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( Stock Code:0042)

## LITIGATION ANNOUNCEMENT

This announcement is pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### I. Particulars of the acceptance of the litigation

Northeast Electric Development Company Limited (hereinafter referred to as the “Company”, “Northeast Electric”) received the “Notice of Appearance” (Liao 01 Min Chu [2017] No. 430), the bill of indictment, and other related litigation materials served by Liaoning Shenyang Municipal Intermediate People’s Court (hereinafter referred to as the “Court”) on 5 July 2017.

### II. Basic Information about the Case

#### 1、 Parties to the litigation

Plaintiff: Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau (沈阳市铁西区国有资产监督管理局)

1st Defendant: Northeast Electric

2nd Defendant: Shenyang High Voltage Switchgear Co., Ltd.

3rd Defendant: New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd.

## **2、 The plaintiff's claims**

(1) The plaintiff has filed claims to the court for a ruling that Northeast Electric shall repay the arrears of RMB28.53 million, interest of RMB7,788,690 and liquidated damages of RMB1,426,500, totaling RMB37,745,190, to the plaintiff Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau;

(2) For a ruling that Shenyang High Voltage Switchgear Co., Ltd. shall bear joint liability for the aforementioned debt of Northeast Electric;

(3) For a ruling that New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. shall provide joint and several guarantee for the debt of Northeast Electric and Shenyang High Voltage Switchgear Co., Ltd..

## **3、 Basic information about the litigation**

On 9 May 2007, the plaintiff Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau (hereinafter referred to as the "plaintiff") signed the "Agreement on the Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd." with Northeast Electric (hereinafter referred to as the "1st defendant" and Shenyang High Voltage Switchgear Co., Ltd. (hereinafter referred to as the "2nd defendant"). The agreement stipulated that the resettlement fee shall be financed and paid by the 1st defendant.

On 30 June 2008 and 28 November 2008, the plaintiff signed the "Agreement on the Proper Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd." and the "Supplementary Agreement on the Proper Resettlement of Employees of Shenyang High Voltage Switchgear Co., Ltd." with the 1st defendant and the 2nd defendant. According to the agreements, the total employee resettlement fee is RMB132.39 million and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. (hereinafter referred to as the "3rd defendant") shall provide joint and several guarantee for the resettlement fee payable by the 1st defendant.

As at July 7, 2011, the plaintiff had received a total of RMB103.86 million of the employee resettlement fee, and the remaining RMB28.53 million of the employee resettlement fee was still in arrears. Therefore, the plaintiff has brought a lawsuit to the court, applying to the court to rule

according to laws that the 1st defendant shall repay all the arrears of RMB28.53 million, interest of RMB7,788,690 and liquidated damages of RMB1,426,500, totaling RMB37,745,190, to the plaintiff; the 2nd defendant shall bear joint liability for the aforementioned debt of the 1st defendant; and the 3rd defendant shall provide joint and several guarantee for the aforementioned debt of the 1st defendant.

### **III. Judgment or ruling of the litigation**

The court hearing has not yet been held for the case. The Company will fulfill the duty of information disclosure timely regarding the progress of the case in accordance with relevant regulations.

### **IV. Undisclosed matters regarding the litigation and arbitration**

The Company and its subsidiaries do not have other discloseable but undisclosed matters regarding the litigation and arbitration.

### **V. Possible impacts of the litigation in the announcement on the current or future profit**

The Company will proactively engage in the case and disclose its progress in accordance with the relevant laws and regulations. As the hearing of the case has not proceeded, the impacts of the litigation in the announcement on the current or future profit are to be determined.

**Investors are advised to be aware of the risks involved.**

By order of the Board

***Liu Daoqi***

Chairman

Changzhou, Jiangsu Province, the PRC

7 July 2017

*As at the date of the Statement, the Board of Directors comprises of six directors, namely Mr. Liu Daoqi , Mr. Li Rui , Mr. Bai Haibo , Mr. Song Xiang , Mr. Bao Zongbao and Mr. Zhang Xiangsheng ; and three independent directors, namely Mr. Zhang Luyang , Mr. Jin Wenhong and Mr. Qian Fengsheng.*