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哈电集团
HARBIN ELECTRIC CORPORATION

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)

**CONNECTED TRANSACTION — ACQUISITION OF
PROPERTY AND LAND BY A SUBSIDIARY**

The Board of Directors (the “Board”) of Harbin Electric Company Limited (the “Company”) hereby announces that, on 29 January 2016, the Board has considered and approved the acquisition of the property and land from Harbin Haguo Property Development Company Limited* (哈爾濱哈鍋實業開發總公司) (“Haguo Property”), a wholly-owned subsidiary of Harbin Electric Corporation (“Harbin Electric”) by Harbin Boiler Company Limited* (哈爾濱鍋爐廠有限責任公司) (“Boiler Company”), a subsidiary of the Company.

Harbin Electric is the controlling shareholder of the Company, and Haguo Property is its wholly-owned subsidiary, therefore they are connected persons of the Company under the Listing Rules. Boiler Company is a subsidiary of the Company. As such, the acquisition of the property and land from Haguo Property by Boiler Company (the “Acquisition of Property and Land”) constitutes a connected transaction of the Company. As the applicable percentage ratios calculated under the Listing Rules are less than 5%, the Company is subject to the reporting and announcement requirements in relation to the Acquisition of Property and Land but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Acquisition of Property and Land or is required to abstain from voting on resolutions of the Board to approve the Acquisition of Property and Land and the transactions contemplated thereunder.

The Independent Directors of the Company has reviewed the Acquisition of Property and Land and considered that the Acquisition of Property and Land is in the interest of the Company as a whole.

ACQUISITION OF PROPERTY AND LAND

On 29 January 2016, the Board of the Company has considered and approved the acquisition of the property and land from Haguo Property by Boiler Company. Principal terms are as follows:

I. PARTIES

Purchaser: Boiler Company.

Vendor: Haguo Property.

Date of transaction: the Acquisition of Property and Land will be effected upon approval of the Board.

II. SUBJECT

Boiler Company proposed to acquire Haguo Property's six factories area and self-owned office area. The total gross floor area of the properties is 14,121.21 square meters and the total site area is 12,292.16 square meters.

(1) Six factories area

A building is erected on the area, including production zone and office zone with gross floor area of 9,198.8 square meters and a site area of 6,032 square meters.

(2) Self-owned office area

A total of six buildings are erected on the area, including production zone and office zone with gross floor area of 4,922.41 square meters and a site area of 6,260.16 square meters.

III. REASONS FOR THE ACQUISITION OF PROPERTY AND LAND

The Acquisition of Property and Land is beneficial to Boiler Company for expanding its production and operation premises, enlarging and consolidating the area of the factory zone. The production capacity of its main products such as nuclear power-related products will be enhanced through planning and adjustment of technological layout so as to satisfy Boiler Company's needs for diversification into new segments as part of its long term development.

IV. METHOD AND CONSIDERATION OF ACQUISITION

(1) Method of acquisition

The consideration will be settled by cash. Boiler Company will implement the transaction with the transferor on equity exchange market.

(2) *Consideration of the acquisition*

Based on the valuation reports issued by a qualified asset appraisal company, the appraised value of the subject is RMB55 million, excluding the costs such as the deed tax for transaction involved in the transfer procedure of the relevant asset and land premium. The Boiler Company will acquire the subject with a consideration of not more than RMB55 million.

V. OTHER INFORMATION

The Company together with its subsidiary is one of the largest manufacturers of power plant equipment in the PRC, its principal activities 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..

Harbin Electric is the controlling shareholder of the Company, and is the pioneer in establishing the largest research and manufacturing base for power plant equipment, marine engines, power-driven equipment and export base for complete set of equipment in the PRC.

As Harbin Electric is a state-owned enterprise, the transfer of property and land by its wholly-owned subsidiary, Haguo Property, is subject to the relevant laws and procedures concerning state-owned enterprise and state-owned property rights transfer. Moreover, as the transaction is carried out in the equity exchange market, additional time will be needed to perform the relevant procedure after the approval of the Acquisition of Property and Land by the Board.

The Directors of the Company (including the independent non-executive directors) are of the view that the terms of this connected transaction are:

- (1) fair and reasonable;
- (2) entered into in the Group's ordinary course of business and on normal commercial terms or more favourable terms; and
- (3) in the interest of the Company and its shareholders as a whole.

DEFINITIONS

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

“Board”	the board of Directors;
“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;
“controlling shareholder”	the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;

“Harbin Electric”	Harbin Electric Corporation (哈爾濱電氣集團公司), a state-owned enterprise and the controlling shareholder of the Company;
“Boiler Company”	Harbin Boiler Company Limited* (哈爾濱鍋爐廠有限責任公司), a subsidiary of the Company;
“Haguo Property”	Harbin Haguo Property Development Company Limited* (哈爾濱哈鍋實業開發總公司), a wholly-owned subsidiary of Harbin Electric;
“subsidiary(ies)”	the meaning ascribed to it under the Listing Rules;
“connected person(s)”	the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“RMB”	Renminbi, the lawful currency of the PRC.

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

Harbin, the PRC

29 January 2016

As at the date of this announcement, the executive directors of the Company are Mr. Wu Wei-zhang, Mr. Zhang Ying-jian and Mr. Song Shi-qi; the non-executive director of the Company is Mr. Zou Lei; and the independent non-executive directors of the Company are Mr. Yu Bo, Mr. Liu Deng-qing and Mr. Yu Wen-xing.

* for identification purpose only