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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemented from time to time;
“associate(s)”	the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Harbin Electric Company Limited, a company incorporated in the PRC with limited liability, the H-shares of which are listed on the Stock Exchange;
“Corporate Bonds”	the corporate bonds in the principal amount of not more than RMB4 billion proposed to be offered and issued by the Company in the PRC;
“CSRC”	the China Securities Regulatory Commission;
“Directors”	the directors of the Company;
“EGM”	The extraordinary general meeting of the Company to be convened at 17th Floor Meeting Room, Block B, 39 Sandadongli Road, Xiangfang District, Harbin, Heilongjiang Province, the People’s Republic of China on Monday, 3 December 2012 at 9 a.m. to consider, and if thought fit, approve the issuance of the Corporate Bonds;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Mr. Wu”	Mr. Wu Wei-zhang, an executive director and general manager of the Company;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“RMB”	Renminbi, the lawful currency of the PRC.

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## LETTER FROM THE BOARD

### II. PROPOSED ISSUE OF THE CORPORATE BONDS

#### Particulars of the Corporate Bonds

- (i) Aggregate principal amount: not more than RMB4 billion, with the first tranche not exceeding RMB3 billion, and the balance to be issued within 24 months from the CSRC approving the issue of the Corporate Bonds
- (ii) Placing to Shareholders: no placing of the Corporate Bonds to Shareholders
- (iii) Maturity: not more than 5 years, can be single term or multiple term, subject to determination by the Board and the underwriter according to the Company's capital requirement and prevailing market conditions at the time of issue
- (iv) Listing: Shanghai Stock Exchange, or such other exchange as may be permitted under applicable laws subject to the approval of relevant authorities
- (v) Use of proceeds: general working capital, repayment of liabilities, improving the Company's debt structure and/or investment in construction projects, depending on the Company's capital requirements at the relevant time

The Shareholders' resolution approving the issue of the Corporate Bonds will be effective from the date of Shareholders' approval at the EGM and up to the date falling 24 months after the CSRC approval of the issue of the Corporate Bonds.

#### Authority of the Board

In order to effectively complete and coordinate the issuance of the Corporate Bonds, the Board resolved to propose to the Shareholders the following resolutions to authorize the Board to handle all matters in relation to the issuance of the Corporate Bonds at their full discretion, with a view to safeguarding the best interests of the Company in accordance with the requirements of the relevant laws and regulations and taking into account the then prevailing capital requirements of the Company and market conditions, including but not limited to:

- (i) to determine and adjust, depending the needs of the Company and the prevailing market conditions and in accordance with the requirements of the relevant laws and regulations and securities regulatory authorities and the Shareholders' approval, the specific plans of the issue of Corporate Bonds, including but not limited to, issue size, bond term, bond type, interest rate and ways of determination, timing of issue, issue tranche(s) and guarantee arrangement;

- (ii) to appoint the relevant intermediaries, select the bond custodian, sign the bond custody agreement and formulate the bondholders meeting procedures;
- (iii) to handle the application of the issue of Corporate Bonds;
- (iv) prepare, approve, execute, amend, announcement all legal documents in relation to the issue of Corporate Bonds, and to make such supplement or amendment to the application documents as may be required by the relevant approval authorities;
- (v) to make adjustments to the relevant matters in relation to the issue of Corporate Bonds in accordance with any change to the regulatory policies or the market conditions, except for matters relating to the laws, regulations or the Articles of Association which require the Shareholders' approval;
- (vi) to handle matters relating to the issue and listing of the Corporate Bonds in accordance with the rules of the relevant stock exchange on the issue and listing of bonds;
- (vii) to handle any other matters relating to the issue of Corporate Bonds; and
- (viii) to further authorise Mr. Wu to handle the above matters in relation to the issue and listing of the Corporate Bonds on behalf of the Company.

The above mandate will be effective from the date of approval of the Shareholders at the EGM until the date of the completion of the above matters.

The Board also resolved to propose for the approval by the Shareholders authorisation to the Board that at least the following measures will be taken if it is anticipated that the principal and/or interest

It is proposed that resolutions for the approval of the issuance of the Corporate Bonds will

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## NOTICE OF EGM

- (iii) the payment of remuneration/salaries and bonus to the directors and senior management of the Company will be reduced or suspended; and
  - (iv) the persons primarily responsible for the issue of the Corporate Bonds will not be transferred or removed;
8. **THAT** the Board be authorized to handle all matters in relation to the issuance of the Corporate Bonds at their full discretion, including but not limited to:
- (i) to determine and adjust, depending the needs of the Company and the prevailing market conditions and in accordance with the requirements of the relevant laws and regulations and securities regulatory authorities and the Shareholders' approval, the specific plans of the issue of Corporate Bonds, including but not limited to, issue size, bond term, bond type, interest rate and ways of determination, timing of issue, issue tranche(s) and guarantee arrangement;
  - (ii) to appoint the relevant intermediaries, select the bond custodian, sign the bond custody agreement and formulate the bondholders meeting procedures;
  - (iii) to handle the application of the issue of Corporate Bonds;
  - (iv) prepare, approve, execute, amend, announcement all legal documents in relation to the issue of Corporate Bonds, and to make such supplement or amendment to the application documents as may be required by the relevant approval authorities;
  - (v) to make adjustments to the relevant matters in relation to the issue of Corporate Bonds in accordance with any change to the regulatory policies or the market conditions, except for matters relating to the laws, regulations or the articles of association of the Company which require the Shareholders' approval;
  - (vi) to handle matters relating to the issue and listing of the Corporate Bonds in accordance with the rules of the relevant stock exchange on the issue and listing of bonds;
  - (vii) to handle any other matters relating to the issue of Corporate Bonds; and
  - (viii) to further authorise Mr. Wu Wei-zhang, an executive director and general manager of the Company, to handle the above matters in relation to the issue and listing of the Corporate Bonds on behalf of the Company,

