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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)

**CONNECTED TRANSACTIONS
ANNOUNCEMENT IN RELATION TO THE DISPOSAL OF
RESEARCH AND DEVELOPMENT PROJECTS AND ASSETS BY A
CONNECTED SUBSIDIARY**

R&D PROJECTS AND ASSETS TRANSFER AGREEMENTS

On 22 September 2023, Engineering Research Centre entered into the R&D Projects and Assets Transfer Agreement I with Jiamusi Electric, pursuant to which Engineering Research Centre has agreed to sell, and Jiamusi Electric has agreed to purchase the R&D Projects and Assets I at a transfer price of RMB15,739,500 (equivalent to approximately HK\$17,108,200). On the same day, Engineering Research Centre entered into the R&D Projects and Assets Transfer Agreement II with Harbin Electric Technology Company, pursuant to which Engineering Research Centre has agreed to sell, and Harbin Electric Technology Company has agreed to purchase the R&D Projects and Assets II at a transfer price of RMB6,739,000 (equivalent to approximately HK\$7,325,000). The total transfer price under the R&D Projects and Assets Transfer Agreement I and R&D Projects and Assets Transfer Agreement II is RMB22,478,500 (equivalent to approximately HK\$24,433,200).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jiamusi Electric is a subsidiary, and thus an associate under Chapter 14A of the Listing Rules, of Harbin Electric Corporation, the controlling shareholder of the Company holding approximately 60.41% of the entire issued share capital of the Company. Meanwhile, as Engineering Research Centre is a subsidiary of the Company and Harbin Electric Corporation holds 25% of the equity of Engineering Research Centre, Engineering Research Centre is a connected subsidiary of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, pursuant to Chapter 14A of the Listing Rules, Jiamusi Electric and Engineering Research Centre are the connected persons of the Company, and therefore the entering into of the R&D Projects and Assets Transfer Agreement I between Engineering Research Centre and Jiamusi Electric and the entering into of the R&D Projects and Assets Transfer Agreement II between Engineering Research Centre and Harbin Electric Technology Company constitute connected transactions of the Company.

As the transactions contemplated under the R&D Projects and Assets Transfer Agreement I and the R&D Projects and Assets Transfer Agreement II constitute a series of transactions made within a 12-month period, the transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules. As the applicable percentage ratios of the relevant transactions calculated on an aggregated basis in accordance with the Listing Rules are all less than 5%. Therefore, the Company is required to make reporting and announcement in relation to the relevant transactions, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 22 September 2023, Engineering Research Centre entered into the R&D Projects and Assets Transfer Agreement I with Jiamusi Electric, pursuant to which Engineering Research Centre has agreed to sell, and Jiamusi Electric has agreed to purchase the R&D Projects and Assets I at a transfer price of RMB15,739,500 (equivalent to approximately HK\$17,108,200). On the same day, Engineering Research Centre entered into the R&D Projects and Assets Transfer Agreement II with Harbin Electric Technology Company, pursuant to which Engineering Research Centre has agreed to sell, and Harbin Electric Technology Company has agreed to purchase the R&D Projects and Assets II at a transfer price of RMB6,739,000 (equivalent to approximately HK\$7,325,000). The total transfer price under the R&D Projects and Assets Transfer Agreement I and R&D Projects and Assets Transfer Agreement II is RMB22,478,500 (equivalent to approximately HK\$24,433,200).

R&D Projects and Assets Transfer Agreement I

The principal terms and conditions of the R&D Projects and Assets Transfer Agreement I are set out as follows:

Date

22 September 2023

Parties

- (1) Engineering Research Centre (as the seller); and
- (2) Jiamusi Electric (as the purchaser).

Subject Matter

Subject to the R&D Projects and Assets Transfer Agreement I, Engineering Research Centre agrees to sell, and Jiamusi Electric agrees to purchase the R&D Projects and Assets I, which will be completed upon the effective date of the agreement and the payment of the consideration.

Consideration and Payment Terms

The transfer price of the R&D Projects and Assets I is RMB15,739,500. The transfer price shall be paid in full on a lump-sum basis by Jiamusi Electric to Engineering Research Centre within 30 working days after the coming into effect of such agreement.

Basis of Consideration

The transfer price of the R&D Projects and Assets I has been determined by the parties with reference to the appraised value. The independent appraiser Beijing Zhongtianhe Assets Appraisal Co., Ltd. has valued the R&D Projects and Assets I, by adopting the cost approach, and the appraised value is as follows: (RMB'0,000)

No.	R&D projects and assets (category I)	Total assets of the R&D projects	Appraised value	Increase/decrease in value	Appreciation rate
1	Hybrid drive system development	110.00	111.36	1.36	1.24%
2	Typical vehicle carrying and application development for commercial vehicle hub motor	454.81	489.78	34.97	7.69%
3	New energy automobile hub electric wheel test bench	600.20	610.38	10.18	1.70%
4	Development of direct-drive permanent magnet hub motor and its driving system	96.25	98.89	2.64	2.74%
5	Thruster motor development	139.48	143.58	4.10	2.94%
6	Construction of a test platform for new energy vehicle drive system	1.82	1.85	0.03	1.86%
	Total	<u>1,402.56</u>	<u>1,455.84</u>	<u>53.28</u>	<u>3.80%</u>

No.	R&D projects and assets (category II)	Book value	Appraised value	Increase/decrease in value	Appreciation rate
1	High precision analyzer	33.13	38.70	5.57	16.81%
2	Portable power analyzer	15.68	12.98	-2.70	-17.22%
3	Low resistance meter	0.51	0.61	0.10	18.99%
4	Portable oscilloscope	8.87	9.89	1.02	11.53%
5	Thermal-imager	21.39	24.64	3.25	15.22%
6	Multimeter	0.60	0.59	-0.01	-1.08%
7	Bidirectional DC test power supply	17.03	18.99	1.96	11.52%
8	Test ancillary device and equipment for hub motor	10.50	11.71	1.21	11.51%
	Total	<u>107.70</u>	<u>118.11</u>	<u>10.41</u>	<u>9.66%</u>

Compared with other appraisal methods, the cost approach more accurately reflects the value of the R&D Projects and Assets I. Accordingly, the independent appraiser has adopted the cost approach for the valuation of the R&D Projects and Assets I, and determined the value of the appraised assets by deducting the various losses from its replacement cost.

Effective Date

The R&D Projects and Assets Transfer Agreement I shall take effect upon execution by the parties thereto.

R&D Projects and Assets Transfer Agreement II

The principal terms and conditions of the R&D Projects and Assets Transfer Agreement II are set out as follows:

Date

22 September 2023

Parties

- (1) Engineering Research Centre (as the seller); and
- (2) Harbin Electric Technology Company (as the purchaser).

Subject Matter

Subject to the R&D Projects and Assets Transfer Agreement II, Engineering Research Centre agrees to sell, and Harbin Electric Technology Company agrees to purchase the R&D Projects and Assets II, which will be completed upon the effective date of the agreement and the payment of the consideration.

Consideration and Payment Terms

The transfer price of the R&D Projects and Assets II is RMB6,739,000. The transfer price shall be paid in full on a lump-sum basis by Harbin Electric Technology Company to Engineering Research Centre within 30 working days after the coming into effect of such agreement.

Basis of Consideration

The transfer price of the R&D Projects and Assets II has been determined by the parties with reference to the appraised value. The independent appraiser Beijing Zhongtianhe Assets Appraisal Co., Ltd. has valued the R&D Projects and Assets II, by adopting the cost approach, and the appraised value is as follows: (RMB'0,000)

No.	R&D projects and assets	Total assets of the R&D projects	Appraised value	Increase/ decrease in value	Appreciation rate
1	Propulsion system development	426.54	430.88	4.34	1.02%
2	Research of critical technology for pod propulsor	240.00	243.02	3.03	1.26%
	Total	<u>666.54</u>	<u>673.90</u>	<u>7.37</u>	<u>1.10%</u>

Compared with other appraisal methods, the cost approach more accurately reflects the value of the R&D Projects and Assets II. Accordingly, the independent appraiser has adopted the cost approach for the valuation of the R&D Projects and Assets I, and determined the value of the appraised assets by deducting the various losses from its replacement cost.

The cost of the purchase and placement of R&D projects and Asset II by Engineering Research Centre was RMB6,665,400.

Effective Date

The R&D Projects and Assets Transfer Agreement II shall take effect upon execution by the parties thereto.

INFORMATION ON THE PARTIES TO THE TRANSACTIONS

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.

Harbin Electric 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.

Engineering Research Centre is a subsidiary of the Company, and is owned as to 75% and 25% by the Company and Harbin Electric Corporation, respectively. 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.

Jiamusi Electric, a subsidiary of Harbin Electric Corporation, is a joint stock limited company incorporated in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000922). It is principally engaged in the manufacturing and sales of electric motors, and its main products include explosion-proof motors, motors for lifting and metallurgy, shielded motors, electric pumps and nuclear motors.

Harbin Electric Technology Company is a wholly-owned subsidiary of the Company, and is principally engaged in engineering and technical research and experimental development, industrial design services, power generation technical services, intelligent control system integration, industrial automatic control system device manufacturing, etc.

FINANCIAL IMPLICATION OF ENTERING INTO THE R&D PROJECTS AND ASSETS TRANSFER AGREEMENT I AND THE R&D PROJECTS AND ASSETS TRANSFER AGREEMENT II

Based on the consideration for the disposal of the R&D Projects and Assets I under the R&D Projects and Assets Transfer Agreement I, the Company expects to recognise a gain on disposal of approximately RMB636,900 (equivalent to approximately HK\$692,300) before tax (i.e. the appraised value of the R&D Projects and Assets I and the R&D Projects and Assets II, net of book value).

As both Engineering Research Centre and Harbin Electric Technology Company are subsidiaries of the Company, the transactions under the R&D Projects and Asset Transfer Agreement II will have no implication on the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE R&D PROJECTS AND ASSETS TRANSFER AGREEMENT I AND THE R&D PROJECTS AND ASSETS TRANSFER AGREEMENT II

In line with the enterprise development strategy, Engineering Research Centre intends to cease its research in advanced motor industry, further focus on its main responsibilities as a national R&D platform for power generation equipment, with a tight focus on forward-looking strategic emerging industries such as new energy, new materials, and high-end equipment, coordinate scientific research and technical resources, and give priority to increasing investment in scientific research in new industries and directions such as the localization of small and medium-sized gas turbines, compressed air energy storage, and smart power plants. Therefore, Engineering Research Centre intends to transfer the relevant R&D projects and assets in advanced motor industry, and the amounts to be received from the transfer can be utilised for further replenishment of the capital required for the development of the above business of Engineering Research Centre. At the same time, the transfer of R&D Projects and Assets II by Engineering Research Centre to Harbin Electric Technology Company, the wholly-owned subsidiary of the Company, will be conducive to the further co-ordination of the relevant internal scientific research resources of the Company and the promotion of the smooth commencement of business in the relevant fields.

Based on the above, the Directors (including the independent non-executive Directors) of the Company believe that the transactions contemplated under the R&D Projects and Assets Transfer Agreement I and the R&D Projects and Assets Transfer Agreement II and the terms thereof (including the consideration) are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Mr. Cao Zhi-an, Mr. Huang Wei and Mr. Zhang Ying-jian, the executive Directors, are also directors or senior management of Harbin Electric Corporation, the substantial shareholder of Jiamusi Electric and Engineering Research Centre, and as such, all of them are deemed to have material interests in the transactions contemplated under the R&D Projects and Assets Transfer Agreement I and the R&D Projects and Assets Transfer Agreement II and have abstained from voting on the relevant Board resolutions for the purpose of considering and approving the entering into of the R&D Projects and Assets Transfer Agreement I and the R&D Projects and Assets Transfer Agreement II and their respective transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the relevant transactions or is required to abstain from voting on the relevant Board resolutions for the purpose of considering and approving the entering into of the R&D Projects and Assets Transfer Agreement I and the R&D Projects and Assets Transfer Agreement II in accordance with the Listing Rules and/or the articles of association of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Jiamusi Electric is a subsidiary, and thus an associate under Chapter 14A of the Listing Rules, of Harbin Electric Corporation, the controlling shareholder of the Company holding approximately 60.41% of the entire issued share capital of the Company. Meanwhile, as Engineering Research Centre is a subsidiary of the Company and Harbin Electric Corporation holds 25% of the equity of Engineering Research Centre, Engineering Research Centre is a connected subsidiary of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, pursuant to Chapter 14A of the Listing Rules, Jiamusi Electric and Engineering Research Centre are the connected persons of the Company, and therefore the entering into of the R&D Projects and Assets Transfer Agreement I between Engineering Research Centre and Jiamusi Electric and the entering into of the R&D Projects and Assets Transfer Agreement II between Engineering Research Centre and Harbin Electric Technology Company constitute connected transactions of the Company.

As the transactions contemplated under the R&D Projects and Assets Transfer Agreement I and the R&D Projects and Assets Transfer Agreement II constitute a series of transactions made within a 12-month period, the transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules. As the applicable percentage ratios of the relevant transactions calculated on an aggregated basis in accordance with the Listing Rules are all less than 5%. Therefore, the Company is required to make reporting and announcement in relation to the relevant transactions, 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);
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“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;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“R&D Projects and Assets Transfer Agreement I”	the research and development projects and assets transfer agreement entered into between Engineering Research Centre and Jiamusi Electric on 22 September 2023;
“R&D Projects and Assets Transfer Agreement II”	the research and development projects and assets transfer agreement entered into between Engineering Research Centre and Harbin Electric Technology Company on 22 September 2023;
“R&D Projects and Assets I”	the research and development projects and assets such as the development of hybrid drive system to be sold by Engineering Research Centre to Jiamusi Electric under the R&D Projects and Assets Transfer Agreement I (please refer to the sub-section headed “R&D Projects and Assets Transfer Agreement I – Basis of Consideration” in this announcement for the details of the projects and assets);
“R&D Projects and Assets II”	the research and development projects and assets such as the development of propulsion system to be sold by Engineering Research Centre to Harbin Electric Technology Company under the R&D Projects and Assets Transfer Agreement II (please refer to the sub-section headed “R&D Projects and Assets Transfer Agreement II – Basis of Consideration” in this announcement for the details of the projects and assets);
“Harbin Electric Corporation”	哈爾濱電氣集團有限公司(Harbin Electric Corporation Co., Ltd.*), a state-owned enterprise and the controlling shareholder 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 Harbin Electric Corporation, respectively;
“Jiamusi Electric”	哈爾濱電氣集團佳木斯電機股份有限公司(Jiamusi Electric Machine Company Limited*), a joint stock limited company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000922);
“Harbin Electric Technology Company”	哈爾濱電氣科學技術有限公司(Harbin Electric Technology Co., Ltd*), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“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;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“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;
“%”	per cent.

For the purpose of this announcement, unless the context otherwise requires, conversion of RMB into HK\$ is based on an exchange rate of HK\$1.00 to RMB0.92. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

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

Harbin, the PRC
22 September 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Cao Zhi-an, Mr. Huang Wei and Mr. Zhang Ying-jian; 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.

* *For identification purpose only*