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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)

ANNOUNCEMENT

RE-ENTERING INTO THE JOINT VENTURE ENTERPRISE AGREEMENT WITH GENERAL ELECTRIC (CHINA) CO., LTD.

RE-ENTERING INTO THE JOINT VENTURE ENTERPRISE AGREEMENT WITH GE CHINA

Reference is made to the announcement of the Company published on 14 March 2017 in relation to the formation of the JV Company with General Electric (China) Co., Ltd.. On 14 March 2017, the Company entered into the joint venture enterprise agreement with GE China, accordingly, it was agreed that a JV Company be established in Qinhuangdao, Hebei, the PRC, where it will be operated and managed pursuant to the terms of the Original JV Agreement. The Original JV Agreement shall be effective on the date of approval of the Original JV Agreement and the transactions thereunder by the respective board of directors of the Company and GE China.

The Board announced that upon further negotiation between the Company and GE China, the Joint Venture Enterprise Agreement was re-entered into between the Company and GE China on 9 July 2018, in which certain amendments were made to the terms of the Original JV Agreement, including that the name of the JV Company was changed to General Harbin Electric Gas Turbine (Qinhuangdao) Co., Ltd. (哈電通用燃氣輪機(秦皇島)有限公司), and the registered capital of the JV Company was adjusted to RMB359.60 million (equivalent to approximately HK\$425.10 million). The Company and GE China will contribute 50% of the registered capital, respectively.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) calculated under the Listing Rules in respect of the JV Agreement are more than 5% but less than 25%, the entering into of the JV Agreement with GE China and the formation of the JV Company constituted a discloseable transaction of the Company, and the Company is subject to the report and announcement requirements but exempt from the circular and shareholders' approval requirements for under Chapter 14 of the Listing Rules.

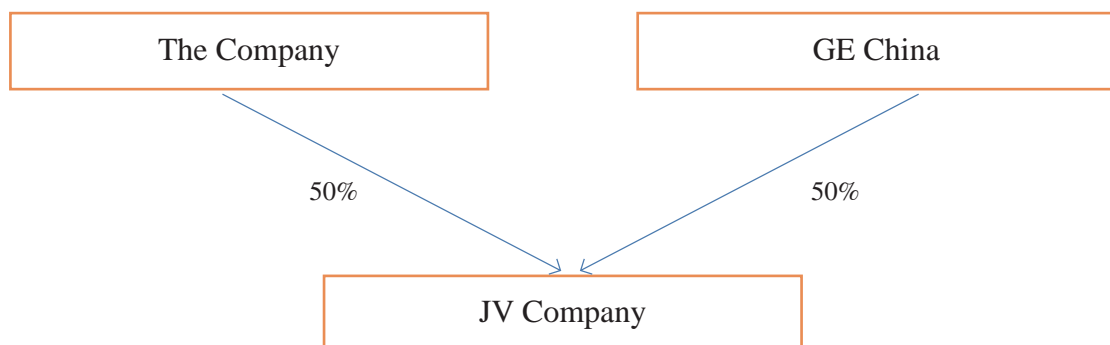
Reference is made to the announcement of the Company published on 14 March 2017 in relation to the formation of the JV Company with General Electric (China) Co., Ltd., the Company entered into the joint venture enterprise agreement with GE China on 14 March 2017, accordingly, it was agreed that a JV Company be established in Qinhuangdao, Hebei, the PRC, where it will be operated and managed pursuant to the terms of the Original JV Agreement. The Original JV Agreement shall be effective on the date of approval of the Original JV Agreement and the transactions thereunder by the respective board of directors of the Company and GE China.

The Board announced that upon further negotiation, the Joint Venture Enterprise Agreement was re-entered into between the Company and GE China on 9 July 2018, in which certain amendments were made to the name of the JV Company and the terms of the Original JV Agreement.

I. BACKGROUND OF THE JV COMPANY AND INVESTMENT DESCRIPTION

The primary reason for the formation of the JV Company by the Company and GE China is to extend greater economic collaboration and to seek the in-depth strategic cooperation in the field of power generation utilizing combined-cycle gas-turbine technology, and to establish the JV Company into a highly competitive gas turbine manufacturer in the PRC as well as overseas markets. The JV Company, with the registered capital of RMB359.60 million (equivalent to approximately HK\$425.10 million), will be jointly established by the Company and GE China with respective contribution of 50% of the registered capital. The JV Company will pay dividends in proportion to the capital contributions of the parties in accordance with the Law on Sino-Foreign Equity Joint Ventures of the People's Republic of China (《中華人民共和國中外合資經營企業法》).

The shareholding structure of the JV Company is set out below:



II. PRINCIPAL TERMS OF THE JV AGREEMENT

Upon further negotiation, the Joint Venture Enterprise Agreement was re-entered into between the Company and GE China on 9 July 2018, in which certain amendments were made to the terms of the Original JV Agreement. The principal terms of the revised JV Agreement are set out below:

1. Parties to the JV Agreement

- (i) the Company; and
- (ii) GE China.

To the best knowledge of the directors having made all reasonable enquiries, both GE China and its ultimate beneficial owners are independent third parties.

2. Business scope of the JV Company

Manufacturing of gas turbines and related components and spare parts, sale of original products; export, import, wholesale of and acting as commissions agent (other than in auctions) for such gas turbines and related components and parts, and the provision of gas turbine related services and technical support.

3. Date and Term of the JV Agreement

The JV Agreement is entered into on 9 July 2018.

Operation of the JV Company is for a term of 15 years, beginning from the date of the JV Company's establishment until the date falling 15 years after its date of establishment, unless the JV Company is terminated or dissolved earlier in accordance with relevant provisions of the JV Agreement. The Company and GE China should hold discussion and negotiate in goodwill concerning the continued development of the JV Company prior to the expiration of the joint venture period or any extension thereof. The joint venture period may be extended by mutual agreement between the JV Parties.

4. Shareholders' contribution to the JV Company

The registered capital of the JV Company is RMB359.60 million (equivalent to approximately HK\$425.10 million). The Company and GE China will contribute 50% of the registered capital of the JV Company, respectively, in cash.

Subject to the relevant terms of the JV Agreement, both parties shall pay their respective contributions in instalments in accordance with the following provisions after the establishment date of the JV Company:

- (i) Within 90 days following the establishment date of the JV Company, each party shall pay RMB42.62 million (equivalent to HK\$50.38 million) to the JV Company as soon as practicable as the initial capital contribution;
- (ii) Subsequent contribution of both parties will be scheduled and fixed by reference to the business plan as approved by the board of directors of the JV Company, but all the contributions subscribed by both parties shall, in any event, be made not later than 8 years following the establishment date of the JV Company.

Contribution of both parties will be determined after arm's length negotiation between both parties upon consideration of the capital requirements of the JV Company.

5. The Board of Directors and Management Team of the JV Company

The board of directors of the JV Company (the "Board of JV Company") will comprise 6 members. For the first 7 years in the joint venture term, 3 directors are to be appointed by GE China and 3 by the Company (including the chairman of the board); for the remaining 8 years in the joint venture term, 3 directors are to be appointed by the Company and 3 by GE China (including the chairman of the board). All directors will be appointed for a term of 3 years but may continue to hold office thereafter if being re-appointed by the appointing party.

Subject to as otherwise stated in the JV Agreement, the Articles of Association of the JV Company or in relevant contracts, any decisions shall be made by the Board of JV Company in a duly and lawfully convened Board meeting of the JV Company and decided by a simple majority of vote (either personally or by proxy) for that matter. However, any resolutions relating to, inter alia, amendments to the Articles of Association of the JV Company as set out in the JV Agreement may only be approved by unanimous vote for such resolution by all the directors (either personally or by proxy) attending the relevant Board meeting of the JV Company which has been duly and lawfully convened.

For the first 7 years in the joint venture term, the general manager and chief financial officer of the JV Company are to be nominated by GE China and the deputy general manager and deputy chief financial officer are to be nominated by the Company; starting from the 8th year of the joint venture term, the general manager and chief financial officer of the JV Company are to be nominated by the Company and the deputy general manager and deputy chief financial officer are to be nominated by GE China.

6. Transfer of Equity Interest

Without the consent of the other party, neither party shall sell, transfer, assign, pledge, gift or otherwise dispose of its entire or partial equity interest in the JV Company to any third party. After obtaining the prior consent from the other party, if the party intends to transfer its entire or partial equity interest in the JV Company to a third party, the other party has the pre-emptive right to acquire the equity interest proposed to be transferred on conditions not more favourable to the purchaser than those set out in the transfer notice issued by the party which proposed equity transfer.

7. Effect of the JV Agreement

The JV Agreement will come into effect on the date where the board of directors of each of the Company and GE China approves the JV Agreement and transactions thereunder.

III. BENEFITS OF INVESTING IN THE JV COMPANY

- (i) The investment for the formation of the JV Company could further strengthen the production capacity in the fuel-fired generator segment of the Company, which shall be beneficial to the Company's development in the fuel-fired generators segment;
- (ii) the investment for the formation of the JV Company will enable the Company to gain access to the state-of-the-art technology in fuel-fired generator and to offer top quality products to the market. With domestic production of such products, cost reduction shall be achieved, thereby enhancing the competitiveness of the Company in the fuel-fired generator market;
- (iii) the investment for the formation of the JV Company will enable the Company in taking advantage of the opportunity emerged in the PRC's "13th Five-year plan" for expansion in usage of fuel-fired generator to increase the business scale and profit of the segment.

IV. INFORMATION ON THE COMPANY AND THE COUNTERPARTY

The Company together with its subsidiary 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.

GE China is an investment purpose company founded and wholly owned by General Electric Company in the PRC. Its scopes of business cover both industrial manufacturing and financial services and commands leading positions in a variety of business operations. The subsidiaries of GE China are engaged in, amongst others, aircraft engines, gas turbines, power generation, power distribution and transmission, oil and gas, water treatment, medical imaging diagnostic equipment, commercial financing and consumer financing as well as industrial products.

The directors of the Company considered that the terms of the JV Agreement:

- (i) are fair and reasonable; and
- (ii) in the interest of the Company and its shareholders as a whole.

V. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) calculated under the Listing Rules in respect of the JV Agreement are more than 5% but less than 25%, the entering into of the JV Agreement with GE China and the formation of the JV Company constituted a discloseable transaction of the Company, and the Company is subject to the report and announcement requirements but exempt from the circular and shareholders' approval requirements for under Chapter 14 of the Listing Rules.

DEFINITIONS

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

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| “Board” | the board of Directors of the Company; |
| “Company” | Harbin Electric Company Limited, a company incorporated in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange; |
| “Director(s)” | directors of the Company; |

“Domestic Share(s)”	domestic share(s) of RMB1.00 each in the ordinary capital of the Company;
“GE China”	General Electric (China) Co., Ltd., a foreign-owned company for investment purpose established under the law of the PRC;
“H Share(s)”	overseas-listed foreign invested ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange;
“HK\$”	lawful currency of Hong Kong;
“Independent Third Party”	third party who is independent of the Company and any of its connected parties (as defined under the Listing Rules) or their respective associates (as defined under the Listing Rules) and not connected to them;
“JV Agreement”	joint venture enterprise agreement re-entered into between the Company and GE China on 9 July 2018;
“JV Company”	the joint venture company proposed to be formed by the Company and GE China, formerly known as General Harbin Electric (Qinhuangdao) Gas Turbine Co., Ltd. (哈電通用(秦皇島)燃氣輪機有限公司), and currently known as General Harbin Electric Gas Turbine (Qinhuangdao) Co., Ltd. (哈電通用燃氣輪機(秦皇島)有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Original JV Agreement”	joint venture enterprise agreement entered into between the Company and GE China on 14 March 2017;
“PRC”	the People’s Republic of China;
“RMB”	lawful currency of the People’s Republic of China;
“Share(s)”	the Domestic Share(s) and H Share(s);
“Shareholder(s)”	holders of the Shares of the Company;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited;

“%”

percentage.

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

Harbin, PRC
9 July 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang, Mr. Zhang Ying-jian and Mr. Song Shi-qi; 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.