

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

(Stock Code: 1133)

CONNECTED TRANSACTION — ACQUISITION OF EQUITY INTEREST IN THE FINANCE COMPANY

ACQUISITION OF EQUITY INTEREST IN THE FINANCE COMPANY

On 26 June 2013, the Board of the Company has reviewed and approved the acquisition plan, by the Company and a subsidiary (the “Group”), of the 42% equity interest in HE Finance Company Limited (“Finance Company”) held by Harbin Electric Corporation (“Harbin Electric”) and the 4% equity interest in the Finance Company held by Jiamusi Electric Machine Company Limited (“Jiamusi”) respectively. Upon completion of the acquisition, the Group will hold 91% equity interest in the Finance Company and Harbin Electric will hold the remaining 9% equity interest in the Finance Company.

Harbin Electric is the controlling shareholder of the Company. Jiamusi is a subsidiary of Harbin Electric, and a connected person of the Company under the Listing Rules. As such, the acquisition of the equity interests in the Finance Company respectively held by Harbin Electric and Jiamusi constitutes a connected transaction of the Company under the Listing Rules.

I. PARTIES

Vendors: Harbin Electric, Jiamusi

Purchasers: the Company, Harbin Electric International Company Limited
 (“HE International”)

II. FUNDAMENTALS OF THE FINANCE COMPANY

The Finance Company was established on 28 April 2010 with a registered capital of RMB300 million, of which Harbin Electric contributed RMB153 million, representing 51% interest; the Company contributed RMB63 million, representing 21% interest; each of Machinery Company, Boiler Company and Turbine Company, being subsidiaries of the Company, contributed RMB24 million, each representing 8% interest; and Jiamusi contributed RMB12 million, representing 4% interest.

Currently the Finance Company is allowed to run the following lines of business: providing fellow entities with financial and financing advisory services, credit verification and the related consultancy business; assisting fellow entities to receive and pay consideration for transactions; approved insurance underwriting business; providing guarantees to fellow entities; processing entrustment loans among fellow entities; honouring and factoring bills for fellow entities; facilitating internal transfers among fellow entities and planning the related settlement and clearing process; accepting deposits from fellow entities; and arranging lending among its peers.

Set out below are the major financial indicators of the Finance Company since its establishment:

	<i>In RMB0'000</i>		
Operating indicators	2010	2011	2012
Total assets	119,300	139,900	126,400
Net assets	30,077	32,731	35,449
Revenue	469	8,600	8,555
Gross profit	103	3,545	3,674
Net profit	77	2,654	2,720

III. THE REASON FOR ACQUIRING THE EQUITY INTEREST OF THE FINANCE COMPANY

Following the establishment of the Finance Company, the Group can only deposit a limited amount in the Finance Company due to the restrictions on connected transactions. As a result, it is difficult for the Finance Company to centralize the management of funds. The shareholders of the Finance Company agreed to adjust the shareholding structure of the Finance Company after negotiation, so as to address the restrictions on connected transactions, fully leverage on the Finance Company's function of centralized management of funds and improve profitability.

IV. CONSIDERATION AND METHOD OF ACQUISITION

The consideration for the Acquisition shall be determined by reference to the valuations prepared by 黑龍江眾華資產評估有限公司, a qualified asset appraisal firm. According to the valuations performed by the asset appraisal firm based on the record date as at 31 May 2013, the valuation for the 42% equity interest to be transferred by Harbin Electric shall be RMB136.836 million and the valuation for the 4% equity interest to be transferred by Jiamusi shall be RMB13.032 million. The Group shall pay in aggregate RMB149.868 million for the above equity interests. Upon completion of the acquisition, the Group will hold 91% equity interest in the Finance Company and Harbin Electric will hold the remaining 9% equity interest.

On the record date of valuation, the Finance Company had confirmed a bonus distribution of RMB68.35 million.

The Company will acquire 34% equity interest in the Finance Company held by Harbin Electric and HE International will acquire 8% and 4% equity interest in the Finance Company respectively held by Harbin Electric and Jiamusi. The acquisition is to be carried out by way of recognized on-floor trading, which means the parties shall effect the agreed transfer on the trading floor with evidence provided by the relevant exchange.

The shareholders of the Finance Company will sign such agreement in the near future.

V. ADJUSTMENT TO SHAREHOLDING STRUCTURE

HE International will acquire from each of the Boiler Company, Machinery Company and Turbine Company, being three subsidiaries of the Company, 2% equity interest in the Finance Company at an additional consideration of RMB19.548 million. Upon completion of adjustment, the shareholding structure of the Finance Company will be as follows:

Name of Shareholder	<i>In RMB0'000</i>	
	Proportion of shareholding before adjustment	Proportion of shareholding after adjustment
Harbin Electric	51%	9%
The Company	21%	55%
Machinery Company	8%	6%
Boiler Company	8%	6%
Turbine Company	8%	6%
HE International	0%	18%
Jiamusi	4%	0%
Total	<u>100%</u>	<u>100%</u>

VI. FURTHER CONTRIBUTION TO THE FINANCE COMPANY

To expand the scale of various segments of the Finance Company and strengthen the capacities of serving its fellow entities, better leverage on the financing function of the Finance Company and cater for the capital needs of fellow entities, shareholders of the Finance Company will, subsequent to the adjustment being made to the shareholding structure, further contribute to the Finance Company in proportion to their respective shareholdings thereby increasing the registered capital of the Finance Company from RMB300 million to RMB1.5 billion. The Group is expected to further contribute RMB1.092 billion.

VII. OTHER INFORMATION

As Harbin Electric, the controlling shareholder of the Company, is a state-owned enterprise, the transfer of equity interest in the Finance Company held by Harbin Electric is subject to the relevant laws and procedures concerning state-owned enterprise and state-owned property rights transfer; in addition, shareholders of the Finance Company has yet to sign the finalized agreement on shareholding reconstruction. Therefore, the consideration of acquisition and shareholding structure is subject to minor changes. However, the conclusion of the Group holding 91% equity interest of the Finance Company will remain constant. The Company will follow the relevant disclosure procedures under the Listing Rules should there be any changes in the consideration.

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;
“CBRC”	中國銀行業監督管理委員會(China Banking Regulatory Commission);
“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;
“Finance Company”	哈爾濱電氣集團財務有限責任公司 (HE Finance Company Limited), a company incorporated in the PRC with limited liability;
“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;
“Machinery Company”	Harbin Electrical Machinery Company Limited, a subsidiary of the Company;
“Boiler Company”	Harbin Boiler Company Limited, a subsidiary of the Company;
“Turbine Company”	Harbin Turbine Company Limited, a subsidiary of the Company;
“HE International”	Harbin Electric International Company Limited, a subsidiary of the Company;
“Jiamusi”	Jiamusi Electric Machine Company Limited, a subsidiary of Harbin Electric;
“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;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	percent.

By order of the Board
Harbin Electric Company Limited
Gao Xu-Guang
Company Secretary

Harbin, PRC, 26 June 2013

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 directors of the Company are Mr. Gong Jing-kun and Mr. Zou Lei; and the independent non-executive directors of the Company are Mr. Sun Chang-ji, Mr. Jia Cheng-bing, Mr. Yu Bo and Mr. Liu Deng-qing.