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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 AGREEMENT
WITH GREAT WALL COMPANY LIMITED

ENTERING INTO THE EQUITY TRANSFER AGREEMENT
WITH GREAT WALL COMPANY LIMITED

The Board hereby announces that the Company has entered into the Equity Transfer Agreement with Great Wall Company on 17 December 2019, pursuant to which Great Wall Company has agreed to transfer its 2.70% equity interest in the Boiler Company to the Company. The Company will acquire such equity interest in cash for a purchase price of RMB79,279,600 (equivalent to approximately HK\$88,275,785).

IMPLICATION OF THE LISTING RULES

As the Equity Transfer Agreement was entered into within 12 months upon the date of the Previous Equity Transfer Agreement, the Equity Acquisition and the Previous Equity Acquisition shall be aggregated under Rule 14.22 of the Listing Rules. As certain applicable percentage ratios (as defined in the Listing Rules) with respect to the Equity Acquisition and the Previous Equity Acquisition after aggregation 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

References are made to the announcements of the Company dated 28 November 2019 and 5 December 2019 in relation to the Company's acquisition of 5.22% equity interest in the Boiler Company held by Huarong in accordance with the Previous Equity Transfer Agreement.

The Board hereby announces that the Company has entered into the Equity Transfer Agreement with Great Wall Company on 17 December 2019, pursuant to which Great Wall Company has agreed to transfer its 2.70% equity interest in the Boiler Company to the Company. The Company will acquire such equity interest in cash for a purchase price of RMB79,279,600 (equivalent to approximately HK\$88,275,785).

Principal Terms of the Equity Transfer Agreement

The terms of the Equity Transfer Agreement contain, inter alia, the following principal terms:

1. Date
17 December 2019
2. Parties
(i) The Company; and
(ii) Great Wall Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, Great Wall Company and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

3. Description of the Equity Interest
Great Wall Company has agreed to transfer its 2.70% equity interest in the Boiler Company to the Company.

4. Transfer Price
The transfer price shall be RMB79,279,600 (equivalent to approximately HK\$88,275,785).

5. 未付的转让款

Before entering into the Equity Transfer Agreements, the Company has paid a deposit of RMB7,927,960 (equivalent to approximately HK\$8,827,579), which will automatically be converted into guarantee money for the performance under the Equity Transfer Agreement and shall satisfy as part of the transfer price after the entering into of the Equity Transfer Agreements.

Upon entering into the Equity Transfer Agreement, the Company will pay the remaining balance of the transfer price within 5 working days after the entering into of the Equity Transfer Agreement.

6. 完成业务注册后

Upon the date of completion of the change of business registration for the Target Equity, the Company shall be entitled to the Target Equity and the exercise of rights in relation to the Target Equity.

Transfer of the Target Equity shall commence within 1 month upon entering into the Equity Transfer Agreements and shall be completed within two months after the commencement of the transfer. If the transfer of the Target Equity is required to be submitted to relevant governmental authorities for review or approval in accordance with the law, the time required for review or approval shall not be included in the abovementioned period. If the Company fails to timely pay the transfer price in full or fails to provide relevant information as required by relevant authorities, the performance period shall be postponed accordingly.

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

EFFECT AND BENEFIT OF THE EQUITY ACQUISITION

Upon the completion of the equity transfer, the Company shall hold 100% equity interest in the Boiler Company.

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 Boiler Company to become cost-oriented. Besides, it is beneficial to the enhancement of the effectiveness and quality of decision-making by the Boiler Company and the maximisation of interests of the Company.

The Boiler Company has been appraised by Beijing China Enterprise Appraisals Co., Ltd. based on the asset-based approach and an asset appraisal report has been issued. The Company and Great Wall Company have arrived at various terms in the Equity Transfer Agreement based on the abovementioned valuation results in the asset appraisal report.

The Board is of the view that the terms of the Equity Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY AND GREAT WALL COMPANY

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.

Great Wall Company was jointly established by the Ministry of Finance of the People's Republic of China, National Council for Social Security Fund and China Life Insurance (Group) Company, and provides "one-stop and multi-dimensional" integrated financial services to clients in areas such as distressed asset management, asset management, banking, securities, insurance, trust, leasing and investment.

INFORMATION ABOUT 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:

	F 31 D (RMB)	F 31 D (RMB)
Net profit (before taxation)	345,469,654	204,465,294
Net profit (after taxation)	298,044,238	186,520,492

IMPLICATION OF THE LISTING RULE

As the Equity Transfer Agreement was entered into within 12 months upon the date of the Previous Equity Transfer Agreement, the Equity Acquisition and the Previous Equity Acquisition shall be aggregated under Rule 14.22 of the Listing Rules. As certain applicable percentage ratios (as defined in the Listing Rules) with respect to the Equity Acquisition and the Previous Equity Acquisition after aggregation 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.

DEFINITION

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 97.30% 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 Agreement”	the equity transfer agreement entered into between the Company and Great Wall Company on 17 December 2019;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huarong”	China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司);
“Great Wall Company”	China Great Wall Asset Management Co., Ltd.* (中國長城資產管理股份有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Previous Equity Acquisition”	the Company’s acquisition of 5.22% equity interests in the Boiler Company held by Huarong in accordance with the Previous Equity Transfer Agreement;
“Previous Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and Huarong in relation to the Previous Equity Acquisition on 28 November 2019;
“Shareholder(s)”	holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Equity”	the 2.70% equity interest in the Boiler Company held by Great Wall Company;
“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 = RMB0.89809. 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
H. . . . E C L
Chairman

Harbin, PRC
17 December 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.