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哈尔滨动力设备股份有限公司

HARBIN POWER EQUIPMENT COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

(Stock Code: 1133)

THE CONNECTED TRANSACTION OF HARBIN GENERATOR'S CONTRIBUTION TO KUNMING GENERATOR

Harbin Generator entered into an agreement with Harbin Electric and Kunming Generator on 11 March 2011, pursuant to which, Harbin Generator contributes RMB250,000,000 to Kunming Generator. According to the results of the evaluation made by Zhonghua Co on Kunming Generator as at 30 September 2010, after the contribution, Harbin Generator holds an equity interests of 55.64% in Kunming Generator.

Reference is made to the announcement on “Connected Transaction – Provision of Entrustment Loan” by the Company on 16 July 2010. Harbin Electric obtained an equity interests of 78.07% in Kunming Generator in September 2010 by the approval of the SASAC of the State Council of the PRC and Kunming SASAC. As such, Kunming Generator became an associate of Harbin Electric, and hence a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, Harbin Generator contributing to Kunming Generator constitutes a connected transaction of the Company. As the applicable percentage ratios are less than 5%, the contribution is exempted from the requirement of approval by independent shareholders but is subject to the requirements of reporting and announcement under Chapter 14A of the Listing Rules.

1. THE CONTRIBUTION.

Harbin Generator entered into an agreement with Harbin Electric and Kunming Generator on 11 March 2011, pursuant to which, Harbin Generator contributes RMB250,000,000 to Kunming Generator, and has entrusted Zhonghua Co to conduct an evaluation on Kunming Generator. According to the results of the evaluation as at 30 September 2010, the net assets of Kunming Generator was \$199,027,300, the total capital was 38,840,000 shares, the net assets per share was RMB5.14; the registered capital of Kunming Generator after contribution will be increased to \$87,550,000. Of which, Harbin Generator's contribution of \$250,000,000, based on the existing net assets per share, the fund raised is represented by 48,710,000 shares, accounted for an equity interests of 55.64%; Harbin Electric's contribution of \$30,322,400, accounted for an equity interests of 34.63%; Kunming Industry's contribution of \$8,517,600, accounted for an equity interests of 9.73%.

The following table shows the shareholding structure of Kunming Generator before and after the contribution of Harbin Generator:

Target company	Shareholding structure before the contribution		Shareholding structure after the contribution		
	Harbin Electric	Kunming Industry	Harbin Generator	Harbin Electric	Kunming Industry
Kunming Generator	78.07%	21.93%	55.64%	34.63%	9.73%

2. BACKGROUND OF THE TRANSACTION.

An announcement on “Connected Transaction – Provision of Entrustment Loan” was made by the Company on 16 July 2010, in which, it was mentioned that Harbin Electric entered an agreement with Kunming SASAC, pursuant to which, 昆明電機廠有限公司 became a non-wholly owned subsidiary of Harbin Electric after an approval was obtained from the relevant regulatory authorities in the PRC. By the approval of the SASAC of the State Council of the PRC and Kunming SASAC, Harbin Electric obtained an equity interests of 78.07% in Kunming Generator in September 2010, and its another shareholder, Kunming Industry, holds an equity interests of 21.93%. Meanwhile, 昆明電機廠有限公司 has been renamed as 哈爾濱電機廠(昆明)有限責任公司。

The following table shows the operating results of Kunming Generator for the last three years and the forecasts for the year:

Indicator	Year	Unit – RMB/\$'0000				
		2007	2008	2009	Forecast for the year	Forecast for 2011
Sales income		44,075	46,383	47,534	40,000.00	42,000
Total profits		2,000	2,509.5	2,568	-4,000.00	150
Net profits		1,700.26	1,935.48	2,231.02	-4,000.00	127
Output of the hydropower equipment ('0000 kw)		76.7	80.9	82.6	86	90
Output of electrical motor products ('0000 kw)		93.9	95	84.48	64.78	90.83
Purchase of hydropower equipment		18,300	52,500	20,500	50,000	45,000

3. APPLICABLE LISTING RULES.

Based on the aforementioned, Kunming Generator is an associate of Harbin Electric, and hence a connected person of the Company. According to Chapter 14A of the Listing Rules, Harbin Generator contributing to Kunming Generator constitutes a connected transaction of the Company. As the applicable percentage ratios are less than 5%, the contribution is exempted from the requirement of approval by independent shareholders but is subject to the requirements of reporting and announcement under Chapter 14A of the Listing Rules.

4. REASONS FOR, AND BENEFITS OF, THE CONTRIBUTION TO KUNMING GENERATOR.

The contribution to Kunming Generator is based on the strategic consideration in respect of the Company's development of environmental-friendly products such as hydropower electrical generation equipment and related products, which favours the expansion of the production capacity of the hydropower equipment and the further development of the hydropower market in the southwest China, so as to enhance the competitiveness in the market. The contribution to Kunming Generator is in line with the industrial development planning of Kunming City and Yunnan Province, and is strongly supported by the local government with related preferential policies. The contribution also meets the development strategies of the Company, which has a significant meaning to further improve the economic efficiency.

5. DEFINITIONS.

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

“Company”	Harbin Power Equipment Company Limited, a company incorporated in the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange;
“Board”	the board of Directors of the Company;
“Harbin Electric”	哈爾濱電氣集團公司(Harbin Electric Corporation*), a state-owned enterprise and a controlling shareholder of the Company, holding 50.93% of the shares of the Company;
“Harbin Generator”	哈爾濱電機廠有限責任公司, a non-wholly owned subsidiary of the Company;
“Kunming Generator”	哈爾濱電機廠(昆明)有限責任公司, with a former name as “昆明電機廠有限公司”, a company incorporated in the PRC, a 78.07% equity interests of which is held by Harbin Electric;
“Kunming Industry”	昆明產業開發投資有限責任公司, a company incorporated in Kunming City, Yunnan Province, the PRC with limited liability;
“Zhonghua Co”	黑龍江眾華資產評估有限公司, a company incorporated in Heilongjiang, the PRC with limited liability, has been entrusted to engage with assets evaluation business;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“associate”	has the meaning ascribed to it under the Listing Rules;

“connected person”	has the meaning ascribed to it under the Listing Rules;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Yunnan”	Yunnan Province of the PRC;
“Kunming”	Kunming City, Yunnan Province, the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“%”	per cent.

By order of the Board
Harbin Power Equipment Company Limited
MA Sui
Company Secretary

Harbin, the PRC, 15 March 2011

As at the date of this announcement, the executive Directors of the Company are Mr. Gong Jing-kun, Mr. Zou Lei, Mr. Duan Hong-yi, Mr. Wu Wei-zhang and Mr. Shang Zhong-fu; and the independent non-executive Directors are Mr. Sun Chang-ji, Mr. Jia Cheng-bing, Ms. Li He-jun, Mr. Yu Bo and Mr. Liu Deng-qing.

* *For identification purposes only*