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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF 51% EQUITY INTEREST
IN A WHOLLY-OWNED SUBSIDIARY**

THE ASSET PURCHASE AGREEMENT

On 18 July 2023, the Company entered into the Asset Purchase Agreement with Jiamusi Electric, pursuant to which the Company has conditionally agreed to sell, and Jiamusi Electric has conditionally agreed to purchase, the Sale Equity, representing 51% equity interest in Power Equipment Company, for a total consideration of RMB400,697,400 (equivalent to approximately HK\$435,540,652) in cash.

Upon Completion, Power Equipment Company will be owned as to 51% by Jiamusi Electric and 49% by the Company. Following the Disposal, Power Equipment Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the Group's accounts.

THE PERFORMANCE GUARANTEE AGREEMENT

On 18 July 2023, the Company also entered into the Performance Guarantee Agreement with Jiamusi Electric, pursuant to which the Company and Jiamusi Electric have conditionally agreed that the Company shall guarantee that the share of revenue of the Performance Commitment Asset for each financial year during the Performance Commitment Period meets the Performance Commitment, and undertake to compensate Jiamusi Electric for any shortfall from the Performance Commitment, upon the Asset Purchase Agreement having become effective.

THE LETTERS OF UNDERTAKING

On 18 July 2023, the Company also issued the Letters of Undertaking at the request of Jiamusi Electric in connection with the Disposal, pursuant to which the Company, among other things, undertakes to indemnify Power Equipment Company against all losses incurred by it arising out of or in connection with (i) the failure of Power Equipment Company to obtain property ownership certificates for certain real estate properties; and (ii) the occurrence of certain issues in relation to labour dispatch of Power Equipment Company.

THE EXISTING ENTRUSTED MANAGEMENT AGREEMENT

The Existing Entrusted Management Agreement is effective until 31 December 2023 according to its terms. Prior to Completion, the Existing Entrusted Management Agreement will remain effective, and the Company, Power Equipment Company and Jiamusi Electric will continue to fulfil their respective obligations under the Existing Entrusted Management Agreement. Following Completion, the Company, Power Equipment Company and Jiamusi Electric will further negotiate whether the Existing Entrusted Management Agreement shall be terminated in advance.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jiamusi Electric is a subsidiary, and thus an associate, of Harbin Electric Corporation, the controlling shareholder of the Company holding approximately 60.41% of the entire issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, Jiamusi Electric is a connected person of the Company, and as one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% and the total consideration of the Disposal is more than HK\$10,000,000, the Disposal constitutes a connected transaction of the Company which is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened to consider and, if thought fit, approve the Disposal. Harbin Electric Corporation and its associates will abstain from voting on the resolutions to be proposed for approving the Disposal at the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Asset Purchase Agreement and the Disposal. In this connection, the Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Asset Purchase Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the Disposal at the EGM.

A circular containing, among others, (i) further details of the Asset Purchase Agreement and the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Asset Purchase Agreement and the Disposal; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Asset Purchase Agreement and the Disposal, together with the notice of the EGM, is required to be despatched to the Shareholders within 15 business days after the publication of this announcement in accordance with the Listing Rules. As additional time is required to prepare and finalise certain information to be included in the circular, the circular is expected to be despatched on or before 31 August 2023.

Completion is subject to the approval from the Independent Shareholders at the EGM and the fulfilment of the Conditions Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 14 December 2020 in relation to the Company's intention to dispose of 51% equity interest in Power Equipment Company to Jiamusi Electric.

The Board hereby announces that on 18 July 2023, the Company entered into the Asset Purchase Agreement with Jiamusi Electric, pursuant to which the Company has conditionally agreed to sell, and Jiamusi Electric has conditionally agreed to purchase, the Sale Equity, representing 51% equity interest in Power Equipment Company, for a total consideration of RMB400,697,400 (equivalent to approximately HK\$435,540,652) in cash.

THE ASSET PURCHASE AGREEMENT

The principal terms and conditions of the Asset Purchase Agreement are set out as follows:

Date

18 July 2023

Parties

- (1) The Company (as vendor); and
- (2) Jiamusi Electric (as purchaser).

Subject Matter

Subject to the terms and conditions under the Asset Purchase Agreement, the Company has agreed to sell, and Jiamusi Electric has agreed to purchase, the Sale Equity, representing 51% equity interest in Power Equipment Company, together with all rights and benefits attaching thereto with effect from the date of Completion.

Consideration and Payment Terms

The consideration of the Sale Equity is RMB400,697,400 (equivalent to approximately HK\$435,540,652).

The consideration shall be paid by Jiamusi Electric to the Company in cash in the following manner:

- (i) RMB200,348,700 (equivalent to approximately HK\$217,770,326), being 50% of the total consideration, shall be paid by Jiamusi Electric to the Company as and when the Asset Purchase Agreement is signed and becomes effective; and
- (ii) RMB200,348,700 (equivalent to approximately HK\$217,770,326), being the remaining 50% of the total consideration, shall be paid by Jiamusi Electric to the Company upon Completion.

Basis of Consideration

The consideration was determined after arm's length negotiations between the Company and Jiamusi Electric with reference to the appraised asset value of the Sale Equity as at the Valuation Benchmark Date as appraised by the Independent Valuer. The appraised asset value of the Sale Equity was RMB400,697,400.

The appraised asset value of the Sale Equity was, in principle, assessed by adopting the asset-based approach, whereby based on the statement of financial position of Power Equipment Company as at the Valuation Benchmark Date, various identifiable assets and liabilities of Power Equipment Company, including but not limited to non-current assets (such as construction in progress), current assets (such as cash and cash equivalents, accounts receivables and inventory) and intangible assets (such as land-use right), were valued. Yet, having considered the features of the motor manufacturing industry in which Power Equipment Company is located, which render (a) the relationship between the patents and non-patented technology of Power Equipment Company, being one of the assets included in the scope of valuation, and the revenue of Power Equipment Company relatively clear and quantifiable; and (b) the value contribution of such technology-based intangible asset being continuous to a certain extent, the asset value of the patents and non-patented technology of Power Equipment Company was appraised using the income approach.

The Board is of the view that the abovementioned valuation basis reflects the fair market value of the Sale Equity from the perspective of asset replacement. Moreover, majority of the profit of Power Equipment Company comes from the manufacturing and sales of nuclear motors, the business development of which largely depends on the industry policies of the PRC government from time to time. Given the uncertainty in the business development of Power Equipment Company, it is considered more appropriate and reliable to adopt the asset-based approach for the valuation of the majority of assets of Power Equipment Company and hence, the Sale Equity; whereas in respect of the patents and non-patented technology of Power Equipment Company, given its corresponding revenue contribution is quantifiable and has a certain continuity, adopting the income approach can better reflect its asset value.

Since the asset-based approach and the income approach was adopted by the Independent Valuer in respect of the valuation of the Sale Equity as at the Valuation Benchmark Date, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The Company will issue a further announcement within 15 business days after the publication of this announcement in compliance with Rule 14.60A and Rule 14.62 of the Listing Rules.

Effective Date

The Asset Purchase Agreement shall take effect upon execution by the parties thereto, subject to the fulfilment of all of the following conditions:

- (i) the Asset Purchase Agreement and the Disposal having been approved by the board of directors and at a shareholders' meeting of Jiamusi Electric in accordance with the applicable laws and regulations, and the articles of association of Jiamusi Electric;
- (ii) the Asset Purchase Agreement and the Disposal having been approved by the Board and at the EGM in accordance with the applicable laws and regulations (including but not limited to the Listing Rules), and the articles of association of the Company;
- (iii) the Disposal having been approved by Harbin Electric Corporation;
- (iv) the valuation results in respect of the appraised asset value of the Sale Equity having been notified to Harbin Electric Corporation; and
- (v) the Disposal having been approved by the State Administration of Science, Technology and Industry for National Defence of the PRC.

Conditions Precedent

Completion is subject to the fulfilment of all of the following conditions:

- (i) the Asset Purchase Agreement having become effective;
- (ii) no relevant regulatory authorities requiring the termination or suspension of the Asset Purchase Agreement and the transactions contemplated thereunder; and
- (iii) all necessary procedures in respect of Completion having been completed in accordance with the terms of the Asset Purchase Agreement and the requirements of applicable laws and regulations.

Completion

Within 20 business days after the fulfilment of the Conditions Precedent, the Company and Jiamusi Electric shall complete all relevant procedures in respect of the transfer of the Sale Equity, including but not limited to the change of industrial and commercial registration (the “**Registration of Change**”).

Completion shall take place upon completion of the Registration of Change.

Arrangements during the Transitional Period

During the Transitional Period, any profit or loss of Power Equipment Company shall be enjoyed or borne (as the case may be) by the Company and Jiamusi Electric in proportion to their respective equity interests in Power Equipment Company as if Completion has taken place.

In addition, Power Equipment Company shall not carry out any form of profit distribution during the Transitional Period. Any retained profits of Power Equipment Company before the Valuation Benchmark Date shall be shared between the Company and Jiamusi Electric in proportion to their respective equity interests in Power Equipment Company after Completion.

THE PERFORMANCE GUARANTEE AGREEMENT

On 18 July 2023, the Company also entered into the Performance Guarantee Agreement with Jiamusi Electric, pursuant to which the Company and Jiamusi Electric have conditionally agreed that the Company shall guarantee that the share of revenue of the Performance Commitment Asset for each financial year during the Performance Commitment Period meets the Performance Commitment, and undertake to compensate Jiamusi Electric for any shortfall from the Performance Commitment, upon the Asset Purchase Agreement having become effective.

The principal terms and conditions of the Performance Guarantee Agreement are set out as follows:

Date

18 July 2023

Parties

- (1) The Company; and
- (2) Jiamusi Electric.

Performance Commitment Period

The Performance Commitment Period shall be a period of three financial years, commencing from the beginning of the financial year in which Completion took place and concluding by the end of the second consecutive financial year thereafter.

Should Completion take place on or before 31 December 2023, the Performance Commitment Period shall be the financial years ending 31 December 2023, 2024 and 2025. If Completion does not take place by 31 December 2023, the Performance Commitment Period will be postponed accordingly.

Performance Commitment

The Company shall guarantee that the share of revenue of the Performance Commitment Asset (to be assessed using the income approach) for each financial year during the Performance Commitment Period meets the following commitment:

	For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
Share of revenue	17,787.1	15,200.7	12,010.9

The actual share of revenue of the Performance Commitment Asset for each financial year during the Performance Commitment Period will be based on the relevant special audit report issued by a qualified auditor to be engaged by Jiamusi Electric after the end of the corresponding financial year.

Should the Performance Commitment Period be a period other than the three financial years ending 31 December 2023, 2024 and 2025, the relevant Performance Commitment shall be determined between the Company and Jiamusi Electric by way of separate written agreement.

Compensation Principles

Within 10 business days after the issue of the special audit report for each financial year during the Performance Commitment Period, Jiamusi Electric shall determine if the Company is required to pay any compensation pursuant to the Performance Guarantee Agreement and if so, serve a written notice to the Company in respect of the amount of compensation payable by the Company.

In the event that the Performance Commitment for any financial year during the Performance Commitment Period cannot be met, the Company shall compensate Jiamusi Electric in cash within 20 business days from the date of receipt of the written notice served by Jiamusi Electric (the “**Performance Compensation Obligation**”), calculated based on the following formula:

$$\begin{array}{r}
 \text{Amount of compensation for the relevant period} \\
 = \frac{\text{(Accumulated share of revenue committed for the relevant period – Accumulated share of revenue realised for the relevant period)}}{\text{Sum of the share of revenue for each financial year during the Performance Commitment Period}} \times \text{Portion of the consideration of the Sale Equity attributable to the Performance Commitment Asset} - \text{Accumulated amount of compensation payable in respect of the Performance Commitment Asset}
 \end{array}$$

In addition, within 30 business days after the issue of the special audit report for the last financial year during the Performance Commitment Period, Jiamusi Electric shall engage a qualified auditor to conduct an impairment test on the Performance Commitment Asset and issue a special audit report on such impairment test. If there is a decrease in appraised value of the Performance Commitment Asset as at the end of the Performance Commitment Period as compared to that as at the Valuation Benchmark Date, and such difference exceeds the total amount of compensation paid by the Company during the Performance Commitment Period, the Company shall compensate Jiamusi Electric in cash separately (the “**Impairment Compensation Obligation**”), calculated based on the following formula:

$$\begin{array}{r}
 \text{Amount of compensation payable in respect of the impairment test} \\
 = \text{Amount of the impairment loss on the Performance Commitment Asset as at the end of the Performance Commitment Period} - \text{Amount of compensation paid during the Performance Commitment Period}
 \end{array}$$

The total amount payable by the Company in cash in respect of the Performance Compensation Obligation and the Impairment Compensation Obligation shall not exceed the portion of the consideration of the Sale Equity attributable to the Performance Commitment Asset.

Effective Date

The Performance Guarantee Agreement shall take effect upon execution by the parties thereto, subject to the Asset Purchase Agreement having become effective.

THE LETTERS OF UNDERTAKING

On 18 July 2023, the Company also issued the Letters of Undertaking at the request of Jiamusi Electric in connection with the Disposal, pursuant to which the Company, among other things, undertakes to indemnify Power Equipment Company against all losses incurred by Power Equipment Company arising out of or in connection with (i) the failure of Power Equipment Company to obtain property ownership certificates for certain real estate properties which are immaterial to the business operation of Power Equipment Company; and (ii) the occurrence of certain issues in relation to labour dispatch of Power Equipment Company which has been fully rectified since April 2023.

THE EXISTING ENTRUSTED MANAGEMENT AGREEMENT

Reference is also made to the announcements of the Company dated 30 November 2021 and 29 December 2022 respectively in relation to, among others, the Existing Entrusted Management Agreement entered into among the Company, Power Equipment Company and Jiamusi Electric with an aim to lay a foundation for the smooth implementation of the Disposal.

The Existing Entrusted Management Agreement is effective until 31 December 2023 according to its terms. Prior to Completion, the Existing Entrusted Management Agreement will remain effective, and the Company, Power Equipment Company and Jiamusi Electric will continue to fulfil their respective obligations under the Existing Entrusted Management Agreement. Following Completion, the Company, Power Equipment Company and Jiamusi Electric will further negotiate whether the Existing Entrusted Management Agreement shall be terminated in advance.

INFORMATION ON POWER EQUIPMENT COMPANY

Power Equipment Company, a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion, is a limited liability company established in the PRC with a registered capital of RMB1,070,000,000. It is principally engaged in the production and sales of nuclear pumps, nuclear power units, materials for nuclear pump and nuclear power unit, large-and-medium-sized synchronous motors, asynchronous motors, DC motors, cycloconverter motors, special motors, explosion-proof electric motors, wind turbine generators, hydraulic generators, steam turbine generators and their supporting electrical control equipment; construction and labour operation work; provision of services on internal trainings for enterprise staff; and import and export of goods and technology.

The audited consolidated financial information of Power Equipment Company for the two years ended 31 December 2021 and 2022 prepared in accordance with China Accounting Standards for Business Enterprises are as follows:

	For the year ended 31 December 2021 <i>(audited)</i> RMB'000	For the year ended 31 December 2022 <i>(audited)</i> RMB'000
Net profit/(loss) before taxation	(323,532)	17,547
Net profit/(loss) after taxation	(309,527)	59,129

As at 31 December 2022, the audited net asset value of Power Equipment Company was approximately RMB502,872,000.

INFORMATION ON JIAMUSI ELECTRIC

Jiamusi Electric, a subsidiary of Harbin Electric Corporation, is a joint stock limited company incorporated in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000922). It is principally engaged in the manufacturing and sales of electric motors, and its main products include explosion-proof motors, motors for lifting and metallurgy, shielded motors, electric pumps and nuclear motors.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, Power Equipment Company will be owned as to 51% by Jiamusi Electric and 49% by the Company. Following the Disposal, Power Equipment Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated in the Group's accounts.

Based on the consideration of the Sale Equity under the Asset Purchase Agreement, the Company expects to recognise a pre-tax disposal gain of approximately RMB400,697,400 (equivalent to approximately HK\$435,540,652) before costs and expenses in relation to the Disposal. The actual effect of the Disposal on the consolidated financial statements of the Group is to be determined as at Completion and subject to audit.

The Company intends to use the proceeds from the Disposal to strengthen the general working capital of the Group and actively promote the transformation and development of the Group's business, in particular, the transformation and enhancement of the Group's traditional industries, the development of new energy industries, and the digitalisation of manufacturing processes, so as to enhance the company's core competitiveness and development capabilities.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufacturing of thermal power main equipment, hydropower main equipment, nuclear power main equipment, gas power equipment set and turnkey construction of power station projects.

The Board is of the view that the Company's disposal of controlling stake in Power Equipment Company and hence, exit from the motor business will allow the Group to further focus on its principal business of power generation equipment manufacturing, and concentrate resources to enhance the Group's competitiveness in the fields of power generation equipment manufacturing, system integration and provision of operation and maintenance services. In particular, the Group's strategic plans regarding the transformation and enhancement of the Company's traditional industries, the development of new energy industries, and the digitalisation of manufacturing processes all require substantial capital investment. The proceeds from the Disposal can further supplement the Company's general working capital required for such industrial transformation and development.

Moreover, Jiamusi Electric is an A-shares listed company principally engaged in motor manufacturing and technology development. The Board believes that Jiamusi Electric becoming a shareholder of Power Equipment Company pursuant to the Disposal will create synergy for the business development of Power Equipment Company by bringing new opportunities and resources to Power Equipment Company, which will in turn favour the 49% equity interest in Power Equipment Company retained by the Group upon Completion.

As such, the Directors (other than the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) believe that the terms of the Asset Purchase Agreement and the Disposal (including the consideration) are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jiamusi Electric is a subsidiary, and thus an associate, of Harbin Electric Corporation, the controlling shareholder of the Company holding approximately 60.41% of the entire issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, Jiamusi Electric is a connected person of the Company, and as one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% and the total consideration of the Disposal is more than HK\$10,000,000, the Disposal constitutes a connected transaction of the Company which is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

The EGM will be convened to consider and, if thought fit, approve the Disposal. In view of the interest held by Harbin Electric Corporation in Jiamusi Electric as mentioned above, Harbin Electric Corporation and its associates will abstain from voting at the EGM convened to consider and, if thought fit, approve the Disposal.

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Asset Purchase Agreement and the Disposal. In this connection, the Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Asset Purchase Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the Disposal at the EGM.

A circular containing, among others, (i) further details of the Asset Purchase Agreement and the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Asset Purchase Agreement and the Disposal; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Asset Purchase Agreement and the Disposal, together with the notice of the EGM, is required to be despatched to the Shareholders within 15 business days after the publication of this announcement in accordance with the Listing Rules. As additional time is required to prepare and finalise certain information to be included in the circular, the circular is expected to be despatched on or before 31 August 2023.

Completion is subject to the approval from the Independent Shareholders at the EGM and the fulfilment of the Conditions Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

- “Asset Purchase Agreement” the asset purchase agreement dated 18 July 2023 entered into between the Company and Jiamusi Electric in relation to, among others, the Disposal;
- “associate(s)” has the meaning ascribed to it under the Listing Rules;
- “Board” the board of Directors;
- “Company” Harbin Electric Company Limited, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1133);
- “Completion” completion of the Disposal pursuant to the Asset Purchase Agreement;
- “Conditions Precedent” the conditions precedent to Completion as set out under the section headed “Conditions Precedent” in this announcement
- “connected person(s)” has the meaning ascribed to it under the Listing Rules;

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Equity by the Company to Jiamusi Electric pursuant to the Asset Purchase Agreement;
“Domestic Share(s)”	ordinary domestic share(s) with a par value of RMB1.00 each in the share capital of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal;
“Existing Entrusted Management Agreement”	the entrusted management agreement dated 29 December 2022 entered into among the Company, Power Equipment Company and Jiamusi Electric, pursuant to which the Company agreed to entrust Jiamusi Electric with all the businesses and assets of Power Equipment Company, and Jiamusi Electric agreed to provide entrusted management services to Power Equipment Company, for a term commencing on 1 January 2023 and ending on 31 December 2023 (both days inclusive);
“Group”	the Company and its subsidiaries;
“H Share(s)”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars;
“Harbin Electric Corporation”	哈爾濱電氣集團有限公司(Harbin Electric Corporation*), a state-owned enterprise and the controlling shareholder of the Company as at the date of this announcement;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Asset Purchase Agreement and the Disposal;
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Asset Purchase Agreement and the Disposal;
“Independent Shareholder(s)”	Shareholder(s) other than (i) Harbin Electric Corporation and its associates and (ii) any other persons who are involved or interested in the Disposal;
“Independent Valuer”	China United Assets Appraisal Group Co., Ltd.;
“Jiamusi Electric”	哈爾濱電氣集團佳木斯電機股份有限公司(Jiamusi Electric Machine Company Limited*), a joint stock limited company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000922);
“Letters of Undertaking”	the two letters of undertaking both dated 18 July 2023 issued by the Company in connection with the Disposal;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“Performance Commitment”	the commitment given by the Company in favour of Jiamusi Electric in respect of the value of the Performance Commitment Asset during the Performance Commitment Period pursuant to the Performance Guarantee Agreement;
“Performance Commitment Asset”	patents and non-patented technology of Power Equipment Company, being the subject matter of the Performance Commitment under the Performance Guarantee Agreement;

“Performance Commitment Period”	the period commencing from the beginning of the financial year in which Completion took place and concluding by the end of the second consecutive financial year thereafter (i.e. the financial years ending 31 December 2023, 2024 and 2025 if Completion takes place on or before 31 December 2023);
“Performance Guarantee Agreement”	the performance guarantee agreement dated 18 July 2023 entered into between the Company and Jiamusi Electric in relation to, among others, the Performance Commitment;
“Power Equipment Company”	哈爾濱電氣動力裝備有限公司 (Harbin Electric Power Equipment Company Limited*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion;
“PRC”	the People’s Republic of China, which shall for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity”	51% equity interest in Power Equipment Company, being the subject matter of the Asset Purchase Agreement;
“Shareholder(s)”	the holder(s) of the Shares;
“Share(s)”	Domestic Share(s) and/or H Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transitional Period”	the period from the Valuation Benchmark Date (excluding the date thereof) to the date of Completion (including the date thereof);

“Valuation Benchmark Date” 31 March 2023, being the valuation benchmark date of the appraised asset value of the Sale Equity; and

“%” per cent.

* *For identification purpose only.*

For the purpose of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.92. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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

Harbin, the PRC
18 July 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Cao Zhi-an, Mr. Huang Wei and Mr. Zhang Ying-jian; and the independent non-executive Directors of the Company are Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing and Mr. Tang Zhi-hong.