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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO.,LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code:0042)

Announcement on Litigation

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

I. Basic information on the litigation

The civil pleadings submitted by Fuxin Enclosed Busbar Co., Ltd. (the “**Fuxin Busbar**”), a wholly owned subsidiary of the Company, has been accepted by Higher People's Court of Hainan Province. On 03 January 2019, the Higher People's Court of Hainan Province published the announcement on litigation of Fuxin Busbar vs. Shenyang High Voltage Switchgear Co., Ltd. (“Shenyang High Voltage Switchgear”) and the Company on People's Court Daily. The basic information about the litigation is as follows:

1. Parties in the litigation

Plaintiff: Fuxin Enclosed Busbar Co., Ltd. (the wholly owned subsidiary of the Company);

Domicile: No. 369, Yulong Road, Hexi Village, Sihe Town, Xihe District, Fuxin City, Liaoning Province; Legal representative: Su Weiguo; Title: Chairman.

Defendant 1: Shenyang High Voltage Switchgear Co., Ltd. (An independent third party which has no connection with the Company); Domicile: No.39, Shentie Road, Dadong District, Shenyang City; Legal representative: Chen Desong; Title: Executive Director & General Manager

Defendant 2: Northeast Electric Development Company Limited; Domicile: Room A1-1077, 5/F, Block A, Business Incubation Center, Haikou City National High-tech Zone, No.266, Nanhai

Avenue, Haikou City, Hainan Province; Legal representative: Li Tie; Title: Chairman.

2. Claims

- (1) Defendant 1 shall pay the Plaintiff USD16 million, which was the consideration for the transfer of 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. (formerly Shenyang Suntime High Voltage Electric Co., Ltd.), as well as the interest accrued from the date of transfer to the date of litigation.
- (2) Defendant 2 shall be jointly liable for the payment of the equity transfer consideration by Defendant 1.

3. Facts and Grounds

74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. (formerly Shenyang Suntime High Voltage Electric Co., Ltd.) (the “**Underlying Equity**”) was held by Fuxin Busbar, the Plaintiff, by 22 September 2008. Due to the enforcement of the final judgment made by Supreme People's Court on 5 September 2008 for the case of China Development Bank (Document (2008) Min Er Zhong Zi No.23) and under the coordination of the Company, Fuxin Busbar, the Plaintiff, returned the Underlying Equity to Shenyang High Voltage Switchgear free of charge, and completed the equity change registration on 22 September 2008 as required by the local industrial and commercial administration. Therefore, the Underlying Equity held by Fuxin Busbar was returned to Shenyang High Voltage Switchgear free of charge.

However, according to the enforcement ruling issued by Supreme People's Court on 31 August 2017 (Document (2017) Zui Gao Fa Zhi Fu No.27), “the fact that the return of the Underlying Equity free of charge under the coordination of Northeast Electric cannot be ascertained”. In the civil complaint, the plaintiff held that the outstanding equity transfer consideration of USD16 million of Defendant 1 constituted the default. Hence, Fuxin Busbar raised litigation against the above 2 defendants, claiming for the return of the consideration for the transfer of the Underlying Equity.

For information disclosure details of the court judgments and its enforcement concerning the case of China Development Bank, please refer to the previous relevant announcement and annual report of the Company.

II. Judgment or Verdict

The above case shall be deemed as having been served 60 days after the date of the announcement on the People's Court Daily. The proof submission period shall be within 15 days after the expiration of the announcement period of the People's Court Daily. A hearing held by Higher People's Court of Hainan Province will be scheduled on the day after the expiration of proof

submission period. The Company will timely perform the obligation of information disclosure according to the progress of the case. Investors are advised to pay attention to the investment risks.

III. Other Undisclosed Litigations or Arbitrations

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

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

The Board of Directors of the Company believe that based on the details of the case, though the Company was listed as the second defendant, because the plaintiff Fuxin Busbar is a wholly owned subsidiary of the Company, the judgment of the court will not have any negative impact on the current or subsequent profit of the Company on the consolidation basis.

By order of the Board

Li Tie

Chairman

Haikou, Hainan Province, the PRC

07 January 2019

As at the date of the Announcement, the Board of Directors comprises of six executive directors, namely Mr. Li Tie, Mr. Li Rui, Mr. Zhu Jie, Mr. Qin Jianmin, Mr. Bao Zongbao, and Mr. Su Weiguo; and three independent directors, namely Mr. Li Ming, Mr. Jin Wenhong and Mr. Qian Fengsheng.