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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 the Factoring Business Agreement Signed by a Wholly-owned Subsidiary

After the board of directors of Northeast Electric Development Co., Ltd (the “Company”) released the *Announcement on the Wholly-owned Subsidiary’s Application for Factoring Business on 9 March 2018*, the Company signed the *Domestic Commercial Factoring Agreement (without recourse)* on 20 March 2018, with details being hereby announced.

I. Transaction Overview

To liquidize the book assets, recover the liquidities in a timely manner, enhance the turnover of capital, and improve the cashflow, New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd. (“Xin Jin Rong”), a wholly-owned subsidiary of Northeast Electric Development Co., Ltd, proposed to execute the *Domestic Commercial Factoring Agreement (without recourse)* with Huiyin Commercial Factoring Co., Ltd. (匯銀商業保理有限公司) for non-recourse receivables factoring business. This transaction does not constitute any connected transactions. To liquidize the book assets, the net book value of the receivable accounts to be transferred by Xin Jin Rong amounts to RMB (same as below) 50,418,052.08 (the creditor’s right on receivables amounts to RMB68,409,135.13, with the provision for diminution in value being RMB17,991,083.05). The proceeds raised from factoring financing was RMB48,000,000. Thus, it is estimated that the accounting result of the factoring financing in question was RMB-2,700,000. For the accurate materials, please refer to the audited financial materials in the *Announcement on Operating Results 2017* disclosed by the Company before 31 March 2018.

The *Proposal of Wholly-owned Subsidiary’s Application for Factoring Business* was considered and approved by the Company in the 19th meeting of the 8th Board of Directors convened on 9 March 2018.

The Company agreed and delegated power to the management of the Company to handle the related issues of the application, including the negotiation on terms of related agreement, execution of contracts and the affiliated papers of related agreements, taking necessary actions and handling relevant matters for the implementation of the contracts or related papers thereunder, taking expedient or appropriate actions in line with the Company's interests based on the project implementation situation, and deciding whether to continue or terminate execution. The valid duration of this delegation is 12 months, and independent directors have given their independent opinions on this issue.

As the negotiation with the original transaction counterparty Huiyin Commercial Factoring Co., Ltd. regarding specific commercial terms did not go smoothly and a consensus failed to be reached, the management of the Company has decided, after considering the terms negotiated with other commercial factoring companies and the negotiated recovery time of factoring financing funds and after obtaining the approval of the board of directors, to change the signing party to the Factoring Business Agreement from Huiyin Commercial Factoring Co., Ltd. to Tianjin Huayi Fuyin Commercial Factoring Co., Ltd.(天津市華億富銀商業保理有限公司), with other agreement terms and delegation scope approved by the board remaining unchanged.

II. General Information on the Counterparty

(I) Counterparty Profile

1. Counterparty name: Tianjin Huayi Fuyin Commercial Factoring Co., Ltd.
2. Form of company: Limited Liability Company
3. Registered address: Room 108, No, 5 Warehouse, Haifeng Logistics Park, No. 601 Luoyang Avenue, Tianjin Free Trade Zone (Dongjiang Bonded Port Area)
4. Principal place of business: Room 108, No, 5 Warehouse, Haifeng Logistics Park, No. 601 Luoyang Avenue, Tianjin Free Trade Zone (Dongjiang Bonded Port Area)
5. Legal representative: Bai Yun
6. Registered capital: RMB100 million

7. Business License Registration No.: 911201163003972576
8. Principal activities: providing trade financing through transfer of receivables; receipt and payment, management, and collection of receivables; management of subsidiary ledgers (ledgers); non-commercial guarantee against bad debts related to its own corporate business; customer credit investigation and assessment; relevant consulting services. (Activities subject to approval according to laws can be carried out only after the approval of relevant authorities is granted.)
9. Shareholders: Li Xin, Tianjin Hengxing Real Estate Development Co., Ltd. (天津市恒星置業發展有限公司), and Taixinsheng (Tianjin) Commerce Co., Ltd. (泰鑫盛(天津)商貿有限公司)
10. Tianjin Huayi Fuyin Commercial Factoring Co., Ltd. and its shareholder Li Xin, Tianjin Hengxing Real Estate Development Co., Ltd., and Taixinsheng (Tianjin) Commerce Co., Ltd., are independent third parties not connected to the Company and its connected parties and do not have any connection relationship with the Company.

The aforesaid counterparty and shareholders holding more than 5% of the shares of the Company do not have any relationship which may cause or have caused the listed company to have a preference for their interests in property rights, businesses, assets, credits and debts and employees.

III. General information of the subject of the transaction

The subject of the transaction involved in this factoring business is part of accounts receivable arising from Contracts for Sales of Goods entered into between Xin Jin Rong and its customers (debtors), and belongs to the balance of Xin Jin Rong's operating businesses. The net book value of accounts receivable to be transferred is RMB50,418,052.08 and the factoring financing amount is RMB48 million. The creditors' rights on the accounts receivable to be transferred have not been mortgaged, pledged, nor subject to any other right of a third party, major disputes, litigations or arbitrations on relevant assets, and judicial measures such as seizure and freezing.

IV. Main content of the agreement

- (I) Factoring method: non-recourse factoring of accounts receivable.
- (II) Financing amount: the factoring credit limit is RMB forty eight million (amount in figures:

RMB48,000,000).

(III) Financing rates: The factoring fees are calculated on the basis of the principal amount of trade financing. The financing rate agreed by both parties is 0.5% of the factoring fees.

(IV) Factoring financing period: 20 March 2018 to 30 June 2018

V. Impact of the transaction on the Company

The factoring business of Xin Jin Rong, a subsidiary, will shorten the recovery time of its accounts receivable, improve efficiency of capital turnover and reduce the administrative cost of accounts receivable; meanwhile it can also reduce the balance of accounts receivable, financial expenses, optimize the assets and liabilities structure and improve operating cash flow status.

Financial treatment: The net book value of accounts receivable proposed to be transferred is RMB50,418,052.08 (unaudited), and the factoring financing amount is RMB48 million. After deducting the factoring fees of RMB240,000 calculated based on the factoring rate of 0.5% and the stamp duty of RMB40,000, it is estimated that the financial treatment result of the factoring financing business will be a loss of RMB2,700,000. For accurate information, please refer to the audited financial information in 2017 annual result announcement disclosed by the Company before 31 March 2018.

By order of the Board

Liu Daoqi

Chairman

Changzhou, Jiangsu Province, the PRC

22 March 2018

As of the date of this announcement, the Board of Directors comprises of five executive directors, namely Mr. Liu Daoqi, Mr. Bai Haibo, Mr. Li Rui, Mr. Song Xiang and Mr. Bao Zongbao; and three independent non-executive directors, namely Mr. Zhang Luyang, Mr. Jin Wenhong and Mr. Qian Fengsheng.