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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)

本公司董事會已於2020年11月30日通過一項股票期權計劃及一項股票期權獎勵計劃。該等計劃將提交予國務院國資委及本公司股東大會考慮及批准。

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Plan and the Grant Scheme were considered and approved by the Board on 30 November 2020. The Plan and the Grant Scheme will be submitted to the SASAC and the general meeting of Shareholders of the Company for consideration and approval respectively.

Since the Plan and the Grant Scheme do not involve the grant of options in relation to new shares or other new securities of the Company or any of its subsidiaries, they are not subject to Chapter 17 of the Listing Rules.

The Plan and the Grant Scheme are drafted in Chinese and their English versions, which are unofficial translations, are for reference only. In case of any discrepancy between the Chinese and the English versions, the Chinese version shall prevail.

本計劃及獎勵計劃均不構成對本公司或本公司任何附屬公司發行新股或其他新證券，因此不受上市規則第17章的規管。

A summary of the principal terms of the Plan is set out below:

- Incentive instrument: The Plan uses Share Appreciation Rights as an incentive instrument. Subject to the satisfaction of the exercise conditions and the exercise arrangement, for each Share Appreciation Right, the Participant has the right to obtain the profit of the difference between the closing price at the Exercise Date over the exercise price of one H Share of the Company, which will be paid by the Company in cash. No participants will practically own the shares or have rights relating to share ownership such as voting right, allotment and dividend rights. The Share Appreciation Rights shall not be transferred or used for securing or repaying debts, etc.
- Conditions for the entry into force of the Plan: The entry into force of the Plan is subject to the fulfillment of the following conditions: (1) review and approval by the SASAC; and (2) review and approval by the general meeting of Shareholders of the Company.
- Effective term: Unless early termination according to the provisions of the Plan, the Plan is valid for a term of ten (10) years from the date of approval in the general meeting of Shareholders.
- Participants: Participants include the senior management of the Company and other core technology, skilled, business and management personnel identified by the Company, excluding (1) those who have not worked in the Company or its subsidiaries or are not part of the Company or its subsidiaries; (2) independent non-executive Directors and supervisors of the Company; (3) any shareholder or de facto controller who individually or jointly holds more than 5% shares of the Company and his/her spouse, parents and children; and (4) those prohibited from being Participants as stipulated by the SASAC.

Number of Share  
Appreciation Rights  
granted:

The total number of underlying shares in relation to the total number of Share Appreciation Rights granted during the term of the Plan shall not exceed 50,940,000 shares, representing approximately 2.99% of the total issued share capital of the Company as at the date of this announcement.

The Grant Date:

The Grant Date of the Plan shall be determined by the Board in accordance with the provisions of the Plan after review and approval of the Plan by the SASAC and the general meeting of Shareholders respectively and attaining the conditions of the Grant. The Grant Date shall be a trading day. Upon the acknowledgment of inside information by the Company and up to the publication of such information, the Share Appreciation Right shall not be granted particularly within one month before the following dates (whichever is earlier): (1) the date of the Board meeting for the approval of the annual, interim or quarterly results of the Company; and (2) the deadline by which the Company publishes its annual, interim or quarterly results announcement pursuant to the Listing Rules.

Such limitation ends on the date of the results announcement of the Company. The restricted grant period will include the period of delay in the publication of the results of the Company.

Restricted periods and  
exercise arrangements:

No Share Appreciation Rights obtained by all grantees pursuant to the Plan shall vest within two (2) years following the Grant Date or shall be exercised prior vesting. In principle, from the date of completion of the Grant:

- (1) one-third (1/3) of the number of Share Appreciation Rights granted to each grantee will vest from the first trading day after 24 months up to the last trading day within 36 months from the date of completion of the Grant (the “*First Vesting Period*”);
- (2) another one-third (1/3) of the number of Share Appreciation Rights granted to each grantee will vest from the first trading day after 36 months up to the last trading day within 48 months from the date of completion of the Grant (the “*Second Vesting Period*”); and

- (3) the remaining one-third (1/3) of the number of Share Appreciation Rights granted to each grantee will vest from the first trading day after 48 months up to the last trading day within 60 months from the date of completion of the Grant (the “Final Vesting Date”).

Only vested Share Appreciation Rights can be exercised, while unvested portions shall not be exercised.

During the exercising process, the Exercisable Date shall be deferred if:

Upon the acknowledgment of inside information by the Company and up to the publication of such information, particularly within one month prior to the following dates (whichever is earlier):

- (1) the date of the Board meeting for the approval of the annual, interim or quarterly results of the Company; and
- (2) the deadline by which the Company publishes its annual, interim or quarterly results pursuant to the Listing Rules.

Such limitation ends on the date of the results announcement of the Company. The restricted grant period will include the period of delay in the publication of the results of the Company.

The exercise period of the Plan is valid for 5 years from the date of completion of the Grant, and the exercise right over the effective term will automatically lapse and cannot be exercised retrospectively.

Conditions for the exercise of Share Appreciation Rights:

The Company may grant exercise rights of Share Appreciation Rights to the Participants upon satisfaction of the following conditions by the Company and the Participants:

None of the following events occur to the Company:

- (1) issuance of an adverse opinion or a disclaimer of opinion by a certified public accountant on financial and accounting reports for the most recent accounting year;

- (2) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent year; and
- (3) such other circumstances in which the Plan shall not be implemented, as determined by the Stock Exchange.

None of the following events occur to a Participant:

- (1) being publicly denounced, or declared as an unqualified candidate by the Stock Exchange during the most recent three years;
- (2) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent three years; and
- (3) the result of the performance appraisal for the previous financial year before exercising is at the level of incompetence or below.

Exercise price:

The exercise price of Share Appreciation Rights granted under the Plan is the highest of the following three prices:

- (1) the closing price of the H Shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the Grant Date;
- (2) the average closing price of H Shares of the Company as stated in the daily quotation sheet of the Stock Exchange for five consecutive trading days immediately prior to the Grant Date; and
- (3) the nominal value of the H Shares of the Company.

Participants of the Grant Scheme include:

- (1) senior management personnel, that is, the company secretary of the Company, Mr. Ai Li-song;
- (2) core management personnel, that is, the persons in charge of the departments of the headquarter and persons in charge of the direct subordinate units, with a total of 50 personnel;
- (3) persons in charge of the subsidiaries of the Company, with a total of 61 personnel;
- (4) core technology and management personnel, with a total of 141 personnel; and
- (5) skilled leaders, with a total of 41 personnel.

In summary, the total number of Participants of the Grant Scheme is not more than 294, details are as follows:

|  | Number of Participants | Number of Shares   | Number of Shares   | Percentage of Shares | Percentage of Total Shares |
|--|------------------------|--------------------|--------------------|----------------------|----------------------------|
|  |                        | (in 10,000 shares) | (in 10,000 shares) |                      |                            |
| Senior management personnel (Mr. Ai Li-song, the company secretary of the Company)                                   | 1                      | 25                 | 25                 | 0.49%                | 0.01%                      |
| Core management personnel (persons in charge of the departments of the headquarter and the direct subordinate units) | 50                     | 21.58              | 1,079.00           | 21.18 %              | 0.63%                      |
| Persons in charge of the subsidiaries of the Company   | 61                     | 22.67              | 1,383.00           | 27.15%               | 0.81%                      |
| Core technology and management personnel   | 141                    | 15.00              | 2,115.00           | 41.52%               | 1.24%                      |
| Skilled leaders  | 41                     | 12.00              | 492.00             | 9.66%                | 0.29%                      |
| <b>Total</b>   | <b>294</b>             | <b>17.33</b>       | <b>5,094.00</b>    | <b>100.00%</b>       | <b>2.99%</b>               |

Not more than 50,940,000 shares were allotted to the Grant Scheme, representing approximately 2.99% of the total share capital of the Company.

The expected return of the equity incentive granted to each Participant shall all be limited within 40% of the total annual salary level of the Participant at the time of the Grant. The number of underlying shares of the Company in relation to the interests granted to any Participant does not exceed 1% of the total share capital of the Company.

The Company shall not grant Share Appreciation Rights to a Participant pursuant to the Grant Scheme until both the Company and the Participant satisfy the following conditions:

- (1) none of the following events occur to the Company: (i) issuance of an adverse opinion or a disclaimer of opinion by a certified public accountant on financial and accounting reports for the most recent accounting year; (ii) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent year; and (iii) such other circumstances in which the Plan shall not be implemented, as determined by the Stock Exchange.
- (2) none of the following events occur to a Participant: (i) being publicly denounced, or declared as an unqualified candidate by the Stock Exchange during the most recent three years; (ii) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent three years; and (iii) the performance assessment of the Participant for the previous financial year before the Grant is incompetent or below.

If the Company fails to satisfy the grant conditions, it shall not grant any Share Appreciation Right pursuant to the Grant Scheme; if the Participant fails to satisfy the grant conditions, the Company shall not grant any Share Appreciation Right to the Participant pursuant to the Grant Scheme.

Share Appreciation Rights shall not be granted unless the audited financial data of the Company for the preceding financial year on the date of announcement of the Plan satisfies all of the following three performance conditions:

- (1) the growth rate of net profit shall be no less than 20% and shall not be less than the level of the previous year;
- (2) the return on investment capital shall be no less than 0.5% and shall not be less than the level of the previous year; and
- (3) the EVA assessment target set by the Board shall be completed, and  $\Delta$  EVA is positive.

Each batch of granted Share Appreciation Rights shall be exercised in the exercisable year in accordance with the exercise ratio determined in advance only when the following performance target level conditions are met:

**First Transcription Period** Based on the performance of the previous financial year on the date of announcement of the Plan, the compound growth rate of net profit in the first financial year after the announcement of the Plan shall be no less than 30%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the return on investment capital shall be no less than 1%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the EVA assessment target set by the Board shall be completed, and  $\Delta$  EVA is positive.

**Second Transcription Period** Based on the performance of the previous financial year on the date of announcement of the Plan, the compound growth rate of net profit in the second financial year after the announcement of the Plan shall be no less than 35%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the return on investment capital shall be no less than 1.5%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the EVA assessment target set by the Board shall be completed, and  $\Delta$  EVA is positive.

**Third Transcription Period** Based on the performance of the previous financial year on the date of announcement of the Plan, the compound growth rate of net profit in the third financial year after the announcement of the Plan shall be no less than 40%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the return on investment capital shall be no less than 2.3%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the EVA assessment target set by the Board shall be completed, and  $\Delta$  EVA is positive.

*Note 1:* During the term of the Plan, if the Company exercises equity offerings or issues shares to acquire assets due to financing, the newly added net assets and net profit generated by them shall not be included in the performance assessment calculation.

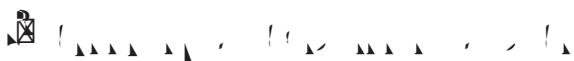
*Note 2:* If major changes occur in the principal business of listed companies in the same industry during the annual assessment process, the relevant samples shall be deleted or replaced by the Board in accordance with the authorisation of the general meeting of the Shareholders. If a listed company in the same industry is involved in a major acquisition, the effect of such matters on the net profit of the listed company in the same industry shall be excluded.



If the above performance conditions are met, the Share Appreciation Rights granted to the Participants shall be exercised in accordance with the following principles:

- (1) 100% Share Appreciation Rights for the period shall be exercised if the individual performance assessment result for the previous financial year is competent or above;
- (2) 80% Share Appreciation Rights for the period shall be exercised, if the individual performance assessment result for the previous financial year is basically competent; and
- (3) all Share Appreciation Rights of the current plan shall be cancelled if the individual performance assessment result for the previous financial year is incompetent.

The Company will issue a further announcement when the Share Appreciation Rights are officially granted.



In order to establish and improve a sound incentive and constraint mechanism, and effectively stimulate the management and core team, the Company formulated the Plan in accordance with the “Working Guidelines for the Implementation of Equity Incentive by Listed Companies Controlled by Central Enterprises” (《中央企業控股上市公司實施股權激勵工作指引》(Guo Zi Kao Fen [2020] No. 178) of the SASAC, Listing Rules and other relevant laws and regulations.

The Company expects to:

- (1) enhance shareholder value through equity incentive and safeguard owners' equity;
- (2) form a mechanism for benefit and risk sharing among Shareholders, the Company and employees and fully mobilise the enthusiasm of senior management and core talents of the Company; and
- (3) attract and retain excellent management and business personnel to ensure the long-term development of the Company.

The Board believes that the proposed terms and conditions of the Plan are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

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The Plan will be submitted to the general meeting of Shareholders as an ordinary resolution for Shareholders' review and approval. The Company will despatch, among other things, a circular containing details of the Plan as soon as practicable.

The Plan and the Grant Scheme are drafted in Chinese and their English versions, which are unofficial translation, are for reference only. In case of any discrepancy between the Chinese and the English versions, the Chinese version shall prevail.

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In this announcement, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

|                    |   |
|--------------------|---|
| “Board”            | the board of Directors  |
| “Company”          | Harbin Electric Company Limited   |
| “Director(s)”      | director(s) of the Company  |
| “Exercisable Date” | the date on which Share Appreciation Rights granted to the Participant shall begin to be exercised  |
| “Exercise Date”    | the effective trading day prior to the date when the Participant signs the exercise application form for each batch of effective and exercisable Share Appreciation Right |
| “Grant”            | grant of Share Appreciation Rights to the Participants pursuant to the Plan   |
| “Grant Date”       | the date of grant of Share Appreciation Rights to the Participants pursuant to the Plan   |
| “Grant Scheme”     | the grant scheme of the Plan  |
| “H Share(s)”       | the ordinary share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company which are listed on the Main Board of the Stock Exchange            |

|                               |  |
|-------------------------------|--|
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Participant(s)”              | person(s) who is (are) granted Share Appreciation Rights pursuant to the Plan and/or the Grant Scheme  |
| “Plan”                        | the Company’s H Shares Share Appreciation Rights incentive plan (first phase)  |
| “PRC”                         | the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan   |
| “RMB”                         | Renminbi, the lawful currency of the PRC   |
| “SASAC”                       | State-owned Assets Supervision and Administration Commission of the State Council of the PRC   |
| “Share Appreciation Right(s)” | the share appreciation right(s) under the Plan, entitling a Participant to obtain a virtual right to enjoy the profit of the Share Appreciation right(s) without actually trading the shares of the Company, for each Share Appreciation Right, a Participant has the right to obtain the profit of the difference between the closing price at the Exercise Date over the exercise price of one H share of the Company, subject to the satisfaction of the exercise conditions and the exercise arrangement |
| “Shareholder(s)”              | shareholder(s) of the Company  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited  |

By Order of the Board

  
*Company Secretary*

Harbin, the PRC  
30 November 2020

*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.*