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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)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION BY ELECTRIC MACHINERY COMPANY FOR SHARES ISSUED UNDER NON-PUBLIC ISSUANCE BY SOUTHERN POWER GRID ENERGY STORAGE

SUBSCRIPTION BY ELECTRIC MACHINERY COMPANY FOR SHARES ISSUED UNDER NON-PUBLIC ISSUANCE BY SOUTHERN POWER GRID ENERGY STORAGE

The Board hereby announces that, on 23 November 2022, Electric Machinery Company and Southern Power Grid Energy Storage entered into the Subscription Agreement, pursuant to which, Electric Machinery Company agreed to subscribe for and Southern Power Grid Energy Storage agreed to allot and issue 39,401,103 Subscribed Shares to Electric Machinery Company at the Subscription Price of RMB12.69 per Subscribed Share, with the total amount of RMB499,999,997.07 (equivalent to approximately HK\$548,353,838.55).

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription exceed 5% but all fall below 25%, the Subscription constitutes a discloseable transaction of the Company under the Listing Rules, and the Company shall be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that, on 23 November 2022, Electric Machinery Company and Southern Power Grid Energy Storage entered into the Subscription Agreement, pursuant to which, Electric Machinery Company agreed to subscribe for and Southern Power Grid Energy Storage agreed to allot and issue 39,401,103 Subscribed Shares to Electric Machinery Company at the Subscription Price of RMB12.69 per Subscribed Share, with the total amount of RMB499,999,997.07 (equivalent to approximately HK\$548,353,838.55).

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Subscription Agreement contains, inter alia, the following principal terms:

1. Date

23 November 2022

2. Parties

- (i) Electric Machinery Company; and
- (ii) Southern Power Grid Energy Storage.

To the best of the knowledge, information and belief of the Directors of the Company, having made all reasonable enquiries, Southern Power Grid Energy Storage and its controlling shareholders are Independent Third Parties.

3. Subscribed Shares

Electric Machinery Company agreed to subscribe for and Southern Power Grid Energy Storage agreed to allot and issue 39,401,103 ordinary shares (A shares) issued under the non-public issuance by Southern Power Grid Energy Storage to Electric Machinery Company.

4. Subscription Price

Subscription Price is RMB12.69 per Subscribed Share, which is equivalent to approximately 81% of the average trading price of the shares of Southern Power Grid Energy Storage for 20 consecutive trading days before the Price Determination Date.

The total amount subscribed is RMB499,999,997.07 (equivalent to approximately HK\$548,353,838.55).

5. Payment Method

The Subscription Price will be paid in cash by Electric Machinery Company.

Pursuant to the Subscription Agreement, Electric Machinery Company shall remit the subscription price in full to the account specially opened by Southern Power Grid Energy Storage after the issue of the payment notice by Southern Power Grid Energy Storage.

6. Completion of Subscription Shares

After Electric Machinery Company pays the Subscription Price in accordance with the terms of the Subscription Agreement, Southern Power Grid Energy Storage will complete the registration of the Shares in relation to the Subscription as soon as possible.

7. Lock-up Period

The Subscribed Shares shall not be transferred within six months from the date of completion of the non-public issuance of Subscribed Shares of Southern Power Grid Energy Storage. Electric Machinery Company shall issue relevant lock-up commitments to Southern Power Grid Energy Storage and handle related share lock-up procedures. While Southern Power Grid Energy Storage shall timely cooperate with Electric Machinery Company to handle the relevant procedures required for the unlocking of Subscribed Shares.

8. Defaulting Liabilities

- (i) After the signing of the Subscription Agreement, both parties shall strictly abide by the provisions of the Subscription Agreement, and any breach of any term of the Subscription Agreement shall be deemed a breach of contract, and the defaulting party shall be responsible for the damages and consequences caused by its breach of provisions;
- (ii) In the event that Electric Machinery Company fails to perform its obligation to pay the Subscription Price in full as scheduled in accordance with the Subscription Agreement, it shall constitute a default, and the entire subscription deposit paid by it shall vest in Southern Power Grid Energy Storage as the penalty and shall not be returned. Electric Machinery Company shall be disqualified from the subscription and the Subscribed Shares shall be allotted and issued to other investors in accordance with the requirements of the relevant laws and regulations and/or the subscription rules to be entered into from time to time by Southern Power Grid Energy Storage;

- (iii) In the event that Southern Power Grid Energy Storage defaults and such default has made the purpose of the Subscription Agreement unfulfilled, without hindering Electric Machinery Company to exercise the other rights or remedies, Electric Machinery Company shall have the right to terminate the Subscription Agreement immediately and Southern Power Grid Energy Storage shall be liable for all direct economic losses caused to Electric Machinery Company due to the default; and
- (iv) In the event that Southern Power Grid Energy Storage fails to allot and issue Subscribed Shares to Electric Machinery Company or the final number of Subscribed Shares of Electric Machinery Company differs from the number of Subscribed Shares as agreed in the Subscription Agreement as a result of significant changes in relevant laws, regulations, rules and policies or provisions or requirements of relevant competent authorities, Southern Power Grid Energy Storage shall not be deemed to be in breach of the Subscription Agreement.

INFORMATION ABOUT THE COMPANY AND ELECTRIC MACHINERY COMPANY

The Company is one of the largest manufacturers of power plant equipment in the PRC. Its principal activities include 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..

Electric Machinery Company, a wholly-owned subsidiary of the Company, is a company incorporated in the PRC with limited liability. Its main businesses are the design, manufacture, package, installation, commissioning and technical services of hydroelectric turbine generators sets, steam power generator sets, their parts and auxiliary equipment, etc.

INFORMATION ABOUT SOUTHERN POWER GRID ENERGY STORAGE

Southern Power Grid Energy Storage is a joint stock limited company incorporated in the PRC and with its A shares listed on the Shanghai Stock Exchange (stock code: 600995). Its main businesses are hydroelectric power generation; power generation, transmission and supply (distribution); installation, maintenance and testing of power facilities for transmission, supply and receiving of electricity, etc. The controlling shareholders of Southern Power Grid Energy Storage is China Southern Power Grid Co., Ltd.

The following financial information is extracted from the annual report of Southern Power Grid Energy Storage for the two financial years ended 31 December 2021:

	For the year ended	
	31 December	
	2021	2020
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	36,613	132,187
Net profit after tax	15,758	110,722

According to the 2021 Annual Report and the third quarterly report for the nine months ended 30 September 2022, the consolidated net asset value of Southern Power Grid Energy Storage as at 31 December 2021 and 30 September 2022 was approximately RMB2,137.3637 million (audited) and RMB14,900.2469 million (unaudited), respectively.

REASONS FOR AND BENEFITS OF SUBSCRIPTION BY ELECTRIC MACHINERY COMPANY FOR SHARES ISSUED UNDER NON-PUBLIC ISSUANCE BY SOUTHERN POWER GRID ENERGY STORAGE

The Directors are of the view that Southern Power Grid Energy Storage maintains a sound operation, the subscription by Electric Machinery Company for shares issued under the non-public issuance by Southern Power Grid Energy Storage is conducive to strengthening the strategic cooperation relationship between the Company and Southern Power Grid Energy Storage, supporting the development of pumped storage industry of the Company, and the Company can generate a certain amount of investment revenue.

The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) are entered into on normal commercial terms, and the terms therein (i) are fair and reasonable; and (ii) are in the interest of the Company and Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription exceed 5% but all fall below 25%, the Subscription constitutes a discloseable transaction of the Company under the Listing Rules, and the Company shall be 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 expressions have the following meanings:

“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 main board of the Stock Exchange;
“Director(s)”	directors of the Company;
“Electric Machinery Company”	Harbin Electrical Machinery Company Limited, a wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	any third party(ies) who is/are independent of and not connected with the Company and any of its connected person(s) (as defined in the Listing Rules) or any of their respective associate(s) (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Price Determination Date”	19 October 2022, the first day of the offering date of non-public issuance by Southern Power Grid Energy Storage;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of shares of the Company;
“Southern Power Grid Energy Storage”	China Southern Power Grid Energy Storage Co., Ltd., a joint stock limited company incorporated in the PRC with its A shares listed on the Shanghai Stock Exchange;

“Subscribed Share(s)”	the ordinary share(s) (A share(s)) allotted and issued under the non-public issuance by Southern Power Grid Energy Storage and subscribed by Electric Machinery Company;
“Subscription”	Electric Machinery Company will subscribe for 39,401,103 Subscribed Shares by Southern Power Grid Energy Storage at the Subscription Price of RMB12.69 per share, with the total amount of RMB499,999,997.07 (equivalent to approximately HK\$548,353,838.55);
“Subscription Agreement”	the Agreement on the Subscription for A Shares Issued Under Non-public Issuance by China Southern Power Grid Energy Storage Co., Ltd. entered into between Electric Machinery Company and Southern Power Grid Energy Storage on 23 November 2022;
“Subscription Price”	the amount payable by the Company to Southern Power Grid Energy Storage under the Subscription Agreement;
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of HK\$1.00 to RMB0.91182. Such exchange rate has been used for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Harbin, the PRC
23 November 2022

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