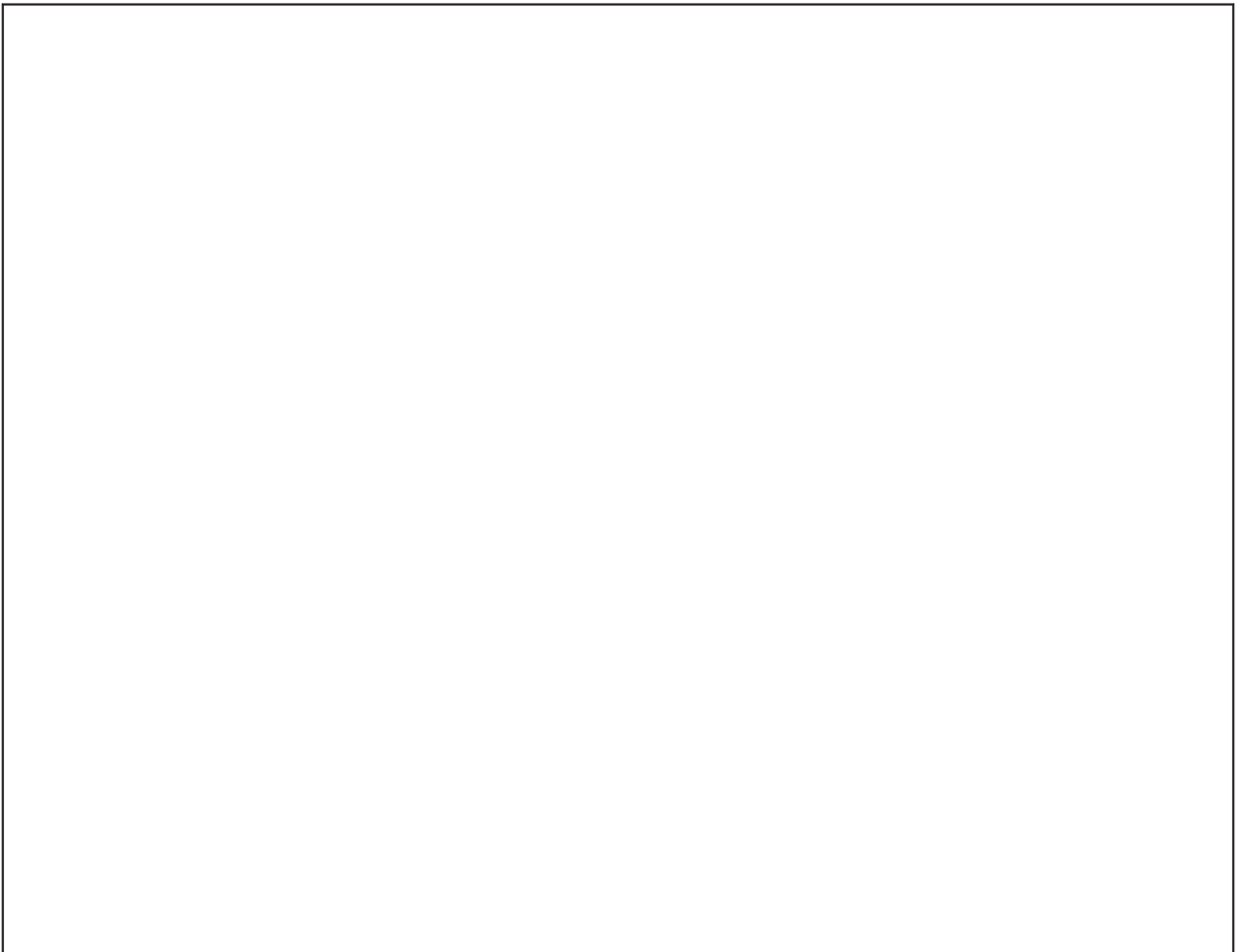


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PART IS A N J

Purchaser: Harbin Electric.

Vendor: Machinery Company.

Subject: the 55.64% equity in Kunming Company proposed to be transferred to Harbin Electric by Machinery Company.

Date of transaction: the Transfer of Equity in Kunming Company will be effected upon approval of the Board.

A SE N N IC PA N

Kunming Company was incorporated in 1996 as a holding subsidiary of 昆明電機廠 under Kunming SASAC, the principal products of which were small-to-medium size hydropower generation equipment. In 2010, Kunming Company was merged into

V 1 哈爾濱電機股份有限公司 轉讓 黑龍江眾華資產評估有限公司 報告 昆明公司 55.64% 股權 轉讓 協議

The transaction shall be conducted by way of transfer agreement.

2 昆明公司 55.64% 股權 轉讓 協議

Based on the valuation report dated 31 December 2015 issued by Pan-China Assets Valuation Co., Ltd in Heilongjiang (黑龍江眾華資產評估有限公司), the appraised value of the entire equity in Kunming Company is RMB313,638,300. The consideration of the transfer of the 55.64% equity in Kunming Company held by Machinery Company is RMB174,508,400.

V 2 哈爾濱電機股份有限公司 業務 介紹

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, nuclear power main equipment, gas power equipment and turnkey construction of power station projects.

Harbin Electric is the controlling shareholder of the Company, and is the pioneer in establishing the largest research and manufacturing base for power plant equipment, marine engines, power-driven equipment and export base for complete set of equipment in the PRC.

The transfer of the equity in Kunming Company to Harbin Electric by Machinery Company is subject to the relevant laws and procedures concerning state-owned enterprise and state-owned property rights transfer. Upon completion of the transfer, Machinery Company will no longer hold any equity in Kunming Company.

The directors of the Company (including the independent non-executive directors) are of the view that the terms of this connected transaction are:

- (1) fair and reasonable;
- (2) entered into in the Group's ordinary course of business and on normal commercial terms or more favourable terms; and
- (3) in the interest of the Company and its shareholders as a whole.

*As at the date of this announcement, the executive directors of the Company are Mr. Yu
ei-zhang, Mr. Zhang Ying-jian and Mr. Song Shi-qi; the non-executive director of the
Company is Mr. Zou Lei; and the independent non-executive directors of the Company are
Mr. Yu Bo, Mr. Liu Deng-qing and Mr. Yu Wen-ting.*