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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)

CONNECTED TRANSACTION — ACQUISITION OF EQUITY INTEREST IN HARBIN ELECTRIC (HE)

ACQUISITION OF EQUITY INTEREST IN HARBIN ELECTRIC (HE)

The Board of Directors (the “**Board**”) of Harbin Electric Company Limited (the “**Company**”) hereby announces that, on 15 May 2015, the Board has reviewed and approved the Company’s acquisition of the entire equity interest in Harbin Electric (HE) Corporation (“**Harbin Electric (HE)**”) held by Harbin Electric Corporation (“**Harbin Electric**”).

Harbin Electric is the controlling shareholder of the Company, and a connected person of the Company under the Listing Rules. As such, the acquisition of the equity interest in Harbin Electric (HE) held by Harbin Electric constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios in respect of the acquisition of the equity interest in Harbin Electric (HE) calculated under the Listing Rules are less than 5%, the Company is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. None of the Directors has material interest in the acquisition or is required to abstain from voting on resolutions of the Board to approve the Acquisition and the transactions contemplated thereunder.

ACQUISITION OF EQUITY INTEREST IN HARBIN ELECTRIC (HE)

I. PARTIES

Vendor: Harbin Electric.

Purchaser: the Company.

Date of transaction: the Acquisition will be effected upon approval of the Board.

II. FUNDAMENTALS OF HARBIN ELECTRIC (HE)

Harbin Electric (HE) is an enterprise owned by the whole people established in 1987 with the approval of State Economic and Trade Commission, and a secondary wholly-owned subsidiary of Harbin Electric with a registered capital of RMB20 million. It is mainly engaged in the operation of main and auxiliary equipment and accessories of thermal power, hydropower and nuclear power engineering, general contract for the construction of thermal power station, hydropower station and combined-cycle power station and the general contract of turnkey projects. It is qualified for the construction of transmission and transformation facilities and public facilities associated with power plants. Moreover, it can operate the trading and importation of chemical containers, spare parts for automobile, construction materials, environmental protection equipment, communications equipment as well as the equipment and materials required by enterprises under Harbin Electric.

The principal business of Harbin Electric (HE) is to assist Harbin Electric International Company Limited (“**HE International**”), a subsidiary of the Company, with the implementation of overseas projects. Currently, besides assisting HE International with the implementation of overseas EPC project, Harbin Electric (HE) has no other operating project. In the course of assisting HE International with the implementation of projects, Harbin Electric (HE) generates revenue which increases along with the increment of projects implemented by HE International. Upon acquisition of Harbin Electric (HE), such revenue will transfer to the Company.

Set out below is the major financial information of Harbin Electric (HE) for the last three years:

In RMB0'000

Items	2012	2013	2014
Total assets	3,276.44	3,573.09	3,323.12
Total liabilities	1,187.57	1,079.39	829.48
Net assets	2,088.87	2,493.70	2,493.64
Operating Revenue	1,135.97	882.60	142.08
Gross profit	153.84	540.86	3.13
Net profit	80.67	404.83	-0.06

III. THE NECESSITY FOR THE ACQUISITION OF EQUITY INTEREST IN HARBIN ELECTRIC (HE)

1. Ensure successful implementation of overseas projects of the Company and its subsidiaries (the “Group”) and optimization of taxation.

2. As each of Harbin Electric (HE) and HE International is a subsidiary of Harbin Electric and the Company respectively, the coordination of Harbin Electric (HE) with HE International for the signing of overseas contracts involves a connected transaction. However, the occurrence of connected transactions can be avoided effectively following the acquisition of Harbin Electric (HE) by the Company.

IV. CONSIDERATION AND METHOD OF ACQUISITION

1. Method of acquisition: The Company acquires the entire equity interest in Harbin Electric (HE) held by Harbin Electric by way of negotiated assignment.
2. Consideration of the acquisition: to be satisfied in cash, based on the valuation of RMB 28.077 million as at 31 December 2014 (the benchmark date) as confirmed by the asset appraisal firm, while profit and loss during the transition period attributable to the purchaser.
3. Change in the nature of the company: Harbin Electric (HE) shall change from an enterprise owned by the whole people to a wholly-owned subsidiary of the Company upon completion of acquisition.

The Directors of the Company consider the terms of transaction are fair and reasonable and in the interest of the shareholders as a whole.

V. CHANGE IN SHAREHOLDING STRUCTURE

Upon completion of acquisition, the Company will hold the entire equity interest of Harbin Electric (HE).

VI. OTHER INFORMATION

The Group is one of the largest manufacturers of power plant equipment in the PRC, its principal activities include the manufacturing of thermal power main equipment, hydro power main equipment, nuclear power main equipment, gas power equipment and turn-key construction of power station projects, etc..

Harbin Electric is the controlling shareholder of the Company, and is the pioneer in establishing the largest research and manufacturing base for power plant equipment, marine power equipment, power-driven equipment and export base for complete set of equipment in the PRC.

As Harbin Electric, the controlling shareholder of the Company, is a state-owned enterprise, the transfer of equity interest in Harbin Electric (HE) held by Harbin Electric is subject to the relevant laws and procedures concerning state-owned enterprise and state-owned property rights transfer.

The Directors of the Company (including the independent non-executive directors) are of the view that:

- (1) The terms of this connected transaction are fair and reasonable;

- (2) The terms of this connected transaction are entered into in the Group's ordinary course of business and on normal commercial terms or more favourable terms; and
- (3) The terms of this connected transaction are in the interest of the Company and the shareholders as a whole.

DEFINITIONS

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

“associate(s)”	the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Harbin Electric Company Limited, a company incorporated in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange;
“connected person(s)”	the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Harbin Electric (HE)”	Harbin Electric (HE) Corporation, an enterprise owned by the whole people with the approval of State Economic and Trade Commission, and a secondary wholly-owned subsidiary of Harbin Electric;
“Group”	the Company and its subsidiaries;
“Harbin Electric”	哈爾濱電氣集團公司(Harbin Electric Corporation), a state-owned enterprise and the controlling shareholder of the Company;
“Harbin Electric Group”	Harbin Electric and its subsidiaries, including the Group;
“HE International”	Harbin Electric International Company Limited, a subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“PRC”	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;

“Shareholder(s)” holder(s) of the overseas listed foreign invested shares of RMB1.00 each in the capital of the Company which are listed on the Stock Exchange;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules.

By order of the Board
Harbin Electric Company Limited
Ai Li-song
Company Secretary

Harbin, the People’s Republic of China
15 May 2015

As at the date of this announcement, the executive directors of the Company are Mr. Wu Wei-zhang, Mr. Zhang Ying-jian, Mr. Song Shi-qi and Mr. Shang Zhong-fu; the non-executive director of the Company is Mr. Zou Lei; and the independent non-executive directors of the Company are Mr. Yu Bo, Mr. Liu Deng-qing and Mr. Yu Wen-xing.