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哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

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

(Stock Code: 1133)

ANNOUNCEMENT

ENTERING INTO THE EQUITY TRANSFER AGREEMENTS WITH CHINA HUARONG ASSET MANAGEMENT CO., LTD.

ENTERING INTO THE EQUITY TRANSFER AGREEMENTS WITH HUARONG

The Board hereby announces that the Company has entered into the Equity Transfer Agreements with Huarong on 28 November 2019, pursuant to which Huarong has agreed to transfer its 10.37% equity interest in the Machinery Company, 5.22% equity interest in the Boiler Company, and 26.96% equity interest in the Steam Turbine Company to the Company. The Company will acquire such equity interests in cash for an aggregate purchase price of RMB432,825,100 (equivalent to approximately HK\$482,186,536).

IMPLICATIONS UNDER THE LISTING RULES

Since Huarong holds over 10% equity interest in the Machinery Company and the Steam Turbine Company, according to Chapter 14A of the Listing Rules, it is a connected person of the Company at the subsidiary level and the Equity Acquisition constitutes transactions with connected persons at the subsidiary level of the Company. As the Equity Acquisition has been approved by the Board and the Independent Non-executive Directors have confirmed that the terms of the Equity Acquisition are fair and reasonable, the transaction is on normal commercial terms or better and is in the interests of the Company and the Shareholders as a whole, the Equity Acquisition is subject to reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Acquisition in aggregate exceed 5% but fall below 25%, the Equity Acquisition constitutes a discloseable transaction of the Company, and the Company is required to comply with the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that the Company has entered into the Equity Transfer Agreements with Huarong on 28 November 2019, pursuant to which Huarong has agreed to transfer its 10.37% equity interest in the Machinery Company, 5.22% equity interest in the Boiler Company, and 26.96% equity interest in the Steam Turbine Company to the Company. The Company will acquire such equity interests in cash for an aggregate purchase price of RMB432,825,100 (equivalent to approximately HK\$482,186,536).

Principal terms of the Equity Transfer Agreements

Save as otherwise specified, the terms of the Equity Transfer Agreements are largely identical and contain, inter alia, the following principal terms:

1. Date

28 November 2019

2. Parties

- (i) The Company; and
- (ii) Huarong.

3. Subject matter

Huarong has agreed to transfer its 10.37% equity interest in the Machinery Company, 5.22% equity interest in the Boiler Company, and 26.96% equity interest in the Steam Turbine Company to the Company.

4. Transfer price

The Company and Huarong have unanimously agreed that:

- (1) the transfer price of the 10.37% equity interest in the Machinery Company held by Huarong shall be RMB272,330,800 (equivalent to approximately HK\$303,388,701);
- (2) the transfer price of the 5.22% equity interest in the Boiler Company held by Huarong shall be RMB153,274,000 (equivalent to approximately HK\$170,754,097); and

- (3) the transfer price of the 26.96% equity interest in the Steam Turbine Company held by Huarong shall be RMB7,220,300 (equivalent to approximately HK\$8,043,737).

The aggregate purchase price shall be RMB432,825,100 in total (equivalent to approximately HK\$482,186,536).

5. Method of payment

Before entering into the Equity Transfer Agreements, the Company have paid a transaction deposit of RMB21,641,255 (equivalent to approximately HK\$24,109,327), which shall satisfy as part of the transfer price after the entering into of the Equity Transfer Agreements.

Upon entering into the Equity Transfer Agreements, the Company will make a one-off payment for the settlement of the remaining balance of the transfer price within 5 working days after the entering into of the Equity Transfer Agreements.

6. Completion of the equity transfer

The Company may only proceed with the registration procedures for the change in shareholding of the Machinery Company, the Boiler Company and the Steam Turbine Company upon due and full payment as stipulated in the Equity Transfer Agreements and the issuance of certification of equity transaction by Heilongjiang United Assets and Equity Exchange* (黑龍江聯合產權交易所), and Huarong shall provide necessary assistance and cooperation.

The Company and Huarong shall handle the registration procedures for the change in shareholding of the Target Equity in a timely manner pursuant to the relevant requirements of the PRC, Heilongjiang Province and Harbin City, as well as the provisions under the Equity Transfer Agreements. Huarong shall, within 60 working days from the date of receipt of the full transfer price, cooperate with the Company in completing the registration procedures for the change in shareholding of the Target Equity.

Completion of the equity transfer shall take place upon completion of the registration procedures for the change in shareholding of the Target Equity.

REASONS FOR AND BENEFITS OF THE EQUITY ACQUISITION

Upon the completion of the equity transfer, the Company shall hold 100%, 97.30% and 97.87% equity interest in the Machinery Company, the Boiler Company and the Steam Turbine Company respectively.

The Equity Acquisition bolsters the Company's ability to adapt to changes in the market and is beneficial to its reform and development needs while integrating essential resources, promoting the leading effect of the business sector in the market, facilitating the transformation of the Target Companies to become cost-oriented. Besides, it is beneficial to the enhancement of the effectiveness and quality of decision-making by the Target Companies and the maximisation of interests of the Company.

The Target Companies have been appraised by Beijing China Enterprise Appraisals Co., Ltd. and an asset appraisal report has been issued. The Company and Huarong have arrived at various terms in the Equity Transfer Agreements based on the abovementioned valuation results in the asset appraisal report.

The Board (including the Independent Non-executive Directors) is of view that the terms of the Equity Acquisition are fair and reasonable; the transaction is in the ordinary and usual course of business of the Company and on normal commercial terms or better; and in the interests of the Company and the Shareholders as a whole.

No Directors have a material interest in the Equity Acquisition.

INFORMATION ABOUT THE COMPANY AND HUARONG

The Company together with its subsidiaries is one of the largest manufacturers of power plant equipment in the PRC, the principal activities of which include the manufacturing of thermal power main equipment, hydro power main equipment, nuclear power main equipment, gas power equipment and turnkey construction of power station projects.

Huarong (formerly China Huarong Asset Management Corporation* (中國華融資產管理公司)) is a company incorporated in the PRC with limited liability, which provides financial services in areas such as distressed asset management, asset management, banking, securities, trust, financial leasing, investment, futures and consumer finance.

The original cost of Huarong's acquisition of the 10.37% equity interest in the Machinery Company, 5.22% equity interest in the Boiler Company and 26.96% equity interest in the Steam Turbine Company held by it was RMB73,570,000, RMB38,970,000 and RMB231,800,000 respectively.

INFORMATION ABOUT THE TARGET COMPANIES

The Machinery Company

The Machinery Company is a company incorporated in the PRC with limited liability, with a registered capital of RMB709,236,880. It is principally engaged in the manufacturing and related consultation, installation and tuning and technical services of hydro-generators, steam-turbine generators, hydro-turbines and other products, etc.

The total assets of the Machinery Company as at 31 December 2018 and 30 June 2019 amounted to approximately RMB11,748,715,393 (audited) and approximately RMB11,887,746,352 (unaudited) respectively. The valuation of the Machinery Company as at 31 July 2018 was approximately RMB5,858,203,600.

The following table sets out the audited net profit (before and after taxation) of the Machinery Company for the two years ended 31 December 2018:

| | For the year ended 31 December 2017 (RMB) | For the year ended 31 December 2018 (RMB) |
|------------------------------|--|--|
| Net profit (before taxation) | 15,625,211 | 10,842,218 |
| Net profit (after taxation) | 29,662,689 | 28,564,407 |

The Boiler Company

The Boiler Company is a company incorporated in the PRC with limited liability, with a registered capital of RMB746,850,000. It is principally engaged in the manufacturing and sales of boilers, pressure vessels, steam turbine auxiliary equipment, boiler auxiliary equipment, power station valves and mechanical parts for thermal power stations, production and sales of nuclear power station equipment and heating equipment and petrochemical containers, etc.

The total assets of the Boiler Company as at 31 December 2018 and 30 June 2019 amounted to approximately RMB18,097,850,271 (audited) and approximately RMB16,830,608,128 (unaudited) respectively. The valuation of the Boiler Company as at 31 July 2018 was approximately RMB6,616,205,200.

The following table sets out the audited net profit (before and after taxation) of the Boiler Company for the two years ended 31 December 2018:

| | For the year ended 31 December 2017 (RMB) | For the year ended 31 December 2018 (RMB) |
|------------------------------|--|--|
| Net profit (before taxation) | 345,469,654 | 204,465,294 |
| Net profit (after taxation) | 298,044,238 | 186,520,492 |

The Steam Turbine Company

The Steam Turbine Company is a company incorporated in the PRC with limited liability, with a registered capital of RMB859,720,000. It is principally engaged in the manufacturing, installation and tuning, overhaul, technical service, technology transfer, etc. of power plant steam turbines, nuclear power steam turbines, industrial steam turbines, gas turbines and other products.

The total assets of the Steam Turbine Company as at 31 December 2018 and 30 June 2019 amounted to approximately RMB11,405,987,494 (audited) and approximately RMB10,949,389,503 (unaudited) respectively. The valuation of the Steam Turbine Company as at 31 July 2018 was approximately RMB565,281,100.

The following table sets out the audited net profit (before and after taxation) of the Steam Turbine Company for the two years ended 31 December 2018:

| | For the year ended 31 December 2017 (RMB) | For the year ended 31 December 2018 (RMB) |
|------------------------------|--|--|
| Net profit (before taxation) | 101,423,523 | 5,062,447 |
| Net profit (after taxation) | 103,178,858 | 5,150,239 |

IMPLICATIONS UNDER THE LISTING RULES

Since Huarong holds over 10% equity interest in the Machinery Company and the Steam Turbine Company, according to Chapter 14A of the Listing Rules, it is a connected person of the Company at the subsidiary level and the Equity Acquisition constitutes transactions with connected persons at the subsidiary level of the Company. As the Equity Acquisition has been approved by the Board and the Independent Non-executive Directors have confirmed that the terms of the Equity Acquisition are fair and reasonable, the transaction is on normal commercial terms or better and is in the interests of the Company and the Shareholders as a whole, the Equity Acquisition is subject to reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Acquisition in aggregate exceed 5% but fall below 25%, the Equity Acquisition constitutes a discloseable transaction of the Company, and the Company is required to comply with the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

| | |
|------------------------------|---|
| “Board” | the board of Directors; |
| “Boiler Company” | Harbin Boiler Company Limited* (哈爾濱鍋爐廠有限責任公司), a subsidiary held as to 92.08% by the Company prior to the Equity Acquisition; |
| “Company” | Harbin Electric Company Limited* (哈爾濱電氣股份有限公司), a company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange; |
| “Director(s)” | director(s) of the Company; |
| “Equity Acquisition” | the acquisition of the Target Equity by the Company in cash; |
| “Equity Transfer Agreements” | the three equity transfer agreements entered into between the Company and Huarong on 28 November 2019; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |

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| “Huarong” | China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司); |
| “Independent Non-executive Director(s)” | independent non-executive director(s) of the Company; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Machinery Company” | Harbin Electric Machinery Co., Ltd.* (哈爾濱電機廠有限責任公司), a subsidiary held as to 89.63% by the Company prior to the Equity Acquisition; |
| “PRC” | the People’s Republic of China; |
| “Shareholder(s)” | holder(s) of shares of the Company; |
| “Steam Turbine Company” | Harbin Steam Turbine Works Co., Ltd.* (哈爾濱汽輪機廠有限責任公司), a subsidiary held as to 70.91% by the Company prior to the Equity Acquisition; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Target Companies” | the Machinery Company, the Boiler Company and the Steam Turbine Company; |
| “Target Equity” | the 10.37% equity interest in the Machinery Company, 5.22% equity interest in the Boiler Company, and 26.96% equity interest in the Steam Turbine Company held by Huarong; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong. |

In this announcement, translation of RMB into HK\$ is based on the exchange rate of HK\$1.00 = RMB0.89763. This is for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be converted at such rate or any other exchange rate.

** For identification purposes only*

By Order of the Board
Harbin Electric Company Limited
Si Ze-fu
Chairman

Harbin, PRC
28 November 2019

As at the date of this announcement, the executive directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang and Mr. Zhang Ying-jian; and the independent non-executive directors of the Company are Mr. Zhu Hong-jie, Mr. Yu Wen-xing, Mr. Hu Jian-min and Mr. Tian Min.