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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)

### Execution of the Customer Service Cooperation Agreement

And

### Estimation of Continuing Connected Transactions in 2019

#### Customer Service Cooperation Agreement

The Board of Directors of the Company (the “**Board**”) is pleased to announce that to drive the business development of the Company and expand its the market share, on 24 January 2019, Hainan Tangyuan, a wholly-owned subsidiary of the Company, entered into a customer service cooperation agreement with the Partners, pursuant to which, the parties thereto will cooperate and jointly develop customer resources, and mutually recommend customer resources. This agreement is for a term starting from 1 February 2019 to 31 January 2022. According to the customer service cooperation agreement, the Company will generate amounts due from the Partners due to the entrusted settlement, and the maximum amount of the funds occupied prior to the settlement date will be RMB 4,000,000.

In addition, to meet the sustainable development needs of the Group and based on the estimation of the daily business operation demand, it is estimated that in 2019 the Group will incur office premises rental fee of RMB 1,100,000 payable to the connected party Hainan Yingzhi, property management fee of RMB 220,000 payable to the connected party Trans Service and labor intermediary service fee of RMB 500,000 payable to the connected party HNA Business, and provide services valued RMB 1,440,000 to the connected party Hainan Junbo.

As estimated by the Board, the total amount of the above continuing connected transactions (the “**Continuing Connected Transactions**”) would reach RMB 7,260,000, taking into account RMB 4,000,000, the maximum amount of the funds occupied prior to the settlement date as provided by the customer service cooperation agreement.

### **Implications under Listing Rules**

As the Partners, Hainan Yingzhi, Trans Service, HNA Business, and Hainan Junbo are controlled by the common de facto controller of the Company, namely Hainan Province Cihang Foundation, they are the connected persons of the Company, and the transactions during the due course of the daily operation between them and the Company constitute its continuing connected transactions under the Listing Rules and the Listing Rules of Shenzhen Stock Exchange.

With regard to the Continuing Connected Transactions, any percentage rate under the transaction size test is lower than 5%. According to Rule 14A.76(2) of the Listing Rules, the Continuing Connected Transactions are exempted from complying with the provisions on circular (including independent financial opinion) and shareholder approval, but shall comply with the provisions on announcement and annual report.

The execution of the customer service cooperation agreement and the estimated cap for the Continuing Connected Transactions in 2019 were approved at the 31st meeting of the 8th session of the Board held on 24 January 2019. The connected directors as defined in the Listing Rules, namely Mr. Li Tie, Mr. Li Rui, Mr. Qin Jianmin, Mr. Zhu Jie and Mr. Bao Zongbao, abstained from voting at the Board meeting. The Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, and the Continuing Connected Transactions are entered into on normal commercial terms, in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

### **EGM**

The Continuing Connected Transactions are exempted from complying with the provisions on circular (including independent financial opinion) and shareholder approval according to the Listing Rules but shall be submitted to the General Meeting for review and consideration according to the Listing Rules of Shenzhen Stock Exchange.

The Company will hold an extraordinary general meeting according to the Listing Rules of Shenzhen Stock Exchange, to obtain the approval of the Proposal on Estimations of Continuing Connected Transactions in 2019 by the independent shareholders.

## **Introduction**

To support the company development and expand the market share of the company business, Hainan Tangyuan, a wholly-owned subsidiary of the Company, entered into a customer service cooperation agreement with the Partners on 24 January 2019, pursuant to which, the parties thereto will cooperate and jointly develop customer resources, and mutually recommend customer resources. This agreement is for a term of 3 years starting from 1 February 2019 to 31 January 2022. According to the customer service cooperation agreement, the Company will generate amounts due from the Partners due to the entrusted settlement, and the maximum amount of the funds occupied prior to the settlement date will be RMB 4,000,000.

In addition, to meet the sustainable development needs of the Group, based on the estimation of the daily business operation demand, it is estimated that in 2019 the Group will incur office premises rental fee of RMB 1,100,000 payable to the connected party Hainan Yingzhi, property management fee of RMB 220,000 payable to the connected party Trans Service and labor intermediary service fee of RMB 500,000 payable to the connected party HNA Business, and provide services valued RMB 1,440,000 to the connected party Hainan Junbo.

As estimated by the Board, the total amount of the above continuing connected transactions (the “**Continuing Connected Transactions**”) would reach RMB 7,260,000, taking into account RMB 4,000,000, the maximum amount of the funds occupied prior to the settlement date as provided by the customer service cooperation agreement.

## **CUSTOMER SERVICE COOPERATION AGREEMENT**

### **Main terms**

(I) Date: 24 January 2019

(II) Parties: Hainan Tangyuan; and

Hainan Guoshang Hotel Management Co., Ltd. (“Guoshang Hotel”),

Danzhou HNA Xintiandi Hotel Co., Ltd. (“Danzhou Hotel”),

Dongguan Yujingwan Hotel (“Dongguan Hotel”),

HNA Tianjin Center Development Co., Ltd. (“Tianjin Hotel”),

Asia-Pacific International Conference Center Co., Ltd. (“Asia-Pacific Hotel”),

Yunnan Tonghui Hotel Management Co., Ltd. (“Yunnan Hotel”), and

Jilin Province Tourism Group Co., Ltd. (“Jilin Hotel”).

(III) Term: The customer service cooperation agreement is for a term of 3 years starting from 1 February 2019 to 31 January 2022.

(IV) Cooperation content:

The parties thereto shall actively and legally recommend customer resources mutually during the cooperation period and shall not collect any commission or consideration from the other party for customer recommendation, and the parties thereto shall not charge any additional fee from customers for the recommendation. If it is necessary to designate any party to provide consumption settlement services due to the requirements of a customer, the resulting fund settlements and the corresponding fund transfer between the parties thereto shall constitute the entrusted settlement business of payment and collection.

(V) Settlement and payment:

1. Regular settlement

For the fund transfers between the parties thereto resulting from an entrusted settlement, the verification of account statements for the last month shall be completed by 10th each month, and the fund settlement shall be completed by 15th each month.

2. Irregular settlement

Considering the daily operation fund demand of the parties thereto, the cap of the account balance under a settlement at any time of the year shall not exceed the amounts shown in the following table. If it exceeds the corresponding balance cap, the parties thereto shall verify the account statements immediately and make a settlement. The settlement account balances are detailed below:

<b>Partner Name</b>	<b>Amounts due from the Partners (RMB)</b>
Guoshang Hotel	130,000
Danzhou Hotel	220,000
Dongguan Hotel	790,000
Tianjin Hotel	430,000
Asia-Pacific Hotel	630,000
Yunnan Hotel	360,000
Jilin Hotel (Purple Svevo Hotel)	710,000
Jilin Hotel (Changbaishan Hotel)	730,000
<b>Total</b>	<b>4,000,000</b>

(VI) Termination and renewal: The cooperation agreement will be terminated upon expiry, and it can be reviewed by the parties thereto after reaching consensus through negotiation.

### **Historical Amounts**

Since Hainan Tangyuan did not have any similar transactions with the Partners, there is no historical transaction amount available.

### **Proposed Annual Caps**

According to the customer service cooperation agreement, the Company will generate amounts due from the Partners due to the entrusted settlement, and the maximum amount of the funds occupied prior to the settlement date will be RMB 4,000,000 in total. Such proposed maximum cap was determined after taking in to account of (i) the daily operation fund demand of the Company; (ii) the estimated daily operation scale; (iii) the reasonable settlement cycle for a business cooperation with any third party.

## Reasons and Benefits for Entering into the Customer Service Cooperation Agreement

The conclusion of the customer service cooperation agreement by the Company is based on the daily business needs. The cooperation will help develop the market resources of the parties thereto, expanding their customer coverage, increasing their market share and bringing them more income and profit, which is in the interests of the Company.

The Board (including the independent non-executive directors) believes that the transactions contemplated under the customer service cooperation agreement are entered into in the usual and normal course of business of the Company, and the customer service cooperation agreement is executed on normal commercial terms which are fair, reasonable and in the interests of the Company and the shareholders as a whole.

The connected directors acknowledged that they had abstained from voting at the Board meeting.

## OTHER CONTINUING CONNECTED TRANSACTIONS IN 2019

Main terms are summarized below:

Agreement	Parties	Term	Agreement content
Office Premises Lease Agreement	Northeast Electric and Hainan Yingzhi Construction Development Co., Ltd	1 January 2019 to 31 December 2019	Hainan Yingzhi leases an office area at the west zone of Floor 22, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City to the Company. The leased area is 679.1 square meters.
Property Management Agreement	Northeast Electric and Hainan Trans Service Management Co., Ltd	1 January 2019 to 31 December 2019	Trans Service provides property management service to the office to the Company.
Labor Intermediary Service Agreement	Northeast Electric , Hainan Tanguyan and	1 January 2019 to 31 December 2019	HNA Business provides labor

	HNA Business Services Co., Ltd.		intermediary services to the Company and Hainan Tangyuan provides agent payment of compensation and benefit.
Provision of Labor Service Agreement	Hainan Tangyuan and Hainan Junbo Hotel Management Co., Ltd	1 January 2019 to 31 December 2019	Hainan Tangyuan provided labor services (including chefs) to Hainan Junbo.

### Historical Amount and Estimated Cap for Proposed Transactions in 2019

The historical transaction amounts of the other continuing connected transactions for the years ended 31 December 2018 and the estimated cap for the proposed continuing connected transactions in 2019 are set out in the following table.

Amount : RMB

Item	Year ended 31 December	
	2018	2019
Office premises lease provided to the Company	825,100	1,100,000
Property management service provided for the office of the Company	168,100	220,000
Labor intermediary service provided to the Company and Hainan Tangyuan	9,600	500,000
Labor service provided by the Hainan Tangyuan to Hainan Junbo	120,000	1,440,000
<b>Total</b>	<b>1,122,800</b>	<b>3,260,000</b>

Factors taken into account when estimating the cap for the proposed continuing connected transactions in 2019 include: (i) historical transaction amount; (ii) market price of local similar and comparable transaction of the same type; (iii) estimated demand of daily business development in 2019.

### **Reasons and benefits for other continuing connected transactions**

These transactions will further meet the daily operation needs of the Company, and are good for the Company to achieve business growth, save costs and improve profitability in daily operation.

The Board (including the independent non-executive directors) believes that the other continuing connected transactions are concluded in the usual and normal course of business of the Company and on normal commercial terms, and the estimated annual caps under the proposal are fair and reasonable and in the interests of the Company and the shareholders as a whole.

The connected directors acknowledged that they had abstained from voting at the Board meeting.

### **INFORMATION ON THE COMPANY AND HAINAN TANGYUAN**

The Group mainly engages in the R&D, design, manufacturing and sales of the products related to electric transmission and transformation equipment.

Hainan Tangyuan is a wholly-owned subsidiary of the Company, mainly engaging in catering, conference reception and other relevant services.

### **INFORMATION ON THE PARTNERS, HAINAN YINGZHI, TRANS SERVICE, HNA BUSINESS, AND HAINAN JUNBO**

Hainan Guoshang Hotel Management Co., Ltd (海南國商酒店管理有限公司) mainly engages in the management, investment and development of hotels and tourism projects.

Danzhou HNA Xintiandi Hotel Co., Ltd (儋州海航新天地酒店有限公司) mainly engages in the management of hotel and conference reception.

Dongguan Yujingwan Hotel (東莞禦景灣酒店) mainly engages in providing accommodation, catering and entertainment services.

HNA Tianjin Center Development Co., Ltd (海航天津中心發展有限公司) mainly engages in the management of hotels, property leasing, business consulting and sales of general merchandise.

Asia-Pacific International Conference Center Co., Ltd (亞太國際會議中心有限公司) mainly engages in real estate development and providing accommodation, catering and entertainment services.

Yunnan Tonghui Hotel Management Co., Ltd (雲南通匯酒店管理有限公司) mainly engages in the management of hotels, business consulting and ticket agent services.

Jilin Province Tourism Group Co., Ltd (吉林省旅遊集團有限責任公司) mainly engages in providing accommodation, catering and tourism consulting services and ticket agent services.

Hainan Yingzhi Construction Development Co. Ltd (海南英智建設開發有限公司) mainly engages in real estate project planning, real estate project intermediary services and tourism project development and management.

Hainan Trans Service Management Co., Ltd (海南一卡通物業管理股份有限公司) mainly engages in providing property management services to office buildings, governmental offices, schools and high-end residential communities.

HNA Business Services Co., Ltd.(海南海航商務服務有限公司) mainly engages in comprehensive business services, such as headhunting, talent training, payroll outsourcing, foreign affairs license application, enterprise meeting arrangement and management consultation.

Hainan Junbo Hotel Management Co., Ltd (海南珺博酒店管理有限公司) mainly engages in hotel management, catering service and meeting management.

## **INFORMATION ON HAINAN PROVINCE CIHANG FOUNDATION**

Hainan Province Cihang Foundation (海南省慈航公益基金會), which is the *de facto* controller of the Partners, Hainan Yingzhi, Trans Service, HNA Business, and Hainan Junbo, is a non-profit organization mainly engaging in medical assistance, disaster relief, education assistance, environmental protection and other charitable activities.

## **IMPLICATIONS UNDER LISTING RULES**

As the Partners, Hainan Yingzhi, Trans Service, HNA Business, and Hainan Junbo are controlled by the common *de facto* controller of the Company, namely Hainan Province Cihang Foundation, they are the connected persons of the Company, and the transactions during the due course of the daily operation between them and the Company constitute its continuing connected transactions under the Listing Rules and the Listing Rules of Shenzhen Stock Exchange.

With regard to the Continuing Connected Transactions, any percentage rate under the transaction size test is lower than 5%. According to Rule 14A.76(2) of the Listing Rules, these Continuing Connected Transactions are exempted from complying with the provisions on circular (including independent financial opinion) and shareholder approval, but shall comply with the provisions on announcement and annual report.

The execution of the customer service cooperation agreement and the estimated cap for the Continuing Connected Transactions in 2019 were approved at the 31st meeting of the 8th session of the Board held on 24 January 2019. The connected directors as defined in the Listing Rules, namely Mr. Li Tie, Mr. Li Rui, Mr. Qin Jianmin, Mr. Zhu Jie and Mr. Bao Zongbao, abstained from voting at the Board meeting. The Directors have confirmed that the terms of the Continuing Connected Transactions are fair and reasonable, and the Continuing Connected Transactions are entered into on normal commercial terms, in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

## **EGM**

The Continuing Connected Transactions are exempted from complying with the provisions on circular (including independent financial opinion) and shareholder approval according to the Listing Rules, but shall be submitted to the General Meeting for review and consideration according to the Listing Rules of Shenzhen Stock Exchange.

The Company will hold an extraordinary general meeting according to the Listing Rules of Shenzhen Stock Exchange, to obtain the approval of the Proposal on Estimations of Continuing Connected Transactions in 2019 by the independent shareholders.

Beijing Haihongyuan Investment Management Co., Ltd (北京海鴻源投資管理有限公司), holding 9.33% of the equity interests in the Company, is wholly owned by HNA Tourism Group Limited (海航旅遊集團有限公司), which in turn is owned as to 69.96% by HNA Group Co., Ltd(海航集團有限公司), which in turn is owned as to 70% by Hainan Traffic Administration Holding Co., Ltd (海

南交管控股有限公司), which in turn is owned as to 50% by Shengtang Development (Yangpu) Co., Ltd (盛唐發展(洋浦)有限公司), which in turn is owned as to 65% by Hainan Province Cihang Foundation (海南省慈航公益基金會), which is the *de facto* controller of the Partners, Hainan Yingzhi, Trans Service, HNA Business and Hainan Junbo. As Beijing Haihongyuan Investment Management Co., Ltd (北京海鴻源投資管理有限公司), which controls over the voting right in respect of its Shares in the Company, is an associate of the Partners, Hainan Yingzhi, Trans Service, HNA Business and Hainan Junbo and thus has a material interest in the Continuing Connected Transactions, it is required to abstain from voting at the EGM in respect of the Proposal on Estimations of Continuing Connected Transactions in 2019.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the Continuing Connected Transactions above and no Shareholder is required to abstain from voting at the EGM in respect of the Proposal on Estimations of Continuing Connected Transactions in 2019.

## **DEFINITIONS**

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

<b>"Board"</b>	the Board of Directors
<b>"Company"</b>	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 A Shares and H Shares are listed on the Shenzhen Stock Exchange and main board of the Stock Exchange, respectively
<b>"Customer Service Cooperation Agreement"</b>	the cooperation agreement entered into between Hainan Tangyuan and the Partners on 24 January 2019, pursuant to which, the parties thereto will cooperate and jointly develop customer resources and mutually recommend customers, with a term of three years commencing from 1 February 2019 to 31 January 2022

<b>"Directors"</b>	the directors of the Company
<b>"EGM"</b>	the extraordinary general meeting of the Company to be convened to consider, and if though fit, approve the Proposal on Estimations of Continuing Connected Transactions in 2019
<b>"Group"</b>	the Company and its subsidiaries
<b>"Hainan Junbo"</b>	Hainan Junbo Hotel Management Co., Ltd(海南珺博酒店管理有限公司), a limited liability company established under the laws of the PRC on 6 September 2011 and a connected party of the Company
<b>"Hainan Tangyuan"</b>	Hainan Tangyuan Technology Co., Ltd.(海南唐苑科技有限公司), a limited liability company established under the laws of the PRC on 29 April 2016 and a wholly owned subsidiary of the Company;
<b>"Hainan Yingzhi"</b>	Hainan Yingzhi Construction Development Co., Ltd(海南英智建設開發有限公司), a limited liability company established under the laws of the PRC on 11 October 2016 and a connected party of the Company
<b>"HNA Business"</b>	HNA Business Services Co., Ltd.(海南海航商務服務有限公司), a limited liability company established under the laws of the PRC on 4 February 2016 and a connected party of the Company
<b>"Listing Rules"</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>"Listing Rules of Shenzhen Stock Exchange"</b>	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange

<b>"Northeast Electric"</b>	Northeast Electric Development Co., Ltd.
<b>"Other Continuing Connected Transactions"</b>	Office Premises Lease Agreement, Property Management Agreement, Labor Intermediary Service Agreement, and Provision of Labor Service Agreement
<b>"Partners"</b>	The partner hotels, namely Hainan Guoshang Hotel Management Co., Ltd.(海南國商酒店管理有限公司), Danzhou HNA Xintiandi Hotel Co., Ltd. (儋州海航新天地酒店有限公司), Dongguan Yujingwan Hotel (東莞禦景灣酒店), HNA Tianjin Center Development Co., Ltd.(海航天津中心發展有限公司), Asia-Pacific International Conference Center Co., Ltd.(亞太國際會議中心有限公司), Yunnan Tonghui Hotel Management Co., Ltd.(雲南通匯酒店管理有限公司), Jilin Province Tourism Group Co., Ltd.(吉林省旅遊集團有限公司), which entered into the Customer Service Cooperation Agreement with Hainan Tangyuan and are connected parties of the Company
<b>"RMB"</b>	Renminbi, the lawful currency of the PRC
<b>"Shareholder(s)"</b>	the holder(s) of the Shares of the Company
<b>"Shenzhen Stock Exchange"</b>	Shenzhen Stock Exchange
<b>"Stock Exchange"</b>	The Stock Exchange of Hong Kong Limited
<b>"Trans Service"</b>	Hainan Trans Service Management Co., Ltd(海南一卡通物業管理股份有限公司), a limited liability company established under the laws of the PRC on 31 April 2000 and a connected party of the Company

By order of the Board

**Li Tie**

*Chairman*

Haikou, Hainan Province, the PRC

24 January 2019

*As at the date of the Announcement, the Board of Directors comprises of six executive directors, namely Mr. Li Tie, Mr. Li Rui, Mr. Zhu Jie, Mr. Qin Jianmin, Mr. Bao Zongbao, and Mr. Su Weiguo; and three independent directors, namely Mr. Li Ming, Mr. Jin Wenhong and Mr. Qian Fengsheng.*