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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 PROGRESS OF LITIGATION

This announcement is, in accordance with the requirement of Rule 13.09 of the Listing Rules, made by Northeast Electric Development Co., Ltd (the “Company”) on the continuous disclosure of the litigation for the debt of 76,090,000 (in RMB, the same below) due from Benxi Iron & Steel (Group) Co., Ltd (“Bengang”).

With regard to the recovery of material debt of 76,090,000 (in RMB, the same below) due from Benxi Iron & Steel (Group) Co., Ltd (“Bengang”), on 15 March 2010, the Company received from its lawyer the second instance judgment of the retrial related to the case of RMB60, 190,000. The court sustained the original judgment.

Introduction to the debt and the progress of litigation

For the amount outstanding of US\$12,000,000 owed by the former Liaoning Trust and Investment Company (“Liaoning Trust”), confirmed by relevant departments of the People’s Government of Liaoning Province and in accordance with the governmental document ((2005) Liao Cai No.63)) approved by Liaoning Provincial Finance Department on 26 April 2005, the liquidation team of Liaoning Trust commuted the Company a creditor assets of RMB76, 090,000 from the provincial financial trust loan for Bengang on 30 May 2005. The Company lodged litigation against Bengang on 1 June and 24 October of 2005 for the amount of RMB15, 900,000 and RMB60, 190,000 respectively and required Bengang to repay its debts.

With regard to the case of RMB15, 900,000, on 10 April 2008, the Higher People's Court of Liaoning Province (Liaoning Higher Court) made a civil judgment ((2008) Liao Shen Min Zhong Zai No.2). According to the judgment, the liquidation team of Liaoning Trust should be a third party to the litigation, so the court quashed the civil judgment ((2005) Liao Min Er Zhong Zi No.220) and the civil judgment ((2005) Shen Zhong Min Si He Chu Zi No.13), and remanded the case to Shenyang Intermediate Court for retrial.

On 16 February 2009, the Company received from its lawyer a civil judgment ((2008) Shen Zhong Min Chu Zai Zi No.2) made by Shenyang Intermediate Court. According to the judgment, the Company's claim was rejected. The Company lodged an appeal with the court subsequently. On 6 August 2009, the Company received from its lawyer the second instance judgment of the retrial (2009) Liao Shen Min Zai Zi No. 40 made by Liaoning Higher Court. The court sustained the original judgment.

As for the case of RMB60,190,000, according to the judgment by Liaoning Higher Court, the case should be also remanded to Shenyang Intermediate Court for retrial. On 6 July 2009, the Company received from its lawyer civil judgments ((2008) Shen Zhong Min Chu Zi No.143,144 and 145) made by Shenyang Intermediate Court. According to these judgments, the Company's claim was rejected. The Company lodged an appeal with the court subsequently.

Please refer to the announcements dated 16 August 2006, 28 February 2007, 12 March 2007, 13 December 2007 and 12 August 2008, 16 February 2009, 6 July 2009 and 7 August 2009 for details about the above.

Progress of the Litigation

With regard to the case of RMB60, 190,000, on 15 March 2010, the Company received from its lawyer civil judgments (2009) Liao Min Er Zhong Zi No. 182, 183 and 184 made by Liaoning Higher Court as the second instance results for the retrial of the case. According to these judgments, the original judgment was sustained.

Impact on the Company's Financial and Operating Situation

The debt had been translated into full liabilities by the Company in 2007, so its litigation has no impact on the 2009 annual results.

The Company has not had any other undisclosed litigations or arbitrations as yet

If there is any new progress about the case, the Company will timely perform its announcement obligation according to the provisions of the Listing Rules.

The Company has not any other litigations or arbitrations that should be disclosed but have not been disclosed.

Shareholders of the Company and public investors are advised to exercise extreme caution when dealing in the shares of the Company.

By order of the Board

Su Weiguo

Chairman

Shenyang, the People's Republic of China

15 March 2010

As at the date of the Statement, the Board of Directors comprises of five executive directors, namely Mr. Su Weiguo, Mr. Wang Shouguan, Mr. Bi Jianzhong, Mr. Liu Qingmin, and Mr. Du Kai, and three independent non-executive directors, namely Mr. Wu Qicheng, Mr. Xiang Yongchun, and Mr. Wang Yunxiao.