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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 TRANSACTION
ENTERING INTO THE EQUITY COOPERATION AGREEMENT
WITH TIANJIN LINGANG INVESTMENT HOLDING CO., LTD.**

**ENTERING INTO THE EQUITY COOPERATION AGREEMENT WITH
TIANJIN LINGANG**

The Board hereby announces that the Company has entered into the Equity Cooperation Agreement with Tianjin Lingang on 23 December 2019, pursuant to which the Company and Tianjin Lingang will jointly make capital contribution to establish the Finance Lease Company with the Company contributing RMB400,000,000 (equivalent to approximately HK\$444,869,542), which accounts for 80% shareholding.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) with respect to entering into the Equity Cooperation Agreement exceeds 5% but falls below 25%, entering into the Equity Cooperation Agreement and the establishment of Finance Lease Company jointly with Tianjin Lingang constitute discloseable transactions of the Company under the Listing Rules, and the Company is required to comply with the notification and announcement requirements under Chapter 14 of the Listing Rules.

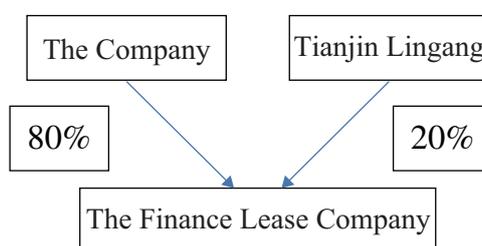
INTRODUCTION

The Board hereby announces that the Company has entered into the Equity Cooperation Agreement with Tianjin Lingang on 23 December 2019, pursuant to which the Company and Tianjin Lingang will jointly make capital contribution to establish the Finance Lease Company with the Company contributing RMB400,000,000 (equivalent to approximately HK\$444,869,542), which accounts for 80% shareholding.

INFORMATION ABOUT FINANCE LEASE COMPANY

The registered capital of the Finance Lease Company is RMB500,000,000 (equivalent to approximately HK\$556,086,928). The Company shall contribute RMB400,000,000 (equivalent to approximately HK\$444,869,542) in cash and Tianjin Lingang shall contribute RMB100,000,000 (equivalent to approximately HK\$111,217,386) in cash. In accordance with the Company Law of the People's Republic of China, dividend distribution and other forms of benefit distribution between the Company and Tianjin Lingang shall be based on the paid-in contribution ratio and the Company and Tianjin Lingang shall assume their corresponding liabilities and obligations in the Finance Lease Company subject to their subscribed contribution amount.

The shareholding structure of the Finance Lease Company is as follows:



PRINCIPAL TERMS OF THE EQUITY COOPERATION AGREEMENT

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

1. Date

23 December 2019

2. Parties

- (i) The Company; and
- (ii) Tianjin Lingang.

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, as at the date of this announcement, Tianjin Lingang 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. Subject matters of the Equity Cooperation Agreement

The Company and Tianjin Lingang jointly make capital contribution to establish the Finance Lease Company.

4. Business scope of the Finance Lease Company

The business scope of the Finance Lease Company includes: finance lease business; leasing business; purchase of domestic and overseas leased property; handling and maintenance of residual value of leased property; consultation on lease transactions; and factoring business related to the principal business (for items subject to approval according to law, business activities shall only be carried out after obtaining approval by relevant authorities).

5. Amount and method of capital contribution

The registered capital of the Finance Lease Company is RMB500,000,000 (equivalent to approximately HK\$556,086,928), which shall be paid in two installments. Among which, the Company shall contribute RMB400,000,000 (equivalent to approximately HK\$444,869,542) in cash, which accounts for 80% shareholding, with RMB136,000,000 (equivalent to approximately HK\$151,255,644) being the initial contribution; Tianjin Lingang shall contribute RMB100,000,000 (equivalent to approximately HK\$111,217,386) in cash, which accounts for 20% shareholding, with RMB34,000,000 (equivalent to approximately HK\$37,813,911) being the initial contribution.

The capital contribution amount made by the Company and Tianjin Lingang to the Finance Lease Company is determined after arm's length negotiation between the Company and Tianjin Lingang, taking into account the estimated capital requirements of the Finance Lease Company.

The Company and Tianjin Lingang shall make the initial contribution within one month from the registration date of the Finance Lease Company, and, according to the business need, fully fulfil their obligation of capital contribution by no later than 31 August 2020. If a party fails to perform the obligation of capital contribution in accordance with the provisions, it shall, in addition to the full payment to the Finance Lease Company, pay damages for breach of contract that are equal to one thousandth of the unpaid amount to such party that has paid the full amount of capital contribution on time for every day of delay.

The Company and Tianjin Lingang shall assume all taxes and fees payable by them respectively in connection with the execution and performance of the Equity Cooperation Agreement.

6. The board of directors, supervisory committee and the management of the Finance Lease Company

The board of directors of the Finance Lease Company shall comprise five members (including one employee director). In particular, the Company shall appoint three directors and Tianjin Lingang shall appoint one director. The employee director shall be appointed at employee representatives' general meeting, workers congress or through democratic election otherwise. The board of directors of the Finance Lease Company shall have one chairman, who shall be nominated by the Company and elected and appointed by the board of directors of the Finance Lease Company.

The board of directors of the Finance Lease Company shall have a strategic development committee, a risk management committee and a remuneration and nomination committee. The director appointed by Tianjin Lingang shall serve as the chairman of the risk management committee, as well as a member of the strategic development committee and the remuneration and nomination committee.

The Finance Lease Company shall have a supervisory committee, comprising three members (including one employee supervisor). Each of the Company and Tianjin Lingang shall appoint one supervisor and the employee supervisor shall be appointed at employee representatives' general meeting, workers congress or through democratic election otherwise.

The management of the Finance Lease Company shall comprise four members, including one general manager and three deputy general managers, all of whom shall be appointed by the Company. The management of Finance Lease Company shall have a business review committee, the composition of which shall be stipulated in the articles of association and related systems of the Finance Lease Company, among which one member shall be appointed by Tianjin Lingang.

Among the functional departments, one deputy minister for the planning and finance department shall be appointed by Tianjin Lingang while other management team and business team shall be appointed by the Company or through market recruitment.

7. Profit distribution

In accordance with the Company Law of the People's Republic of China, dividend distribution and other forms of benefit distribution between the Company and Tianjin Lingang shall be based on the paid-in contribution ratio.

8. Equity transfer and change of registered capital

Mutual transfer of all or part of equity interest between the shareholders of the Finance Lease Company is permitted. A shareholder of the Finance Lease Company shall seek prior consent from all other shareholder(s) of the Finance Lease Company before transferring its equity interest to individuals other than the shareholder(s) of the Finance Lease Company. Where a shareholder of the Finance Lease Company transfers its equity interest to related enterprises, other shareholder(s) of the Finance Lease Company shall in principle give consent thereto and waive its/their exercise of pre-emption right.

If the Finance Lease Company changes its registered capital and amends its articles of association, it shall proceed in accordance with its articles of association and change the registration with the original registration authority. If there is an increase in the registered capital, the original shareholders shall be entitled to the pre-emption right of capital contribution; if there is a decrease in the registered capital, the registered capital after reduction shall not be lower than the statutory minimum amount of the registered capital.

9. Effect and operation term of the Equity Cooperation Agreement

The Equity Cooperation Agreement shall take effect upon sealing and affixing an official seal thereto by the legal representatives or authorised representatives of both the Company and Tianjin Lingang, and has become effective from 23 December 2019.

The operation term of the Finance Lease Company shall be perpetual.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY COOPERATION AGREEMENT

1. Entering into the Equity Cooperation Agreement will optimise the layout of and further improve the profitability of the Company's financial service segment.
2. Entering into the Equity Cooperation Agreement will allow the Company to integrate internal and external resources, promote sales of power generation equipment products by financial means, and provide customers with one-stop integrated financing solutions, and will allow the Company and its subsidiaries to accelerate transformation and upgrade of business models and improve the comprehensive market competitiveness of their products.

3. Entering into the Equity Cooperation Agreement will, by leveraging the specialized operations of the Finance Lease Company, help the Company and its subsidiaries reduce capital tie-up and transaction cost, and drive the Company and its subsidiaries to focus on equipment update and technological transformation, facilitate progressive technology innovation-driven transformation and achieve transformation of the mode of economic growth.

The Board is of the view that the terms of the Equity Cooperation Agreement are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY AND TIANJIN LINGANG

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, etc.

Tianjin Lingang is a wholly state-owned company established by the State-owned Assets Supervision and Administration Commission of Binhai New Area, Tianjin, and is mainly engaged in construction development, park operation, utility, logistics and commerce, financial services, etc.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) with respect to entering into the Equity Cooperation Agreement exceeds 5% but falls below 25%, entering into the Equity Cooperation Agreement and the establishment of the Finance Lease Company jointly with Tianjin Lingang constitute discloseable transactions of the Company under the Listing Rules, and the Company is required to comply with the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of directors of the Company;
“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;
“Equity Cooperation Agreement”	the “Equity Cooperation Agreement” entered into between the Company and Tianjin Lingang on 23 December 2019;
“Finance Lease Company”	Harbin Electric Finance Lease Co., Ltd. * (哈電融資租賃有限責任公司) (tentative), a company jointly established by the Company and Tianjin Lingang;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Shareholder(s)”	holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Tianjin Lingang” Tianjin Lingang Investment Holding Co., Ltd. * (天津臨港投資控股有限公司);

“RMB” Renminbi, the lawful currency of the PRC;

In this announcement, translation of RMB into HK\$ is based on the exchange rate of HK\$1.00 = RMB0.89914. 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
Harbin Electric Company Limited
Si Ze-fu
Chairman

Harbin, PRC
23 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.