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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**

### **SUBSCRIPTION FOR SHARES ISSUED UNDER NON-PUBLIC ISSUANCE BY HUANENG POWER INTERNATIONAL, INC.**

#### **SUBSCRIPTION FOR SHARES ISSUED UNDER NON-PUBLIC ISSUANCE BY HPI**

The Board hereby announces that, on 9 October 2018, the Company and HPI entered into the Agreement on the Subscription for Shares Issued Under Non-public Issuance by Huaneng Power International, Inc., pursuant to which, the Company will subscribe for 76,335,877 ordinary shares (A shares) issued under the Non-public Issuance by HPI at the subscription price of RMB6.55 per share (equivalent to approximately 90% of the average trading price of the A shares of HPI for 20 consecutive Trading Days before the Price Determination Date), with the total subscription amount of RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05).

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Subscription exceeds 5% but falls below 25%, the Subscription constitutes a discloseable transaction of the Company under the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the circular and Shareholders' approval requirements.

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## **I. THE SUBSCRIPTION**

HPI intends to issue not more than 800,000,000 RMB-denominated ordinary shares (A shares) under the Non-public Issuance with a nominal value of RMB1 per share to not more than 10 specific investors, for which the Company intends to subscribe 76,335,877 shares.

## **II. MAJOR TERMS OF THE SUBSCRIPTION AGREEMENT**

### **1. Parties**

- (i) the Company; and
- (ii) HPI.

Having made reasonable enquiries, the Directors believes that HPI and its ultimate beneficial owners are Independent Third Parties.

### **2. Number of Subscription, Subscription Price and Payment of Subscription Amount**

- (i) Number of subscription: The Company agreed to subscribe for 76,335,877 ordinary shares (A shares) issued under the Non-public Issuance by HPI, and HPI agreed to issue 76,335,877 shares to the Company, as one of the specific targets for this Non-public Issuance;
- (ii) Subscription price: RMB6.55 per share, which was determined with reference to and is equivalent to approximately 90% of the average trading price of the A shares of HPI for 20 consecutive Trading Days before the Price Determination Date;
- (iii) Total subscription amount: The Company agreed to subscribe for shares in a total amount of RMB499,999,994.35;

- (iv) Payment method: After the Subscription Agreement takes effect, the Company shall pay the subscription amount as agreed in the Subscription Agreement to the account designated by HPI on the date of payment specified in the subscription payment notice issued by HPI (i.e., 9 October 2018). In the event that the Company has paid a deposit, such deposit will be directly converted into a portion of the subscription amount.

The subscription price is equivalent to approximately 91% of the closing price of the A shares of HPI as quoted on the SSE on the date of the Subscription Agreement (i.e., RMB7.20).

### **3. Defaulting Liabilities**

- (i) After the Subscription Agreement takes effect, in the event that HPI breaches the terms of the agreement due to its own fault of failing to issue all or part of the shares subscribed by the Company as agreed in the Subscription Agreement to the Company within six months from the date of approval of the Non-public Issuance by the CSRC, HPI shall pay a penalty to the Company at 10% of the subscription amount paid by the Company. In the event that HPI fails to issue all or part of the shares subscribed by the Company as agreed in the Subscription Agreement to the Company as a result of significant changes in relevant laws, regulations, rules and policies or provisions, decisions or requirements of relevant competent authorities, HPI shall not be deemed as breaching the terms of the agreement, but shall return to the Company the subscription amount paid by the Company plus interest on bank deposit for the same period (at current interest rate);
- (ii) After the Subscription Agreement takes effect, in the event that the Company fails to pay the subscription amount in full to the special account designated by HPI and opened by CITIC Securities for the Non-public Issuance within the period for payment of the subscription amount specified in the subscription payment notice issued by HPI as agreed in the Subscription Agreement, HPI shall be entitled to confiscate the deposit paid by the Company (if such deposit does not reach 10% of the total subscription amount, the Company shall pay HPI a penalty to fill the shortfall until 10% of the total subscription amount is reached; if no deposit is paid by the Company, it shall pay HPI a penalty equivalent to 10% of the total subscription amount) and terminate the Subscription Agreement;

- (iii) In the event that the final number of subscription of the Company differs from the number of subscription as agreed in the Subscription Agreement as a result of regulatory approval, HPI shall not be liable to such insufficient issuance, but shall settle the consideration paid by the Company to the extent of the amount actually incurred and return the remaining amount together with the interest on bank deposit for the same period accrued thereon (at current interest rate) to the Company.

#### **4. Effect and Performance of the Subscription Agreement**

- (i) The Subscription Agreement will take effect upon the execution and seal of legal representatives of both parties or their authorised representatives;
- (ii) The Subscription Agreement shall be fully performed within six months after the date on which the CSRC approves the Non-public Issuance of HPI. A party shall bear all the losses incurred by the other party as a result from the failure to fully perform the Subscription Agreement within the aforesaid period due to its own fault.

#### **5. Lock-up Period**

The Company undertakes that it will not transfer the A shares of HPI under the Subscription within 12 months after the issuance is closed.

### **III. BENEFITS OF THE SUBSCRIPTION FOR SHARES ISSUED UNDER NON-PUBLIC ISSUANCE BY HPI**

As HPI maintains a sound operation, the subscription for shares issued under the Non-public Issuance by HPI facilitates the long-term strategic relationship between the Company and HPI, and allows both parties to jointly establish a premium power plant and pursue win-win cooperation.

### **IV. INFORMATION ABOUT 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.

HPI is one of the largest listed power companies in the PRC, and the shares of which are listed on the Stock Exchange (H shares), New York Stock Exchange (ADR) and the SSE (A shares), respectively (stock code: 902, HNP and 600011). It is principally engaged in the development, construction and operation of large power plants.

The Directors of the Company consider that the terms of the Subscription Agreement (including the subscription price):

- (i) is fair and reasonable;
- (ii) is in the interest of the Company and Shareholders as a whole.

## V. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Subscription exceeds 5% but falls below 25%, the Subscription constitutes a discloseable transaction of the Company under the Listing Rules, which is subject to the reporting 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:

|                            |  |
|----------------------------|--|
| “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; |
| “HPI”                      | Huaneng Power International, Inc., a company incorporated in the PRC with limited liability;   |
| “Trading Day(s)”           | any day on which the SSE is open for securities trading;   |
| “Price Determination Date” | 19 September 2018;   |
| “Shareholder(s)”           | holder(s) of shares of the Company;  |
| “Director(s)”              | directors of the Company;  |
| “Board”                    | the board of directors of the Company;   |
| “Stock Exchange”           | The Stock Exchange of Hong Kong Limited;   |
| “Listing Rules”            | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;  |
| “SSE”                      | Shanghai Stock Exchange;   |

|                                |   |
|--------------------------------|---|
| “Subscription Agreement”       | the Agreement on the Subscription for Shares Issued Under Non-public Issuance by Huaneng Power International, Inc. entered into between the Company and HPI on 9 October 2018;  |
| “Subscription”                 | the subscription for 76,335,877 shares by the Company under the Non-public Issuance of HPI in accordance with the Subscription Agreement;   |
| “Non-public Issuance”          | the proposed non-public issuance by HPI of no more than 800,000,000 RMB-denominated ordinary shares (A shares) with RMB1 each to no more than 10 specific investors;  |
| “CSRC”                         | China Securities Regulatory Commission;   |
| “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;   |
| “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). |

By Order of the Board  
**Harbin Electric Company Limited**  
**Si Ze-fu**  
*Chairman*

Harbin, PRC  
9 October 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.*