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If you have sold or transferred all your shares in **NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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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)

(1) ISSUE OF NEW H SHARES UNDER THE SPECIFIC MANDATE
(2) NOTICE OF EGM
(3) NOTICE OF H SHAREHOLDERS' CLASS MEETING
AND
(4) NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

Notices convening an extraordinary general meeting (“EGM”) of the shareholders of the Northeast Electric Development Co., Ltd. (the “Company”) and separate class meetings (“Class Meetings”) of holders of H Shares and holders of Domestic Shares of the Company to be held at the Conference Room, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People's Republic of China on 30 December 2022 (Friday) at 9:30 a.m., 10:00 a.m., and 10:30 a.m., respectively, are set out on pages 20 to 25 of this circular.

If you intend to attend the EGM and/or the Class Meetings in person or by proxy, you are required to complete and return the reply slip to the Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holders of H Shares) or the Company at 19th Floor, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People's Republic of China (for holders of Domestic Shares) on or before Thursday, 22 December 2022.

If you intend to attend the EGM and/or the Class Meetings by proxy, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company (for holders of Domestic Shares) or Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holders of H Shares) as soon as possible and in any event not later than 24 hours before the time appointed for holding of the EGM and Class Meetings or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and Class Meetings or any adjournment thereof should you so wish.

7 December 2022

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DEFINITIONS

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

“Agreed Conversion Rate”	the average of the conversion rate of RMB to HK\$ as announced by the People’s Bank of China for the five Business Days immediately before the Completion Date (including the Completion Date)
“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Class Meetings”	the respective class meetings of the holders of H Shares and holders of Domestic Shares to be convened and held for the purposes of approving, among other things, the Subscription Agreement and the transactions contemplated thereunder including the Specific Mandate
“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
“Completion”	the completion of the Subscription Agreement
“Completion Date”	the date of Completion, being the 5th Business Day after the day on which the last of the Conditions is fulfilled or waived (or such later date as the Parties may agree in writing)
“Conditions”	conditions precedent to the Subscription Agreement as set out in the paragraph headed “Conditions precedent” in this circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“CSRC”	中國證券監督管理委員會(China Securities Regulatory Commission)
“Director(s)”	director(s) of the Company

DEFINITIONS

“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Domestic Shares”	the domestic shares of nominal value of RMB1.00 each in the share capital of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purposes of approving, among other things, the Subscription Agreement and the transactions contemplated thereunder including the Specific Mandate
“Group”	the Company and its subsidiaries and the expression “ Member of the Group ” means any one of them
“H Shareholder(s)”	holder(s) of H Share(s)
“H Shares”	the overseas listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on main board of the Stock Exchange and subscribed for and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	2 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2023 or such other later date as the Parties may agree
“Material Adverse Change”	any incident, situation, effect or the happening of any incident or any state of any of them which has or is likely to have a material adverse effect on the assets, liabilities, businesses or financial position of the Group as a whole
“Material Adverse Effect”	any Material Adverse Change on the businesses, operations, assets, liabilities or financial position or prospect of the Group or any Member of the Group

DEFINITIONS

“Parties”	the Company and the Subscriber, being parties to the Subscription Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange of the PRC
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Shareholders at the EGM and Class Meetings to issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement which, if granted by the Shareholders to the Directors at the EGM and the Class Meetings, will remain valid from the Shareholders’ approval and last until 31 July 2023, being the Long Stop Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	W.H.B.D (HK) Technology Limited, a company incorporated in Hong Kong with limited liability
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 27 July 2022 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	RMB1.00 per Subscription Share
“Subscription Shares”	a total of 90,000,000 new H Shares to be issued by the Company pursuant to the Subscription Agreement
“Supervisory Authority”	any relevant governmental department, administrative department, regulator, court, tribunal or arbitration centre including but not limited to CSRC, SFC and the Stock Exchange
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.158 has been used for currency translation. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount in HK\$ or RMB have been, could have been or may be converted at such or any other rate at all.

LETTER FROM THE BOARD



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)

Directors:

Mr. Shang Duoxu (*Chairman*)
Mr. Su Weiguo
Mr. Mi Hongjie

Independent Non-executive Directors:

Mr. Fang Guangrong
Mr. Wang Hongyu
Mr. Li Zhengning

Registered Office:

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The People's Republic of China

*Head office and principal place of business in
Hong Kong:*

17/F, Winsan Tower
98 Thomson Road
Wanchai
Hong Kong

To Shareholders

Dear Sirs or Madams,

ISSUE OF NEW H SHARES UNDER THE SPECIFIC MANDATE

Introduction

Reference is made to the announcement of the Company dated 27 July 2022, whereby it was announced that on 27 July 2022, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price of RMB1.00 per Subscription Share.

The purpose of this circular is to give you further information regarding the Subscription which is reasonably necessary to enable you to make an informed decision as to whether to vote in favour of the resolution(s) proposed at the EGM and the Class Meetings.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Set out below are the salient terms of the Subscription Agreement:

Date : 27 July 2022

Parties : (1) The Company as issuer
(2) The Subscriber as subscriber

To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, the Subscriber and its beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and are independent of the Company or any connected person of the Company.

Number of Subscription Shares

The Subscription Shares are 90,000,000 new H Shares to be allotted and issued by the Company under the Specific Mandate. The Subscription Shares represent approximately 34.89% and 10.30% of the total issued H Shares and the total issued Shares as at the date of the Subscription Agreement, respectively, and approximately 25.87% of the total issued H Shares and 9.34% of the total issued Shares as enlarged by the issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares will be RMB90,000,000.

Subscription Price

The Subscription Price of RMB1.00 (equivalent to approximately HK\$1.158) per Subscription Share represents:

- (i) a premium of approximately 321.09% to the closing price of HK\$0.275 per H Share as quoted on the Stock Exchange on 26 July 2022, being the last trading day prior to the date of the Subscription Agreement;
- (ii) a premium of approximately 330.48% to the average closing price of HK\$0.269 per H Share as quoted on the Stock Exchange for the last 5 trading days prior to the date of the Subscription Agreement;
- (iii) a premium of approximately 340.30% to the average closing price of HK\$0.263 per H Share as quoted on the Stock Exchange for the last 20 trading days prior to the date of the Subscription Agreement; and
- (iv) a premium of approximately 273.55% to the closing price of HK\$0.31 per H Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber which have taken into account, among others, the view of the Subscriber on the future development of the Company, recent market prices of the H Shares and the current market conditions and the restriction under the Companies Law of the PRC that H Shares shall not be issued at a price less than its nominal value of RMB1.00. The aggregate Subscription Price for the Subscription Shares, being RMB90,000,000, shall be paid by the Subscriber at the Agreed Conversion Rate by HK\$ at Completion.

Conditions precedent

Completion will be conditional upon the following Conditions having been fulfilled or waived (if applicable):

- (1) the CSRC having granted approval for the issue and allotment of the Subscription Shares by the Company to the Subscriber;
- (2) the Shareholders having passed special resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM and Class Meetings;
- (3) the Listing Committee having granted the listing of, and permission to deal in, the Subscription Shares;
- (4) all warranties given by the Company in the Subscription Agreement being true, accurate and not misleading in all material respects from the date of the Subscription Agreement up to Completion;
- (5) from the date of the Subscription Agreement to the date of Completion, H Shares continue to list and trade on the Stock Exchange (save for the suspension of trading as a result of the Subscription Agreement and the transactions contemplated thereunder or other suspensions which last for not more than 10 trading days) and there is no notice prior to Completion from the Stock Exchange indicating the Shares will or may be delisted from the Stock Exchange;
- (6) at Completion, there is no order made by the Supervisory Authority to any Party which restrains it from proceeding with Completion;
- (7) from the date of the Subscription Agreement, there is no (i) Material Adverse Effect apart from the influence which might be brought by the delisting of the Domestic Shares from the Shenzhen Stock Exchange; or (ii) no change in the laws of those jurisdictions in which Members of the Group operate which has Material Adverse Change on the Group as a whole; and
- (8) the Company has fulfilled all of its obligations under the Subscription Agreement.

LETTER FROM THE BOARD

If any of such Conditions shall not have been fulfilled or waived by the Company and the Subscriber (save for Conditions (1), (2), (3) and (6) which cannot be waived) on or before the Long Stop Date, the obligations and liabilities of the Subscriber and the Company under the Subscription Agreement shall be null and void and neither the Company nor the Subscriber shall have any claim, whatsoever, against the other for costs, damages, compensation or otherwise.

Completion

Completion shall take place on the 5th Business Day after the day on which the last of the Conditions is fulfilled or waived (or such later date as the Parties may agree in writing).

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the number of issued Shares is 873,370,000 Shares, comprising 615,420,000 Domestic Shares and 257,950,000 H Shares.

Assuming that: (1) the Specific Mandate is granted by the Shareholders at the EGM and Class Meetings; (2) all conditions for the issue and allotment of the Subscription Shares have been fulfilled; and (3) all the Subscription Shares are issued, the possible changes in the share capital and shareholding structure of the Company will be as follows:

Class of Shares	As at the Latest Practicable Date		Immediately upon Completion of the Subscription	
	Number of Shares	%	Number of Shares	%
Domestic Shares	615,420,000	70.46	615,420,000	63.88
-Beijing Haihongyuan Investment Management Co., Ltd.	81,494,850	9.33	81,494,850	8.46
-Other holders of Domestic Shares	533,925,150	61.13	533,925,150	55.42
H Shares	257,950,000	29.54	347,950,000	36.12
-Subscriber	-	-	90,000,000	9.34
-Public holders of H Shares	257,950,000	29.54	257,950,000	26.78
Total:	873,370,000	100.00	963,370,000	100.00

LETTER FROM THE BOARD

SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES

Subject to the Shareholders having passed special resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM and Class Meetings and fulfillment of other conditions precedent, the Subscription Shares will be allotted and issued by the Company pursuant to the Specific Mandate. Pursuant to the Specific Mandate, the Board will be authorised to allot and issue up to 90,000,000 new H Shares.

REGULATORY AND CORPORATE APPROVALS

The Company will obtain the necessary PRC regulatory approval for the Subscription, being the approval from the CSRC, as well as the necessary corporate approvals, being the Specific Mandate and the relevant Board approval.

The Company currently plans to submit the application for the approval of issue of the Subscription Shares to CSRC by the end of December 2022 after the relevant resolutions are passed by in the EGM and/or the Class Meetings and anticipate to receive the approval (if accepted by CSRC) within 2 months thereafter (in the best case scenario) or 6 to 9 months (in the worst case scenario where supplemental documents or information are required by CSRC).

The Shareholders should note that the Long Stop Date is set at 31 July 2023, which is longer than 9 months from the date of the EGM and the Class Meetings and the Specific Mandate, if granted by the Shareholders to the Directors at the EGM and the Class Meetings, will remain valid from the Shareholders' approval and last until 31 July 2023, being the Long Stop Date.

RANKING OF THE SUBSCRIPTION SHARES

The Subscription Shares will rank pari passu in all respects with the H Shares in issue on the date of allotment and issue of the Subscription Shares, including the right to receive all dividends and distributions declared, made or paid on or after the date of allotment and issue of the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors consider that the Subscription represents an opportunity to raise capital for the Company while broadening the capital base of the Company. The Subscription will allow the Company to reduce its gearing ratio and replenish the capital of the Company timely and promote the development of its business. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF PROCEEDS

The gross proceeds from the Subscription will be RMB90,000,000 (equivalent to approximately HK\$104.2 million) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately RMB86,000,000 (equivalent to approximately HK\$99.6 million). On such basis, the net price per Subscription Share will be approximately RMB0.96 (equivalent to approximately HK\$1.11). The net proceeds from the Subscription are intended to be used to replenish the capital of the Company, among which, (i) approximately RMB31,000,000 (equivalent to approximately HK\$35.9 million) (36.0%) will be used for repaying the short term liabilities; (ii) approximately RMB15,000,000 (equivalent to approximately HK\$17.3 million) (17.4%) will be used in connection with the production of new busbar products for uses in new electricity generation such as product testing, pilot run and marketing activities; (iii) approximately RMB20,000,000 (equivalent to approximately HK\$23.2 million) (23.3%) will be used for developing the e-commerce business system for the sale of the Group's products; and (iv) approximately RMB20,000,000 (equivalent to approximately HK\$23.2 million) (23.3%) shall be used as working capital of the Company.

Leveraged on its experience and expertise in traditional electricity transmission products, the Group has been planning since 2020 to extend its products such as isolated phase busbar (離相封閉母線) and common enclosure busbar (共箱封閉母線) used in thermal power generation for uses in new energy sectors such as wind power, photovoltaic and energy-saving. At present, certain of the new busbar products are undergoing pilot run and preliminary testing and the Group will devote further resources to develop such new products.

Relying on the geographical advantage and the supportive policies of Hainan Free Trade Port, the Group is planning to set up a new subsidiary which will be principally engaged in running an e-commerce system for the sale of the Group's products including but not limited to its home-made electricity transmission, transformation and other products and provide kit sourcing facilities to clients which are power station constructors adopting engineering procurement construction (EPC). Preliminarily, the Group will outsource the building work of the e-commerce system to independent software and/or network subcontractors after completion of the Subscription and the Company currently estimates that it will take approximately 5 to 8 months to complete the exercise.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity in the 12 months preceding the Latest Practicable Date.

APPLICATION FOR LISTING

Subject to the Shareholders having passed special resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM and Class Meetings, application will be made to the Listing Committee for listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

INFORMATION OF THE SUBSCRIBER

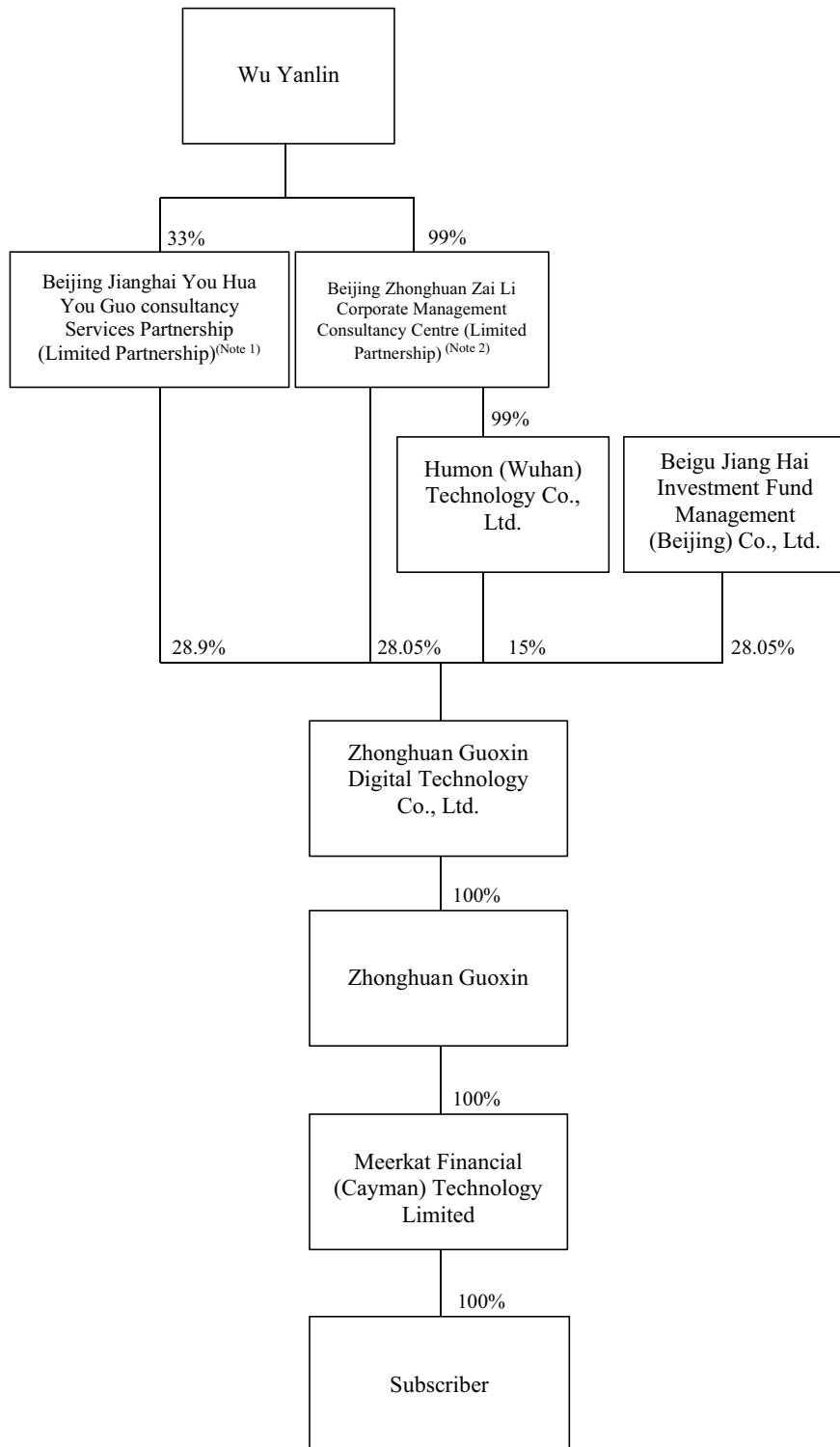
The Subscriber is a company incorporated in Hong Kong as a company with limited liability and is an investment holding company adopted by Zhonghuan Guoxin (Beijing) Investment Fund Co., Ltd. (中軸線投資基金有限公司)(former Chinese name known as “中環國信(北京)投資基金有限公司”) (“**Zhonghuan Guoxin**”) to hold the Subscription Shares. Zhonghuan Guoxin is a Beijing-based investment fund existed in the form of a limited liability company established in 2015 with a registered capital of RMB100 million whose ultimate principal shareholder is Mr. Wu Yanlin and is principally engaged in exploring investment opportunities allied with the national economic growth of the PRC by means of equity investment or merge and acquisition. At present, the investments of Zhonghuan Guoxin cover areas including innovative technology, corporate services and advanced production, financial technology, culture and tourism and life sciences.

Mr. Wu Yanlin, aged 33, was a graduate of each of the Harvard University with a bachelor’s degree in psychology and the University of Toronto with a master’s degree in medicine. Prior to founding Zhonghuan Guoxin in 2015, he worked under the employ of several companies such as assistant to president in China Orient Asset Management Limited (中國東方資產管理股份有限公司), deputy head of preparatory division of Dongfang Jincheng International Credit Assessment Co., Ltd. (東方金誠國際信用評估有限公司) and vice president of investment banking division of J.P. Morgan Securities (China) Company Limited (摩根大通證券有限責任公司).

In order to broaden its shareholders’ base and reduce its gearing ratio, the Company has been actively looking for investors to subscribe for new H Shares since the beginning of 2022. In recent years, the People’s Government of Hainan Province has been actively optimizing the business environment and procuring outsiders to invest in Hainan Province. The Subscription was resulted from the recommendation made by the People’s Government of Hainan Province to Zhonghuan Guoxin on the investment opportunities in the Company in April 2022.

The following chart sets out the structure of the Subscriber and Zhonghuan Guoxin:

LETTER FROM THE BOARD



Note:

1. Mr. Wu Yanlin is the limited partner who agreed to subscribe for 33% of the capital of the limited partnership.
2. Mr. Wu Yanlin is the general partner who agreed to subscribe for 99% of the capital of the limited partnership.

LETTER FROM THE BOARD

Although the Subscription Price represents a significant premium to the current market price of H Share, the Subscriber considers that it is worth investing in the Company by means of the Subscription as the Subscriber is optimistic about the long-term development of the Company particularly having taken into account the following factors: (a) in the Subscriber's opinion, all material risks of the Group have been reflected in the current market price of H Shares; (b) the future potential of the Group in the new energy sector as it has started to develop certain new busbar products for uses in new electricity generation; (c) the Group has started to develop its e-commerce business system, which is highly supported by policies of Hainan Free Trade Port, the place in which the Group is situated.

PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposes to amend the Articles to reflect, among others, the changes in the total number of issued Shares and H Shares after the Subscription. The Board also proposes to adopt a new set of amended and restated Articles containing the aforesaid proposed amendments to the Articles in substitution for and to the exclusion of the existing Articles.

The proposed amendments to the Articles are as follows:

(i) Existing article 18 of the Articles:

“Upon the approval of the company supervisory department authorised by the State Council, the total number of ordinary shares which may be issued by the Company is 873,370,000 shares, the nominal value of each share being RMB 1, of which:

- (i) A shares total 615,420,000 shares, accounting for 70.46% of the total share capital of the Company;*
- (ii) H shares total 257,950,000 shares, accounting for 29.54% of the total share capital of the Company.”*

It is proposed that the existing article 18 be deleted in its entirety and replaced with the following:

“Upon the approval of the company supervisory department authorised by the State Council, the total number of ordinary shares which may be issued by the Company is 963,370,000 shares, the nominal value of each share being RMB 1, of which:

- (i) domestic shares total 615,420,000 shares, accounting for 63.88% of the total share capital of the Company; and*
- (ii) H shares total 347,950,000 shares, accounting for 36.12% of the total share capital of the Company.”*

(ii) Existing article 21 of the Articles:

“The Company's registered capital is RMB873,370,000.”

LETTER FROM THE BOARD

It is proposed that the existing article 21 be deleted in its entirety and replaced with the following:

“The Company’s registered capital is RMB963,370,000.”

Save for the proposed amendments to the Articles set out above, other provisions in the Articles remain unchanged.

The Company confirms that the amendments to the Articles will not affect the existing businesses and operations of the Group and the Directors confirm that the proposed amendments to the Articles are in compliance with the Listing Rules. Based on the confirmation made by the Company’s PRC legal adviser, the proposed amendments of the Articles comply with the PRC laws.

The proposed amendments to the Articles and the proposed adoption of the new Articles are subject to the approval of Shareholders by way of special resolutions at the EGM and Class Meetings.

Shareholders are advised that the Articles are available in English and Chinese. The English translation of the Articles is for reference only. In case of any inconsistency, the Chinese version shall prevail.

GENERAL

Investors should be aware that the Specific Mandate may or may not be approved by the Shareholders at the EGM and the Class Meetings. Even if the proposed Specific Mandate is granted to the Board, the Subscription may or may not be proceeded with. If the Subscription is proceeded with, it is subject to the satisfaction of a number of conditions which are more particularly set out in the sections headed “Conditions precedent” above. There is no assurance that any of the conditions to the Subscription will be fulfilled. Therefore, the Subscription may or may not proceed. Investors should therefore exercise caution when dealing in the H Shares.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the eligibility of Shareholders to attend and vote at the EGM and the Class Meetings, the H Share register of members of the Company will be closed from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive). Shareholders who intend to attend and vote at the EGM and/or the Class Meetings shall lodge all the transfer documents together with the relevant share certificates with the Company’s H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong) (for holders of H Shares) or the Company at 19th Floor, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People’s Republic of China (for holders of Domestic Shares) no later than 4:30 p.m. on Thursday day, 22 December 2022.

LETTER FROM THE BOARD

EGM AND CLASS MEETINGS

The EGM will be held for the purpose of approving, among others, (i) the Subscription Agreement and the transactions contemplated thereunder including the Specific Mandate; and (ii) the authorisation of the Directors to make any necessary amendments to the Articles to reflect the consequential change in the share capital of the Company as a result of the increase in the number of Shares to be issued under the Subscription.

No Shareholders are required to abstain from voting on the special resolutions to be approved at the EGM and the Class Meetings.

Separate Class Meetings will be held for the purpose of approving, among others, (i) the Subscription Agreement and the transactions contemplated thereunder including the Specific Mandate; and (ii) the authorisation of the Directors to make any necessary amendments to the Articles to reflect the consequential change in the share capital of the Company as a result of the increase in the number of Shares to be issued under the Subscription.

The notice of the EGM to be held at 9:30 a.m. on 30 December 2022 (Friday) at the Conference Room, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province, the People's Republic of China, is set out on pages 20 to 21 of this circular. At the EGM, special resolutions will be proposed for the holders of Domestic Shares and H Shares to approve the Subscription, Specific Mandate and the proposed amendments to the Articles.

The notices of the separate Class Meetings of the holders of H Shares and Domestic Shares to be held on 30 December 2022 (Friday) at 10:00 a.m. and 10:30 a.m. at the Conference Room, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province, the People's Republic of China, respectively, are set out on pages 22 to 25 of this circular. At the separate Class Meetings, separate special resolutions will be proposed for the holders of H Shares and holders of Domestic Shares, respectively, to approve the Subscription, Specific Mandate and the proposed amendments to the Articles.

If you intend to attend the EGM and/or the Class Meetings in person or by proxy, you are required to complete and return the reply slip to the Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holder of H Shares) or the Company at 19th Floor, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People's Republic of China (for holders of Domestic Shares) on or before Thursday, 22 December 2022.

LETTER FROM THE BOARD

If you intend to attend the EGM and/or the Class Meetings by proxy, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company at 19th Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province, the People's Republic of China (for holders of Domestic Shares) or Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holders of H Shares) as soon as possible and in any event not later than 24 hours before the time appointed for holding of the EGM and Class Meetings or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and Class Meetings or any adjournment thereof should you so wish.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM and the Class Meetings will therefore demand a poll for every resolution at the EGM and the Class Meetings pursuant to the Articles. On a poll, each Shareholder who attends the EGM and/or the Class Meetings in person or by proxy (or where the Shareholder is a corporation, by its duly authorized representative) shall have one vote for each Share registered in his/her/its name in the register of members of the Company. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast the votes he/she/it used in the same manner.

RECOMMENDATIONS

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the Class Meetings to approve the Subscription, Specific Mandate and the proposed amendments to the Articles.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix I to this circular.

By order of the Board
Northeast Electric Development Co., Ltd.
Shang Duosu
Chairman

Haikou, Hainan Province, the People's Republic of China
7 December 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company has an interest or short position in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executives of the Company, the persons (other than Directors, supervisors or chief executives of the Company) who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Long positions in the shares, underlying shares and debentures of the Company:

Shareholder	Nature of Shareholder	Number of Shares held	Approximate percentage in the Company's share capital
Beijing Haihongyuan Investment Management Co., Ltd.	Domestic non-state-owned legal person	81,494,850	9.33%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executive of the Company, no other person has an interest or short position in shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director and any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. DIRECTORS' INTERESTS CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Group or are proposed to be acquired or disposed of, by or leased to any member of the Group.

No contracts of significance to which any member of the Group was a party and in which a Director had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

7. LITIGATION AND ARBITRATION MATTERS

As at the Latest Practicable Date, to the best knowledge of the directors, save for the following, the Company had no other material pending or threatened litigations or claims:

- Fushun Electric Porcelain Co., Ltd. as plaintiff claimed against the Company as defendant with Shenyang High Voltage Switchgear Co., Ltd. and New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. as third parties for being liable jointly and severally for the sum of RMB11,258,221.34, being the judgment sum ordered by the Court to be paid by Shenyang High Voltage Switchgear Co., Ltd. to Fushun Electric Porcelain Co., Ltd. as announced in the announcement of the Company dated 15 July 2022.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by any member of the Group within two years preceding the date of this circular and are or may be material:

- (a) the loan agreement dated 3 March 2021 and entered into between Shenyang Kaiyi Electric Co. Ltd., a wholly-owned subsidiary of the Company as borrower and Beijing Haihongyuan Investment Management Co., Ltd. as lender in respect of a revolving loan in the principal amount of more than RMB50,000,000 for a term up to 31 December 2021 at an interest rate equivalent to the lending interest rate offered by the People's Bank of China; and
- (b) the Subscription Agreement.

9. GENERAL INFORMATION

- (a) The registered office of the Company is located at Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province, the People's Republic of China.
- (b) The principal place of business of the Company in Hong Kong is located at 17/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong.
- (c) The transfer office of the Company in Hong Kong is Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong.

- (d) The Board secretary of the Company is Mr. Ding Jishi.
- (e) The company secretary and authorised representative of the Company is Mr. Chan Yee Ping, who is a member of The Society of Chinese Accountants & Auditors and an associate member of The Association of Chartered Certified Accountants.
- (f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (www.hkexnews.com.hk) and the Company's website (www.nee.com.cn) for not less than 14 days from the date of this circular:

- (a) the Articles;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" of this appendix;
- (c) the annual reports of the Company for the two years ended 31 December 2021; and
- (d) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN: that the Extraordinary General Meeting (the “EGM”) of shareholders in 2022 of Northeast Electric Development Company Limited (the “Company”) will be held at the Conference Room, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People’s Republic of China (“PRC”) at 9:30 a.m. on 30 December 2022 for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions:

SPECIAL RESOLUTIONS

“THAT:

- (a) the terms and conditions of the Subscription Agreement dated 27 July 2022 (the “**Subscription Agreement**”) entered into between W.H.B.D (HK) Technology Limited (the “**Subscriber**”) and the Company, a copy of the Subscription Agreement has been produced to the EGM marked “A” and signed by the chairman of the meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved;
- (b) the directors of the Company (the “**Directors**”) authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the Subscription Agreement be hereby approved, ratified and confirmed, and the Directors be and are hereby authorised to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the transactions pursuant to the Subscription Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Subscription Agreement as they may in their discretion consider to be desirable and in the interest of the Company;
- (c) the Directors be and are hereby granted specific mandate (the “**Specific Mandate**”) to issue 90,000,000 new H Shares (the “**Subscription Shares**”) to the Subscriber at a price of RMB1.00 per Subscription Share pursuant to the Subscription Agreement (information relating to the Specific Mandate is set out in a circular dated 7 September 2022 despatched to the shareholders of the Company (the “**Circular**”) subject to the following terms:

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (i) subject to the fulfillment of the conditions in respect of the Subscription (as defined in the Circular) as set out in the Circular, the aggregate number of Subscription Shares to be issued and allotted (whether pursuant to an option or otherwise) by the Directors shall not be more than 90,000,000 H Shares;
- (ii) the board of Directors will only exercise its power under the Specific Mandate in accordance with the PRC Companies Law and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and only if the necessary approvals if required from the China Securities Regulatory Commission and/or other relevant governmental authorities in the PRC and Hong Kong Special Administrative Region have been obtained; and
- (d) the Directors be and are hereby authorised to make such necessary amendments to the articles of association of the Company to increase the registered share capital of the Company and to reflect changes in the share capital of the Company arising out of the issue of the Subscription Shares pursuant to the Specific Mandate.”

By order of the Board
Northeast Electric Development Co., Ltd.
Shang Duoxu
Chairman

Haikou, Hainan Province, the People's Republic of China
7 December 2022

NOTICE OF THE CLASS MEETING OF THE HOLDERS OF H SHARES

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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)

NOTICE OF THE CLASS MEETING OF THE HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN: that the class meeting of the holders of H Shares (the “**H Shares Class Meeting**”) of Northeast Electric Development Company Limited (the “**Company**”) will be held at the Conference Room, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People’s Republic of China (“**PRC**”) at 10:00 a.m. (or immediately after the conclusion or adjournment of the extraordinary general meeting of the holders of Domestic Shares of the Company and holders of H shares of the Company which will be held at the same place and date) on 30 December 2022 for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions:

SPECIAL RESOLUTIONS

“THAT:

- (a) the terms and conditions of the Subscription Agreement dated 27 July 2022 (the “**Subscription Agreement**”) entered into between W.H.B.D (HK) Technology Limited (the “**Subscriber**”) and the Company, a copy of the Subscription Agreement has been produced to the H Shares Class Meeting marked “A” and signed by the chairman of the meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved;
- (b) the directors of the Company (the “**Directors**”) authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the Subscription Agreement be hereby approved, ratified and confirmed, and the Directors be and are hereby authorised to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the transactions pursuant to the Subscription Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Subscription Agreement as they may in their discretion consider to be desirable and in the interest of the Company;

NOTICE OF THE CLASS MEETING OF THE HOLDERS OF H SHARES

- (c) the Directors be and are hereby granted specific mandate (the “**Specific Mandate**”) to issue 90,000,000 new H Shares (the “**Subscription Shares**”) to the Subscriber at a price of RMB1.00 per Subscription Share pursuant to the Subscription Agreement (information relating to the Specific Mandate is set out in a circular dated 7 September 2022 despatched to the shareholders of the Company (the “**Circular**”) subject to the following terms:
- (i) subject to the fulfillment of the conditions in respect of the Subscription (as defined in the Circular) as set out in the Circular, the aggregate number of Subscription Shares to be issued and allotted (whether pursuant to an option or otherwise) by the Directors shall not be more than 90,000,000 H Shares;
 - (ii) the board of Directors will only exercise its power under the Specific Mandate in accordance with the PRC Companies Law and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and only if the necessary approvals if required from the China Securities Regulatory Commission and/or other relevant governmental authorities in the PRC and Hong Kong Special Administrative Region have been obtained; and
- (d) the Directors be and are hereby authorised to make such necessary amendments to the articles of association of the Company to increase the registered share capital of the Company and to reflect changes in the share capital of the Company arising out of the issue of the Subscription Shares pursuant to the Specific Mandate.”

By order of the Board
Northeast Electric Development Co., Ltd.
Shang Duoxu
Chairman

Haikou, Hainan Province, the People’s Republic of China
7 December 2022

NOTICE OF THE CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

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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)

NOTICE OF THE CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

NOTICE IS HEREBY GIVEN: that the class meeting of the holders of Domestic Shares (the “**Domestic Shares Class Meeting**”) of Northeast Electric Development Company Limited (the “**Company**”) will be held at the Conference Room, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People’s Republic of China (“**PRC**”) at 10:30 a.m. (or immediately after the conclusion or adjournment of the extraordinary general meeting of the holders of Domestic Shares of the Company and holders of H shares of the Company and the class meeting of the holders of H Shares which will be held at the same place and date) on 30 December 2022 for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions:

SPECIAL RESOLUTIONS

“THAT:

- (a) the terms and conditions of the Subscription Agreement dated 27 July 2022 (the “**Subscription Agreement**”) entered into between W.H.B.D (HK) Technology Limited (the “**Subscriber**”) and the Company, a copy of the Subscription Agreement has been produced to the Domestic Shares Class Meeting marked “A” and signed by the chairman of the meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved;
- (b) the directors of the Company (the “**Directors**”) authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the Subscription Agreement be hereby approved, ratified and confirmed, and the Directors be and are hereby authorised to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the transactions pursuant to the Subscription Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Subscription Agreement as they may in their discretion consider to be desirable and in the interest of the Company;

NOTICE OF THE CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

- (c) the Directors be and are hereby granted specific mandate (the “**Specific Mandate**”) to issue 90,000,000 new H Shares (the “**Subscription Shares**”) to the Subscriber at a price of RMB1.00 per Subscription Share pursuant to the Subscription Agreement (information relating to the Specific Mandate is set out in a circular dated 7 September 2022 despatched to the shareholders of the Company (the “**Circular**”) subject to the following terms:
- (i) subject to the fulfillment of the conditions in respect of the Subscription (as defined in the Circular) as set out in the Circular, the aggregate number of Subscription Shares to be issued and allotted (whether pursuant to an option or otherwise) by the Directors shall not be more than 90,000,000 H Shares;
 - (ii) the board of Directors will only exercise its power under the Specific Mandate in accordance with the PRC Companies Law and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and only if the necessary approvals if required from the China Securities Regulatory Commission and/or other relevant governmental authorities in the PRC and Hong Kong Special Administrative Region have been obtained; and
- (d) the Directors be and are hereby authorised to make such necessary amendments to the articles of association of the Company to increase the registered share capital of the Company and to reflect changes in the share capital of the Company arising out of the issue of the Subscription Shares pursuant to the Specific Mandate.”

By order of the Board
Northeast Electric Development Co., Ltd.
Shang Duoxu
Chairman

Haikou, Hainan Province, the People’s Republic of China
7 December 2022

NOTES TO THE NOTICES OF GENERAL MEETINGS

Notes:

- (1) Any holder of Domestic Shares who has registered on the register of members of the Company at China Securities Depository and Clearing Company Limited Shenzhen Branch by the close of business on 22 December 2022 is entitled to attend the EGM and/or the Class Meetings.
- (2) In order to determine the eligibility of Shareholders to attend and vote at the EGM and the Class Meetings, the H Share register of members of the Company will be closed from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive). Shareholders who intend to attend and vote at the EGM and/or the Class Meetings shall lodge all the transfer documents together with the relevant share certificates with the Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holders of H Shares) or the Company at 19th Floor, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People's Republic of China (for holders of Domestic Shares) no later than 4:30 p.m. on Thursday, 22 December 2022.
- (3) Shareholders who intend to attend the EGM and/or the Class Meetings in person or by proxy, you are required to complete and return the reply slip to the Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holders of H Shares) or the Company at 19th Floor, HNA Plaza, No.7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province, the People's Republic of China (for holders of Domestic Shares) on or before Thursday, 22 December 2022.
- (4) Any Shareholder entitled to attend and vote at the EGM and Class Meetings is entitled to appoint one or more proxies (whether or not Shareholder of the Company) to attend and vote at the meeting(s) on his/her behalf.
- (5) In order to be valid, the proxy forms of Shareholders and other documents (if any) should be deposited at the Company (for holders of Domestic Shares) or the Company's H Share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong (for holders of H Shares) no later than 24 hours before the time appointed holding the EGM and the Class Meetings.
- (6) Shareholders or their proxies attending the EGM and the Class Meetings shall bear their own travel and accommodation expenses.

Correspondence address of the Company : 19th Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province, the People's Republic of China

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