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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)**

## **CONTINUING CONNECTED TRANSACTIONS — FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Harbin Electric Company Limited (the “Company”) hereby announces that, on 31 December 2013, HE Finance Company Limited (the “Finance Company”), a subsidiary of the Company, entered into the Financial Services Framework Agreement with the parent company of the Company, Harbin Electric Corporation (the “Harbin Electric”). On 3 January 2014, the Company convened a board meeting to consider and approve such agreement (which became effective from 31 December 2013), pursuant to which the Finance Company would provide the Financial Services (including the Depository Services, Loan Services and Other Financial Services) to Harbin Electric and its subsidiaries during the period from 31 December 2013 to 30 December 2016. Pursuant to the Financial Services Framework Agreement, the Finance Company agreed to provide the Financial Services to Harbin Electric and its subsidiaries at a fair and reasonable price and on normal commercial terms. The Finance Company is not under any obligations to provide any or all of the Financial Services to Harbin Electric and its subsidiaries and may provide such Financial Services based on its business needs.

Since Harbin Electric is the controlling shareholder of the Company, it is a connected person of the Company pursuant to the Listing Rules. The Finance Company is a subsidiary of the Company. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the Loan Services are less than 5%, the Loan Services under the Financial Services Framework Agreement are exempt from independent shareholders’ approval requirements but are subject to the reporting, announcement and annual review 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 Depository Services provided by the Finance Company to the Parent Company and its subsidiaries are at a fair and reasonable market price and on normal commercial terms and uncapped.

As 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 will not exceed 0.1%, such transactions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable provisions governing connected transactions under Chapter 14A of the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

1. The Loan Services is a conventional business of the Finance Company. By providing the Loan Services to Harbin Electric and its subsidiaries, 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;
2. The provision of the above Loan Services will prompt Harbin Electric and its subsidiaries to deposit more funds in the Finance Company. If the Finance Company does not commence related Loan Services for Harbin Electric and its subsidiaries, the intention of Harbin Electric and its subsidiaries to deposit their funds in the Finance Company will be affected;
3. The provision of the Loan Services to Harbin Electric and its subsidiaries will help raise awareness of the Finance company in the financial industry, foster the development of the Finance company and allow the Finance company to better facilitate the development of the Company's core businesses.

## **FINANCIAL SERVICES FRAMEWORK AGREEMENT**

On 31 December 2013, the Finance Company and Harbin Electric entered into the Financial Services Framework Agreement, the principal terms of which are set out below:

Date	31 December 2013
Parties	(1) the Finance Company; and (2) Harbin Electric Corporation
Term	The agreement became effective from 31 December 2013 with a valid term of 3 years commencing from 31 December 2013 and ending on 30 December 2016;  Subject to compliance with applicable laws and regulations and the requirements of the Listing Rules, this agreement will upon expiry automatically be renewed for successive terms of 3 years with effect from the day immediately after every expiry date unless request for non-renewal has been made by either party before expiry of this agreement.

## Services

Pursuant to the Financial Services Framework Agreement, the Finance Company agreed to provide the Financial Services to Harbin Electric and its subsidiaries at a fair and reasonable price and on normal commercial terms and Harbin Electric agreed to accept the part or whole of the following Financial Services from the Finance Company according to the needs for itself and/or of its subsidiaries:

- (1) provision of financial and financing advice, credit assurance and relevant consulting and agency services;
- (2) assist in the receipt and payment of transaction monies;
- (3) approved insurance agency services;
- (4) provision of guarantee;
- (5) entrusted loan among member entities;
- (6) bills acceptance and discounting services;
- (7) internal transfer and settlement among member entities and formulation of proposals for the corresponding settlement and clearing;
- (8) depository services;
- (9) loans and finance leasing services etc.

## PROPOSED ANNUAL CAPS FOR THE LOAN SERVICES

The table below sets out the maximum cap for the value of Loan Services to be provided by the Finance Company to Harbin Electric and its subsidiaries for each of the years ending 30 December 2014, 30 December 2015 and 30 December 2016:

*Unit: RMB'000*

<b>Item</b>	<b>Year ending 30 December 2014</b>	<b>Year ending 30 December 2015</b>	<b>Year ending 30 December 2016</b>
The accumulated maximum daily outstanding balance of the Loan Services owed by Harbin Electric and its subsidiaries to the Finance Company	250,000	250,000	250,000

## **INTERNAL CONTROLS AND RISK MANAGEMENT**

1. The Finance Company will conduct annual review on the credit worthiness and loan facility of Harbin Electric and its subsidiaries, keep alert of the corporate affairs and control credit limit to strengthen operational risk management;
2. The agreement expressly provides that the Finance Company may further reduce exposure of the Loan Services by demanding asset pledge or other guarantee from Harbin Electric and its subsidiaries upon drawdown of the loan facility.

## **GENERAL**

The Group is principally engaged in the business of manufacturing power plant equipment, its principal activities include manufacturing of (1) thermal power equipment; (2) hydro power equipment; (3) nuclear power main equipment; (4) turn-key construction of power station projects and other engineering projects; (5) contract supply of complete sets of thermal and hydro power equipment; (6) import and export of power equipment; (7) technology transfer, technical consultation and services; and (8) environmental protection engineering services.

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.

Harbin Electric, together with its subsidiaries, is the longest-standing large-scale power plant equipment manufacturer in the PRC. As at the date of this announcement, Harbin Electric is interested in 50.93% of the issued share capital of the Company.

Since Harbin Electric is the controlling shareholder of the Company, it is a connected person of the Company pursuant to the Listing Rules. The Finance Company is a subsidiary of the Company. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the Loan Services are less than 5%, the Loan Services under the Financial Services Framework Agreement are exempt from independent shareholders' approval requirements but are subject to the reporting, announcement and annual review 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 Depository Services provided by the Finance Company to the Parent Company and its subsidiaries are at a fair and reasonable market price and on normal commercial terms and uncapped.

As 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 will not exceed 0.1%, such transactions are exempt from the reporting,

announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Should such transactions exceed the exemption threshold in future, the Company will comply with the applicable provisions governing connected transactions under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Company”	Harbin Electric Company Limited, a joint stock 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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“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;
“Finance Company”	哈爾濱電氣集團財務有限責任公司 (HE Finance Company Limited), a company incorporated in the PRC with limited liability and a subsidiary of the Company;
“Financial Services Framework Agreement”	the financial services framework agreement dated 31 December 2013 entered into between the Finance Company and Harbin Electric in respect of the Financial Services;
“Financial Services”	the Depository Service, the Loan Services and Other Financial Services;
“Loan Services”	the loan services to be provided by the Finance Company to Harbin Electric and its subsidiaries pursuant to the Financial Services Framework Agreement, including the provision of guarantees, entrusted loans, bill acceptance and bill discounting services, loans and finance leasing services etc.;

“Other Services”	provision of financial and financing advice, credit assurance and relevant consulting and agency services for member entities; assisting member entities in the receipt and payment of transaction monies; approved insurance agency services; provision of guarantee for member entities; bills acceptance and discounting services for member entities; internal transfer and settlement among member entities and formulation of proposals for the corresponding settlement and clearing; and other businesses approved by China Banking Regulatory Commission;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parent Company”	哈爾濱電氣集團公司 (Harbin Electric Corporation), a state-owned enterprise and the controlling shareholder of the Company;
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission);
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Harbin, PRC, 3 January 2014

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