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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)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE
UNDER THE BOARD**

The Board of Directors (the “**Board**”) of Harbin Electric Company Limited (the “**Company**”) hereby announces that, the Board of the Company has approved the adjustment to the terms of reference of the special committees under the Board. The terms of reference of the Audit Committee under the Board upon adjustment are as follows:

- (1) To supervise the internal auditing system of the Company and its implementation;
- (2) To give assessment and guidance on the completeness and operating efficiency of the internal control and risk management systems of the Company;
- (3) To facilitate the communications between the internal and external auditors;
- (4) To assess the independence and professionalism of the external auditing institution and give advice on the appointment or dismissal of auditors to the Board;
- (5) To make recommendation on the remuneration of auditors to the Board;
- (6) To monitor the Company’s compliance with the accounting standards and rules of the stock exchange;
- (7) To audit the interim and annual results of the Company, and to discuss any issues with the internal and external auditors;
- (8) To audit the self-evaluation report of the internal control and risk management of the Company;
- (9) To audit the significant accounting and auditing issues of the Company, including material accounting adjustment, significant accounting policies and matters involving material accounting judgement etc.;
- (10) To audit the major connected transactions of the Company;

(11) To review and supervise the existing and potential risks of the Company.

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

Harbin, PRC
31 May 2017

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. Liu Deng-qing, Mr. Yu Wen-xing, Mr. Hu Jian-min and Mr. Zhu Hong-jie.