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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 TRANSACTION
ANNOUNCEMENT ENTERING INTO THE TANGIBLE ASSETS
TRANSACTION CONTRACT**

ENTERING INTO THE TANGIBLE ASSETS TRANSACTION CONTRACT

On 25 July 2024, Boiler Company entered into the Tangible Assets Transaction Contract with Hago Industrial, pursuant to which Hago Industrial agreed to sell and Boiler Company agreed to purchase the Target Assets at a transfer price of RMB51,975,000 (equivalent to approximately HK\$57,115,400).

IMPLICATIONS UNDER THE LISTING RULES

As Boiler Company is a wholly-owned subsidiary of the Company and Hago Industrial is a wholly-owned subsidiary of HE, the controlling shareholder of the Company, the entering into of the Tangible Assets Transaction Contract between Boiler Company and Hago Industrial and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the transaction 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 transaction, 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 25 July 2024, Boiler Company entered into the Tangible Assets Transaction Contract with Hago Industrial, pursuant to which Hago Industrial agreed to sell and Boiler Company agreed to purchase the Target Assets at a transfer price of RMB51,975,000 (equivalent to approximately HK\$57,115,400).

TANGIBLE ASSETS TRANSACTION CONTRACT

The principal terms and conditions of the Tangible Assets Transaction Contract are set out below:

Date

25 July 2024.

Parties

- (1) Boiler Company (as the purchaser); and
- (2) Hago Industrial (as the vendor).

Target Assets

Property and land use rights of Hago Hotel (“**Subject Property**”).

Hago Hotel property is located in No. 446, Sandadongli Road, Xiangfang District, Harbin, with a building area of 4,726.3 m²; the land parcel area of Hago Hotel is 4,606.00 m², the remaining land area after approved occupation is 1,616.40 m².

Method of transfer

The trading of the Target Assets has been publicly listed on SUAEE from 16 July 2024 to 22 July 2024, during which only one intended transferee, Boiler Company, was generated and the Target Assets was legally transferred to Boiler Company.

Transaction consideration

The Target Assets were valued by the independent valuer Heilongjiang Tongxin Real Estate and Land Asset Appraisal Company Limited (the “**Valuer**”) (the “**Valuation**”), which issued the Assets Appraisal Report of Hei Tongxin Capital Appraisal Report No. N002 [2024] with 28 February 2024 as the valuation benchmark date (the “**Valuation Benchmark Date**”), with a valuation value of RMB54,257,900.

Boiler Company and Haguo Industrial negotiated on the basis of the valuation results of the Assets Appraisal Report and agreed that the transfer price would be RMB51,975,000 (equivalent to approximately HK\$57,115,400).

Entering into the Tangible Assets Transaction Contract will have no impact on the Company’s consolidated financial statements.

Payment terms

Prior to the signing of the Tangible Assets Transaction Contract, Boiler Company paid RMB5,000,000 as transaction deposit to the designated account of SUAEE in accordance with the requirements of Haguo Industrial and SUAEE, which shall convert into part of the transaction price after the signing of the Tangible Assets Transaction Contract; within 5 days after the Tangible Assets Transaction Contract taking effect, Boiler Company shall remit the remaining price of RMB46,975,000 after deduction of the transaction deposit in one-off payment to the settlement account designated by SUAEE, and SUAEE shall transfer the entire transaction price (including the transaction deposit) to the settlement account designated by Haguo Industrial within 3 working days after the issuance of the transaction certificate.

Completion of the Target Assets

Within 15 working days from the date of signing the Tangible Assets Transaction Contract with Boiler Company, Haguo Industrial shall carry out the handover of the Target Assets and the relevant documents certifying ownership and technical information with Boiler Company and transfer the Target Assets to Boiler Company.

Where the transaction involves necessary filing with or approval by the relevant authorities, Boiler Company and Haguo Industrial shall jointly fulfil the obligation to make a declaration to the relevant authorities.

ABOUT THE VALUATION

Appraisal methods

The Target Assets is a commercial shop, based on the analysis of the real estate market conditions as at the Valuation Benchmark Date, the simple addition of the required full cost cannot reasonably reflect the value of the real estate. The market for this type of real estate in the area where the Target Asset is located is relatively active and there are many cases of market transaction cases, in addition, this type of real estate is rented out relatively often, and the lease price is relatively easy to obtain, thus the market approach and the income approach can better reflect its market transaction value. Therefore, the valuation methods selected for the Valuation are the market approach and the income approach.

The market approach is an asset valuation method that involves selecting a number of identical or similar assets as references in the market, making comparative adjustments of the price differences between the assets under valuation and the references one by one with respect to the factors affecting the value, and then comprehensively analysing the results of the adjustments to determine the valuation value of the assets under valuation.

Basic formula: $PD = PB \times A \times B \times C \times D \times E$

PD Market price of the commissioned property

PB Transaction prices for comparative cases

A Transaction status factor for commissioned property/transaction status factor for comparative case property

B Price index of the commissioned property at transaction date/price index of the comparative property at transaction date

C Regional factor conditional coefficient of the commissioned property/regional factor conditional coefficient of the comparative property

D Individual factor conditional coefficient of the commissioned property/individual factor conditional coefficient of the comparative property

E Equity factor conditional coefficient of the commissioned property/equity factor conditional coefficient of the comparative property

Through Internet survey, the Valuer selected three transaction examples of property ownership and land use right with similar structure, use, and geographic location to establish a basis for comparison.

	Transaction example A	Transaction example B	Transaction example C
Name	Commercial services of Chengxiang Road, Daoli District, Harbin City	Commercial services of Min'an Street, Daoli District, Harbin City	Commercial services of Haxi Street, Nan'gang District, Harbin City
Transaction time	February 2024	February 2024	March 2024
Transaction price (<i>RMB/m²</i>)	11,000	10,284	12,028
Comparable price (<i>RMB/m²</i>)	11,068	12,672	10,694

The Valuer compared the transaction examples with the Subject Property, and calculated the comparable prices of the transaction examples based on coefficient modification in respect of location condition, physical condition and equity condition. The valued unit price of the Subject Property = the aggregate of comparable prices of the transaction examples/number of transaction examples, was RMB11,480.00/m². The valuation value = valued unit price × building area of the Subject Property, was RMB54,257,900 by adopting the market approach.

The income approach is a valuation method that capitalises or discounts the expected income to determine the value of the valuation target.

Through Internet survey, the Valuer selected three transaction examples of real estate use right with similar structure, use, and geographic location for comparison with the Subject Property, and calculated the valued unit price of the Subject Property to be RMB10,997.97/m² by taking into account the rate of rental growth, the years of income, etc. The valuation value = valued unit price × building area of the Subject Property, was RMB51,979,700 by adopting the income approach.

Appraisal assumptions

General assumptions:

- (1) **Transaction Assumption:** It is assumed that all assets to be valued are assumed to be already in the transaction process and the asset valuer conduct the valuation by simulating the market in accordance with the transaction terms of the assets to be valued.
- (2) **Open Market Assumption:** open market assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered and the impact on the assets in such market conditions. An open market refers to a well-developed and comprehensive market conditions and a competitive market with voluntary buyers and sellers where each of the buyer and the seller is offered with equal status, enough opportunity and time to have access to sufficient market information. Transactions between both the buyer and the seller are all conducted under voluntary, rational, non-compulsory and unrestricted conditions.
- (3) **Continuous Use of Assets Assumption:** continuous use assumption is a hypothesis made on the conditions of the market where the assets are intended to be entered as well as the status of the assets under such market conditions. It is firstly assumed that the assets to be valued are in use, and it is further assumed that the assets that are in use will be used continuously. Under continuous use assumption, no consideration is given to the conversion of the use of the assets or the utilisation of the assets under the best condition. Thus, the valuation results are subject to a restricted scope of applicability.

Special assumptions:

- (1) The Valuation assumes that the external economic environment remains unchanged and the current national macroeconomic conditions will not change significantly as at the Valuation Benchmark Date.
- (2) There will be no significant change in the social and economic environment where the enterprise operates and the applicable policies on tax and tax rate, etc.
- (3) The assets under Valuation are based on the actual inventory as at the Valuation Benchmark Date, and the current market price of relevant assets is based on the effective domestic price as at the Valuation Benchmark Date.
- (4) The Valuation assumes that the basic information provided by the property right holder are true, accurate and complete.
- (5) The scope of the valuation is subject to the application form for valuation provided by the property right holder, without taking into account any possible contingent assets and contingent liabilities not included in the list provided by the property right holder.

- (6) The parameters measured in the Valuation are taken without taking into account the effect of inflationary factors.
- (7) It is assumed in the valuation report that the Subject Property can be subject to real estate rights certificates and name change for transfer in accordance with commercial use after the buyer and the seller have paid their respective transaction taxes and fees (deed tax, value-added tax and land grant price, etc.).

In general, when the aforementioned conditions change, the result of the valuation would become invalid.

Valuation Conclusions

The valuation value of the Valuation is RMB54,257,900 by adopting the market approach and RMB51,979,900 by adopting the income approach. There are certain differences between the valuation results of the two approaches, and the market approach is more capable of objectively reflecting the actual price of the Subject Property, and therefore the valuation results of the market approach have been selected as the final valuation conclusion.

The Target Assets have a book value of RMB114,800 and a valuation value of RMB54,257,900. The appreciation value is RMB54,143,100, or 47,152.50% higher than the book value.

Notes on special matters affecting the Valuation conclusions

Incomplete or Defective Ownership Information: The right holder of the property within the scope of the Valuation is Harbin Boiler, which established Harbin Haguo Property Development Company Limited* (哈爾濱哈鍋實業開發總公司) after the restructuring of the enterprise property rights system, i.e. the enterprise prior to Haguo Industrial's name changing, which has not yet gone through the procedures of changing the name of the right holder and transferring the Subject Property.

INFORMATION ON THE PARTIES TO THE TRANSACTION

Boiler Company is a wholly-owned subsidiary of the Company with a registered capital of RMB746,850,000. It is principally engaged in the manufacturing and sales of power station boiler equipment, equipment for desulphurisation and denitrification of coal-fired flue gases, specialised equipment for environmental protection, and equipment for the control of greenhouse gas emissions, etc. The Company is one of the largest domestic manufacturers of power generation equipment in the PRC, mainly engaged in thermal power mainframe equipment, hydropower mainframe equipment, nuclear power mainframe equipment, gas power equipment manufacturing and power plant engineering general contracting, etc.

Haguo Industrial is a wholly-owned subsidiary of HE, the controlling shareholder of the Company, with a registered capital of RMB97,000,000 and is principally engaged in the sale of foodstuffs, catering services, heating services, real estate development and operation, etc. HE is the largest research and manufacturing base for power generation equipment, naval power units, electric drive equipment and export base for complete sets of equipment, which was first established in the PRC. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The Target Assets were transferred from HE to Haguo Industrial for nil consideration in 1994, and Haguo Industrial has been leasing out the Target Assets as a whole since 2013 and collecting rentals, with rental income amounting to RMB830,000 and RMB1,256,700 for the two years of 2022 and 2023, respectively.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TANGIBLE ASSETS TRANSACTION CONTRACT

Boiler Company intends to transform Haguo Hotel into an apartment for newly-recruited college students, in order to solve the problems of the current and future rise in the scale of college student recruitment, insufficient number of apartments, poor accommodation, and low employee satisfaction in Boiler Company, which is conducive to Boiler Company's attraction of talents, retention of talents, and assisting in the healthy development of the Company.

Based on the above, the Directors (including independent non-executive Directors) are of the view that the Tangible Assets Transaction Contract and the transactions contemplated thereunder and the terms thereof (including the consideration) are fair and reasonable, on normal commercial terms, 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, a shareholder of Haguo Industrial, and as such, they are deemed to have material interests in the entering into of the Tangible Assets Transaction Contract and the transactions contemplated thereunder and have abstained from voting on the relevant Board resolutions considering and approving the entering into of the Tangible Assets Transaction Contract. Save as disclosed above, none of the other 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 Tangible Assets Transaction Contract according to the Listing Rules and/or the articles of association of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As Boiler Company is a wholly-owned subsidiary of the Company and Haguo Industrial is a wholly-owned subsidiary of HE, the controlling shareholder of the Company, the entering into of the Tangible Assets Transaction Contract between Boiler Company and Haguo Industrial and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the transaction 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 transaction, 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;
“Boiler Company”	Harbin Boiler Company Limited* (哈爾濱鍋爐廠有限責任公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary 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;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Haguo Industrial”	Harbin Haguo Industrial Development Corporation* (哈爾濱哈鍋實業開發有限責任公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of HE, the controlling shareholder of the Company;
“HE”	Harbin Electric Corporation* (哈爾濱電氣集團有限公司), a state-owned enterprise, 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 of Hong Kong Limited;
“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;
“Shareholder(s)”	the holder(s) of the shares of the Company;
“SUAEE”	Shanghai United Assets and Equity Exchange Co., Ltd.* (上海聯合產權交易所有限公司), a wholly-owned subsidiary of Shanghai Exchange Group Co., Ltd* (上海交易集團有限公司);
“Tangible Assets Transaction Contract”	the tangible assets transaction contract entered into between Boiler Company and Harguo Industrial on 25 July 2024;
“Target Assets”	The property and land use rights of the Harguo Hotel located at No. 446, Sandadongli Road, Xiangfang District, Harbin;
“%”	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
25 July 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.