disposal, the Equity Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Equity Transfer Agreement and the proposed transactions under it have been approved and passed at the 8th meeting of the 10th Board of Directors held on January 12 2024. According to the listing rules, the related directors defined as Mr. Su Weiguo, Mr. Ding Jishi, Mr. Mi Hongjie, and Mr. Zhu Xinguang have abstained from voting.

INFORMATION ON THE PARTIES

Information on the Company, Garden Lane Hotel and the Group

The Company is a joint stock limited company incorporated in the PRC with limited liability. The Group is principally engaged in research and development, design, production and sales businesses of products related to power transmission and transformation equipment as well as hotel catering and accommodation services.

Hainan Garden Lane Flight Hotel Management Co., Ltd.* (海南逸唐飛行酒店管理有限公司), a company established under the laws of the PRC and an indirect non-wholly-owned subsidiary of the Company.

Information on Transferee Shanghai Taisheng

Taisheng Real Estate (Shanghai) Co., Ltd.* (泰升房地產(上海)有限公司), which is indirect wholly-owned subsidiary by Hainan HNA No. 2 Trust Management Service Co., Ltd., The principally business includes: real estate development and operation, leasing of self owned houses, and property management.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, Taisheng Real Estate (Shanghai) Co., Ltd.* (泰升房地產(上海)有限公司) (“**Shanghai Taisheng**”), which is indirect wholly-owned subsidiary by Hainan HNA No. 2 Trust Management Service Co., Ltd.* (海南海航二號信管服務有限公司) (“**HNA Trust Management**”).

Beijing Haihongyuan holds 81,494,850 Domestic shares, representing 9.33% of the equity interest in the Company, which is indirect wholly-owned subsidiary by HNA Trust Management.

As at the date of this announcement, as the Company, the Transferor, and the Transferee are both enterprises under the control of HNA Information Management, Therefore, Transferee Shanghai Taisheng deemed to be a connected person of the Company under Chapter 14A of the Listing Rules.

According to the listing rules of the Hong Kong Stock Exchange, this transaction constitutes a connected transaction of the Group. As one or more of the applicable percentage rates defined in Rule 14A.76 of the listing rules do not exceed 25% and the total consideration is also less than HKD 10 million, Rule 14A.76 of the listing rules applies, stating that "this connected transaction is exempt from compliance with relevant circulars (including independent financial opinions) and shareholder approvals.", This exempts the issuance of shareholder notices and shareholder meeting reviews.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Beijing Haihongyuan”	Beijing Haihongyuan Investment Management Co., Ltd.* (北京海鴻源投資管理有限公司), a company established in the PRC with limited liability and holder of approximately 9.33% of the shares of the Company as at the date of this announcement, which is indirect wholly-owned subsidiary by Hainan HNA No. 2 Trust Management Service Co., Ltd.; connected person of the Company;
“Board”	the board of Directors;
“Company”	Northeast Electric Development Co., Ltd.* (東北電氣發展股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	the directors of the Company;
“Disposal”	the disposal of 30% of the equity interests in the JV Company by the Transferor to Transferee pursuant to the Equity Transfer Agreement;
“Domestic Share(s)”	the domestic shares of nominal value of RMB1.00

	each in the share capital of the Company, which are subscribed for and traded in RMB;
“Equity Transfer Agreement”	the equity transfer agreement to the said equity transfer agreement, both dated January 12 2024 and entered into between the Transferor and the Transferee in relation to the Disposal;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong;
HNA Group	HNA Group Co., Ltd.* (海航集團有限公司), a company established in the PRC, connected person of the Company;
HNA Trust Management	Hainan HNA No. 2 Trust Management Service Co., Ltd.* (海南海航二號信管服務有限公司), a company established in the PRC, connected person of the Company;
“H Share(s)”	the overseas-listed foreign share(s) of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK\$;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’ s Republic of China;
“Independent property valuer”	Beijing Zhongcai Assets Appraisal Co., Ltd., an independent property valuer;
“JV Company” “Chongqing Hotel”	Chongqing HNA Hotel Investment Company Limited* (重慶海航酒店投資有限公司), and a Joint Venture Company directly owned by Garden Lane Hotel with 30% equity;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’ s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	A Shares and H Shares;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transferee” (Shanghai Taisheng)	Taisheng Real Estate (Shanghai) Co., Ltd.* (泰升房地產(上海)有限公司), a company established under the laws of the PRC and a which is indirect wholly-owned subsidiary by Hainan HNA No. 2 Trust Management Service Co., Ltd., connected person of the Company;
“Transferor” (Garden Lane Hotel)	Hainan Garden Lane Flight Hotel Management Co., Ltd.* (海南逸唐飛行酒店管理有限公司), a company established under the laws of the PRC and an indirectnon-wholly-owned subsidiary of the Company;
“%”	per cent.

In this announcement, translation of RMB into HKD was based on the exchange rate of RMB1 to HK\$0.9166. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

By order of the Board
Northeast Electric Development Co., Ltd.
Su weiguo
Chairman

Haikou, Hainan Province, the PRC
January 12 2024

As at the date of this Announcement, the Board comprises of six executive Directors, namely Mr. Su Weiguo, Ms. Liu Jiangmei, Ms. He Wei, Mr. Ding Jishi, Mr. Mi Hongjie and Mr. Zhu Xinguang; and three independent non-executive Directors, namely Mr. Fang Guangrong, Mr. Wang Hongyu and Mr. Li Zhengning.

* *for identification purpose only*