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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)

**RE-ENTERING INTO SHAREHOLDERS' AGREEMENT
AND INCREASE IN CAPITAL BY THE JV COMPANY OF
THE SUBSIDIARIES**

**RE-ENTERING INTO SHAREHOLDERS' AGREEMENT AND INCREASE IN
CAPITAL BY THE JV COMPANY OF THE SUBSIDIARIES**

The board of directors (the "Board") of Harbin Electric Company Limited (the "Company") hereby announces that Harbin Electric International Company Limited ("HE International"), a subsidiary of the Company, entered into a shareholders' agreement (the "Original Agreement") due to the requirement of the tendering of an international project on 1 December 2015. HE International, through Hassyan International Investment Limited ("Hassyan", an entity established by the HK Subsidiary wholly-owned by HE International), formed a joint venture company (the "JV Company") with a wholly-owned subsidiary (the "Subsidiary A") of Company A ("Company A"). The Original Agreement was entered into between Hassyan and the Subsidiary A, pursuant to which HE International would invest AED30,000 (equivalent to approximately HK\$63,300), accounting for 30% of the total investment.

On 5 August 2016, shareholders of the JV Company re-entered into a shareholders' agreement to replace the Original Agreement, whereby company B ("Company B") made investment into the JV Company through its wholly-owned subsidiary (the "Subsidiary B"). The shareholding of HE International remained at 30%. Based on the requirement of the investment project, shareholders of the JV Company will increase their capital contribution in proportion to their respective shareholding in the JV Company. HE International will contribute a maximum of US\$99,000,000 (equivalent to approximately HK\$767,770,000) which is calculated by the financial model based on its shareholding proportion.

LISTING RULES IMPLICATIONS

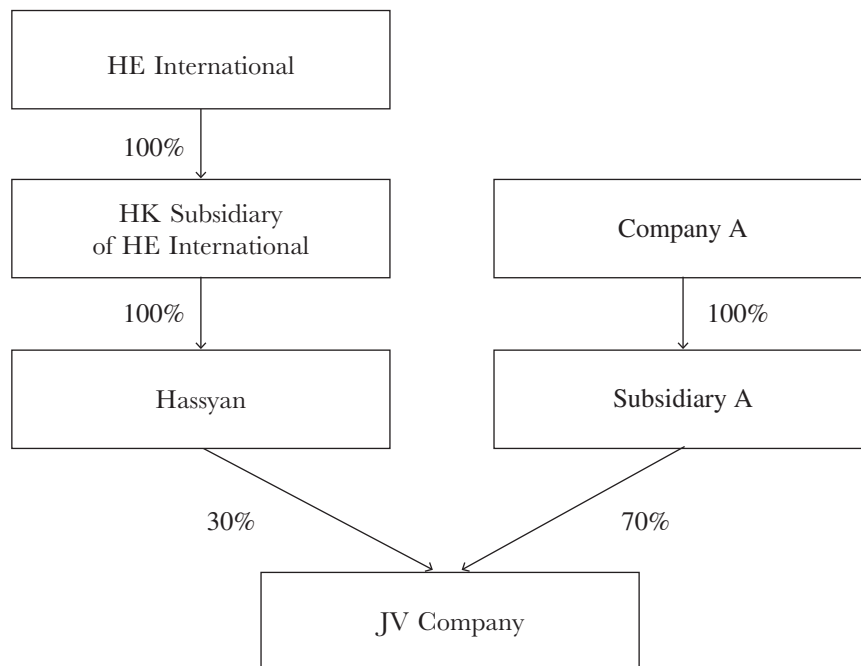
As the applicable percentage ratios calculated under the Listing Rules in respect of the investment amount and the relevant figures are more than 5% but less than 25%, the Company is therefore subject to the report and announcement requirements but exempt from the circular and shareholders' approval requirements for the increase in capital of the JV Company of HE International under Chapter 14 of the Listing Rules.

To the best knowledge of the directors having made all reasonable enquiries, the investment counterparties and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

I. BACKGROUND OF THE JV COMPANY AND INVESTMENT DESCRIPTION

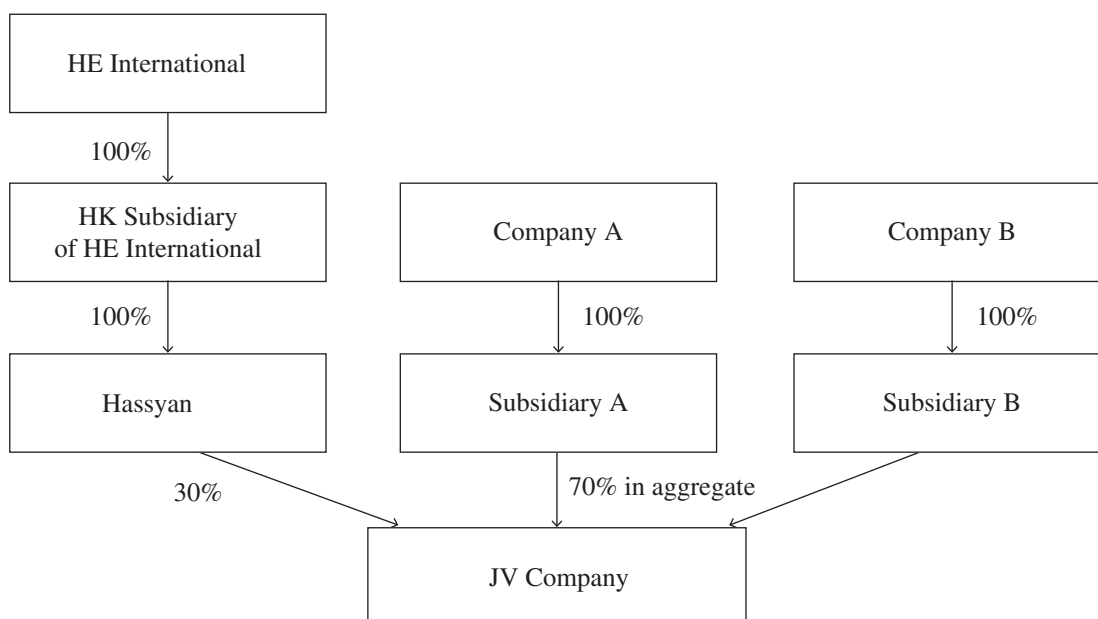
On 1 December 2015, HE International through Hassyan entered into the Original Agreement due to the requirement of the tendering of an international project to form the JV Company with the Subsidiary A. HE International would invest AED30,000 (equivalent to approximately HK\$63,300), accounting for 30% of the total investment.

Set out below is the shareholding structure of the JV Company:



On 5 August 2016, the JV Company re-entered into a shareholders' agreement, whereby Company B made investment into the JV Company through the Subsidiary B. Based on the requirement of the investment project, shareholders of the JV Company will increase their capital contribution in proportion to their respective shareholding in the JV Company. HE International will contribute a maximum of US\$99,000,000 (equivalent to approximately HK\$767,770,000) which is calculated by the financial model based on its shareholding proportion.

Set out below is the shareholding structure of the JV Company after re-entering into of the shareholders' agreement:



II. BUSINESS OF THE JV COMPANY AND PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

1. Business of the JV Company

Investment and operation of power station project.

2. Date of the shareholders' agreement

The Original Agreement was entered into on 1 December 2015, and amended and restated on 5 August 2016.

3. Parties

- (i) Hassyan
- (ii) Subsidiary A
- (iii) Subsidiary B

To the best knowledge of the directors having made all reasonable enquiries, as at the date of this announcement, Hassyan, Subsidiary A, Subsidiary B and their respective ultimate beneficial owners are independent third parties.

4. Capital Contribution of the shareholders and voting rights

HE International accounted for 30% of the total investment. Shareholders committed to making their investment in proportion to their respective shareholding and are entitled to voting rights in the same proportion.

5. Board Composition and Governance of the JV Company

Unless otherwise agreed by the shareholders, the board of the JV Company shall comprise of not more than 5 directors, of which 1 shall be appointed or nominated by HE International. Board meeting of the JV Company shall be attended by at least 3 directors, of whom at least 2 are the directors of Company A and at least 1 is the director of HE International. At every board meeting, director (or alternate director) shall have one vote for the resolution proposed at the meeting.

6. Profit-sharing

Subject to compliance with legal provisions and satisfaction of capital requirements, the JV Company shall distribute its profit according to the proportion of shareholding and maximize shareholders' gain.

7. Development Cost

Based on the shareholding proportion and calculated by the financial model, HE International shall contribute a maximum of US\$99,000,000 (equivalent to approximately HK\$767,770,000) to the investment project. The shareholders agree that shareholders are only required to contribute 10% of their respective prescribed shareholding before the debt facility available under the financing document is fully utilised, i.e. HE International shall make an initial contribution of up to US\$9,900,000 (equivalent to approximately HK\$76,777,000).

III. PURPOSE AND BENEFITS OF THE INCREASE IN CAPITAL OF THE JV COMPANY

The increase in investment to the JV Company by HE International is mainly based on the need of the power station investment project.

The directors of the Company are of the view that the terms of the shareholders' agreement and the increase in investment are:

- (1) fair and reasonable;
- (2) in the interest of the Company and shareholders as a whole.

IV. INFORMATION ON THE COMPANY AND THE COUNTERPARTIES

The Company together with its subsidiary 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.

HE International is a wholly-owned subsidiary of the Company, the principal activities of which include the contracting of thermal power station, hydro power station, combined cycle power station operation and turnkey projects of equipment.

Company A is a joint stock company established in Saudi Arabia in 2004, principally engaged in the development, investment, joint ownership and operation of power plants and desalination projects. Subsidiary A, which is wholly-owned by Company A is a subsidiary established for the purpose of the investment project.

Company B is a company incorporated in Beijing with limited liabilities in 2014, principally engaged in the provision of investment and financial support to the economic and trading cooperation as well as bilateral and multi-lateral communication within the “One Belt One Road” framework. Subsidiary B, which is wholly-owned by Company B is a subsidiary established for the purpose of the investment project.

DEFINITIONS

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

“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;
“Board”	the board of Directors of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“subsidiary(ies)”	the meaning ascribed to it under the Listing Rules;
“HE International”	Harbin Electric International Company Limited, a subsidiary of the Company;
“HK Subsidiary”	a Hong Kong subsidiary wholly-owned by HE International;
“Hassyan”	Hassyan International Investment Limited, a company incorporated in Hong Kong and wholly-owned by the HK Subsidiary of HE International;
“JV Company”	a joint venture company established by Hassyan under HE International and a subsidiary of Company A due to the requirement of the tendering of the international project, with the subsequent introduction of a subsidiary of Company B to the JV Company based on the need to implement the project ;
“Company A”	a joint stock company established in Saudi Arabia in 2004, principally engaged in the development, investment, joint ownership and operation of power plants and desalination projects;
“Subsidiary A”	a wholly-owned subsidiary of Company A, which is established for the purpose of the investment project;

“Company B”	A company established in Beijing with limited liabilities in 2014, principally engaged in the provision of investment and financial support to the economic and trading cooperation as well as bilateral and multi-lateral communication within the “One Belt One Road” framework;
“Subsidiary B”	a wholly-owned subsidiary of Company B, which is established for the purpose of the investment project;
“AED”	the lawful currency of the United Arab Emirates
“US\$”	the official currency of the United States of America;
“HK\$”	the lawful currency of Hong Kong;
“PRC”	the People’s Republic of China;
“Saudi Arabia”	the Kingdom of Saudi Arabia.

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

Harbin, PRC
18 August 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang, Mr. Zhang Ying-jian and Mr. Song Shi-qi; and the independent non-executive Directors of the Company are Mr. Yu Bo, Mr. Liu Deng-qing and Mr. Yu Wen-xing.