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哈电集团
HARBIN ELECTRIC CORPORATION

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)

Executive Directors:

Wu Wei-zhang
Zhang Ying-jian
Song Shi-qi
Shang Zhong-fu

Office Address:

Block B, No 39 Sandadongli Road
Xiangfang District
Harbin, Heilongjiang Province
People's Republic of China

Non-Executive Directors:

Gong Jing-kun
Zou Lei

Independent Non-Executive Directors:

Sun Chang-ji
Fan Fu-chun
Jia Cheng-bing
Yu Bo
Liu Deng-qing

31 March 2014

To the Shareholders

Dear Sir or Madam,

PROPOSED GENERAL MANDATE TO REPURCHASE SHARES

1. INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the Annual General Meeting, H Shares Class Meeting and Domestic Shares Class Meeting which are proposed to be convened on 16 May 2014, including the special resolution in respect of the grant of general mandate to the Board to repurchase the Shares of the Company.

2. PROPOSED GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, H Shares Class Meeting and Domestic Shares Class Meeting which are proposed to be held on 16 May 2014, new general mandate will be proposed to be granted to the Board to repurchase shares in the Company not exceeding 10% of the total number of the existing shares in the Company in issue.

Moreover, the resolution, if approved and implemented, would authorise the Board to revise the relevant terms of the Articles of Association of the Company.

An explanatory statement, as required by the Listing Rules to be sent to the Shareholders in connection with the proposed special resolution set out in the notices of the Annual General Meeting, H Shares Class Meeting and Domestic Shares Class Meeting for the approval of the grant of the general mandate for share repurchase, is set out in Appendix to this circular.

3. THE ANNUAL GENERAL MEETING, H SHARES CLASS MEETING AND DOMESTIC SHARES CLASS MEETING

The H Shares Class Meeting and Domestic Shares Class Meeting will be held at Conference Room, 17/F, Block B, 39 Sandadongli Road, Xiangfang District, Harbin, Heilongjiang Province, the People's Republic of China on 16 May 2014, immediately after the Annual General Meeting of the Company, at which, among other things, the general mandate to repurchase shares will be considered and passed, if thought fit. No Shareholders will be required to abstain from voting at the Annual General Meeting. Only H Shares Shareholders of the Company will vote on the H Shares Class Meeting and only Domestic Shares Shareholders will vote on the Domestic Shares Class Meeting. Voting will be taken by way of poll in accordance with the requirements of Listing Rules.

A form of proxy is enclosed in this circular. Whether or not the Shareholders are able to attend the Annual General Meeting, H Shares Class Meeting and Domestic Shares Class Meeting, they are advised to complete and return the enclosed form of proxy to the office address or registered office of the Company, as soon as practicable and in any event by not later than 24 hours before the time for holding the Annual General Meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

4. RECOMMENDATION

The Board considers that the resolutions as set out in the notices of Annual General Meeting, H Shares Class Meeting and Domestic Shares Class Meeting are in the best interests of the Company and all Shareholders. The Board also considers that it is in the interests of the Company and the Shareholders to grant the proposed general mandate to repurchase Shares to the Board. Accordingly, the Board recommends you to vote in favour of all of the resolutions at the Annual General Meeting and class meetings.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Accountant”	the accountant of the Company for the time being
“Board”	the board of Directors of the Company
“Company”	Harbin Electric Company Limited, a company listed on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Annual General Meeting”	the annual general meeting of the Company to be held at Conference Room of the Company (Block B, 39 Sandadongli Road, Xiangfang District, Harbin, Heilongjiang Province, the People’s Republic of China) on 16 May 2014 at 9:00 a.m.
“H Shares Class Meeting”	the H Shares Class Meeting of the Company to be held at Conference Room of the Company (Block B, 39 Sandadongli Road, Xiangfang District, Harbin, Heilongjiang Province, the People’s Republic of China) on 16 May 2014 at 10:00 a.m.
“Domestic Shares Class Meeting”	the Domestic Shares Class Meeting of the Company to be held at Conference Room of the Company (Block B, 39 Sandadongli Road, Xiangfang District, Harbin, Heilongjiang Province, the People’s Republic of China) on 16 May 2014 at 10:30 a.m.
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inside Information”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	28 March 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Repurchase Mandate”	the mandate to be granted to the Board by way of passing an special resolution set out in the notices of the Annual General Meeting, H Shares Class Meeting and Domestic Shares Class Meeting
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

Yours faithfully,
 By order of the Board
Harbin Electric Company Limited
Gao Xu-guang
Company Secretary

This explanatory statement contains all the information required under Rule 10.06(1)(b) of the Listing Rules and also constitutes a memorandum required under the Companies Ordinance.

EXERCISE OF THE REPURCHASE MANDATE

The Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company. It is proposed that up to 10% of the total number of H Shares in issue on the date of the passing of the special resolution (subject to adjustment in the case of any subdivision and consolidation of Shares after the relevant general meeting) to approve the Repurchase Mandate may be repurchased. As at the Latest Practicable Date, 675,571,000 H Shares were issued by the Company. On the basis of such figure, the Board would be authorised to repurchase up to 67,557,100 H Shares during the period of 12 months commencing from the date of the passing of such resolution or its revocation or alteration by a special resolution at a general meeting, whichever of these two events occurs first.

REASONS FOR REPURCHASE

Share Repurchase will only be made when the Directors believe that it will benefit the Company and its Shareholders. Such repurchase may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share.

FUNDING OF REPURCHASE

Repurchase pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchase will be made out of funds of the Company legally permitted to be utilised for such purpose in accordance with its Articles of Association and the laws of Hong Kong, including profits otherwise available for distribution. Under the Companies Ordinance, a company's profits available for distribution are its accumulated and realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated and realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made.

There might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts for the year ended 31 December 2013) in the event that the Repurchase Mandate is exercised in full.

However, the Board do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the Company's working capital or gearing position, which in the opinion of the Directors are from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors, and to the best of their knowledge, having made all reasonable enquires, none of their associates, have any present intention to sell Shares to the Company or its subsidiaries if the Repurchase Mandate is approved by the Shareholders.

No connected persons of the Company have notified the Company that they (i) have a present intention to sell Shares to the Company or (ii) have undertaken not to sell Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the PRC.

SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Share have been made by the Company (whether on the Stock Exchange or otherwise) during the six months preceding the date of this circular.

EFFECT OF TAKEOVERS CODE

If as a result of share repurchase by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, the Shareholders, or group of Shareholders acting in concert, depending on the level of increase of its or their shareholding, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the controlling shareholder of the Company is Harbin Electric Corporation ("Harbin Electric"), holding 701,235,000 domestic shares of the Company, representing 50.93% of the total number of Shares of the Company as at that date, which exceeds 50%. If the Repurchase Mandate is exercised in full, the number of H Shares of the Company will be reduced to 608,013,900 shares and the total share capital will become 1,309,248,900 shares. The Harbin Electric will be interested in 53.56% of the total number of Shares of the Company. Therefore, exercise of the Repurchase Mandate shall not result in a mandatory offer obligation upon the Harbin Electric under Rule 26 of the Takeovers Code.

MARKET PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Traded market price	
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2013		
March	7.01	6.30
April	6.33	5.38
May	6.68	5.85
June	6.78	5.03
July	5.30	4.59
August	5.40	4.66
September	5.28	4.72
October	5.07	4.75
November	5.24	4.80
December	5.64	4.85
2014		
January	5.02	4.29
February	4.95	4.18
March (up to the Latest Practicable Date)	5.10	4.30