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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 Provision for Impairment of Assets

Important Information:

1. Based on the principle of prudence, the Company made provisions for assets impairment of RMB41,811,094.89, including provisions for bad debts, inventory impairment, impairment of available-for-sale financial assets, impairment of long-term equity investment and impairment of fixed assets of RMB14,270,240.81, RMB963,911.84, RMB23,313,895.54, RMB1,034,434.39 and RMB2,228,612.31 respectively.
2. On 29 March 2018, the 20th meeting of the 8th Session of Board of Directors and the 10th meeting of the 8th Session of the Supervisory Committee of the Company were convened to consider and approve the relevant proposal.
3. According to the relevant provisions of the Rules Governing the Listing of Securities on the stock exchange and the Articles of Association, making provisions for assets impairment is not subject to consideration at the Company's general meeting as the relevant standards haven't been met.

The relevant proposal was considered and approved at the 20th meeting of the Board of Directors and the 10th meeting of the 8th Session of Supervisory Committee held on 29 March 2018 respectively. The proposal shall be not subject to consideration at the Company's general meeting.

I. Summary of provisions for impairment of assets

In order to reflect the financial position and asset value of the Company and its subsidiaries in a

more objective and fair manner, according to the Accounting Standards for Business Enterprises and the Company's accounting policies and accounting estimates, based on the principle of prudence, as of 31 December 2017, the Company and its subsidiaries performed impairment tests on such assets as accounts receivable, other receivables, inventories, available-for-sale financial assets, long-term equity investments, fixed assets, construction in progress, intangible assets and goodwill and pending lawsuits to identify possible signs of impairment and compensation. Through the impairment test and with reference to the results of the asset assessment report, the Company made provisions of totaling RMB41,811,094.89 for possible asset impairment losses, including provisions for bad debts, inventory impairment, impairment of available-for-sale financial assets, impairment of long-term equity investment and impairment of fixed assets of RMB14,270,240.81, RMB963,911.84, RMB23,313,895.54, RMB1,034,434.39 and RMB2,228,612.31.

II. Basis and treatment of provisions for asset impairment

Unit: RMB

Items	Provision for the reporting period	Proportion of the provision in the Company's audited net profit for 2017	Basis	Reason
Bad debts	14,270,240.81	3.59%	The recoverable amount shall be determined according to the ageing and using the individual identification method, and the provision for impairment shall be made based on the difference between the book value and the recoverable amount.	In order to truly reflect the financial position of the Company, accounts receivable and other receivables are analyzed separately according to the ageing and using individual identification method, and provision for impairment is made in accordance with the Accounting Standards for Business Enterprises and the

				Company's accounting policies.
Inventory impairment	963,911.84	0.24%	Inventories are measured at the lower of cost or net realizable value; provisions for inventory impairment are made based on the excess of its cost over the net realizable value.	The Company checked the inventory and due to that some inventories are too old and the market price was lower than the cost price, the Company made provision for impairment of that part of inventories based on the expected recoverability.
Impairment of available-for-sale financial assets	23,313,895.54	5.87%	Pursuant to the Accounting Standards for Business Enterprises, as the recoverable amount of the available-for-sale financial assets is lower than the book value due to the decrease of the net assets of the investee and other reasons, the provision for impairment of available-for-sale financial assets shall be made based on the difference by which the recoverable amount of an individual investment falls short of the book value of the available-for-sale financial assets.	As of the end of the reporting period, the Company holds 6.9% equity interest in Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd. (沈阳兆利高压电气设备有限公司), which is accounted for in "available-for-sale financial assets" in accordance with the Accounting Standards for Business Enterprises. The Company conducts an impairment test based on the results of the asset assessment report and makes provision for impairment of available-for-sale financial assets.
Impairment of long-term	1,034,434.39		At the end of the period, on the basis of choosing the lower one between the book	The Company conducts an impairment test based on the results of the assets assessment

equity investment		0.26%	value and the recoverable amount, the provision for impairment of long-term equity investments shall be made based on the difference by which the recoverable amount falls short of the book value.	report of the affiliated company Great Power Technology Limited (伟达高压电气有限公司), an associate with 20.80% equity interests, and made provision for impairment based on the recoverable amount and the book value of the long-term equity investment.
Impairment of fixed assets	2,228,612.31	0.56%		The economic performance of the related fixed assets of New Northeast (Jinzhou) Power Capacitors Co., Ltd. (新东北电气(锦州)电力电容器有限公司) has been lower than expected due to the low utilization rate of related production equipment and serious losses, and provision for impairment of fixed assets has been made upon valuation.
Total	41,811,094.89	10.53%		

(Note: The Company's audited net profit for 2017 is RMB-397,057,643.19)

III. Effect of provision for impairment on the financial position of the Company

The provision for asset impairment will reduce the net profit attributable to the shareholders of the listed company in 2017 by RMB41, 811, 094. 89.

III. Approval procedures for making provision for asset impairment

The relevant proposal was considered and approved at the 20th meeting of 8th Session of Board of

Directors and the 10th meeting of the 8th Session of Supervisory Committee held on 29 March 2018 respectively. Both the Board of Directors and the Supervisory Committee have agreed to the above provisions for impairment of the Company.

According to the relevant provisions of the Rules Governing the Listing of Securities on the stock exchange and the Articles of Association, the provisions for asset impairment are not subject to consideration at the Company's general meeting as the relevant standards haven't been met.

IV. Audit opinions of the Audit Committee of the Board on the provisions for assets impairment

According to the Company Law, Articles of Association, Guidelines on Standardised Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange and other regulations, the Audit Committee of the Board of the Company has given the following opinions on the provisions for assets impairment of the Company:

Based on the principle of prudence, the Company made provisions for asset impairment of RMB41,811,094.89, including provisions for bad debts, inventory impairment, impairment of available-for-sale financial assets, impairment of long-term equity investment and impairment of fixed assets of RMB14,270,240.81, RMB963,911.84, RMB23,313,895.54, RMB1,034,434.39 and RMB2,228,612.31 respectively.

In our opinion, the above accounting for the provisions for assets impairment is in compliance with Accounting Standards for Business Enterprises and Notice to Listed Companies on Making Suitable Provisions for Assets Impairment (关于上市公司做好各项资产减值准备等有关事项的通知) (ZJGSZ No. [1999]138) and the Company's accounting policies and accounting estimates. The basis and reasons for the provision are reasonable and adequate and in line with the actual situation of the Company. The amount of provision for assets impairment is determined after fully taking into account market factors and possible compensation due to the pending lawsuits, and reflects the Company's assets, liabilities and financial position fairly.

In consideration of the above, the Audit Committee of the Board agrees with the accounting treatment of the provisions for assets impairment of the Company.

V. Independent opinions of independent directors on the provisions for assets impairment

According to the related provisions of the Guidance Opinions on the Establishment of Independent Director System by Listed Companies, Company Law, Articles of Association, and Several Provisions on Strengthening Protection of Rights and Interests of Public Shareholders issued by the CSRC, the independent directors published the following independent opinions on the Company's provision for impairment of assets:

(1) Based on the principle of prudence, the Company reserved RMB41,811,094.89 for provision for assets impairment. In our opinion, the above accounting is in compliance with Accounting Standards for Business Enterprises and Notice to Listed Companies on Making Suitable Provisions for Assets Impairment (ZJGSZ No. [1999]138) and the Company's accounting policies and accounting estimates. The basis and reasons for the provision are reasonable and adequate and in line with the actual situation of the Company. The amount of provision for assets impairment is determined after fully taking into account market factors and possible compensation due to the pending lawsuits, reflects the Company's assets, liabilities and financial position fairly, accords with the interests of the Company and all shareholders, and does not harm the legitimate interests of the Company and the minority shareholders.

(2) The decision-making procedures for the provision for assets impairment are in compliance with relevant laws and regulations such as the Company Law, Securities Law and Rules Governing the Listing of Securities on the Shenzhen Stock Exchange, as well as the Articles of Association.

(3) When the Board of Directors considers the provision for assets impairment, the Audit Committee issued special opinions on the provision for assets impairment; when the Board of Directors voted on the provision for assets impairment, the voting procedure complied with relevant laws and regulations.

In consideration of the above, the independent directors agreed with the accounting treatment of the Company's provision for asset impairment.

VI. Audit opinions of the Supervisory Committee on the provisions for asset impairment

According to the Companies Law, Articles of Association, Guidelines on Standardised Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange and other regulations, the Supervisory Committee of the Company has given the following opinions on the provisions for asset impairment of the Company:

Based on the principle of prudence, the Company reserved RMB41,811,094.89 for provision for asset impairment. In our opinion, the above accounting is in compliance with Accounting Standards for Business Enterprises and the Company's accounting policies and accounting estimates. The basis and reasons for the provision are reasonable and adequate and in line with the actual situation of the Company. The amount of provision for assets impairment is determined after fully taking into account market factors and possible compensation due to the pending lawsuits, and reflects the Company's assets, liabilities and financial position fairly.

In consideration of the above, the Supervisory Committee agrees with the accounting treatment of the Company's provision for assets impairment.

VII. Other notes

Ruihua Certified Public Accountants (Special General Partnership) has audited the provision for assets impairment and issued an audit report with an unqualified audit opinion.

By order of the Board

Liu Daoqi

Chairman

Changzhou, Jiangsu Province, the PRC

29 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.