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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)**

## **MAJOR TRANSACTION - DISPOSAL OF 100% EQUITY INTEREST IN NORTHEAST ELECTRIC (BEIJING) CO., LTD.**

The Board announces that, on 30 September 2016 (after trading hours), the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Target Interest, being 100% equity interest in the Target Company, at a consideration of RMB1,000,000 (equivalent to approximately HK\$1,162,900).

### **IMPLICATION UNDER THE LISTING RULES**

As one of the applicable percentage ratios as defined under the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.08(3) of the Listing Rules, and is therefore subject to the requirements of reporting, announcement and Shareholders' approval.

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolution to approve the Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, details of the Disposal will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules and it is expected that the circular will be dispatched on or before 31 October 2016.

## **AGREEMENT**

### **Date**

30 September 2016 (after trading hours)

### **Parties**

1. The Vendor: Shenyang Kaiyi Electric Co., Ltd.

2. The Purchaser: Purchaser Profile

2.1. Name: Beijing Yaow Hsin Tech Limited

2.2. Enterprise Type: Limited Liability Company

2.3. Incorporation Date: 15 May 2005

2.4. Unified social credit identifier: 91110108775496435Q

2.5. Registered premises: Unit 102, No.7 (Xinjiang Restaurant), Sanlihe Road, Haiding District, Beijing

2.6. Registered Capital: RMB1 million

2.7. Substantial shareholders:

The natural person Qi Xihui contributed RMB600,000, accounting for 60%; the natural person Song Linsheng contributed RMB200,000, accounting for 20%; natural person Chen Jinhe contributed RMB200,000, accounting for 20%.

2.8. Legal representative: Song Linsheng

2.9. Business scope: Development, transfer, consultation, service and promotion of technology; computer system service; application software service; software development; the organization of cultural and art exchange activities (excluding commercial performance); the organization of exhibitions.

The Vendor and the Target Company NNE (Beijing) Limited are wholly owned subsidiaries of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and are not connected with the Company and its connected persons.

### **Terms of the Agreement**

Pursuant to the Agreement, the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Target Interest, being 100% equity interest in the Target Company, at a consideration of RMB1,000,000.

Prior to the completion of the Disposal, the Vendor holds 100% equity interest in the Target Company.

Upon the completion of the Disposal, the Purchaser holds 100% equity interest in the Target Company.

## **Consideration**

The Consideration of RMB1,000,000 payable by the Purchaser to the Vendor pursuant to the terms and conditions of the Agreement shall be settled in the following manner:

The Consideration shall be paid by the Purchaser to the Vendor by way of cash between the date of signing the Agreement and 31 December 2016.

The consideration payable by the Purchaser under the Agreement is determined based on arm's length negotiations between the Purchaser and the Vendor with reference to the audited consolidated net asset value of the Target Company as at 31 December 2015.

According to the Agreement, the Vendor shall have the right to demand the Purchaser to return the Target Interest to the Vendor when there is any default of payment of the Purchaser under the Agreement. Moreover, according to the Agreement, in the event of default of the Purchaser, the Vendor shall have the right to claim damages against the Purchaser and the Purchaser shall compensate the loss of the Vendor with an amount not exceeding 10% of the Consideration.

## **Conditions Precedent**

The Agreement shall be subject to and conditional upon the fulfillment of the following conditions precedent:

- (i) the approval by the Board and the Shareholders in the EGM on the Disposal in accordance with the Agreement has been obtained;
- (ii) all necessary approvals, consents, authorizations or permits (if any) as required by relevant government authority(ies) or other third party(ies) in respect of the transactions contemplated under the Agreement shall have been obtained;
- (iii) the circular of the Company in relation to the approval of the Agreement has been cleared by the Stock Exchange and dispatched to the Shareholders in accordance with the articles of association of the Company and the Listing Rules; and
- (iv) the approval by each of the Shareholders' General Meeting of the Vendor and the Purchaser on the equity transfer under the Agreement shall have been obtained.

If the above conditions are not satisfied on or before 31 December 2016 (or such later date as the Vendor and the Purchaser may agree in writing), the Agreement shall cease and terminate. Thereafter, neither party shall have any obligation or liability towards each other, save for any antecedent breaches.

## **Completion**

The completion of the Agreement shall take place on 31 December 2016 after all the conditions precedent to the completion of the Disposal have been fulfilled.

## **INFORMATION ABOUT THE COMPANY, THE VENDOR AND THE GROUP**

The Company is a company incorporated in the PRC as a joint stock limited company and its shares are listed on the Stock Exchange and Shenzhen Stock Exchange. The Vendor and the Target Company are incorporated in the PRC with limited liability and the wholly-owned subsidiary of the Company.

The principal business of the Company, the Vendor and the Group are the manufacture and sale of system protection and transmission equipment including power capacitors and closed busbars. The Group is the major bases of manufacturing, researching, and export of electrical transmission and transformation equipment in the PRC and the major supplier of electrical transmission and transformation equipment in the PRC.

## INFORMATION ABOUT THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability and is engaged in the business of wholesale, import and export of power transmission equipment, machinery and electronic equipment, meter equipment, hardware tools, metal, rubber and plastics products.

## INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a joint venture incorporated in the PRC with limited liability. It has a registered capital of RMB2,000,000. As at the date of the Agreement, the Target Company has no subsidiary. The Target Company is engaged in the business of manufacturing of switch control device, casting manufacturing and processing of machinery, surface processing; installation, commissioning, maintenance and after-sales service of power transmission and transformation equipment; manufacturing of hardware tools; transfer, service, consultation and development of technical achievement.

Principal financial data and indicators of Beijing Company in the latest 1 year and 1 period according to PRC GAAP

(Unit: RMB)

	<b>As at 31 August 2016</b>	<b>End of 2015</b>
Current asset	56,315,730.12	59,214,606.82
Non-current asset	68,570.56	68,570.56
Total asset	56,384,300.63	59,283,177.38
Total liabilities	55,648,293.84	58,209,644.26
Shareholder's equity	736,006.84	1,073,533.12
Net cash flows from operation activities	-3,078,276.70	10,355,634.88
	<b>From January to August 2016</b>	<b>2015</b>
Operating income	403,589.75	1,701,880.29
Net profit	-337,526.28	3,237,657.40

## REASONS FOR THE DISPOSAL

Considering the loss of client resources after the change in the listed company's substantial shareholder, the new substantial shareholder and the Company's Board of Directors have established the resource integration strategy of strategic transformation and industry structure adjustment. And as the industry of power transmission and transformation is hard to complete the reform, the Target Company has recorded slumps since the previous financial year because of increased pressures in labor costs and expenses. Therefore the Board of Directors is not optimistic about the future prospect of the Target Company and proposes to dispose all the equity assets of the Target Company with the net asset audited in 2015 as the reference standard.

The Board of Directors is of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

## FINANCIAL EFFECTS

It is expected that the Group will record a profit of approximately RMB264,000 (approximately equivalent to HK\$307,005) from the Disposal and such profit is calculated with reference to the difference between the amount of the Consideration and the net value of the investment provided by the Purchaser to the Target Company.

## USE OF PROCEEDS

The Company intends to use the net proceeds from the Disposal as general working capital for its existing businesses.

## IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios as defined under the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.08(3) of the Listing Rules, and is therefore subject to the requirements of reporting, announcement and Shareholders' approval.

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolution to approve the Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, details of the Disposal will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules and it is expected that the circular will be dispatched on or before 31 October 2016.

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### DEFINITIONS

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“Agreement”	the equity transfer agreement dated 30 September 2016 entered into between the Vendor, the Purchaser, Kingpost and NNE (HK) Limited
“Board”	the Board of Directors
“Company”	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 PRC with limited liability, whose A shares and H shares are listed on the Shenzhen Securities Exchange and The Stock Exchange of Hong Kong Limited respectively.
“Connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB1,000,000 for the sale and purchase of the Target Interest pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 100% equity interest as contemplated under the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC GAAP”	the PRC General Accepted Accounting Principles
“PRC”	the People’s Republic of China
“Purchaser”	北京耀芯科技有限公司(Beijing Yaow Hsin Tech Limited), a company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share of RMB1.00 each of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	東北電氣（北京）有限公司(Northeast Electric (Beijing) Limited), a company incorporated in the PRC, the entire equity interest of which are held by the Vendor on the date of signing the Agreement
“Target Interest”	100% of the entire equity interest in the Target Company
“Vendor”	瀋陽凱毅電氣有限公司(Shenyang Kaiyi Electric Limited), a company incorporated in the PRC with limited liability, a wholly owned subsidiary of the Company
“%”	per cent

*# For identification purpose only.*

*\* For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.1629 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 or at all.*

By order of the Board  
**Su Jianghua**  
*Chairman*

Yingkou, Liaoning, the PRC,  
30 September 2016

*As at the date of the Announcement, 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.*