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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)

通 告
 哈 尔 滨 电 气 股 份 有 限 公 司
 HARBIN ELECTRIC COMPANY LIMITED
 宣 布 收 購 哈 尔 滨 电 气 集 团 佳 木 斯 电 机 股 份 有 限 公 司 51% 股 權
 的 公 告

Reference is made to the announcement (the “Announcement”) of Harbin Electric Company Limited (the “Company”) dated 18 July 2023, in relation to, among other things, the disposal of 51% equity interest in a wholly-owned subsidiary by the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

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The consideration of the Sale Equity was determined with reference to the appraised asset value of the entire equity interest in Power Equipment Company as at the Valuation Benchmark Date as appraised by the Independent Valuer (the “Independent Valuer”). On 30 June 2023, the Independent Valuer issued the “Asset Valuation Report on the Valuation Project of the Proposed Cash Acquisition of 51% Equity Interest in Harbin Electric Power Equipment Company Limited by Jiamusi Electric Machine Company Limited*” (《哈爾濱電氣集團佳木斯電機股份有限公司擬現金收購哈爾濱電氣股份有限公司持有哈爾濱電氣動力裝備有限公司51%股權評估項目資產評估報告》), the conclusion of which was that the appraised asset value of the entire equity interest in Power Equipment Company as at the Valuation Benchmark Date amounted to RMB785,681,200. The Valuation was, in principle, conducted by adopting the asset-based approach, among which the asset value of the patents and non-patented technology of Power Equipment Company, being one of the assets included in the scope of valuation, was appraised using the income approach. Since the asset-based approach and the income approach were adopted for the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made by the Company to disclose further details of the profit forecast in relation to the Valuation in compliance with Rule 14.60A, Rule 14.62 and Rule 14A.68(7) of the Listing Rules.

According to the valuation report prepared by the Independent Valuer, details of the principal assumptions (including commercial assumptions) on which the profit forecast in relation to the asset value of the patents and non-patented technology of Power Equipment Company is based, are set out as follows:

1. Transaction Assumption: it is assumed that all assets to be appraised are in the process of transaction, and the appraisal is made by the Independent Valuer based on a simulated market according to the transaction conditions of the assets to be appraised. The transaction assumption is one of the most fundamental precondition assumptions for the performance of asset valuation.

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(ii) Open Market Assumption: it is assumed that for assets trading or to be traded on the market, both trading parties are in equal position and have the opportunities and time to obtain sufficient market information so as to make informed judgments on the assets' functions, usage and trading price, etc.. The open market assumption is based on the assumption that assets are publicly tradable in the market.

(iii) Assumption on Continuing Operation of the Assets: the valuation approach, parameters and bases shall be determined based on whether the assets to be appraised will continue to be used in accordance with the current purpose, as well as the method, scale, frequency and circumstance of use, or will be used with some changes thereto.

2. It is assumed that the external economic environment remains unchanged and the current national macro-economy will not change significantly as at the Valuation Benchmark Date.

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(ii) It is assumed that there will be no significant change in the social and economic environment where Power Equipment Company (as the appraised company) operates and the applicable policies on taxes and tax rates, etc..

(iii) It is assumed that Power Equipment Company (as the appraised company) continues to operate under its existing mode of operations management, and its operations management team continues to act diligently and responsibly.

- (iv) The Valuation is based solely on the existing operating capacity of Power Equipment Company (as the appraised company) as at the Valuation Benchmark Date, and does not take into consideration any potential expansion of operating capacity as a result of various reasons, including but not limited to management, business strategies and additional investment, or any potential changes in production and operations in the future.
- (v) The assets to be appraised under the Valuation are based on their actual inventories as at the Valuation Benchmark Date, and the current market prices of the relevant assets are based on their effective domestic prices as at the Valuation Benchmark Date.
- (vi) It is assumed that the basic information and financial information provided by the Company and Jiamusi Electric (both as principals) and Power Equipment Company (as the appraised company) are true, accurate and complete.
- (vii) The scope of valuation is based solely on the valuation report form provided by the Company and Jiamusi Electric (both as principals) and Power Equipment Company (as the appraised company), without taking into consideration any possible contingent assets and contingent liabilities not included in the list provided by the Company and Jiamusi Electric (both as principals) and Power Equipment Company (as the appraised company).
- (viii) The impact of inflation has not been taken into account in arriving at the parameter values under the Valuation.
- (ix) It is assumed that there is no seasonality in the cash flows of Power Equipment Company (as the appraised company) and cash flows are evenly disbursed throughout the year.
- (x) If there is any change in the aforesaid conditions, the valuation results will usually become invalid.

Da Hua Certified Public Accountants (Special General Partnership), the auditor of the Company, has reviewed the arithmetic accuracy of the calculations of the income approach adopted by the Independent Valuer in respect of the Valuation (which does not involve the adoption of accounting policies and the reasonableness of the assumptions).

The Board confirmed that the profit forecast of the patents and non-patented technology of Power Equipment Company in the Valuation was made after due and careful enquiry by the Board, and is fair and reasonable.

The letters issued by Da Hua Certified Public Accountants (Special General Partnership) and the Board are set out in Appendix I and Appendix II to this announcement, respectively.

3. Experts

The qualifications of the experts who have made representations or provided opinions in this announcement are as follows:

Name	Qualification	Date
China United Assets Appraisal Group Co., Ltd.	Certified Assets Valuer	30 June 2023
Da Hua Certified Public Accountants (Special General Partnership)	Certified Public Accountants	14 July 2023

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of the experts, being a third party independent from the Group and not a connected person of the Group, had no direct or indirect shareholdings in any member of the Group, and had no direct or indirect rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter, representations and/or opinions and references to its name in the context.

* *For identification purpose only*

By Order of the Board

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Company Secretary

Harbin, the PRC
8 August 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.

DA HUA CERTIFIED PUBLIC ACCOUNTANTS (SPECIAL GENERAL PARTNERSHIP)

The following is the text of the letter dated 14 July 2023 from Da Hua Certified Public Accountants (Special General Partnership), Certified Public Accountants, which was prepared for inclusion in this announcement.

Dear Directors of Harbin Electric Company Limited,

To the board of directors of Harbin Electric Company Limited,

We have examined the calculations of the discounted future estimated cash flows on which the valuation report prepared by China United Assets Appraisal Group Co., Ltd. dated 30 June 2023 in relation to the entire equity interest in Harbin Electric Power Equipment Company Limited (哈爾濱電氣動力裝備有限公司) as at 31 March 2023 (the “Valuation”) is based. Pursuant to Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), valuation based on discounted future estimated cash flows is regarded as a profit forecast.

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with their determined bases and assumptions (the “Assumptions”). Such responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation, applying an appropriate basis of preparation, and making estimates that are reasonable in the circumstances.

We have complied with the independence requirement of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants and other ethical requirements, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 (Quality Control for Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements) issued by the Hong Kong Institute of Certified Public Accountants and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows on which the Valuation is based have been compiled in all material respects in accordance with the Assumptions and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purposes.

We do not assume any responsibility towards or accept any liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. Such standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making enquiries to the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Harbin Electric Power Equipment Company Limited (哈爾濱電氣動力裝備有限公司).

Since the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its compilation. The Assumptions include hypothetical assumptions about future events and management actions which may or may not occur, and thus cannot be confirmed and verified in the same way as past results. Even if the events and actions anticipated do occur, actual results may still be different from the Valuation and the variation may be material.

Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

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Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the Assumptions.

Da Hua Certified Public Accountants (Special General Partnership)
Beijing, the PRC
14 July 2023

A D E T T E - T E B A D

The following is the text of the letter dated 8 August 2023 from the Board, which was prepared for inclusion in this announcement.

To: The Stock Exchange of Hong Kong Limited

Dear Sir/Madam,

Reference is made to the announcement of the Company dated 18 July 2023 in which it is stated that the valuation of the asset value of the equity interest in Harbin Electric Power Equipment Company Limited (哈爾濱電氣動力裝備有限公司) (“**Harbin Electric Power Equipment Company**”) as at 31 March 2023 (the “**Valuation**”) was conducted by China United Assets Appraisal Group Co., Ltd. (the “**Appraiser**”) by adopting the asset-based approach and the income approach (in respect of the asset value of the patents and non-patented technology of Power Equipment Company), which therefore constitutes a profit forecast (the “**Profit Forecast**”) pursuant to Rule 14.62(3) of the Listing Rules.

Reference is made to the announcement of the Company dated 18 July 2023 in which it is stated that the valuation of the asset value of the equity interest in Harbin Electric Power Equipment Company Limited (哈爾濱電氣動力裝備有限公司) (“**Harbin Electric Power Equipment Company**”) as at 31 March 2023 (the “**Valuation**”) was conducted by China United Assets Appraisal Group Co., Ltd. (the “**Appraiser**”) by adopting the asset-based approach and the income approach (in respect of the asset value of the patents and non-patented technology of Power Equipment Company), which therefore constitutes a profit forecast (the “**Profit Forecast**”) pursuant to Rule 14.61 of the Listing Rules.

The board of directors (the “**Board**”) of the Company has reviewed the bases and assumptions of the Profit Forecast and discussed the same with the Independent Valuer. The Board has also considered the letter dated 14 July 2023 from the Company’s auditor, Da Hua Certified Public Accountants (Special General Partnership), in relation to whether the Profit Forecast, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the assumptions used in the Valuation. Based on the foregoing, pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirms that the Profit Forecast has been made after due and careful enquiry.

By Order of the Board

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8 August 2023