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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)

Announcement on Litigation

This announcement is made by Northeast Electric Development Co., Ltd. (the “**Company**”) pursuant to Rule 13.09 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Inside Information Provisions (as defined in the Listing Rules) (the “**Inside Information Provisions**”) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

I. Basic information on the litigation

The Company received the Notice of Appearance [(2023) Qiong 96 Min Chu No.947], the bill of indictment, and other related litigation materials served by the First Intermediate People's Court of Hainan Province (the “**Court**”) on January 17 2024. The basic information about the litigation is as follows:

1. Parties in the litigation

Plaintiff: Wang Juan, currently residing in Jinan City, Shandong Province, the PRC.

Defendant 1 : Northeast Electric Development Co., Ltd.; Domicile: Room A1-1077, 5/F, Block A, Business Incubation Center, Haikou City National High-tech Zone, No.266, Nanhai Avenue, Haikou City, Hainan Province; Legal representative: Su Weiguo; Title: Chairman.

Defendant 2 : Mazars Certified Public Accountants LLP * (中審眾環會計師事務所(特殊普通合夥)); Office address: 2/F-9/F, No. 169 Donghu Road, Wuchang District, Wuhan City, Hubei Province; Executive partners: Shi Wenxian, Guan Yunhong, and Yang Ronghua.

2. Claims

- (1) Order the defendant Northeast Electric to make new annual reports for 2020, 2021, and 2022;
- (2) Order the defendant Mazars Certified Public Accountants LLP to issue new audit reports for the years 2020 and 2021;
- (3) Defendants shall bear the cost of the lawsuit.

3. Grounds and Basis

(1)The defendant Northeast Electric's 2020 annual report improperly provisioned for impairment losses in full for Tianjin Center (referring to 10.5% equity investment of HNA Tianjin Center Development Co., Ltd. *(海航天津中心發展有限公司)) and Chongqing Hotel (referring to 30% equity investment of Chongqing HNA Hotel Investment Co., Ltd.*(重慶海航酒店投資有限公司)). The 2020 annual report is a report to investors on the operating status of Northeast Electric in 2020. The Higher People's Court of Hainan Province made a civil ruling on March 13 2021, regarding the merger and reorganization of the 321 companies (including HNA Group) under the Restructuring Plan. Although Tianjin Center and Chongqing Hotel were included in the merger and reorganization, it was clearly inappropriate to fully provision for impairment losses in that year.

(2)The defendant Northeast Electric's 2021 annual report did not reverse the portion of impairment provision for Tianjin Center and Chongqing Hotel, but instead recognized the recoverable investment income as 0 based on the fact that the asset has not been released from collateral, which is clearly inappropriate.

(3)The defendant Northeast Electric's 2022 annual report still failed to reverse the losses provisioned on the grounds that the mortgage has not been released. Due to the confirmation of the completion of the 321 companies (including HNA Group) under the Restructuring Plan by the Hainan Provincial High People's Court on April 24 2022, the handling of the relevant rights and interests of Tianjin Center and Chongqing Hotel in the annual report is still inappropriate.

In summary, the 2020 annual report, 2021 annual report, and 2022 annual report issued by the defendant Northeast Electric were inappropriate, and the 2020 annual audit report and 2021 annual audit report issued by the defendant Mazars Certified Public Accountants LLP did not correct the errors of the audited entity, all of which are considered inappropriate. The annual report and audit report did not reasonably reflect the actual operating status of the listed company, resulting in negative profits for Northeast Electric in 2020 and 2021, and therefore delisted. The two defendants overly emphasized the protection of investors who plan to purchase shares of Northeast Electric, disregarding the rights and interests of existing small and medium-sized shareholders, seriously damaging the rights and interests of existing shareholders. Requesting your court to order the defendant Northeast Electric to issue new annual reports for 2020, 2021, and 2022, and to order the defendant Mazars Certified Public Accountants LLP to issue new audit reports for 2020 and 2021.

II. Judgment or Verdict

The court hearing has not yet been held for the case. The Company will fulfill duty of information disclosure timely regarding the progress of the case according to the related regulations.

III. Other Undisclosed Litigations or Arbitrations

As of the announcement date, the Company and its subsidiaries did not have any other litigations or arbitrations that should be disclosed but have not been disclosed.

IV. Negative Impact of the Litigation in the Announcement on the Current or Subsequent Profit of the Company

At present, the Company is in normal production and operation. The Company will actively respond to the lawsuit and safeguard its rights and interests. As the lawsuit has not yet been heard and the final judgment of the court has not been reached, so the negative impact on the Company's current profits or subsequent profits cannot be determined for the time being. Investors are advised to be cautious of investment risks.

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

Haikou, Hainan Province, the PRC
January 17 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*