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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Harbin Electric Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) PROPOSED APPOINTMENT OF DIRECTORS OF THE NINTH SESSION  
OF THE BOARD AND PROPOSED APPOINTMENT OF SHAREHOLDER  
REPRESENTATIVE SUPERVISORS OF THE NINTH SESSION OF  
THE SUPERVISORY COMMITTEE;  
(2) PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS  
INCENTIVE PLAN AND GRANT SCHEME;  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A letter from the Board is set out on pages 1 to 6 of this circular.

The EGM will be held at the conference room of the Company located at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC at 3:00 p.m. on Friday, 29 January 2021. The notice convening the EGM is set out on page 20 of this circular.

Whether or not you intend to attend the EGM, you are required to complete the proxy form enclosed herein in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the H Shares only) or the Company's principal place of business in the PRC at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC (for the holders of the Domestic Shares only) as soon as possible but in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the said proxy form will not preclude you from attending and voting in person at the meetings or any adjournment thereof if you so wish.

11 January 2021

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## CONTENTS

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<b>DEFINITIONS</b> .....	ii
<b>LETTER FROM THE BOARD</b> .....	1
<b>APPENDIX I - BIOGRAPHICAL DETAILS OF THE PROPOSED DIRECTORS</b> .....	7
<b>APPENDIX II - BIOGRAPHICAL DETAILS OF THE PROPOSED SHAREHOLDER REPRESENTATIVE SUPERVISORS</b> .....	10
<b>APPENDIX III - PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE PLAN AND GRANT SCHEME</b> .....	12
<b>NOTICE OF EGM</b> .....	20

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Articles”	the articles of association of the Company;
“Board”	the board of Directors of the Company;
“Company”	哈爾濱電氣股份有限公司” (Harbin Electric Company Limited), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange;
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Domestic Share(s)”	the ordinary unlisted domestic share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company;
“Domestic Shareholder(s)”	the holder(s) of the Domestic Shares;
“EGM”	the extraordinary general meeting of the Company to be held at the conference room of the Company located at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC at 3:00 p.m. on Friday, 29 January 2021;
“Exercisable Date”	the date on which Share Appreciation Rights granted to the Participant shall begin to be exercisable;
“Exercise Date”	the effective trading day prior to the date when the Participant signs the exercise application form for each batch of effective and exercisable Share Appreciation Right;
“Grant”	grant of Share Appreciation Rights to the Participants pursuant to the Plan;
“Grant Date”	the date of grant of Share Appreciation Rights to the Participants pursuant to the Plan;
“Grant Scheme”	the grant scheme of the Plan;

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## DEFINITIONS

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“H Share(s)”	the ordinary share(s) with a nominal value of RMB1.00 each in the issued share capital of the Company which are listed on the Main Board of the Stock Exchange;
“H Shareholder(s)”	the holder(s) of H Shares ;
“HE”	Harbin Electric Corporation Co., Ltd. (哈爾濱電氣集團有限公司), the controlling shareholder of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	Wednesday, 6 January, 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time;
“Participant(s)”	person(s) who is (are) granted Share Appreciation Rights pursuant to the Plan and/or the Grant Scheme;
“Plan”	the Company’s H Shares Share Appreciation Rights incentive plan (first phase);
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Share Appreciation Right(s)”	the share appreciation right(s) under the Plan, entitling a Participant to obtain a virtual right to enjoy the profit of the share appreciation right(s) without actually trading the shares of the Company, for each share appreciation right, a Participant has the right to obtain the profit of the difference between the closing price at the Exercise Date over the exercise price of one H Share of the Company which will be paid by the Company in cash, subject to the satisfaction of the exercise conditions and the exercise arrangement;

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## DEFINITIONS

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“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the Supervisory Committee of the Company.

\* *For reference purposes only, the Chinese names of the PRC entities have been translated into English in this circular. In the event of any discrepancies between the Chinese names of these PRC entities and their respective English translations, the Chinese version shall prevail.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Si Ze-fu  
Mr. Wu Wei-zhang  
Mr. Zhang Ying-jian

*Independent Non-Executive Directors*

Mr. Zhu Hong-jie  
Mr. Yu Wen-xing  
Mr. Hu Jian-min  
Mr. Tian Min

*Registered Office and Headquarters:*

1399 Chuangxinyi Road,  
Songbei District,  
Harbin, Heilongjiang Province,  
the People's Republic of China

*Principal Place of Business in Hong Kong:*

Room 1601, 16th Floor  
LHT Tower  
31 Queen's Road Central  
Hong Kong

11 January 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED APPOINTMENT OF DIRECTORS OF THE NINTH SESSION OF THE BOARD AND PROPOSED APPOINTMENT OF SHAREHOLDER REPRESENTATIVE SUPERVISORS OF THE NINTH SESSION OF THE SUPERVISORY COMMITTEE;**

**(2) PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE PLAN AND GRANT SCHEME;**

**AND**

**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **I. INTRODUCTION**

The purpose of this circular is to provide you the notice of the EGM of the Company at which certain resolutions will be proposed for Shareholders to consider and, if thought fit, approve, among other things, (i) the proposed appointment of Directors of the ninth session of the Board and the proposed appointment of Shareholder representative Supervisors of the ninth session of the Supervisory Committee; and (ii) the proposed adoption of the Share Appreciation Rights Incentive Plan and the Grant Scheme.

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## LETTER FROM THE BOARD

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### II. PROPOSED APPOINTMENT OF DIRECTORS OF THE NINTH SESSION OF THE BOARD AND PROPOSED APPOINTMENT OF SHAREHOLDER REPRESENTATIVE SUPERVISORS OF THE NINTH SESSION OF THE SUPERVISORY COMMITTEE AND DETERMINATION OF THEIR REMUNERATION

Reference is made to the announcement of the Company dated 31 December 2020 in respect of, among other things, the proposed appointment of the Directors of the ninth session of the Board and the Shareholder representative Supervisors of the ninth session of the Supervisory Committee.

At the EGM, the Company will propose two ordinary resolutions for Shareholders to consider the appointment of the Directors of the ninth session of the Board and the Shareholder representative Supervisors of the ninth session of the Supervisory Committee and determination of their remuneration.

**To appoint the Directors of the ninth session of the Board and determine their remuneration in consideration of the duties of each of the Director in the Company with reference to the directors' remuneration of companies with similar businesses or scale:**

- (1) To appoint Mr. Si Ze-fu as the executive Director, with no remuneration from the Company;
- (2) To appoint Mr. Wu Wei-zhang as the executive Director, with no director remuneration;
- (3) To appoint Mr. Sun Zhi-yong as the executive Director, with no director remuneration;
- (4) To appoint Mr. He Yu as the independent non-executive Director, with annual remuneration of RMB60,000 to RMB100,000;
- (5) To appoint Mr. Hu Jian-min as the independent non-executive Director, with annual remuneration of RMB60,000 to RMB100,000;
- (6) To appoint Mr. Chen Guo-qing as the independent non-executive Director of the Company, with no remuneration from the Company; and
- (7) To appoint Mr. Tang Zhi-hong as the independent non-executive Director, with annual remuneration of RMB60,000 to RMB100,000.

**To appoint the Shareholder representative Supervisors of the ninth session of the Supervisory Committee and determine their remuneration in consideration of the duties of each of the Shareholder representative Supervisor in the Company with reference to the supervisors' remuneration of companies with similar businesses or scale:**

- (1) To appoint Mr. Qu Zhe as the Shareholder representative Supervisor, with no supervisor remuneration;
- (2) To appoint Mr. Liu Wei-min as the Shareholder representative Supervisor, with no supervisor remuneration; and
- (3) To appoint Mr. Zhang Jun as the Shareholder representative Supervisor, with no supervisor remuneration.

Particulars of the above Directors and Supervisors are set out in Appendix I and Appendix II to this circular.

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## LETTER FROM THE BOARD

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### III. PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE PLAN AND GRANT SCHEME

Reference is made to the announcement of the Company dated 30 November 2020 in relation to the proposed adoption of the Share Appreciation Rights Incentive Plan and the Grant Scheme.

As at the Latest Practicable Date, the Plan and the Grant Scheme have yet to be approved by the SASAC and may be subject to certain amendments as required by the SASAC and/or regulatory authorities in Hong Kong. In order to ensure smooth implementation of the Plan and the Grant Scheme, the Company will propose an ordinary resolution to the Shareholders at the EGM to consider and, if thought fit, approve the adoption of the Plan and the Grant Scheme, a summary of which is set out in Appendix III to this circular.

The Plan and the Grant Scheme shall be subject to the approval of the SASAC and the EGM as well as the satisfaction of the grant conditions. The Plan and the Grant Scheme do not involve the granting of any options in relation to new shares or other new securities in relation to the Company or any of its subsidiaries, and therefore are not required to comply with the requirements of Chapter 17 of the Listing Rules.

The Plan and the Grant Scheme are drafted in Chinese and their English versions, which are unofficial translations, are for reference only. In case of any discrepancy between the Chinese and the English versions, the Chinese version shall prevail.

#### **Reasons for the adoption of the Plan**

In order to establish and improve a sound incentive and constraint mechanism, and effectively stimulate the management and core team, the Company formulated the Plan in accordance with the “Working Guidelines for the Implementation of Equity Incentive by Listed Companies Controlled by Central Enterprises” (《中央企業控股上市公司實施股權激勵工作指引》(Guo Zi Kao Fen [2020] No. 178) of the SASAC, the Listing Rules and other relevant laws and regulations.

The Company expects to:

- (1) enhance shareholder value through equity incentive and safeguard owners' equity;
- (2) form a mechanism for benefit and risk sharing among Shareholders, the Company and employees and fully mobilise the enthusiasm of senior management and core talents of the Company; and
- (3) attract and retain excellent management and business personnel to ensure the long-term development of the Company.

The Board believes that the proposed terms and conditions of the Plan are fair and reasonable and are in the interests of the Company and Shareholders as a whole.



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## LETTER FROM THE BOARD

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### **General information**

No Participants actually hold shares or have any rights that Shareholders have, such as voting right, allotment and dividend right. Participants shall not, without approval, dispose of Share Appreciation Rights, including but not limited to transfer, sale, exchange, mortgage, guarantee, and repayment of debts etc. Participants shall refrain from any act that may damage the interests of the Company, including gross misconduct, major decision-making errors leading to material losses of the Company, and violations of the aforesaid restrictions on the disposal of Share Appreciation Rights; the Participants will not be entitled to Share Appreciation Rights and gains thereon in whole or in part upon the occurrence of such acts, and the gains on Share Appreciation Rights obtained on the exercise during this period shall be recoverable by the Company.

Pursuant to the Plan, each Share Appreciation Right is related to a share, and Share Appreciation Rights will be settled in cash, and thus there will be no influence on the total number of issued shares or dilution effect on shares. Since the Plan does not involve the grant of options in relation to new shares or other new securities of the Company or any of its subsidiaries, it is not subject to requirements of Chapter 17 of the Listing Rules.

For the purpose of carrying out specific matters relating to the Grant Scheme, the Board recommends the Shareholders to:

1. authorise the Board to grant Share Appreciation Rights to Participants when conditions are met in accordance with the Plan, the Grant Scheme, relevant laws and regulations;
2. authorise the Board to accordingly adjust the number of the Share Appreciation Rights and exercise price in accordance with the methods stipulated in the Grant Scheme in the event of conversion of equity structure of the Company as described in the Grant Scheme;
3. authorise the Board to amend the Grant Scheme and decide any matters relating to the Grant Scheme during the effective term;
4. authorise the Board to handle formalities with relevant authorities in relation to the Grant Scheme, such as review, registration, filings, approval and consent;
5. authorise the Board to sign, execute, amend and complete documents submitted to relevant authorities, organisations and individuals; and
6. authorise the Board to carry out all other actions and do all other things necessary, appropriate or expedient in relation to the Grant Scheme.

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## LETTER FROM THE BOARD

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### III. EGM

The EGM will be held at the conference room of the Company located at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC at 3:00 p.m. on Friday, 29 January 2021. The notice of the EGM is set out on page 20 of this circular.

At the EGM, certain resolutions will be proposed for the Shareholders to consider and, if thought fit, approve, among other things, (i) the proposed appointment of Directors of the ninth session of the Board and the proposed appointment of Shareholder representative Supervisors of the ninth session of the Supervisory Committee and determination of their remuneration; and (ii) the proposed adoption of the Share Appreciation Rights Incentive Plan and the Grant Scheme.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the connected persons of the Company, the Shareholders or their respective close associates has a material interest in the resolutions to be proposed at the EGM and shall abstain from voting at the meeting.

Whether or not you intend to attend the EGM you are required to complete the proxy form enclosed herein in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the H Shares only) or the Company's principal place of business in the PRC at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC (for the holders of the Domestic Shares only) as soon as possible but in any event not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the said proxy form will not preclude you from attending and voting in person at the meetings or any adjournment thereof if you so wish.

For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 26 January 2021 to Friday, 29 January 2021 (both dates inclusive) during which period no transfer of shares will be registered. Shareholders whose names appear on the register before book closure shall be entitled to attend and vote at the EGM. Persons buying shares of the Company during book closure shall not be entitled to attend and vote at the EGM. In order to be qualified for attending the EGM, all duly completed transfer documents together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 25 January 2021.

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## LETTER FROM THE BOARD

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### IV. RECOMMENDATION

The Board is of the view that the resolutions to be proposed at the EGM are in the best interests of the Company and the Shareholders. As such, the Board recommends the Shareholders to vote in favour of all resolutions at the EGM.

### V. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Harbin Electric Company Limited**  
**Si Ze-fu**  
*Chairman*

Harbin, the PRC

Biographical details of each of the Director candidates for the ninth session of the Board are as follows:

**Candidates for Executive Directors**

Mr. Si Ze-fu (“**Mr. Si**”), born in 1958, aged 63, holds an MBA degree and the title of senior engineer. He is currently an executive Director, chairman of the Board and party committee secretary of the Company, chairman of the board of directors and party committee secretary of HE. Mr. Si graduated from Tsinghua University and had served as the deputy factory manager, factory manager and party committee secretary of Dongfang Electrical Works, the deputy mayor of Deyang city, Sichuan province and deputy general manager, general manager, director, vice chairman and chairman of Dongfang Electrical Machinery Company Limited. He had served as vice chairman, general manager and deputy party group secretary of China Dongfang Electric Corporation, and the chairman of Dongfang Electric Corporation Limited. He had been the director, general manager and deputy party group secretary of China Dongfang Electric Corporation in 2008, and the legal representative of China Dongfang Electric Corporation in April 2009. He has been the chairman and party committee secretary of HE since May 2016 as well as the chairman and party committee secretary of the Company since July 2016.

Mr. Wu Wei-zhang (“**Mr. Wu**”), born in 1962, aged 59, is a senior engineer at researcher level with a doctor’s degree. He is currently an executive Director, president and standing committee member of the party committee of the Company, and director, general manager and party committee deputy secretary of HE. Mr. Wu graduated from Tsinghua University and joined HE in the same year. Mr. Wu had served as deputy director and deputy head of the turbine department of Electrical Machinery Institute of the Harbin Electrical Machinery Plant, deputy manager of hydropower workshop, deputy chief engineer, deputy head, deputy manager, chairman and manager of the product design department of the Electric Machinery Company. He also holds various social posts, including a member of the first session of academic committee of National Key Laboratory of Hydroelectric Power Generating Equipment (水力發電設備國家重點實驗室) and the vice chairman of the seventh session of council of China Energy Research Society (中國能源研究會). He has been appointed as executive Director of the Company since September 2000 and has been serving as the general manager of the Company since February 2010. He has been the president of the Company since March 2013.

Mr. Sun Zhi-yong (“**Mr. Sun**”), born in 1963, aged 58, holds a MBA degree and is a senior economist. He is currently the party committee deputy secretary of the Company and director and party committee deputy secretary of HE. Mr. Sun graduated from Jilin Normal University in 1987 and received a master’s degree in economics from Jilin University and an MBA degree from Guanghua School of Management of Peking University. Mr. Sun had served as deputy manager of the manager department of Huaneng Finance Company, deputy general manager and deputy party secretary of China Huaneng Technology Development Co., Ltd., deputy general manager and member of the party group of Huaneng Comprehensive Industry Co., Ltd., chairman and party secretary of Huaneng Information Industry Holding Co., Ltd., and assistant to the general manager of China Huaneng Group Co., Ltd. He had been the deputy general manager and member of the party group of China Huaneng Group Co., Ltd. in July 2013, and has been the deputy secretary of the party committee of HE since January 2018, deputy secretary of the party committee of the Company since April 2018, and the director of HE since March 2019.

#### **Independent Non-Executive Directors**

Mr. He Yu (“**Mr. He**”), born in 1957, aged 64 and is a senior engineer at researcher level with postgraduate degree and a doctor’s degree in management. He is currently an external director of China Reform Holdings Corporation Ltd. Mr. He graduated from Huazhong University of Science and Technology, and had served as deputy general manager of Guangdong Nuclear Power Joint Venture Co., Ltd., deputy general manager, member of the party group, general manager, chairman and secretary of the party committee of China General Nuclear Power Corporation in April 2010 (renamed in April 2013, formerly known as China Guangdong Nuclear Power Corporation Co., Ltd.). He retired in July 2020, and has been an external director of China Reform Holdings Corporation Ltd. since November 2020.

Mr. Hu Jian-min (“**Mr. Hu**”), born in 1954, aged 67 and is a senior engineer with a university degree. He is now an independent non-executive Director of the Company and an independent director of China First Heavy Industries. Mr. Hu graduated from Shandong Institute of Technology and started his career in 1974. He had served as chief engineer of Shandong Electric Power Industry Bureau (Shandong Electric Power Group Corporation), deputy general manager and member of the party committee of Huaneng Power International, Inc. and deputy chief engineer of China Huaneng Group, assistant to the general manager, executive director, general manager and secretary of the party committee of Hulunbuir Energy Development Co., Ltd. In 2009, he served as the chief engineer, deputy general manager and member of the party committee of China Huaneng Group. He retired in September 2014. He has been an independent director of China First Heavy Industries since May 2015 and an independent non-executive Director of the Company since March 2017.

Mr. Chen Guo-qing (“**Mr. Chen**”), born in 1964, aged 57, a senior engineer with postgraduate qualifications. He is now a director of China National Nuclear Power Co., Ltd. and a full-time external director of Central Enterprises. Mr. Chen graduated from Chongqing University and had served as deputy director and member of the party committee of the Three Gorges Dam Hydropower Station, assistant to the general manager and deputy chief engineer, chief engineer, member of the party committee, deputy general manager, secretary of the party committee and deputy general manager, general manager and deputy secretary of the party committee of China Yangtze Power Co., Ltd. He served as a director of China Yangtze Power Co., Ltd. from July 2018 to October 2020, a director of China General Nuclear Power Corporation since December 2018, and a full-time external director of Central Enterprises since July 2020.

Mr. Tang Zhi-hong (“**Mr. Tang**”), born in 1960, aged 61, is a senior engineer with a university degree and has now retired. Mr. Tang graduated from Jilin University and had served as secretary of party committee and president of Liaoning Jinzhou branch of the People’s Bank of China and director of Jinzhou branch of the State Administration of Foreign Exchange, vice president of Shenyang branch, president of Lanzhou branch, secretary and president of the party committee of Shanghai branch, secretary and director of the party committee of the Shenzhen management department of China Merchants Bank, member of the party committee and assistant to the president of China Merchants Bank. He had been the vice president and member of the party committee of China Merchants Bank in May 2006 and retired in April 2020.

Save as disclosed above, each of the Director candidates of the ninth session of the Board has confirmed that (i) he has not held any other position with the Company or any of its subsidiaries and has not held any other directorship in the past three years; (ii) he has no relationship with any other Directors, senior management or substantial shareholders of the Company or any of its subsidiaries; and (iii) as at the Latest Practicable Date, he does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

In addition, each of the Director candidates for the ninth session of the Board has confirmed that there is no other information in relation to his re-election or appointment that needs to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter in relation to his re-election or appointment that needs to be brought to the attention of the Shareholders.

Biographical details of each of the Shareholder representative Supervisors of the ninth session of the Supervisory Committee are as follows:

**Shareholder Representative Supervisors**

Mr. Qu Zhe (“**Mr. Qu**”), born in 1962, aged 59, is a senior engineer with a postgraduate degree. He now serves as the assistant to the general manager of HE. Mr. Qu graduated from Harbin Shipbuilding Engineering Institute (now known as Harbin Engineering University) with a master’s degree in 1988 and joined HE in the same year. He had served as assistant engineer, business representative in Pakistan, engineer and deputy general manager of Harbin Power Station Equipment Import And Export Company, deputy manager of operation and development department, chief engineer, assistant to the general manager, executive deputy general manager, general manager, chairman and party committee secretary of Harbin Power Engineering Company Limited (now known as Harbin Electric International Company Limited) and the deputy general manager of the Company. He served as vice-president of the Company from March 2013 to December 2020 and the assistant to the general manager of HE since April 2013.

Mr. Liu Wei-min (“**Mr. Liu**”), born in 1966, aged 55, is a senior engineer at researcher level with a postgraduate degree. He now serves as the general manager of the audit and supervision department of HE and the Company. Mr. Liu graduated from Xi’an Jiaotong University in 1989, and received an MBA degree from Harbin Institute of Technology. Mr. Liu had served as the secretary to the general manager office of Harbin Turbine, deputy chief economist, deputy director of the administration department and director to the general manager office of Harbin Turbine Company Limited, assistant to the general manager and party committee member of HE, deputy general manager of Harbin Electric Machinery Co., Ltd., secretary of the disciplinary committee of Harbin Boiler Factory Co., Ltd, deputy manager and manager of the audit department of HE and the Company. He has been serving as general managers of the audit and supervision department of HE and the Company since December 2019.

Mr. Zhang Jun (“**Mr. Zhang**”), born in 1972, aged 49, is a certified public accountant and senior engineer at researcher level with a postgraduate degree. He now serves as the chief accountant of Harbin Boiler Factory Co., Ltd. Mr. Zhang graduated from the Faculty of Business of Heilongjiang (now known as Harbin University of Commerce) in 1995, and received an MBA degree from Harbin Institute of Technology. Mr. Zhang served as deputy manager and manager of the financial planning division the Company, deputy general manager of HE Finance Company Limited (哈電集團財務有限責任公司), chief accountant of HE Harbin Power Station Valve Co., Ltd., chief accountant of Harbin Electric Power Equipment Co., Ltd., chief accountant of Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd., and deputy manager of the economic operation department of HE and the Company. He has served as the chief accountant of Harbin Boiler Factory Co., Ltd. since December 2019.

Save as disclosed above, each of the Shareholder representative Supervisors of the ninth session of the Supervisory Committee has confirmed that (i) he has not held any other position with the Company or any of its subsidiaries and has not held any other directorship in the past three years; (ii) he has no relationship with any other Directors, senior management or substantial shareholders of the Company or any of its subsidiaries; and (iii) as at the Latest Practicable Date, he does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

In addition, each of the Shareholder representative Supervisors candidates for the ninth session of the Supervisory Committee has confirmed that there is no other information in relation to his appointment that needs to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter in relation to his appointment that needs to be brought to the attention of the Shareholders.



A summary of the proposed Share Appreciation Rights Incentive Plan and Grant Scheme is set out as follows:

**PROPOSED ADOPTION OF THE PLAN**

Incentive instrument:	The Plan uses Share Appreciation Rights as an incentive instrument. Subject to the satisfaction of the exercise conditions and the exercise arrangement, for each Share Appreciation Right, the Participant has the right to obtain the profit of the difference between the closing price at the Exercise Date over the exercise price of one H Share of the Company, which will be paid by the Company in cash. No participants will actually own the shares or have rights relating to share ownership such as voting right, allotment and dividend rights. The Share Appreciation Rights shall not be transferred or used for securing or repaying debts, etc.
Conditions for the entry into force of the Plan:	The entry into force of the Plan is subject to the fulfillment of the following conditions: (1) review and approval by the SASAC; and (2) review and approval by the general meeting of Shareholders of the Company.
Effective term:	Unless early termination according to the provisions of the Plan, the Plan is valid for a term of ten (10) years from the date of approval in the general meeting of Shareholders.
Participants:	Participants include the senior management of the Company and other core technology, skilled, business and management personnel identified by the Company, excluding (1) those who have not worked in the Company or its majority controlled subsidiaries or are not part of the Company or its majority controlled subsidiaries; (2) independent non-executive Directors and supervisors of the Company; (3) any shareholder or de facto controller who individually or jointly holds more than 5% shares of the Company and his/her spouse, parents and children; and (4) those prohibited from being Participants as stipulated by the SASAC.
Number of Share Appreciation Rights granted:	The total number of underlying shares in relation to the total number of Share Appreciation Rights granted during the term of the Plan shall not exceed 50,940,000 shares, representing approximately 2.99% of the total issued share capital of the Company as at the Latest Practicable Date.

The Grant Date:

The Grant Date of the Plan shall be determined by the Board in accordance with the provisions of the Plan after review and approval of the Plan by the SASAC and the general meeting of Shareholders respectively and attaining the conditions of the Grant. The Grant Date shall be a trading day. After inside information has come to the knowledge of the Company and up to the announcement of such information, the Share Appreciation Right shall not be granted particularly within one month before the following dates (whichever is earlier): (1) the date of the Board meeting for the approval of the annual, interim or quarterly results of the Company; and (2) the deadline for the Company to publish its annual, interim or quarterly results announcement pursuant to the Listing Rules.

Such limitation ends on the date of the results announcement of the Company. The restricted grant period will include the period of delay in the publication of the results of the Company.

Restricted periods and vesting arrangements:

No Share Appreciation Rights obtained by the grantees pursuant to the Plan shall vest within two (2) years following the Grant Date or shall be exercised prior to vesting. In principle, from the date of completion of the Grant:

- (1) one-third (1/3) of the number of Share Appreciation Rights granted to each grantee will vest from the first trading day after 24 months up to the last trading day within 36 months from the date of completion of the Grant (the “**First Transcription Period**”);
- (2) another one-third (1/3) of the number of Share Appreciation Rights granted to each grantee will vest from the first trading day after 36 months up to the last trading day within 48 months from the date of completion of the Grant (the “**Second Transcription Period**”); and
- (3) the remaining one-third (1/3) of the number of Share Appreciation Rights granted to each grantee will vest from the first trading day after 48 months up to the last trading day within 60 months from the date of completion of the Grant (the “**Third Transcription Period**”).

Only vested Share Appreciation Rights can be exercised, while unvested portions shall not be exercised.

During the exercise process, the Exercisable Date shall be deferred if:

After inside information has come to the knowledge of the Company and up to the announcement of such information, particularly within one month prior to the following dates (whichever is earlier):

(1) the date of the Board meeting for the approval of the annual, interim or quarterly results of the Company; and (2) the deadline for the Company to publish its annual, interim or quarterly results pursuant to the Listing Rules.

Such limitation ends on the date of the results announcement of the Company. The restricted exercise period will include the period of delay in the publication of the results of the Company.

The exercise period of the Plan is valid for 5 years from the date of completion of the Grant, and the exercise right following the expiry of the effective term will automatically lapse and cannot be exercised retrospectively.

Conditions for the exercise of Share Appreciation Rights:

The Company may grant exercise rights of Share Appreciation Rights to the Participants upon satisfaction of the following conditions by the Company and the Participants:

None of the following events having occurred to the Company:

- (1) issuance of an adverse opinion or a disclaimer of opinion by a certified public accountant on financial and accounting reports for the most recent accounting year;
- (2) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent year; and
- (3) such other circumstances in which the Plan shall not be implemented, as determined by the Stock Exchange.

None of the following events having occurred to a Participant:

- (1) being publicly censured, or declared as an unqualified candidate by the Stock Exchange during the most recent three years;
- (2) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent three years; and
- (3) the result of the performance appraisal for the previous financial year before exercising is at the level of incompetence or below.

Exercise price:

The exercise price of Share Appreciation Rights granted under the Plan is the highest of the following three prices:

- (1) the closing price of the H Shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the Grant Date;
- (2) the average closing price of H Shares of the Company as stated in the daily quotation sheet of the Stock Exchange for five consecutive trading days immediately prior to the Grant Date; and
- (3) the nominal value of the H Shares of the Company.

## PROPOSED GRANT SCHEME

## Participants

Participants of the Grant Scheme include:

- (1) senior management personnel, that is, the company secretary of the Company, Mr. Ai Li-song;
- (2) core management personnel, that is, the persons in charge of the departments of the headquarter and persons in charge of the direct subordinate units, with a total of 50 personnel;
- (3) persons in charge of the subsidiaries of the Company, with a total of 61 personnel;
- (4) core technology and management personnel, with a total of 141 personnel; and
- (5) skilled leaders, with a total of 41 personnel.

In summary, the total number of Participants of the Grant Scheme is not more than 294, details are as follows:

Position	Number of Participant(s)	Grant per capita <i>(in 10,000 shares)</i>	Total number of Grant <i>(in 10,000 shares)</i>	Percentage to the total number of Share Appreciation Rights to be granted under the Grant Scheme	Percentage of underlying shares to the total number of shares in issue
Senior management personnel (Mr. Ai Li-song, the company secretary of the Company)	1	25	25	0.49%	0.01%
Core management personnel (persons in charge of the departments of the headquarter and the direct subordinate units)	50	21.58	1,079.00	21.18 %	0.63%
Persons in charge of the subsidiaries of the Company	61	22.67	1,383.00	27.15%	0.81%
Core technology and management personnel	141	15.00	2,115.00	41.52%	1.24%
Skilled leaders	41	12.00	492.00	9.66%	0.29%
Total	<u>294</u>	<u>17.33</u>	<u>5,094.00</u>	<u>100.00%</u>	<u>2.99%</u>

The persons above include 33 directors of the subsidiaries of the Company.

Not more than 50,940,000 shares were allotted to the Grant Scheme, representing approximately 2.99% of the total share capital of the Company.

The expected return of the equity incentive granted to each Participant shall all be limited within 40% of the total annual salary level of the Participant at the time of the Grant. None of the number of underlying shares of the Company in relation to the interests granted to any Participant exceeds 1% of the total share capital of the Company.

#### **Grant conditions of the grant scheme**

The Company shall not grant Share Appreciation Rights to a Participant pursuant to the Grant Scheme until both the Company and the Participant satisfy the following conditions:

- (1) none of the following events having occurred to the Company: (i) issuance of an adverse opinion or a disclaimer of opinion by a certified public accountant on financial and accounting reports for the most recent accounting year; (ii) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent year; and (iii) such other circumstances in which the Plan shall not be implemented, as determined by the Stock Exchange.
- (2) none of the following events having occurred to a Participant: (i) being publicly censured, or declared as an unqualified candidate by the Stock Exchange during the most recent three years; (ii) administrative punishment by regulatory authorities due to major non-compliance of laws and regulations during the most recent three years; and (iii) the performance assessment of the Participant for the previous financial year before the Grant is incompetent or below.

If the Company fails to satisfy the grant conditions, it shall not grant any Share Appreciation Right pursuant to the Grant Scheme; if the Participant fails to satisfy the grant conditions, the Company shall not grant any Share Appreciation Right to the Participant pursuant to the Grant Scheme.

Share Appreciation Rights shall not be granted unless the audited financial data of the Company for the preceding financial year on the date of announcement of the Plan satisfies all of the following three performance conditions:

- (1) the growth rate of net profit shall be no less than 20% and shall not be less than the level of the previous year;
- (2) the return on investment capital shall be no less than 0.5% and shall not be less than the level of the previous year; and
- (3) the EVA assessment target set by the Board shall be completed, and EVA is positive.

**Performance conditions and individual performance assessment conditions**

Each batch of granted Share Appreciation Rights shall be exercised in the exercisable year in accordance with the exercise ratio determined in advance only when the following performance target level conditions are met:

**Performance Assessment Target**

First Transcription Period	Based on the performance of the previous financial year on the date of announcement of the Plan, the compound growth rate of net profit in the first financial year after the announcement of the Plan shall be no less than 30%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the return on investment capital shall be no less than 1%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the EVA assessment target set by the Board shall be completed, and EVA is positive.
Second Transcription Period	Based on the performance of the previous financial year on the date of announcement of the Plan, the compound growth rate of net profit in the second financial year after the announcement of the Plan shall be no less than 35%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the return on investment capital shall be no less than 1.5%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the EVA assessment target set by the Board shall be completed, and EVA is positive.
Third Transcription Period	Based on the performance of the previous financial year on the date of announcement of the Plan, the compound growth rate of net profit in the third financial year after the announcement of the Plan shall be no less than 40%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the return on investment capital shall be no less than 2.3%, and shall not be lower than the 75th percentile level of that of the benchmarking enterprise or the average level of the same industry; the EVA assessment target set by the Board shall be completed, and EVA is positive.

*Note 1:* During the term of the Plan, if the Company exercises equity offerings or issues shares to acquire assets due to financing, the newly added net assets and net profit generated by them shall not be included in the performance assessment calculation.

*Note 2:* If major changes occur in the principal business of listed companies in the same industry during the annual assessment process, the relevant samples shall be deleted or replaced by the Board in accordance with the authorisation of the general meeting of the Shareholders. If a listed company in the same industry is involved in a major acquisition, the effect of such matters on the net profit of the listed company in the same industry shall be excluded.

If the above performance conditions are met, the Share Appreciation Rights granted to the Participants shall be exercisable in batches in accordance with the following principles:

- (1) 100% Share Appreciation Rights for the period shall be exercisable if the individual performance assessment result for the previous financial year is competent or above;
- (2) 80% Share Appreciation Rights for the period shall be exercisable, if the individual performance assessment result for the previous financial year is basically competent; and
- (3) all Share Appreciation Rights intended to be vested for the period shall be cancelled if the individual performance assessment result for the previous financial year is incompetent.



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## NOTICE OF EGM

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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)

### NOTICE OF EGM

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Harbin Electric Company Limited (the “**Company**”) will be held at the conference room of the Company located at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC at 3:00 p.m. on Friday, 29 January 2021 for the following purposes:

#### ORDINARY RESOLUTIONS

1. To appoint the directors (the “**Director(s)**”) of the ninth session of the board of Directors of the Company and determine their remuneration in consideration of the duties of each of the Directors in the Company with reference to the directors’ remuneration of companies with similar businesses or scale:
  - (1) to appoint Mr. Si Ze-fu as the executive Director, with no remuneration from the Company;
  - (2) to appoint Mr. Wu Wei-zhang as the executive Director, with no director remuneration;
  - (3) to appoint Mr. Sun Zhi-yong as the executive Director, with no director remuneration;
  - (4) to appoint Mr. He Yu as the independent non-executive Director, with annual remuneration of RMB60,000 to RMB100,000;
  - (5) to appoint Mr. Hu Jian-min as the independent non-executive Director, with annual remuneration of RMB60,000 to RMB100,000;
  - (6) to appoint Mr. Chen Guo-qing as the independent non-executive Director with no remuneration from the Company; and
  - (7) to appoint Mr. Tang Zhi-hong as the independent non-executive Director, with annual remuneration of RMB60,000 to RMB100,000.

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## NOTICE OF EGM

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2. To appoint the Shareholder representative supervisors (the “**Supervisors**”) of the ninth session of the supervisory committee of the Company and determine their remuneration in consideration of the duties of each of the Shareholder representative Supervisor in the Company with reference to the supervisors’ remuneration of companies with similar businesses or scale:
  - (1) to appoint Mr. Qu Zhe as the Shareholder representative Supervisor, with no supervisor remuneration;
  - (2) to appoint Mr. Liu Wei-min as the Shareholder representative Supervisor, with no supervisor remuneration; and
  - (3) to appoint Mr. Zhang Jun as the Shareholder representative Supervisor, with no supervisor remuneration.
3. To consider and approve the proposed adoption of the Company’s share appreciation rights incentive plan and the grant scheme under the plan (the “**Grant Scheme**”).
4. To authorise the Board to handle matters relating to the Grant Scheme subject to the passing of resolution numbered 3.

By Order of the Board  
**Harbin Electric Company Limited**  
**Si Ze-fu**  
*Chairman*

Harbin, the PRC  
11 January 2021

*As at the date of this notice, the executive Directors are Mr. Si Ze-fu, Mr. Wu Wei-zhang and Mr. Zhang Ying-jian; and the independent non-executive Directors are Mr. Zhu Hong-jie, Mr. Yu Wen-xing, Mr. Hu Jian-min and Mr. Tian Min.*

Registered address and correspondence address of the Company:  
1399 Chuangxinyi Road  
Songbei District  
Harbin, Heilongjiang Province  
The People’s Republic of China (the “**PRC**”)

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## NOTICE OF EGM

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*Notes:*

1. For the purpose of determining shareholder(s)' (the "**Shareholder(s)**") entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 26 January 2021 to Friday, 29 January 2021 (both dates inclusive) during which period no transfer of shares will be registered. Shareholders whose names appear on the register before book closure shall be entitled to attend and vote at the EGM. Persons buying shares of the Company during book closure shall not be entitled to attend and vote at the EGM. In order to be qualified for attending the EGM, all duly completed transfer documents together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 25 January 2021.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more persons (whether a Shareholder or not) as his/her proxy to attend and vote on his/her behalf.
3. To be valid, the form of proxy, together with a notarially certified power of attorney or other document of authority, if any, under which the form is signed, must be lodged with the Company's share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the H Shares) or the Company's principal place of business in the PRC at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC (for the holders of the Domestic Shares) not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof.