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東北電氣發展股份有限公司

NORTHEAST ELECTRIC DEVELOPMENT CO.,LTD.

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

(Stock Code: 0042)

ANNOUNCEMENT ON THE CHANGES IN ACCOUNTING POLICIES

IMPORTANT NOTICE:

- Changes in accounting policies in relation to financial instrument (with effect from 1 January 2018) will have any impact on the Company's opening retained earnings and other comprehensive income in financial statements at the beginning of 2018.
- Changes in accounting policies in relation to government grants (with effect from 12 June 2017) will not have any significant impact on the Company's current and previous net profit, total assets and net assets.
- Changes in accounting policies in relation to income standards (with effect from 1 January 2018) will not have any significant impact on the Company's current and previous net profit, total assets and net assets.
- Changes in accounting policies in relation to non-current assets held for sale, disposal groups and discontinued operation (with effect from 25 May 2017) will not have any significant impact on the Company's current and previous net profit or loss, total assets and net assets.
- The changes in accounting policies will not have any significant impact on the Company's financial statements.

Northeast Electric Development Co., Ltd.(hereinafter referred to as the "Company") convened and held the Twenty Meeting of the Eighth Session of the Board of Directors and the Tenth Meeting of

the Eighth Session of Supervisory Committee on 29 March 2018, considered and approved the resolution in relation to changes in accounting policies. The Company changed the accounting policies in accordance with the new Accounting Standards promulgated by the Ministry of Finance and the requirements of relevant business announcement. The matters in relation to the changes in accounting policies are not subject to consideration at the Company's general meeting. Details are stated as follow:

I. SUMMARY OF THE CHANGES IN ACCOUNTING POLICIES

(I) REASON FOR AND TIME OF THE CHANGES IN ACCOUNTING POLICIES

The Ministry of Finance of the PRC (hereinafter referred to as the "Ministry of Finance") continuously changed parts of the Accounting Standards for Business Enterprises (hereinafter referred to as the "New Standards") in 2017, mainly including:

1. "Accounting Standard for Business Enterprises No. 22 –Recognition and Measurement of Financial Instrument"
2. "Accounting Standard for Business Enterprises No. 23 –Transfer of Financial Assets"
3. "Accounting Standard for Business Enterprises No. 24 –Hedge Accounting"
4. "Accounting Standard for Business Enterprises No. 37 –Presentation and Reporting of Financial Instrument"
5. "Accounting Standard for Business Enterprises No. 16 –Government Grants"
6. "Accounting Standard for Business Enterprises No. 14 –Revenue"
7. "Accounting Standard for Business Enterprises No. 42 –Non-current Assets Held for sale, Disposal Groups and Discontinued Operation"

(II) The Accounting Policy Subsequent to the Changes

Subsequent to the changes, the Company will be subject to the requirements of the revised standards No. 14, No. 16, No. 22, No. 23, No. 24 and No. 37 and the newly-issued standard No. 42. The rest of the unchanged is still subject to the "Accounting Standards for Business Enterprises–General Standards" earlier promulgated by the Ministry of Finance, all special standards, application guidance and explanation announcement to the Accounting Standards for Business Enterprises and the relevant requirements.

II. DETAILS OF THE CHANGES IN ACCOUNTING POLICIES AND THE IMPACT ON THE COMPANY

(I) Changes in accounting policies in relation to financial instrument

Major changes in relation to “Accounting Standard for Business Enterprises No. 22 –Recognition and Measurement of Financial Instrument”, “Accounting Standard for Business Enterprises No. 23 –Transfer of Financial Assets”, “Accounting Standard for Business Enterprises No. 24 –Hedge Accounting” and “Accounting Standard for Business Enterprises No. 37 –Presentation and Reporting of Financial Instrument” by the Ministry of Finance are as followed:

1. Financial assets shall be classified on the basis of the "business model" within which they are held and their "contractual cash flow characteristics", and any financial assets shall be classified into three classes, namely, “financial assets measured at amortized cost”, “financial assets measured at fair value through other comprehensive income” and “financial assets measured at fair value through profit or loss in the period”;

2. The provision for impairment loss of financial assets shall change from the approach of “loss occurred” to "expected credit losses” and the scope of provision shall be enlarged;

3. For equity investments held for non-trading purpose which are designated as financial assets at fair value through other comprehensive income, during disposal, the portion which was subsequently measured in other comprehensive income shall be used to adjust retained earnings instead of being transferred to profit or loss for the current period;

4. The determination principle and accounting treatment of transfer of financial assets are further clarified;

5. In respect of hedge accounting, the scope of qualified hedged items and hedging instrument shall be enlarged, and the quantitative requirements shall be replaced by the qualitative standard for test of hedge effectiveness. The “re-balanced” mechanism on hedging relationship shall be introduced;

6. The disclosure requirements for financial instrument shall be adjusted accordingly.

To avoid discrepancy between the A share and H share financial statements of companies which are listed on both domestic and overseas stock markets, the Ministry of Finance specifically requested that such companies apply the new Standards from 1 January 2018. According to the provisions for the transitional period, companies should retrospectively adjust the retained earnings or other comprehensive income at the beginning of the period instead of restating the comparable figures of the prior period. As such, the Company will change its accounting policies from the beginning of 2018 and the accounting statements will be disclosed

in accordance with the new Standards since the first quarterly report of 2018. The Company will adjust the data of retained earnings and other comprehensive income at the beginning of 2018 in respect of the effects of the new Standards without restating the comparable figures at the end of 2017.

(II) Changes in accounting policies in relation to government grants

Pursuant to the revised “Accounting Standard for Business Enterprises No. 16 –Government Grants” by the Ministry of Finance, government grants related to the daily activities of enterprises shall be included in other income or offset against relevant expenses based on the nature of economic business. Government grants unrelated to the daily activities of enterprises shall be included in the non-operating income or expenses.

The abovementioned new standards have been implemented since 12 June 2017, which requires that enterprises shall adopt the prospective application method for government grants existed on 1 January 2017 and adjust the additional government grants between 1 January 2017 to the date of the implementation of the standards (on 12 June 2017) in accordance with the revised standards. Government grants related to the daily activities of enterprises received by the Company in 2017 shall be reclassified from the item "Non-operating income" originally presented to the item "Other incomes", and increase disclosure accordingly. The changes will not have any significant impact on the Company’s current and previous net profit, total assets and net assets, and there will be no retrospective adjustment.

(III) Changes in accounting policies in relation to revenue

The revised “Accounting Standard for Business Enterprises No. 14 – Revenue” by the Ministry of Finance incorporates the current revenue and construction contract standards into a unified revenue recognition model, replaces the risk-and-reward approach with the transfer-of-control approach as the criteria for the time of revenue recognition, provides a clearer guidance on the accounting treatment of contracts concerning multiple trading arrangements and expressly formulates the revenue recognition and measurement of certain specific transactions (or matters).

The Company, as a dual-listed enterprise, shall implement the aforementioned new standards from 1 January 2018. Pursuant to the provisions regarding the transition, enterprises that firstly apply this standard shall, based on the cumulative effect of initially applying this standard, adjust the opening

balance of retained earnings and the amount of other relevant items in the financial statements of the current period, and shall not adjust the information of the comparative period. The implementation of the aforementioned new standard will not result in material change in the Company's revenue recognition, and will not have any significant impact on the Company's current and previous net profit, total assets and net assets, and there will be no retrospective adjustment.

(iv) Implementation of Accounting Policies in Relation to Non-current Assets Held for sale, Disposal Groups and Discontinued Operation

Pursuant to the “Notice in Relation to Issuance of ‘Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations’” issued by the Ministry of Finance of the PRC, prospective application method shall be adopted in relation to the changes in accounting policies for “non-current assets held for sale, disposal groups and discontinued operations”. It shall be taken place from 28 May 2017.

The implementation of the aforementioned new standards will not have any significant impact on the Company's current and previous net profit, total assets and net assets, and there will be no retrospective adjustment.

II. The Procedures for Considering and Approving the Change in Accounting Policy

1. Review opinion of the Audit Committee of the Board of Directors on the changes in accounting policies

The changes in accounting policies are reasonable according to the requirements of the Ministry of Finance. The changes in accounting policies and the procedures for decision-making conform to the relevant requirements of the laws and regulations and reflect the Company's financial conditions and operating results in a more objective and fairer manner. The changes will not have any significant impact on the Company's financial conditions, operating results and cash flows, and will not cause damages on the interests of the Company and minority shareholders.

2. Details of review of the changes in accounting policies

The Company considered and approved the resolution in relation to changes in accounting policies, and agreed to change the Company's accounting policies according to the aforementioned

accounting standards at the Twentieth Meeting of the Eighth Session of the Board of Directors and the Tenth Meeting of the Eighth Session of Supervisory Committee.

3. Consideration authority of the changes in accounting policies

Pursuant to the relevant requirements of the Rules Governing the Listing of Securities on the stock exchange and the articles of association of the Company, the changes in accounting policies is under the Board's consideration authority. The matters in relation to the current changes in accounting policies are not subject to consideration at the Company's general meeting.

III. CONCLUSIVE OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND SUPERVISORY COMMITTEE

The Company changed the accounting policies according to the relevant regulations and requirements of the Ministry of Finance, which is in accordance with the relevant requirements of the Ministry of Finance, China Securities Regulatory Commission, the stock exchange and other regulatory authorities, reflects the Company's financial position and operating results in a more objective and fairer manner, and is in line with the interests of the Company and its shareholders. The procedures for decision-making of the changes in accounting policies are in compliance with the requirements of relevant laws and regulations and the articles of association of the Company. The independent directors and the supervisory committee of the Company agree with the changes in accounting policies of the Company.

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.