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哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

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

(Stock Code: 1133)

**CONTINUING CONNECTED TRANSACTIONS
— MANAGEMENT ENTRUSTMENT AGREEMENT**

The Board hereby announce that, on 23 March 2013, Harbin Electric Company Limited (the “Company”) entered into the Management Entrustment Agreement with Harbin Electric Corporation (“Harbin Electric”), pursuant to which, the Company will provide management services to Harbin Electric, including but not limited to administration management, human resources and compensation management (including external affairs management), technology and quality control, assets and financial management, integrated organization management, statistic and economic operations management, auditing and internal control management, investments management, strategic developments management, legal affairs management, communications management, marketing management, projects management, production safety management, procedure monitoring management, political affairs and other affairs management. Harbin Electric will pay management entrustment fee to the Company.

Harbin Electric is the controlling shareholder of the Company. The provision of management services to Harbin Electric constitutes a connected transaction of the Company under the Listing Rules. None of the Directors has a material interest in the Management Entrustment Agreement, or is required to abstain from voting on the board resolution approving the Management Entrustment Agreement and the transactions contemplated thereunder.

After reviewing the Management Entrustment Agreement, the Independent Directors are of the view that the agreement is favourable in enhancing the operation efficiency of the Company, and is in the interest of the Company as a whole.

THE MANAGEMENT ENTRUSTMENT AGREEMENT

On 23 March 2013, the Company entered into the Management Entrustment Agreement with Harbin Electric, the principal terms of which are set out below:

Date:	23 March 2013
Subject of Management Entrustment	The subject of the management entrustment agreement is part of the management functions of Harbin Electric Corporation.
Content of Management Entrustment	The management services covered by the agreement includes (but not limited to): administration management, human resources and compensation management (including external affairs management), technology and quality control, assets and financial management, integrated organization management, statistic and economic operations management, auditing and internal control management, investments management, strategic developments management, legal affairs management, communications management, marketing management, projects management, production safety management, procedure monitoring management, political affairs and other affairs management.
Term of Management Entrustment	The entrustment period under the agreement shall be for a term of 3 years from the effective date of the agreement, which will be renewed automatically upon expiry save disagreement on its terms from either party.
Management Entrustment Fee and Payment Methods	<ol style="list-style-type: none">1. As negotiated by both parties, the management entrustment fee under the agreement should be RMB3,280,000 per year, calculated based on the 2012 total management assets.2. As negotiated by both parties, Party A will pay the management fee to the designed account of Party B in two intervals (50% of the agreed management fee under the above item 1. for each interval) within 7 days from 1st of June and December.

LISTING RULES IMPLICATIONS

Harbin Electric is the controlling shareholder of the Company. The provision of management services to Harbin Electric constitutes a connected transaction of the Company under the Listing Rules. None of the Directors has a material interest in the Management Entrustment Agreement, or is required to abstain from voting on the board resolution approving the Management Entrustment Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Harbin Power Equipment Company Limited, a company incorporated in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange;
“controlling shareholder”	the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Harbin Electric”	哈爾濱電氣集團公司 (Harbin Electric Corporation*), a state-owned enterprise and the controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board
Harbin Electric Company Limited
Gao Xu-Guang
Company Secretary

Harbin, PRC, 25 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. Wu Weizhang and Mr. Shang Zhong-fu; the non-executive directors of the Company are Mr. Gong Jing-kun, Mr. Zou Lei, Mr. Zhang Ying-jian and Mr. Song Shi-qi; and the independent non-executive directors of the Company are Mr. Sun Chang-ji, Mr. Jia Cheng-bing, Mr. Yu Bo and Mr. Liu Deng-qing.

* for identification purposes only