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(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”) is pleased to announce that the Company will suffer from a net loss of about RMB380,000,000 to RMB 420,000,000, loss per share of about RMB0.4351 to RMB 0.4809 and closing net assets of about RMB -177,200,000 to RMB -217,200,000 in the past year of 2017 according to the preliminary calculation from the financial management department. The accurate financial data will be disclosed in the Annual Report 2017 before 31 March 2018. Now, an announcement is made in accordance with the provision specified in Article 13.10B of the Listing Rule.

I. Period of Performance Prediction:

From 1 January 2017 to 31 December 2017

II. Situation of Performance Prediction: Loss

It is predicted that the Company will suffer from a net loss of about RMB380,000,000 to RMB 420,000,000 and loss per share of about RMB0.4351 to RMB 0.4809 and closing net assets of about RMB -177,200,000 to RMB -217,200,000 in the past year of 2017 according to the preliminary calculation from the financial management department.

The accurate financial data will be disclosed in the Annual Report 2017 by the close of business before 31 March 2018.

III. Reasons for Changes of Performance

1. In consideration of prudent accounting principles, during the current period, the

Company made financial treatment regarding two lawsuits involving previous equity investment and employee settlement disputes, and made a provision of RMB170,456,500 for asset impairment and RMB139,916,390 for non-operating expenses with a total amount of approximately RMB310,370,000.

(1) According to the announcement issued by the Company on 20 October 2017, the case of disputes over loan contract involving China Development Bank and Shenyang High-voltage Switchgear Co., Ltd. (“Shenyang High-voltage”) and other companies was concluded by the Supreme People's Court of the People's Republic of China (“Supreme People's Court”) on 31 August 2017 through the enforcement ruling of Zui Gao Fa Zhi Fu No. 27 (2017): reject the reconsideration application of Northeast Electric Development Co., Ltd. and affirm the enforcement ruling of Gao Zhi Yi Zi No. 52 (2015) by the Supreme People's Court in Beijing. In consideration of prudent accounting principles, the Company will have financial treatment on the losses of RMB272,627,700 arising from the historical equity investment transactions with Shenyang High-voltage, of which RMB170,456,500 is recognized as other account receivables into provision for assets impairment; the other RMB102,171,200 as the non-operating expenses.

(2) According to the announcement issued by the Company on 7 July 2017, Tiexi District State-owned Assets Supervision and Administration of Shenyang raised litigation to Shenyang City Intermediate People's Court against the Company and Shenyang High-voltage, New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. regarding Case of Disputes over the Payment of Settlement Compensation for the Employees of Shenyang High-voltage, appealing to the court to order the defendants to repay plaintiffs the outstanding debts of RMB28,530,000 along with the interest of RMB7,788,690, as well as the breach penalty of RMB1,426,500, totaling RMB37,745,190. The case is still under hearing procedures, and no judgment has been concluded yet. In consideration of prudent accounting principles, the Company has made a provision for anticipated liabilities of RMB37,745,190 regarding the rest payment of settlement compensation for the employees of Shenyang High-voltage and the relevant fees, which is recognized as non-operating expenses.

2. It is estimated that provisions for other asset impairments would reduce the Company's performance in Year 2017 by approximate RMB30,000,000 to RMB60,000,000

According to the requirements of accounting standard for business enterprises, it is required that the impairments test should be implemented at least at the end of

each year towards account receivable, inventory, fixed assets, construction in process, available-for-sale financial assets, long-term equity investments, etc. With the preliminary test, it is estimated that except for lawsuits, the provision for those asset impairments would be approximate RMB30,000,000 to RMB60,000,000.

3. Operational losses about RMB40,000,000 to RMB50,000,000

According to the Company's performance in the year 2017, it is estimated that the losses over current operating profits (excluding the provision for the losses on assets impairments) are about RMB40,000,000 to RMB50,000,000, due to increased administration expenses caused by the revenue slump year on year, the downtime losses of New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd., material assets reorganization and other factors.

In conclusion, the Company is estimated to achieve a net profit in the year 2017 of about RMB-380,000,000 to RMB-420,000,000, including the losses on non-recurring profit and loss of about RMB301,640,000.

IV. The effect of estimated loss for the 2017 annual results on non-public offering of new H shares and on future sustainable profitability

Although the Company suffered a significant loss in 2017, the current operating conditions of the Company are relatively stable, which will not result in the Company's failure to meet the conditions for non-public issuance of new H shares and will not constitute a substantive impediment to the Company's non-public issuance of new H shares. Instead, upon the non-public offering of new H shares, the Company's net assets increased significantly, improving the balance sheet and enhance anti-risk ability dramatically.

In order to reduce asset impairment loss and safeguard the interests of investors, the board of directors of the Company has decided to sell New Northeast Electric (Jinzhou) Power Capacitor and is implementing it. The Disposal has been reviewed and approved by Shenzhen Stock Exchange and The Stock Exchange of Hong Kong and the relevant circular is being reviewed by The Stock Exchange of Hong Kong. A notice on the general meeting is expected to be issued no later than 28 February to review the matter. The Disposal will generate substantial cash income for the Company.

In view of the above, the non-public issuance of new H shares and the disposal of New Northeast Electric (Jinzhou) Power Capacitor can fully ensure that the

Company will continue as a going concern in the future and create favorable conditions for the business transformation and development of the Company.

V. Did the certified public accountant audit the performance prediction? No

VI. The performance in the same period last year

Loss of net profit: RMB99,490,000

Loss per share: RMB0.1139

Net assets: RMB202,790,000

VII. Other Related Explanation

The performance prediction has been primarily calculated by the financial management department of the Company. The Board of Directors confirms that the accurate financial data will be disclosed in the Annual Report 2017 by the close of business before 31 March 2018, investors are advised to be aware of the risks involved.

Due to the negative audited net profit attributable to shareholders of the listed company in 2016, according to the relevant provisions of the Rules Governing Listing of Stocks on Shenzhen Stock Exchange (深圳證券交易所股票上市規則), if the audited net profit attributable to shareholders of the listed company in 2017 is negative, or the net asset is negative, the Company's A shares will be subject to delisting risk warning upon the disclosure of the Company's annual report for 2017. Investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board

Liu Daoqi

Chairman

Changzhou, Jiangsu Province, the People's Republic of China

31 January 2018

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