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A circular containing, among other things, further information on the Financial Services Framework Agreement and the transactions contemplated thereunder, a letter of advice from the independent board committee and a letter of recommendation from the independent financial adviser, and the notice of EGM will be despatched to the Shareholders in accordance with the Listing Rules.

The EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Depository Service under the Financial Services Framework Agreement. Each of Harbin Electric and its associates will abstain from voting on the relevant resolutions to be proposed at the EGM.

On 10 February 2010, CBRC granted the “Approval of the Preparation to Incorporate a Finance Company by Harbin Electric Corporation” (Yinjianfu [2010] No. 82). Harbin Electric has been approved to prepare for the incorporation of the Finance Company. The establishment of the Finance Company is subject to obtaining of the relevant approvals from the appropriate PRC authorities, including but not limited to the CBRC and the SAIC.

I. CAPITAL CONTRIBUTION AGREEMENT

On 9th April 2010, the JV Parties entered into the Capital Contribution Agreement, the principal terms of which are set out below:

Date : 9th April 2010

Parties :

- (i) The Company;
- (ii) Harbin Electric;
- (iii) Harbin GeneratorsCo;
- (iv) Harbin BoilersCo;
- (v) Harbin TurbinesCo;
- (vi) Jiamusi ElectricCo;

Parties (iii), (iv) and (v) above are subsidiaries of the Company. Party (ii) above is the controlling shareholder of the Company and Party (vi) is a subsidiary of Party (ii).

Proposed name of the Finance Company : 哈爾濱電氣集團財務有限責任公司 (Harbin Electric Finance Company Limited*)

Place of incorporation of the Finance Company: The PRC

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II. FINANCIAL SERVICES FRAMEWORK AGREEMENT

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Table 2: Group deposits and borrowings

	As at 31 December		As at 30 June	
	2008	2007	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
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B	3,079,921	940,000	4,470,428	574,594
C	7,221,676	8,681,542	7,292,224	7,886,309
-	4,405,818	4,763,279	4,380,026	4,083,702

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Reasons for, and benefits of, the Capital Contribution Agreement and the Financial Services Framework Agreement

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Listing Rules Implications

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C 哈電集團財務有限責任公司 (C C C *), C C C A ;

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B C 哈爾濱鍋爐廠有限責任公司, - 90.94%
C , 5.22% , 2.70%
1.14% ;

哈爾濱電氣集團公司 (C *),
- ;

C 哈爾濱電機廠有限責任公司, - 89.63%
C 10.37% ;

長城資產管理公司 (A
C *), - ;
C ;

C 哈爾濱汽輪機廠有限責任公司, - 70.91%
C , 26.96% 2.13%
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C 佳木斯電機股份有限公司, - -
48.75% 51.25% ;

北京健龍集團公司 (*), C
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“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the overseas listed foreign invested shares of RMB1.00 each in the capital of the Company which are listed on the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Xin Da”	信達資產管理公司 (Xin Da Asset Management Company), which is a state-owned enterprise established in the PRC and an Independent Third Party;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“%”	per cent.

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

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Harbin, 9th April 2010

As at the date of this announcement, the Directors of the Company are:

Mr. Gong Jing-kun, Mr. Zou Lei, Mr. Duan Hong-ji,
 Mr. Guo Fei-zhang and Mr. Shang Zhong-fu

Mr. Sun Chang-ji, Mr. Jia Cheng-bing, Ms. Li He-jun,
 Mr. Yu Bo and Mr. Liu Deng-qing