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( Stock Code:0042 )

## OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made in accordance with the provision of Rule 13.10B of the Listing Rules.

After the notice was sent out by fax and email on 21 April 2016, Northeast Electric Development Co., Ltd (the “Company”) held the 3st meeting of the 8th session of the Board of Directors (the Board of Directors) by teleconference in the conference room of the Company, Changzhou, Jiangsu Province, the PRC, at 9:00 a.m. on 28 April 2016. 9 of 8 directors attended the meeting. The director, Mr. Li Min appointed the independent director Mr. Wang Zheng to exercise voting rights on his behalf. The members of the Supervisory Committee and senior management attended the meeting. The meeting was presided over by Chairman Mr. Su Jinaghua in accordance with the relevant provisions of the Company Law and the Articles of Association, and the resolutions passed at the meeting were lawful and valid.

Through careful consideration of all directors present, the following resolutions have been unanimously considered and approved item by item at the meeting:

**Resolution No. 1 Proposal of Sale of the Company's Significant Asset Complies with the Substantive Conditions Stipulated by Relevant Laws and Regulations**

The two subsidiaries wholly-owned by the Company, Gaocai Technology Co., Ltd. (hereinafter referred to as "Gaocai Tech") and Shenyang Kaiyi Electric Co., Ltd. (hereinafter referred to as "Shenyang Kaiyi"), are intended to sell the 100.00% equity they held of New Northeast Electric (Jinzhou) Power Capacitors Co., Ltd. (hereinafter referred to as "Xin Jin Rong") to Yingkou Chongzheng Electric Equipment Co. Ltd. (hereinafter referred to as "Yingkou Chongzheng"). According to the Measures for the Administration of the Material Asset Restructurings of Listed Companies, the fore-mentioned sale of equity constitutes a material asset sale of a listed company (hereinafter referred to as the "material asset sale").

According to relevant provisions of the laws, regulations and normative documents as the Company Law of PRC, the Securities Law of PRC, the Measures for the Administration of the Material Asset Restructurings of Listed Companies, and the Provisions on Issues Concerning Regulating the Material Asset Reorganizations of Listed Companies, by comparison to the conditions on the sale of material assets of a listed company, and after serious self-examination and discussion on the actual situation and related matters of the Company, the Board of Directors think that the sale of material assets of the Company conforms to the substantive conditions stipulated by relevant laws and regulations.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration.

## **Resolution No. 2 Proposal of Scheme of Significant Assets Sale of the Company**

The Company's specific scheme of significant assets sale is as follows:

### **(1) Transaction Counterparty**

The transaction counterparty of the significant assets sale is Yingkou Chongzheng.

### **(2) Underlying Asset**

The underlying asset of the significant assets sale is 100.00% equity of Xin Jin Rong that is held by Gaocai Tech and Shenyang Kaiyi (in which Gaocai Tech holds 33.66% equity of Xin Jin Rong and Shenyang Kaiyi holds 66.34% equity of Xin Jin Rong).

### **(3) Pricing Basis and Transaction Price**

The estimated value of the underlying asset involved in the significant asset sale is RMB 15,693.71 x 10 thousand Yuan up to the base date of assets evaluation (December 31, 2015), the transaction is approximately valued at RMB12,300 x 10 thousand Yuan, and the final transaction price shall use the

asset evaluation report issued by an appraisal organization qualified for securities business as a reference and be fixed by both sides of the transaction through negotiation.

#### (4) Method of Payment

The payment shall be made in cash by Yingkou Chongzheng.

#### (5) Profits and Losses and Arrangements During Transitional Period

The transitional period for the significant assets sale shall be from the base date of assets evaluation (exclusive) to the equity delivery date (inclusive). The earnings out of the underlying asset during the transitional period shall be enjoyed by Gaocai Tech and Shenyang Kaiyi as per their proportions of holding the share of Xin Jin Rong at the time of signing the agreement. The losses from the underlying asset during the transitional period shall be borne by Yingkou Chongzheng.

#### (6) Placement of Employees

The significant assets sale does not involve the placement of employees, and the employees originally hired by Xin Jin Rong shall still engage with Xin Jin Rong after the delivery date.

#### (7) Transfer of the Underlying Asset and Liabilities for Breach of the Agreement

According to the Framework Agreement on Equity Sale with Collateral Entry-into-force Condition (hereinafter referred to as the "framework agreement"), Yingkou Chongzheng, Gaocai Tech and Shenyang Kaiyi shall cooperate with each other in handling the formalities for delivery of the underlying asset within 30 days from the effective date of the framework agreement or within a period otherwise agreed by the parties.

Except for circumstances beyond one's control, if any party fails to perform its obligations or commitment under the framework agreement, or the statement or warranties made by the party is inaccurate or seriously wrong, then the party shall be deemed as have violated the framework agreement. The breaching party shall bear the responsibility of violation according to the "framework agreement" and legal provisions and compensate the non-breaching parties the related expenses arising from the sale of equity (including but not limited to the service fees, transportation and accommodations expenses paid to independent financial consultants, audit, evaluation, law firms and other intermediary agencies), as well as all the losses suffered by the non-breaching parties.

#### (8) Validity Term

Shall remain valid for 12 months from the day when the proposal was deliberated and adopted at the general meeting of shareholders.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration item by item.

**Resolution No. 3 Proposal of Not Constituting Connected Transactions by This Significant Assets Sale**

The transaction counterparty of the significant assets sale does not have any connection with the Company and the related parties to the Company before the sale of the significant assets; nor does the transaction counterparty hold more than 5% stock of the Company after the completion of the significant assets sale. According to the Rules of Shenzhen Stock Exchange for the Listing of Stocks, the transaction counterparty is not a related party of the Company, so the significant assets sale does not constitute a connected transaction.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration item by item.

**Resolution No. 4 Proposal of Not Constituting Back-door Listing as Stipulated by Article 13 of the Measures for the Administration of the Material Asset Restructurings of Listed Companies by This Significant Assets Sale**

Before the completion of this significant assets sale, the Company's first major shareholder is Suzhou Tsing Chuang Trading Group Co., Ltd. and the actual controller is Liu Jun. After the completion of the significant assets sale, the controlling shareholder of the Company is still Suzhou Tsing Chuang Trading Group Co., Ltd. and the actual controller is still Liu Jun. This significant assets sale will not lead to a change in the actual controller of the Company, so the reorganization does not constitute a back-door listing.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration.

**Resolution No. 5 Proposal of the Significant Assets Sale Complies with Article 4 of the Provisions on Issues Concerning Regulating the Material Asset Reorganizations of Listed Companies**

The Board of Directors thinks after careful judgment that:

1. The underlying asset of this significant assets sale is 100.00% equity of Xin Jin Rong, which does not involve project approval, environmental protection, industry entry, land use, planning, construction and other relevant matters that need to be submitted for approval.
2. This significant assets sale can help the Company to improve financial status and enhance sustained profitability; it is helpful for the Company to highlight main business and enhance the anti-risk ability; it is also helpful for the Company to enhance independence, reduce connected transactions and avoid horizontal competition.

In conclusion, the Board of Directors believes that the significant assets sale complies with article 4 of the provisions on issues concerning regulating the material asset reorganizations of listed companies.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration.

#### **Resolution No. 6 Proposal of Significant Assets Sale Plan of Northeast Electric Development Co., Ltd. and the Abstract Thereof**

According to the Measures for the Administration of the Material Asset Restructurings of Listed Companies and other relevant laws and regulations, the Company created Significant Assets Sale Plan of Northeast Electric Development Co., Ltd. and Its Abstract for matters related to the significant assets sale of the Company.

When the audit and appraisal related to the significant assets sale are finished, the Company will prepare the report on the significant assets sale of Northeast Electric Development Co., Ltd. (draft) and relevant documents, and submit the same to the Board of Directors and the general meeting of shareholders for deliberation.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration.

#### **Resolution No. 7 Proposal of Signing the Framework Agreement on Equity Sale with Collateral Entry-into-force Condition**

Consent has been given for the two wholly-owned subsidiaries of the Company, Gaocai Technology Co., Ltd. and Shenyang Kaiyi Electric Co., Ltd., to sign the Framework Agreement on Equity Sale with Collateral Entry-into-force Condition with Yingkou Chongzheng Electric Equipment Co. Ltd.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration.

**Resolution No. 8 Proposal of Inviting Intermediary Agencies for the Significant Assets Sale**

Consent has been given for inviting Credit Suisse Founder Securities Limited (acts as an independent financial advisor), Beijing Dacheng Law Offices (acts as the legal adviser of China), [Ruihua Certified Public Accountants (special general partnership) (acts as the audit institution), Shanghai Shenwei Assets Appraisal Co., Ltd. (acts as the acquired assets evaluation institution) and China Alliance Appraisal Co., Ltd. (acts as the evaluation institution for assets to be sold)] to offer professional services for the significant assets sale of the Company.

**Resolution No. 9 Remarks on Completeness and Compliance in Performance of Legal Procedures and Validity of Legal Documents Submitted for Significant Assets Sale**

The Board of Directors believes that, in accordance with the provisions of the Company Law of PRC, the Securities Law of PRC, the Measures for the Administration of the Material Asset Restructurings of Listed Companies, the Administrative Measures for the Disclosure of Information of Listed Companies and other laws and regulations, normative documents and the Articles of Association, it has fulfilled the statutory procedures required for the present stage, which are complete, legitimate and effective; the legal documents submitted this time to Shenzhen Stock Exchange are legitimate and valid.

**Resolution No. 10 Proposal of Authorization to the Board of Directors at the General Meeting of Shareholders to Deal With Relevant Matters Concerning the Significant Assets Sale in Full Authority**

For completion of this significant assets sale in a legitimate and efficient way, the Board of Directors of the Company agreed to apply for authorization to the Board of Directors at the general meeting of shareholders to deal with all the relevant matters concerning the significant assets sale in full

authority, including but not limited to:

1. Formulate and implement specific scheme and transaction details for the significant assets sale in accordance with the provisions of laws, regulations and regulatory documents and the resolutions of shareholders' meeting.
2. If relevant supervision departments require revising and improving relevant scheme, corresponding adjustment to the scheme of the significant assets sale shall be made according to the requirements or feedback of the supervision departments. If the national laws, regulations or the relevant regulatory authorities have new regulations and requirements for significant asset reorganization of listed companies, adjustment to the scheme of the significant assets sale shall be made in accordance with the new regulations and requirements.
3. Revise, supplement, sign, submit, report and perform all the agreements, contracts and documents created in the course of selling the significant assets and handle the related matters.
4. Responsible for handling and deciding relevant matters concerning the implementation of the significant assets sale according to the market situation and in accordance with the scheme considered and approved at the general meeting of shareholders.
5. Organize and implement assets, rights and interests, change, transfer, change of registration, filing and other matters related to the material assets sale.
6. Authorize the board of directors to take all necessary actions to decide and deal with all other matters associated with the material assets sale.
7. The above authorization shall be valid for 12 months from the date of approval at the general meeting of shareholders.

The proposal needs to be submitted to the general meeting of shareholders of the Company for consideration.

**Resolution No. 11 Proposal of Acquiring 55% of Shares of Godin Cyberspace Security Technology Co., Ltd.**

In view of the fact that the audit, evaluation, profit forecast and review of the underlying asset involved in the significant assets sale is not done, the Board of Directors of the Company decided not to convene a shareholders' meeting for the moment. Upon the completion of relevant work, the Company will convene a meeting of the Board of Directors again, prepare and disclose a report on significant asset sales and the abstract thereof. The audited historical financial data, asset assessment result and the reviewed profit forecast data related to the significant assets sale will be disclosed in the report on significant assets sale. The Company will make additional remarks on the above

matters in the resolutions of the second shareholders' meeting for the significant assets sale, and publish a notice on convening a general shareholders' meeting, and deliberate the proposals concerning the significant assets sale at the general meeting of shareholders.

**Resolution No. 12 Proposal of Not Convening Extraordinary Shareholders' General Meeting of the Company for the Moment**

In view of the fact that the audit, evaluation, profit forecast and review of the underlying asset involved in the significant assets sale is not done, the Board of Directors of the Company decided not to convene a shareholders' meeting for the moment. Upon the completion of relevant work, the Company will convene a meeting of the Board of Directors again, prepare and disclose a report on significant asset sales and the abstract thereof. The audited historical financial data, asset assessment result and the reviewed profit forecast data related to the significant assets sale will be disclosed in the report on significant assets sale. The Company will make additional remarks on the above matters in the resolutions of the second shareholders' meeting for the significant assets sale, and publish a notice on convening a general shareholders' meeting, and deliberate the proposals concerning the significant assets sale at the general meeting of shareholders.

**Resolution No. 13 Proposal of Reviewing Report on the Performance in the First Quarter of 2016**

The Board of Directors thinks that the preparation and review of the report on the performance of the Company in the first quarter of 2016 conforms to the requirements of laws and regulations. The content of the report reflects the company's actual situation in a true, accurate and complete way without false records, misleading statements or major omissions.

**Resolution No. 14 Proposal of Appointing Minister of Internal Audit Department under the Audit Committee of the Board of Directors**

Consent has been given for Ms Lin Bin, the minister of the Business Management Department in the headquarters of the Company, to hold a concurrent post of the Minister of Internal Audit Department under the Audit Committee with her term of office the same as the Board of Directors starting from the date on which the proposal was deliberated and adopted at the Board of Directors to March 10, 2019.



## **Resolution No. 15 Proposal of Continued Suspension of Stock Transaction**

According to the related provisions of the listing rules of Shenzhen Stock Exchange and Stock Exchange of Hong Kong Limited (collectively called as the “Stock Exchange”), after the Company discloses the documents related to this significant asset reorganization plan (draft), the Stock Exchange needs to review the related documents of this significant asset reorganization. Therefore, share trading of the Company will be continued from May 3, 2016. The resumption of trading will be informed separately after the Stock Exchange approves the documents and the Company publishes the significant asset reorganization plan (revised draft) and sends the notification of convening an extraordinary general meeting.

As the relevant work of independent financial advisers, legal advisers, audit authorities and assessment agencies for the significant assets sale is underway, the Company is approved to apply to the Shenzhen Stock Exchange for continuing the suspension of stock for no more than 1 months.

By order of the Board

**Su Jianghua**

*Chairman*

Yingkou, Liaoning Province, the People’s Republic of China

28 April 2016

*As at the date of the Statement, the Board of Directors comprises of six directors, namely Mr. Su Jianghua, Mr. Su Weiguo, Mr. Wang Zheng, Mr. Liu Jun, Mr. Li Min, and Mr. Feng Xiaoyu ; and three independent directors, namely Mr. Zhang Luyang , Mr. Jin Wenhong and Mr. Qian Fengsheng.*