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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)

CONTINUING CONNECTED TRANSACTIONS – TECHNOLOGICAL DEVELOPMENT FRAMEWORK AGREEMENT

The Board hereby announces that, on 27 April 2020, the Company entered into the Technological Development Framework Agreement with Engineering Research Centre, pursuant to which the Company agreed to entrust technological development to Engineering Research Centre subject to the terms and conditions set out in the Technological Development Framework Agreement.

Harbin Electric is a controlling shareholder of the Company, holding 25% of equity in Engineering Research Centre, and Engineering Research Centre is therefore a connected subsidiary of the Company under the Listing Rules. As such, the transaction contemplated under the Technological Development Framework Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all applicable percentage ratios in respect of the proposed Annual Caps of the transaction as calculated in accordance with the Listing Rules fall below 5%, the Company is required to report on and make an announcement in respect of the Technological Development Framework Agreement, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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TECHNOLOGICAL DEVELOPMENT FRAMEWORK AGREEMENT

The principal terms and conditions of the Technological Development Framework Agreement are set out below:

I. Date

27 April 2020

II. Parties

- (i) The Company; and
- (ii) Engineering Research Centre.

III. Term of the Agreement

The agreement shall become effective on 27 April 2020 and expire on 31 December 2022.

IV. Subject Matter of the Agreement

According to the Technological Development Framework Agreement, during the transaction term of the agreement, i.e., from 1 May 2020 to 31 December 2022, Engineering Research Centre will provide the Company with technological development services, and the Company will, in light of its needs of transformation and development, selectively receive the technological development services rendered by Engineering Research Centre, which consist of technological services concerning feasibility study, development, prototype production and test for scientific research projects in relation to gas turbine, thermal engineering, special motor, nuclear power, intelligent control, new energy and environmental protection, etc.

The Company has the right to engage technological development service providers based on its business needs at its own discretion, and is not obliged to engage Engineering Research Centre exclusively for provision of Technological Development Services. Where all parties are equally qualified, the Company will give preference to Engineering Research Centre for the provision of Technological Development Services. In case that the Company chooses Engineering Research Centre to provide Technological Development Services, they shall enter into an agreement setting forth detailed conditions for the provision of Technological Development Services for specific projects according to the Technological Development Framework Agreement.

V. Pricing Policy

Pursuant to the Technological Development Framework Agreement, the Company will set up a monitoring mechanism to monitor the pricing for transactions of the same or similar type in the market, so as to ensure that the fees and terms under specific project agreement to be entered into by the parties subsequently pursuant to the Technological Development Framework Agreement are fair and reasonable and on normal commercial terms, and that the actual fees and terms will be not less favourable to the Company than those for entrustment of independent third parties by the Company with technological development services of the same or similar type. In the event that, from the Company's point of view, Engineering Research Centre's requirements on fees and terms for provision of Technological Development Services for specific projects are less favourable to the Company than those for entrustment of independent third parties by the Company with such technological development services, the Company will negotiate with Engineering Research Centre to ensure that such matter will take place.

VI. Annual Caps

The proposed Annual Caps are as follows:

	For the period from 1 May 2020 to 31 December 2020	For the year from 1 January 2021 to 31 December 2021	For the year from 1 January 2022 to 31 December 2022
Provision of Technological Development Services by Engineering Research Centre at the entrustment of the Company	RMB100,000,000	RMB100,000,000	RMB100,000,000

As the provision of Technological Development Services by Engineering Research Centre at the entrustment of the Company under the Technological Development Framework Agreement is a new transaction proposed to be conducted between the parties, there are no historical transaction amounts available for reference. The Annual Caps have been determined based on the Company's needs of technological development in the course of transformation and development. For the period from 1 May 2020 to 31 December 2022, the Company expects to entrust Engineering Research Centre with tens of technological development projects with technological development service fees of approximately RMB90,000,000 for each year. In addition, the possibility of new projects is also taken into account. As such, the Annual Cap is fixed at RMB100,000,000 each year.

INFORMATION ON THE PARTIES OF THE TRANSACTION

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.

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

Harbin Electric 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.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNOLOGICAL DEVELOPMENT FRAMEWORK AGREEMENT

Entering into the Technological Development Framework Agreement with Engineering Research Centre, the sole technology-oriented enterprise under the Company, will facilitate the Company in upgrading its traditional products and enhancing the technological R&D capacity in such new technological and industrial directions as gas turbine, intelligent control, new energy and environmental protection, etc., thereby improving the market competitiveness of enterprises on the one hand; and will be conducive to boosting the commercialisation and industrialisation of Engineering Research Centre's technological achievements and generating benefits for the Company on the other hand.

The Directors (including independent non-executive Directors) are of the view that the terms of the transaction contemplated under the Technological Development Framework Agreement (including the Annual Caps) are:

- (1) fair and reasonable;

- (2) entered into in the ordinary and usual course of business of the Company, and on normal or better commercial terms; and
- (3) in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Harbin Electric is a controlling shareholder of the Company, holding 25% of equity in Engineering Research Centre, and Engineering Research Centre is therefore a connected subsidiary of the Company under the Listing Rules. As such, the transaction contemplated under the Technological Development Framework Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As all applicable percentage ratios in respect of the proposed Annual Caps of the transaction as calculated in accordance with the Listing Rules fall below 5%, the Company is required to report on and make an announcement in respect of the Technological Development Framework Agreement, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Technological Development Framework Agreement and the transaction contemplated thereunder, or is required to abstain from voting on the Board resolution approving the Technological Development Framework Agreement and the transaction contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Cap(s)”	the maximum annual amount of the transactions contemplated under the Technological Development Framework Agreement to be transacted for each of the three years ending 31 December 2022;
“Board”	the board of Directors;
“Company”	哈爾濱電氣股份有限公司(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;
“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;
“Director(s)	the director(s) of the Company;
“Technological Development Framework Agreement	the technological development framework agreement entered into between the Company and Engineering Research Centre on 27 April 2020;
“Technological Development Services	technological services consisting of feasibility study, development, prototype production and test for scientific research projects in relation to gas turbine, thermal engineering, special motor, nuclear power, intelligent control, new energy and environmental protection, etc.;
“Harbin Electric	哈爾濱電氣集團有限公司(Harbin Electric Corporation Co., Ltd.*), a wholly state-owned enterprise and a 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% of equity by the Company and Harbin Electric, respectively;
“H Share(s)	the ordinary share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company which are listed on the Main Board of the Stock Exchange;
“Listing Rules	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“percentage ratio(s)	the percentage ratio(s) under Rule 14.07 of the Listing Rules, other than the profits ratio and the equity capital ratio;
“PRC	the People’s Republic of China;
“RMB	Renminbi, the lawful currency of the PRC;
“Share(s)	the Domestic Share(s) and the H Share(s);

