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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)

CLARIFICATION ANNOUNCEMENT AND CHANGE OF USE OF FUND-RAISING PROCEEDS

Clarification announcement

Reference is made to the annual report for 2018 (the “**2018 Annual Report**”) issued by Harbin Electric Company Limited (the “**Company**”) on 22 March 2019.

The Company has noted an unintentional mistake in the information contained in the 2018 Annual Report due to the inadvertent oversight by the handling staff in the preparation of the 2018 Annual Report. The Company hereby clarifies that the paragraph titled “Use of fund-raising proceeds” on page 14 of the 2018 Annual Report shall be corrected as follows:

As at 31 December 2018, RMB430 million of the fund-raising proceeds from the domestic share subscription (the “**Domestic Share Subscription**”) conducted by the Company in 2017 has not been utilized. The Company has fully utilized its remaining proceeds from issuance of shares and bonds in previous years, and no other fund-raising activities were proceeded in this year.

As at 31 December 2018, the use of fund-raising proceeds from the Domestic Share Subscription is as follows:

Intended use of fund-raising proceeds	Intended amount of fund-raising proceeds used <i>(RMB100 million)</i>	Actual amount of fund-raising proceeds used <i>(RMB100 million)</i>	Remaining amount of fund-raising proceeds <i>(RMB100 million)</i>	Use of remaining proceeds
Investment in a joint venture project on gas turbine	3.34	0	3.34	RMB180 million of the proceeds will be contributed in accordance with the Joint Venture Enterprise Agreement as disclosed in the announcement of the Company dated 9 July 2018. The remaining proceeds of RMB154 million are intended to be used within a year to invest in and develop the finance leasing business to support the development of the principal business or to replenish the general working capital of the Company
Investment in a nuclear power technology upgrading project	4.86	3.9	0.96	Continuous investment in nuclear power technology upgrading in the future three to five years
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Total	<u>12.67</u>	<u>8.37</u>	<u>4.3</u>	

The above remaining proceeds of RMB430 million are currently placed in time deposits with HE Finance Company Limited, a subsidiary of the Company. The Company receives interest at a reasonable interest rate.

The Company confirms that, save as disclosed in this announcement, all other contents of the 2018 Annual Report are correct and remain unchanged.

Change of use of fund-raising proceeds

Reference is made to the circular in relation to (1) connected transaction in respect of the proposed issue of new domestic shares under the specific mandate; (2) proposed amendments to the articles of association; and (3) notices of extraordinary general meeting and the class meeting issued by the Company on 16 October 2017.

The total fund-raising proceeds from the Domestic Share Subscription conducted by the Company in 2017 amounted to RMB1.267 billion, RMB334 million of which was intended to be used in the joint venture project on gas turbine.

Pursuant to the announcement in relation to the formation of the joint venture company (the “**JV Company**”) with General Electric (China) Co., Ltd. (“**GE China**”) issued by the Company on 14 March 2017, the registered capital of the JV Company was RMB667 million, of which the Company shall contribute approximately RMB334 million. Upon further negotiation between the Company and GE China, the Joint Venture Enterprise Agreement was re-entered into by both parties. On 9 July 2018, the Company issued the announcement in relation to the re-entering into of the Joint Venture Enterprise Agreement with GE China. The registered capital of the JV Company was adjusted to RMB360 million, of which the Company shall contribute approximately RMB180 million. Pursuant to the Joint Venture Enterprise Agreement re-entered into by both parties, the contributions shall be made not later than 8 years following the establishment date of the JV Company.

Since the Company re-entered into the Joint Venture Enterprise Agreement with GE China, the investment amount in the joint venture project on gas turbine was adjusted. As a result, the proceeds of RMB334 million originally intended to be used in the joint venture project on gas turbine could not be fully utilized, with proceeds of RMB154 million (the “**Funds**”) remaining. The Company plans to use the Funds as follows:

1. to invest in and develop the finance leasing business to support the development of the principal business within a year; or
2. to replenish the general working capital of the Company if it could not be used as mentioned above within a year.

Regarding the above change of use of fund-raising proceeds, the Company has taken into consideration the internal needs for finance leasing of the Company and its subsidiaries (the “**Group**”). Investing in and developing the finance leasing business could provide relevant services for the members of the Group and reduce costs, and is in the interests of the Company and its shareholders as a whole. If necessary, the Company would not rule out the possibility of providing relevant services to connected parties or third parties to increase the revenue of the Company. The investment in and

development of the finance leasing business is still at a preliminary stage of discussion. Upon finalization, the Company will comply with relevant approval and announcement procedures in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate (if necessary).

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

Harbin, PRC
6 November 2019

As at the date of this announcement, the executive directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang and Mr. Zhang Ying-jian; 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.