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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

NEE

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

(Stock Code: 0042)

ISSUE OF NEW H SHARES UNDER THE SPECIFIC MANDATE

The Board is pleased to announce that on 27 July 2022 (after trading hours), 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 (equivalent to approximately HK\$1.158) per Subscription Share.

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 this announcement, 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 Subscription will be subject to the approval by Shareholders at the EGM and the Class Meetings.

A circular containing, among other things, (i) details of the Subscription; (ii) notices convening the EGM and the Class Meetings; and (iii) other disclosures required under the Listing Rules, is expected to be despatched to the Shareholders on or before 20 August 2022 in order to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

WARNING:

As Completion is subject to the fulfilment and/or waiver (as the case may be) of the Conditions, the Subscription may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 27 July 2022 (after trading hours), 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 (equivalent to approximately HK\$1.158) per Subscription Share.

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 this announcement, 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; and
- (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.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber which has 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 (i) no Material Adverse Effect apart from the influence which might be brought by the delisting of the Domestic Shares from the Shenzhen Stock Exchange; and (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.

If any of such Conditions shall not have been fulfilled or waived by the Company (save for Conditions (1), (2), (3) and (6) which cannot be waived) and the Subscriber 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).

SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion of the Subscription:

Class of Shares	As at the date of this announcement		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

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.

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.

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 date of this announcement.

APPLICATION FOR LISTING

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) (“**Zhonghuan Guoxin**”) to hold the Subscription Shares. Zhonghuan Guoxin is a Beijing-based investment fund established in 2015 with a registered capital of RMB100 million whose 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.

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.

THE EGM, CLASS MEETINGS AND CIRCULAR

The Subscription will be subject to the approval by Shareholders at the EGM and the Class Meetings.

A circular containing, among other things, (i) details of the Subscription; (ii) notices convening the EGM and the Class Meetings; and (iii) other disclosures required under the Listing Rules, is expected to be despatched to the Shareholders on or before 20 August 2022 in order to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

WARNING:

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DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall 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 date of Completion (including that date)
- “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 Stock Exchange
- “Completion”** the completion of the Subscription Agreement
- “Conditions”** conditions precedent to the Subscription Agreement as set out in the paragraph headed “Conditions precedent” in this announcement

“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
“Domestic Share(s)”	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 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 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 PRC
“Listing Committee”	the listing sub-committee of the board 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
“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
“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 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.

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB\$1.00 = HK\$1.158. The conversion rate is for illustration purposes only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

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

Haikou, Hainan Province, the People’s Republic of China
27 July 2022

As at the date of this announcement, the Board of Directors comprises of three executive Directors, namely, Mr. Shang Duoxu, Mr. Su Weiguo and Mr. Mi Hongjie; and three independent non-executive Directors, namely, Mr. Fang Guangrong, Mr. Wang Hongyu and Mr. Li Zhengning.