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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)

ENTERING INTO THE FINANCE LEASE AGREEMENT BY HARBIN ELECTRIC FINANCE LEASE COMPANY

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The Board hereby announces that, on 23 June 2021, Harbin Electric Finance Lease Company and Lingang Construction Company entered into the Finance Lease Agreement III, pursuant to which (i) Lingang Construction Company would sell its leased assets III to Harbin Electric Financial Lease Company, at a transfer consideration of RMB90,000,000; and (ii) Harbin Electric Financial Lease Company would lease back the leased assets III to Lingang Construction Company for a term of 36 months with a total lease payment of RMB98,711,104.17, including a finance lease principal of RMB90,000,000 and a finance lease interest income (inclusive of VAT) of RMB8,711,104.17.

In addition, on 20 May 2020 and 9 July 2020, Harbin Electric Financial Lease Company and Lingang Financial Lease Company entered into the Finance Lease Agreement I and the Finance Lease Agreement II, respectively, pursuant to which, (i) Lingang Financial Lease Company would sell its leased assets I and leased assets II to Harbin Electric Finance Lease Company at a transfer consideration of RMB64,000,000 and RMB95,833,333.33 respectively; and (ii) Harbin Electric Finance Lease Company would lease back the leased assets I and leased assets II to Lingang Financial Lease Company, respectively, for a term from 20 May 2020 to 27 March 2025 and from 9 July 2020 to 15 May 2023, respectively. The total lease payment under the Finance Lease Agreement I and the Finance Lease Agreement II were RMB73,744,817.77 and RMB104,322,546.28, respectively. Under the Finance Lease Agreement I, the lease payment include a finance lease principal of RMB64,000,000 and a finance lease interest income (inclusive of VAT) of RMB9,744,817.77. Under the Finance Lease Agreement II, the lease payment include a finance lease principal of RMB95,833,333.33 and a finance lease interest income (inclusive of VAT) of RMB8,489,212.95.

IMPLICATIONS UNDER THE LISTING RULES

Since Lingang Holding Company, the controlling shareholder of the Lessees, holds more than 10% equity interest of Harbin Electric Finance Lease Co., Ltd., the Lessees are the connected person at subsidiary level of the Company and the Finance Lease Agreements constitute connected transaction for the Company under Chapter 14A of the Listing Rules. As Harbin Electric Finance Lease Co., Ltd. was incorporated on 23 December 2019, under Rule 14A.09 of the Listing Rules, Harbin Electric Finance Lease Co., Ltd. is the insignificant subsidiary of the Company, and therefore, Finance Lease Agreement I and Finance Lease Agreement II are exempt from the disclosure requirements of the listing rules at the time of the entry in 2020.

Since the Finance Lease Agreement III has been approved by the Board and has been confirmed by the independent non-executive Directors that the terms of the transaction are fair and reasonable; the transaction is on normal commercial terms or better and in the interests of the Company and its shareholders. As such, under Rule 14A.101, subject to the reporting and announcement requirements but is otherwise exempt from the circular, independent financial advice and shareholders' approval requirements.

As the transactions under the Finance Lease Agreements were entered into during the 12-month period or related to each other, according to Rule 14.22 of the Listing Rules, those transactions thereunder shall be aggregated as a series of transactions. As the highest applicable percentage ratio under the Finance Lease Agreements upon aggregation is higher than 5%, but lower than 25% therefore, the transactions constitute discloseable transactions of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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In addition, on 20 May 2020 and 9 July 2020, Harbin Electric Financial Lease Company and Lingang Financial Lease Company entered into the Finance Lease Agreement I and the Finance Lease Agreement II, respectively, pursuant to which, (i) Lingang Financial Lease Company would sell its leased assets I and leased assets II to Harbin Electric Finance Lease Company at a transfer consideration of RMB64,000,000 and RMB95,833,333.33 respectively; and (ii) Harbin Electric Finance Lease Company would lease back the leased assets I and leased assets II to Lingang Financial Lease Company, respectively, for a term from 20 May 2020 to 27 March 2025 and from 9 July 2020 to 15 May 2023, respectively. The total lease payment under the Finance Lease Agreement I and the Finance Lease Agreement II were RMB73,744,817.77 and RMB104,322,546.28, respectively. Under the Finance Lease Agreement I, the lease payment include a finance lease principal of RMB64,000,000 and a finance lease interest income (inclusive of VAT) of RMB9,744,817.77. Under the Finance Lease Agreement II, the lease payment include a finance lease principal of RMB95,833,333.33 and a finance lease interest income (inclusive of VAT) of RMB8,489,212.95.

The table below sets out the details of the Finance Lease Agreements:

Finance Lease Agreement	Date of finance lease agreement	Expiry date of financial lease agreement	Finance lease principal amount <i>RMB</i>	Finance lease interest income (inclusive of VAT) <i>RMB</i>	Security deposits <i>RMB</i>	Total lease payment <i>RMB</i>	Appraised value of Leased Assets (Approx.) <i>RMB</i>
Finance Lease Agreement I	20 May 2020	27 March 2025	64,000,000.00	9,744,817.77	0	73,744,817.77	100,790,000.00
Finance Lease Agreement II	9 July 2020	15 May 2023	95,833,333.33	8,489,212.95	0	104,322,546.28	123,084,130.00
Finance Lease Agreement III	23 June 2021	22 June 2024	<u>90,000,000.00</u>	<u>8,711,104.17</u>	<u>0</u>	<u>98,711,104.17</u>	<u>103,001,000.00</u>
Total			<u><u>249,833,333.33</u></u>	<u><u>26,945,134.89</u></u>	<u><u>0</u></u>	<u><u>276,778,468.22</u></u>	<u><u>326,875,130.00</u></u>

FINANCE LEASE AGREEMENTS

The principal terms contained in the Finance Lease Agreements are substantially similar. Principal terms are as follows:

Parties

Lessor Harbin Electric Finance Lease Company;

Lessee I Lingang Financial Lease Company;

Lessee II Lingang Construction Company.

Leased Assets

The Leased Asset I under the Finance Lease Agreement I is power generation equipment and ancillary facilities in Hai'an City, China, with an appraised value of RMB100,790,000.

The Leased Asset II under the Finance Lease Agreement II is the power supply system, communication network, warehouse facilities and machinery and equipment in Tianjin, China, with an appraised value of RMB123,084,130.

The Leased Asset III under the Finance Lease Agreement III is the rainwater pump station and roads and sewage disposal systems in Tianjin, China, with an appraised value of RMB103,001,000.

The Lessees do not separately calculate the profits before and after tax of the Leased Assets. The transfer considerations to acquire the Leased Assets under the Finance Lease Agreements will be funded by Harbin Electric Finance Lease Company's internal resources.

Lease Period

The lease term of the Finance Lease Agreement I commences from 20 May 2020 to 27 March 2025.

The lease term of the Finance Lease Agreement II commences from 9 July 2020 to 15 May 2023.

The lease term of the Finance Lease Agreement III commences from 23 June 2021 to 22 June 2024.

Lease Payment and Method of Payment

Pursuant to the Finance Lease Agreements, the lease payment comprises finance lease principal and finance lease interest income (inclusive of VAT).

Under the Finance Lease Agreement I, the finance lease principal is RMB64,000,000, the finance lease interest income (inclusive of VAT) is expected to be RMB9,744,817.77 (calculated based on the interest rate of 6.10% per annum), the total lease payment is RMB73,744,817.77, Lingang Finance Lease Company shall pay the lease payment to Harbin Electric Finance Lease Company at the end of each quarter in instalments during the lease period.

Under the Finance Lease Agreement II, the finance lease principal is RMB95,833,333.33, the finance lease interest income (inclusive of VAT) is expected to be RMB8,489,212.95 (calculated based on the interest rate of 5.80% per annum), the total lease payment is RMB104,322,546.28, Lingang Finance Lease Company shall pay the lease payment to Harbin Electric Finance Lease Company at the end of each quarter in instalments during the lease period.

Under the Finance Lease Agreement III, the finance lease principal is RMB90,000,000, the finance lease interest income (inclusive of VAT) is expected to be RMB8,711,104.17 (calculated based on the interest rate of 5.90% per annum), the total lease payment is RMB98,711,104.17, Lingang Construction Company shall pay the lease payment to Harbin Electric Finance Lease Company at the end of each quarter in instalments during the lease period.

The terms of the Finance Lease Agreements, including transfer considerations for the Leased Assets, finance lease principals, finance lease interest incomes and other expenses under the Finance Lease Agreements, were determined upon arm's length negotiation between the Lessees and Harbin Electric Finance Lease Company with reference to appraised values of the Leased Assets and prevailing market prices of the same category of finance lease products in the PRC.

Security Deposits

The Lessees are not required to pay a deposit to Harbin Electric Finance Lease Company.

Ownership of the Leased Assets

During the lease period, the ownership of the Leased Assets shall be vested in the Harbin Electric Finance Lease Company. If the Lessees have properly and fully performed all obligations under the Finance Lease Agreements, upon the expiry of the Finance Lease Agreements, Harbin Electric Finance Lease Company will transfer the Leased Assets to the Lessees at the consideration of RMB100 in nominal value.

Guarantee

The guarantee arrangements for the Finance Lease Agreement I and the Finance Lease Agreement II are set out below:

- (1) Lingang Holding Company provides joint and several liabilities guarantee for the debts of Lingang Finance Lease Company under the Finance Lease Agreement I and the Finance Lease Agreement II, respectively;
- (2) Lingang Finance Lease Company provides a pledge of its self-own Leased Assets receivables for the performance of its debts under the Finance Lease Agreement I and the Finance Lease Agreement II, respectively.

The guarantee arrangements for the Finance Lease Agreement III are set out below:

Lingang Holding Company provides joint and several liabilities for the debts of Lingang Construction Company under the Finance Lease Agreement III.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

Harbin Electric Finance Lease Company's principal activities are to provide finance leasing and advisory services to customers, and to enter into the Finance Lease Agreements during its ordinary and usual course of business.

The Directors consider that entering into the Finance Lease Agreements will generate revenue and profit to the Company over the lease period and is consistent with the Company's business development strategy. Since the Finance Lease Agreement III was entered into under normal commercial terms, the Directors are of the view that the terms under the Finance Lease Agreement III are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Directors do not have a material interest in the Finance Lease Agreements.

INFORMATION OF THE COMPANY

The Company and its subsidiaries are one of the largest manufacturers of power plant equipment in China, the principal activities include the manufacturing of thermal power main equipment, hydro power main equipment, nuclear power main equipment, complete set of steam power equipment, as well as turnkey construction of power station projects.

INFORMATION OF THE PARTIES

Harbin Electric Finance Lease Company is a controlling subsidiary of the Company. The Company holds 80% of its equity, and Lingang Holding Company holds 20% of its equity. It is a limited liability company incorporated in the PRC with a registered capital of RMB500 million. Its principal businesses include financial leasing, machinery leasing, agricultural machinery leasing, etc.

Lingang Finance Lease Company is a limited liability company incorporated in the PRC with a registered capital of USD100 million. Its principal businesses include financial leasing, leasing, purchase of leased property from domestic and overseas sellers, treatment of residual value of and maintenance of leased property. Lingang Holding Company holds 75% of the shares of Lingang Finance Lease Company.

Lingang Construction Company is a limited liability company incorporated in the PRC with a registered capital of RMB13,442 million. Its principal businesses include tidal flats development in Tianjin port area, land development, municipal infrastructure and services, port and ancillary facilities development and services, etc. Lingang Holding Company holds 75.36% of the shares of Lingang Construction Company.

INFORMATION OF LINGANG HOLDING COMPANY

Lingang Holding Company is the controlling shareholder of Lingang Finance Lease Company and Lingang Construction Company, and is a limited liability company incorporated in the PRC with a registered capital of RMB18,711.794 million. Its principal businesses include investment in industries permitted by national laws and regulations with its own funds; set up sole proprietorship, joint venture and cooperative enterprises; investment management, investment consultation; corporate management; international trade; warehousing; self-owned housing and equipment leasing business and others.

The ultimate beneficial owner of Lingang Holding Company is the State-owned Assets Supervision and Administration Commission of Binhai New Area, Tianjin, which holds 100% of the shares in Lingang Holding Company.

IMPLICATIONS UNDER THE LISTING RULES

Since Lingang Holding Company, the controlling shareholder of the Lessees, holds more than 10 % equity interest of Harbin Electric Finance Lease Company, the Lessees are the connected person at subsidiary level of the Company and Finance Lease Agreements constitute connected transaction for the Company under Chapter 14A of the Listing Rules. As Harbin Electric Finance Lease Company was incorporated on 23 December 2019, under Rule 14A.09 of the Listing Rules, Harbin Electric Finance Lease Company is the insignificant subsidiary of the Company, and therefore, Finance Lease Agreement I and Finance Lease Agreement II are exempt from the disclosure requirements of the listing rules at the time of the entry in 2020.

Since the Finance Lease Agreement III has been approved by the Board and has been confirmed by the independent non-executive Directors that the terms of the transaction are fair and reasonable; the transaction is on normal commercial terms or better and in the interests of the Company and its shareholders. As such, under Rule 14A.101, subject to the reporting and announcement requirements but is otherwise exempt from the circular, independent financial advice and shareholders' approval requirements.

As the transactions under the Finance Lease Agreements were entered into during the 12-month period or related to each other, according to Rule 14.22 of the Listing Rules, those transactions thereunder shall be aggregated as a series of transactions. As the highest applicable percentage ratio under the Finance Lease Agreements upon aggregation is higher than 5%, but lower than 25% therefore, the transactions constitute discloseable transactions of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms 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;
“Connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Finance Lease Agreements”	Finance Lease Agreement I, Finance Lease Agreement II and Finance Lease Agreement III;
“Finance Lease Agreement I”	the Finance Lease Agreement entered into between Harbin Electric Finance Lease Company and Lingang Financial Lease Company on 20 May 2020;
“Finance Lease Agreement II”	the Finance Lease Agreement entered into between Harbin Electric Finance Lease Company and Lingang Financial Lease Company on 9 July 2020;
“Finance Lease Agreement III”	the Finance Lease Agreement entered into between Harbin Electric Finance Lease Company and Lingang Construction Company on 23 June 2021;
“Harbin Electric Finance Lease Company”	Harbin Electric Finance Lease (Tianjin) Co., Ltd., a controlling subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company;
“Leased Assets”	Leased Assets I, Leased Assets II and Leased Assets III;
“Leased Assets I”	Power generation equipment and ancillary facilities in Hai’an City, China under Finance Lease Agreement I, with an appraised value of RMB100,790,000;
“Leased Assets II”	Power supply system, communication network, warehouse facilities and machinery and equipment in Tianjin, China under Finance Lease Agreement II, with an appraised value of RMB123,084,130;
“Leased Assets III”	Rainwater pump station and roads and sewage disposal systems in Tianjin, China under the Finance Lease Agreement III, with an appraised value of RMB103,001,000;
“Lessees”	Lingang Finance Lease Company and Lingang Construction Company;

“Lingang Construction Company”	Tianjin Lingang Construction and Development Co., Ltd., a limited liability company incorporated in the PRC;
“Lingang Finance Lease Company”	Tianjin Lingang International Finance Lease Co., Ltd., a limited liability company incorporated in the PRC;
“Lingang Holding Company”	Tianjin Lingang Investment Holding Co., Ltd., a limited company incorporated in the PRC, a holding company of the Lessees;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“USD”	the lawful currency of the United States of America.

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

Harbin, PRC
23 June 2021

As at the date of this announcement, the executive directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang and Mr. Sun Zhi-yong; 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.