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哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

(a c c a c a e d e P e e' R e b c f C a e d a b)

(Stock Code: 1133)

**CONNECTED TRANSACTION
ANNOUNCEMENT
ENTERING INTO THE EQUITY TRANSFER AGREEMENT
WITH HE CORPORATION**

ENTERING INTO THE EQUITY TRANSFER AGREEMENT WITH HE CORPORATION

On 6 May 2024, the Company entered into the Equity Transfer Agreement with HE Corporation, pursuant to which HE Corporation agreed to transfer its 25% equity interests in Engineering Research Centre to the Company (the “Transfer”) at a transfer price of RMB19,945,729.56 (equivalent to approximately HK\$21,918,384.13). After the Transfer, Engineering Research Centre will become a wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, HE Corporation is the controlling shareholder of the Company holding approximately 69.79% of the total issued share capital of the Company. Accordingly, the entering into of the Equity Transfer Agreement with HE Corporation and the transaction contemplated thereunder constitute a connected transaction of the Company.

As each of the applicable percentage ratios in respect of the Transfer as calculated in accordance with the Listing Rules is less than 5%, the Company is required to report on and make an announcement in respect of the Transfer, but is exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 6 May 2024, the Company entered into the Equity Transfer Agreement with HE Corporation, pursuant to which HE Corporation agreed to transfer its 25% equity interests in Engineering Research Centre to the Company at a transfer price of RMB19,945,729.56 (equivalent to approximately HK\$21,918,384.13).

PRINCIPAL CONTENTS OF THE EQUITY TRANSFER AGREEMENT

The principal terms and conditions of the Equity Transfer Agreement are set out below:

1. Date

6 May 2024

2. Parties

- (1) HE Corporation (as the vendor); and
- (2) The Company (as the purchaser).

3. Subject matter

25% equity interests in Engineering Research Centre.

4. Transfer price

The Company and HE Corporation agreed that the transfer price for the subject matter shall be RMB19,945,729.56 (equivalent to approximately HK\$21,918,384.13).

5. Method of payment

The Company will pay the transfer price in a lump sum.

6. Completion of the equity transfer

The Company may proceed with the registration procedures for the change in shareholding of Engineering Research Centre upon due and full payment as stipulated in the Equity Transfer Agreement, and HE Corporation shall provide necessary assistance and cooperation.

The Company and HE Corporation shall handle the registration procedures for the change in shareholding of Engineering Research Centre in a timely manner in accordance with the relevant requirements of the PRC, Heilongjiang Province and Harbin City, as well as the provisions under the Equity Transfer Agreement.

Completion of the equity transfer shall take place upon completion of the registration procedures for the change in shareholding of Engineering Research Centre.

7. Special Note

Upon completion of the equity transfer, Engineering Research Centre will become a wholly-owned subsidiary of the Company and will no longer be a connected subsidiary of the Company, and the Products and Services Framework Agreement entered into between the Company and Engineering Research Centre dated 22 September 2023 will be terminated accordingly.

BASIS OF CONSIDERATION

China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司) has appraised the value of the total equity attributable to shareholders of Engineering Research Centre (the “**Valuation**”) and issued an Asset Appraisal Report according to which, the appraised net asset value of Engineering Research Centre as at the Valuation Benchmark Date is RMB79.7828 million.

The main assumptions of the Valuation include but are not limited to (i) assuming that the appraised assets will continue to be used according to their current purposes and usage methods; (ii) assuming that there are no significant changes in the current laws, regulations, policies, and macroeconomic situation of the country, and there are no significant changes in the political, economic, and social environment of the region where the parties are located; and (iii) assuming that the enterprise will operate as a going concern based on the actual situation of the assets as at the Valuation Benchmark Date.

According to the Asset Appraisal Report, the asset-based approach was adopted in the Valuation. Due to the limited availability of comparable cases in domestic proprietary rights transactions, the market approach is not applicable for the Valuation. Engineering Research Centre is a research and development enterprise, and its main customers are mostly related enterprises. The future income may not be reasonably projected, so the income approach is not applicable for the Valuation. The Company believes that adopting the asset-based approach is appropriate and reliable.

The Board believes that the Valuation fairly reflects the market value of Engineering Research Centre. Based on the appraisal results of the aforementioned Asset Appraisal Report, the Company and HE Corporation reached an agreement on various terms of the Equity Transfer Agreement, including the price for the Transfer.

INFORMATION ON THE PARTIES TO THE TRANSACTION

The Company is one of the largest manufacturers of power-generating equipment in the PRC, and is principally engaged in the manufacturing of thermal power main equipment, hydropower main equipment, nuclear power main equipment, gas power equipment set and turnkey construction of power station projects, etc.

HE Corporation is a controlling shareholder of the Company and is the pioneer in establishing the largest research and manufacturing base for power-generating equipment, marine engines, power-driven equipment and export base for complete set of equipment in the PRC. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Engineering Research Centre is a subsidiary of the Company, and is owned as to 75% and 25% by the Company and HE Corporation (having contributed RMB40 million), respectively, prior to the Transfer; after the Transfer, Engineering Research Centre will become a wholly-owned subsidiary of the Company. Engineering Research Centre, established under the support of the Company in January 2000, is the sole technology-oriented enterprise integrating scientific research, development of new products, and engineering and industrialised promotion and application of scientific research achievements in the PRC power-generating equipment manufacturing industry; and is principally engaged in research and development of engineering technology on complete set of power-generating equipment, systematic research and development of complete set of power-generating equipment, research and development of power generation, environmental protection, energy and automation control equipment and supporting products therefor, and provision of corresponding technology transfer, technical consultation and technological services.

According to the PRC Enterprise Accounting Standards, the audited consolidated financial information of Engineering Research Centre for the two years ended 31 December 2022 and 2023 is as follows:

	Year ended 31 December 2022	Year ended 31 December 2023
Net profit/(loss) before tax (<i>RMB</i>)	7,219,484.86	2,910,496.92
Net profit/(loss) after tax (<i>RMB</i>)	7,219,484.86	2,910,496.92

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The purchase of the equity interests is conducive to the implementation of professional integration of the Company, and will enable the Company to play a greater role in the business guidance, resource allocation and operation and management of Engineering Research Centre, and will be beneficial for the enhancement of the operational efficiency of Engineering Research Centre.

The Directors (including independent non-executive Directors) are of the view that the transaction contemplated under the Equity Transfer Agreement and its terms are fair and reasonable, on normal commercial terms, conducted in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

The executive Directors, being Mr. Cao Zhi-an and Mr. Huang Wei, are also the directors and senior management of HE Corporation and as such, they are deemed to have material interests in transaction contemplated under the Equity Transfer Agreement and have abstained from voting on the relevant Board resolutions considering and approving the entering into of the Equity Transfer Agreement. Save as disclosed above, none of the Directors had a material interest in the relevant transaction or was required to abstain from voting in respect of the relevant Board resolutions considering and approving the entering into of the Equity Transfer Agreement according to the Listing Rules and/or the articles of association of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, HE Corporation is the controlling shareholder of the Company holding approximately 69.79% of the total issued share capital of the Company. Accordingly, the entering into of the Equity Transfer Agreement with HE Corporation and the transaction contemplated thereunder constitute a connected transaction of the Company.

As each of the applicable percentage ratios in respect of the Transfer as calculated in accordance with the Listing Rules is less than 5%, the Company is required to report on and make an announcement in respect of the Transfer, but is exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company;
“Company”	Harbin Electric Company Limited, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1133);
“connected subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Engineering Research Centre”	哈電發電設備國家工程研究中心有限公司 (Harbin Power Equipment National Engineering Research Centre Co., Ltd*), a limited liability company incorporated in the PRC and a subsidiary of the Company, which is held as to 75% and 25% by the Company and HE Corporation, respectively, as at the date of this announcement;
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and HE Corporation on 6 May 2024;
“HE Corporation”	哈爾濱電氣集團有限公司 (Harbin Electric Corporation*), a state-owned enterprise and the controlling shareholder of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the Domestic Share(s) and H Share(s);
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Valuation Benchmark Date”	30 September 2023
%	per cent.

By Order of the Board
Harbin Electric Company Limited
Ai Li-song
Company Secretary

For the purposes of this announcement, unless the context requires otherwise, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.91. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Harbin, the PRC
6 May 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Cao Zhi-an and Mr. Huang Wei; and the independent non-executive Directors of the Company are Mr. He Yu, Mr. Hu Jian-min, Mr. Tang Zhi-hong and Mr. Pan Qi-long.