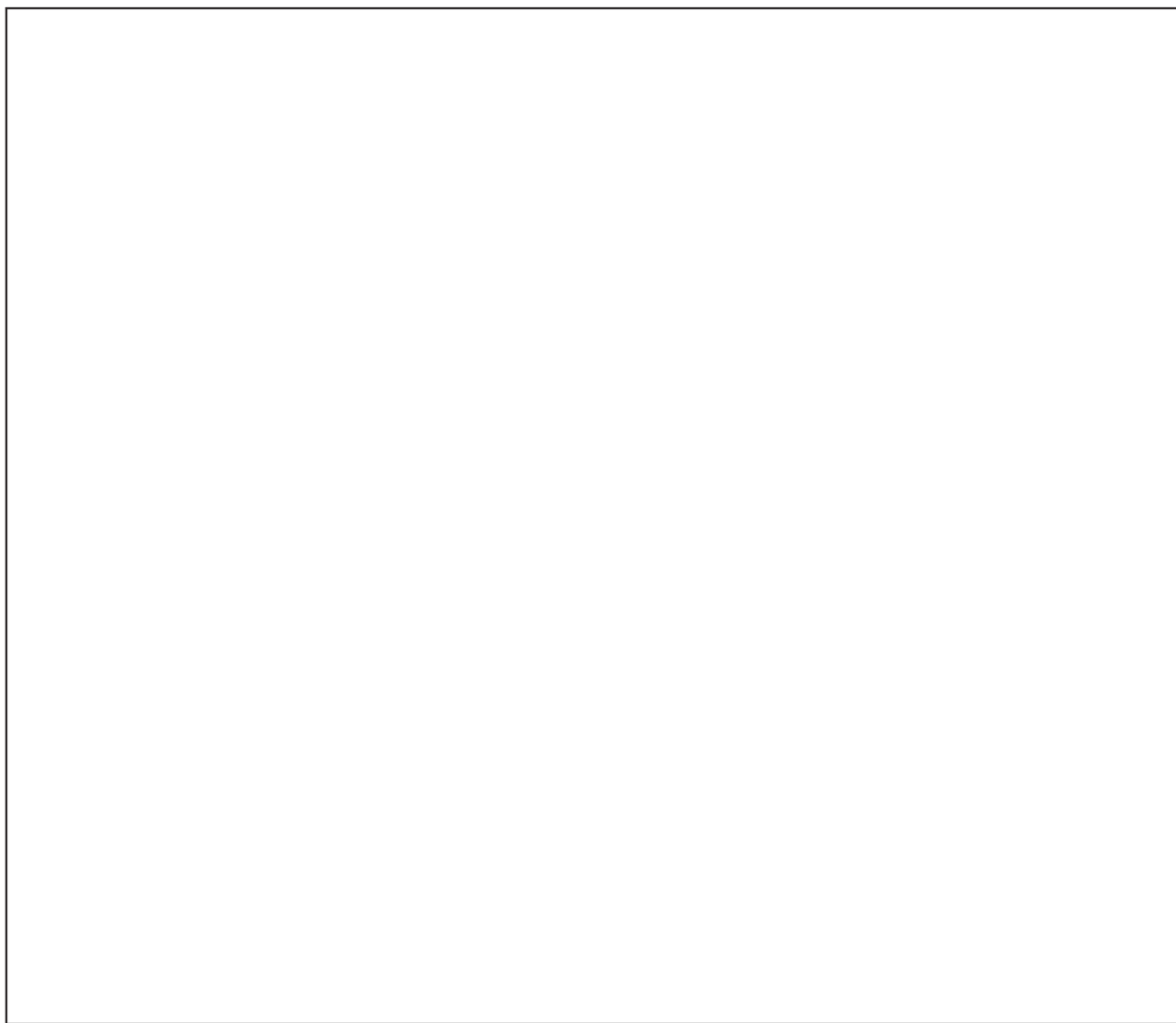


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- (2) each of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the amount of and fees payable for the Loan Services (including the loans provided by the Finance Company to the Unlisted Harbin Electric Group and the entrusted loans provided by the Group through the Finance Company to the Unlisted Harbin Electric Group), bill discounting services, finance leasing services and guarantees services provided by the Company to the Unlisted Harbin Electric Group is less than 5%; and
- (3) it is expected that each of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual service charges and fees payable for the Other Financial Services provided by the Company to the Unlisted Harbin Electric Group will not exceed 0.1%;

the Company is subject to the reporting and announcement requirements in respect of the Financial Services Framework Agreement, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Financial Services Framework Agreement, or is required to abstain from voting on the Board resolution approving the Financial Services Framework Agreement and the transactions contemplated thereunder.

The Independent Non-executive Directors of the Company have reviewed the Financial Services Framework Agreement, and are of the view that the agreement is beneficial to the business development and revenue of the Finance Company and is in the interest of the Company as a whole.

## **FINANCIAL SERVICES FRAMEWORK AGREEMENT**

On 9 December 2016, the Company entered into the Financial Services Framework Agreement with Harbin Electric, the principal terms of which are set out below:

### **I. Parties**

The Company and Harbin Electric.

### **II. Term**

A valid term of three years commencing from 31 December 2016 and ending on 30 December 2019.

### **III. Subject Matter**

Pursuant to the agreement, the Company will provide the following Financial Services to the Unlisted Harbin Electric Group, and the Unlisted Harbin Electric Group agreed to receive part or whole of the following Financial Services from the Company based on its needs:

- (1) provision of financial and financing advice, credit assurance and relevant consulting and agency services for the Unlisted Harbin Electric Group;
- (2) assisting the Unlisted Harbin Electric Group in the receipt and payment of transaction monies;
- (3) approved insurance agency services;
- (4) provision of guarantees for the Unlisted Harbin Electric Group;
- (5) entrusted loans and entrusted investments among the members of the Unlisted Harbin Electric Group;
- (6) provision of bills acceptance and discounting services for the Unlisted Harbin Electric Group;
- (7) internal transfer and settlement among the members of the Unlisted Harbin Electric Group and formulation of proposals for the corresponding settlement and clearing;
- (8) placing deposit by the Unlisted Harbin Electric Group;
- (9) provision of the Loan Services (including the loans provided by the Finance Company to the Unlisted Harbin Electric Group and the entrusted loans provided by the Group through the Finance Company to the Unlisted Harbin Electric Group) and finance leasing services for the Unlisted Harbin Electric Group;
- (10) engaging in inter-bank borrowing;
- (11) investment in marketable securities (other than investment in stocks);
- (12) provision of buyer credit and finance leasing services for the products of Unlisted Harbin Electric Group;
- (13) other businesses approved by the China Banking Regulatory Commission.

### **IV. Pricing Policy and Transaction Caps**

- (1) As for the Depository Services: the interest rates of the Depository Services provided by the Company to the Unlisted Harbin Electric Group are at fair and reasonable market rates and on normal commercial terms, which are the prevailing interest rates applicable to the same depository services provided by general commercial banks in the PRC to the Unlisted Harbin Electric Group, and the transaction amounts are uncapped;

- (2) As for the Loan Services: the interest rates or charges of the Loan Services (including the loans provided by the Finance Company to the Unlisted Harbin Electric Group and the entrusted loans provided by the Group through the Finance Company to the Unlisted Harbin Electric Group), bill discounting services, finance leasing services and guarantees services provided by the Company to the Unlisted Harbin Electric Group are at fair and reasonable market rates and on normal commercial terms, which are the prevailing interest rates or rates applicable to the same loan services provided by general commercial banks in the PRC to the Unlisted Harbin Electric Group. The annual caps in respect of the accumulated maximum daily balance of loan services provided to the Unlisted Harbin Electric Group in the Company will be as follows:

	Period from 31 December 2016 to 30 December 2017	Period from 31 December 2017 to 30 December 2018	Period from 31 December 2018 to 30 December 2019
The accumulated maximum daily balance of loan services provided to the Unlisted Harbin Electric Group in the Company	RMB 220,000,000	RMB 220,000,000	RMB 220,000,000

Transaction Caps and Actual Transaction Amounts for the Past Three Years

	Period from 31 December 2013 to 30 December 2014	Period from 31 December 2014 to 30 December 2015	Period from 31 December 2015 to 30 June 2016
The transaction caps for the accumulated maximum daily outstanding balance of loans owed by the Unlisted Harbin Electric Group to the Finance Company	RMB 250,000,000	RMB 250,000,000	RMB 250,000,000

The accumulated maximum daily outstanding balance of loans owed by the Unlisted Harbin Electric Group to the Finance Company	RMB 20,000,000	RMB 20,000,000	RMB 170,000,000
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- (3) As for the Other Financial Services: the charges of the Other Financial Services provided by the Company to the Unlisted Harbin Electric Group are at fair and reasonable market rates and on normal commercial terms, which are the prevailing rates applicable to the same services provided by general commercial banks in the PRC to the Unlisted Harbin Electric Group, and the transaction amounts are uncapped.

## **REASONS AND BENEFITS FOR ENTERING INTO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

- (1) The provision of the Financial Services to the Unlisted Harbin Electric Group is beneficial to the business development of the Finance Company, strengthens the presence of the Finance company in the financial industry and allows the Finance Company to better facilitate the development of the Company's core businesses;
- (2) The Loan Services is a conventional business of the Finance Company. By providing the Loan Services to the Unlisted Harbin Electric Group, the Finance Company will be able to improve its revenue, and the Company, through its 91% equity interest in the Finance Company, will also be able to gain revenue;
- (3) The provision of the above Loan Services will prompt the Unlisted Harbin Electric Group to deposit more funds in the Finance Company. Part of the Depository Services business will provide financial assistance to the Company. If the Finance Company does not commence related Loan Services for the Unlisted Harbin Electric Group, the intention of the Unlisted Harbin Electric Group to deposit their funds in the Finance Company will be affected.

## **OTHERS**

The Group is among the largest manufacturers of power-generating equipment in the PRC, the principal activities include the manufacturing of thermal power main equipment, hydropower main equipment, nuclear power main equipment, gas power equipment set and turnkey construction of power station projects, etc..

Harbin Electric is the controlling shareholder of the Company, and is the pioneer in establishing the largest research and manufacturing base for power-generating equipment, marine engines, power-driven equipment and export base for complete set of equipment in the PRC.

The Finance Company is a subsidiary of the Company. As at the date of this announcement, the Group holds 91% equity interest in the Finance Company and Harbin Electric holds the remaining 9% equity interest in the Finance Company.

The Directors of the Company (including the Independent Non-executive Directors) are of the view that the terms of this connected transaction are:

- (1) fair and reasonable;
- (2) entered into in the Group's ordinary course of business on normal commercial terms or more favourable terms; and
- (3) in the interest of the Company and the shareholders as a whole.

## DEFINITIONS

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

“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;
“Board”	the board of Directors of the Company;
“Director(s)”	the director(s) of the Company;
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company;
“Finance Company”	哈爾濱電氣集團財務有限責任公司 (HE Finance Company Limited), a subsidiary of the Company. As at the date of this announcement, the Group holds 91% equity interest in the Finance Company and Harbin Electric holds the remaining 9% equity interest in the Finance 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;
“Group”	the Company and its subsidiaries;
“Unlisted Harbin Electric Group”	Harbin Electric and its subsidiaries (other than the Group);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“independent shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Original Financial Services Framework Agreement”	the financial services framework agreement dated 31 December 2013 entered into between the Finance Company and Harbin Electric and to be expired on 30 December 2016;
“Financial Services Framework Agreement”	the financial services framework agreement dated 9 December 2016 entered into between the Company and Harbin Electric;

“Financial Services”	the Depository Services, Loan Services and Other Financial Services to be provided by the Company through the Finance Company to the Unlisted Harbin Electric Group at fair and reasonable market prices and on normal commercial terms under the Financial Services Framework Agreement;
“Depository Services”	placing deposit with the Company by the Unlisted Harbin Electric Group;
“Loan Services”	the loan services (including the loans to be provided by the Finance Company to the Unlisted Harbin Electric Group and the entrusted loans to be provided by the Group through the Finance Company to the Unlisted Harbin Electric Group), bill discounting services, finance leasing services and guarantees services to be provided by the Company to the Unlisted Harbin Electric Group;
“Other Financial Services”	the other financial services (other than the Depository Services and Loan Services) to be provided by the Company to the Unlisted Harbin Electric Group;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC.

By Order of the Board  
**Harbin Electric Company Limited**  
**Ai Li-song**  
*Company Secretary*

Harbin, PRC  
9 December 2016

*As at the date of this announcement the executive Directors of the Company are Mr Si Ze-fu Mr 孙 毅-zhang Mr Zhang Ying-jian and Mr Song Shi-qi and the Independent Non-executive Directors of the Company are Mr Yu Bo Mr Liu Deng-qing and Mr Yu 俞 兴-xing*