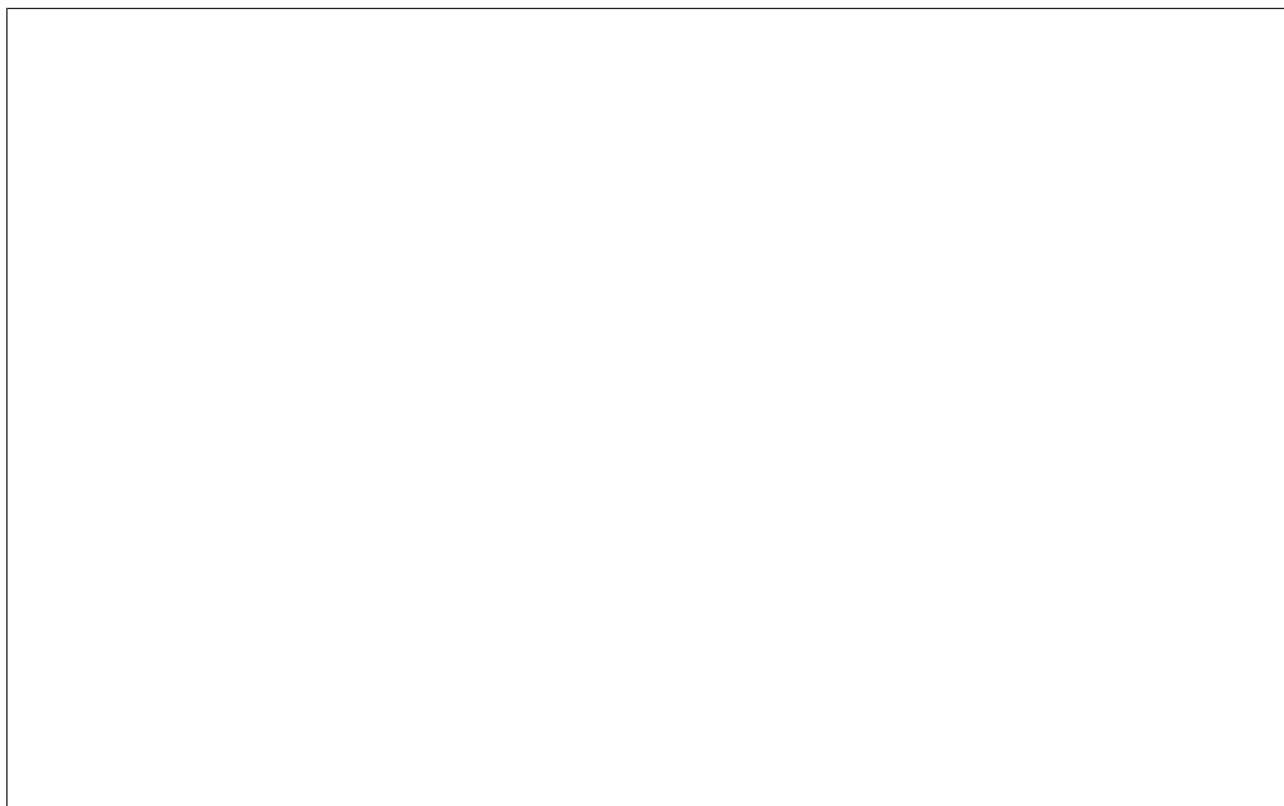


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The Company and GE China will each contribute capital in cash amounting to RMB _____ to the registered capital and will each be entitled to _____ of such registered capital of the JV Company

4. Condition Precedent to the JV Company Formation

The parties may only submit the JV Agreement and all other required application documents to State Administration of Industry and Commerce of the PRC or such designated local authority in charge of the business registration of the JV Company and or the Ministry of Commerce of the PRC or other designated local authority for registration approval or filing of incorporation subject to the satisfaction of all the following conditions

- i the signing by the JV Parties of memoranda of understanding or equivalent preliminary transaction documents in respect of the formation of joint ventures for the research and development of a modified version of the LF gas turbine and for provision of gas turbines repair and maintenance services where such memoranda of understanding or equivalent preliminary transaction documents shall at least include the shareholding structure scope of business and timetable for establishment of such joint ventures
- ii Both JV Parties having passed the anti monopoly review process by the authority in commerce according to the "Anti Monopoly Law of the PRC" and
- iii Both JV Parties having reached a agreement in respect of relevant contracts referred to in the JV Agreement and having signed the relevant contracts

In the event that the above conditions are not satisfied on June or such other date agreed by the JV Parties the JV Agreement will be terminated and shall not be submitted for registration approval or filing Unless otherwise agreed in the JV Agreement or by the JV Parties neither party shall be liable to the other party for any liability under the JV Agreement or in relation to the establishment of the JV Company

5. Shareholder's contribution to the JV Company

The Company will contribute a total of RMB to the registered capital of JV Company accounted for thereof GE China will also contribute a total of RMB accounted for of the registered capital of the JV Company

The Company and GE China will each make a payment of RMB as initial contribution within days from the establishment of the JV Company representing of each of their total committed contribution Subsequent contribution will be scheduled and fixed by reference to the business plan as approved by the board of directors of the JV Company but

The Board of Directors and Management Terms of the JV Company

The board of directors of the JV Company the "Board of JV Company" will comprise members. For the first ∇ years in the joint venture term directors are to be appointed by GE China and ∇ by the Company including the chairman of the board. For the remaining years in the joint venture term directors are to be appointed by the Company and ∇ by GE China including the chairman of the board. All directors will be appointed for a term of years but may continue to hold office thereafter if being re appointed by the appointing party.

Subject to as otherwise stated in the JV Agreement the Articles of Association of the JV Company or in relevant contracts any decisions shall be made by the Board of JV Company in a duly and lawfully convened Board meeting of the JV Company and decided by a simple majority of vote either personally or by proxy for that matter. However any resolutions relating to inter alia amendments to the Articles of Association of the JV Company as set out in the JV Agreement may only be approved by unanimous vote for such resolution by all the directors either personally or by proxy attending the relevant Board meeting of the JV Company which has been duly and lawfully convened.

For the first ∇ years in the joint venture term the general manager and chief financial officer of the JV Company are to be appointed by GE China and the deputy general manager and deputy chief financial officer are to be appointed by the Company starting from the th year of the joint venture term the general manager and chief financial officer of the JV Company are to be appointed by the Company and the deputy geania m ∇ a i a n e

Cost of Development

- i In the event the Board of JV Company resolves to seek additional funding for the JV Company by way of capital increase the Company and GE China shall be eligible to make extra contribution to the registered capital of the JV Company in the same proportion of their existing shareholding. If either party fail to pay all or any part of its contribution within days after the deadline for the capital contribution as agreed in the capital increase agreement it has entered into the other party shall be entitled to make the capital contribution

1. Transfer

Without the consent of the other party, neither party shall sell, transfer, assign, pledge, gift, or otherwise dispose of its entire or partial equity interest in the JV Company to any third party. After obtaining the prior consent from the other party, if the party, the "Proposed Vendor," intends to transfer its entire or partial equity interest in the JV Company to a third party, the other party has the right to acquire

III BENEFIT OF INVESTING IN THE COMPANY

- i The investment for the formation of the JV Company could further strengthen the production capacity and the ability in design research and development in the fuel fired generator segment of the Company which shall be beneficial to the Company's development in the fuel fired generators segment
- ii the investment for the formation of the JV Company will enable the Company to gain access to the state of the art technology in fuel fired generator and to offer top quality products to the market with domestic production of such products cost reduction shall be achieved thereby enhancing the competitiveness of the Company in the fuel fired generator market
- iii the investment for the formation of the JV Company will enable the Company in taking advantage of the opportunity emerged in the PRC's "th Five year plan" for expansion in usage of fuel fired generator to increase the business scale and profit of the segment

IV INFORMATION ON THE COMPANY AND THE CONTROLLER PARTY

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 s r my

DEFINITION

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

“Board”	the board of Directors of the Company
“Company”	Harbin Electric Company Limited a company incorporated in the PRC with limited liability the H shares of which are listed on the Stock Exchange
“Domestic Share s ”	domestic share s of RMB each in the ordinary capital of the Company
“Director s ”	directors of the Company
“GE China”	General Electric China Co Ltd a foreign owned company for investment purpose established under the law of the PRC
“H Share s	overseas listed foreign invested ordinary share s of RMB each in the share capital of the Company which are listed on the Main Board of the Stock Exchange
“HK ”	lawful currency of Hong Kong
“Independent Third Party”	Third party who is independent of the Company and any of its connected parties as defined under the Listing Rules or their respective associates as defined under the Listing Rules and not connected to them
“JV Agreement”	joint venture enterprise agreement entered into between the

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percentage

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

Harbin PRC

March



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. Yu Bo, Mr. Liu Deng-qing and Mr. Yu Wen-xing.