

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

Overseas Regulatory Announcement

The Board of Directors (the “**Board**”) of Northeast Electric Development Co., Ltd. (the “**Company**”) hereby announces that it is predicted that the Company is in a surplus of accumulative net profit of approximately RMB25,000,000 - RMB37,000,000, earnings per share of RMB0.0286 - RMB0.0424 and closing net assets of approximately RMB18,000,000 - RMB27,000,000 in 2018 according to the primary calculation from the financial department. The accurate financial data will be fully disclosed in the annual results announcement for the Year 2018 before 31 March 2019. The announcement is made in accordance with Rule 13.10B of the Listing Rules.

I. Period of Results Prediction

From 1 January 2018 to 31 December 2018

II. Situation of Results Prediction: Profit and Closing Net Assets Turned from Negative to Positive

It is predicted that the Company is in a surplus of accumulative net profit of approximately RMB25,000,000 - RMB37,000,000, earnings per share of RMB0.0286 - RMB0.0424 and closing net assets of approximately RMB18,000,000 - RMB27,000,000 in 2018 according to the primary calculation from the financial department.

The accurate financial data will be fully disclosed in the annual results announcement for the Year 2018 before 31 March 2019.

III. Pre-auditing Results Prediction

The certified public accountant did not pre-audit the results prediction.

IV. Reasons for Change in Results

It is predicted by the Company that the net profit attributable to shareholders of listed company turned from negative to positive and increased to approximately RMB25,000,000 - RMB37,000,000 in 2018, and the closing owner's equity attributable to parent company is approximately RMB18,000,000 - RMB27,000,000.

(I) Reasons for Changes in Net Profits

1. The operating income and operating cost of the Company during the reporting period were almost the same as those of the same period of last year. Fuxin Enclosed Busbar Co., Ltd, a subsidiary of the Company, completed relocation to the new plant area and gradually restored the production and operation, and its production capacity was greatly improved. In addition, the Company gradually reduced operating loss by strictly controlling operating expenditure, enhancing cost management and actively expanding new business.

2. During the reporting period, the Company completed the substantial asset restructuring and disposal and realized current investment income of approximately RMB33,000,000. Additionally, it received the relocation subsidy of RMB20,000,000 for the relocation project of the subsidiary, which was recorded into current profit and loss in accordance with the prevailing government subsidy accounting standards. Further, the Company recovered the guarantee amount of approximately RMB23,000,000 which had been charged into estimated liabilities in previous periods by enhancing risk control and collection effort.

3. The non-operating expenditure witnessed a sharp decline when compared with that of last year. In 2017, the Company estimated liabilities for the compensation under the settled litigation (the judgment execution related to the China Development Bank

case) and the allowance for staff under the pending litigation (the Tiexi District branch (Shenyang City) of the State-owned Assets Supervision and Administration Commission vs. the Company for the payment of allowance for staff) and incurred non-operating expenditure of RMB311,090,000. There was no such non-operating expenditure during this reporting period.

4. The provision for asset impairment during this reporting period experienced a significant decrease as compared to that of the same period in last year. In 2017, the Company made a provision of RMB41,810,000 for asset impairment based on the prudent accounting principles.

(II) Explanation on Reasons for Changes in Net Assets

During the reporting period, the Company turned its net assets from negative to positive by the end of the reporting period due to the acceptance of the equity donation from the connected parties and the current realised profit. According to the Equity Transfer Agreement signed on 16 October 2018, Hainan Tangyuan Technology Co., Ltd., a wholly-owned subsidiary of the Company, received the 10.50% equity of HNA Tianjin Center Development Co., Ltd. granted by Shanghai Yizhou Investment Management Co., Ltd., the connected party, free of charge. According to the new finance instrument standards under the PRC GAAP, it was recorded into the financial assets measured by fair value with changes in fair value recognised in other comprehensive income and did not affect the current profits and losses. It was estimated that the net assets would be increased by approximately RMB190,000,000. Thanks to this as well as the profits realised in this period, the owner's equity attributable to the parent company was turned from negative to positive.

V. Other Related Explanation

The predicted results are primarily calculated by the financial department of the Company. The Board confirms that the accurate financial data will be fully disclosed in the annual results announcement for the Year 2018 before 31 March 2019. Investors are advised to pay attention to investment risks.

By order of the Board
Li Tie
Chairman

Haikou, Hainan Province, the PRC
30 January 2019

The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Announcement misleading; (iii) all opinions expressed in this Announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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.