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哈电集团
HARBIN ELECTRIC CORPORATION

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 —
MANAGEMENT ENTRUSTMENT AGREEMENT**

Reference is made to the “Continuing Connected Transactions — Management Entrustment Agreement” announcement issued by Harbin Electric Company Limited (the “Company”) on 25 March 2013. The 3 years term of the management entrustment agreement entered into between the Company and Harbin Electric Corporation (“Harbin Electric”) on 23 March 2013 will expire soon. The Board of Directors (the “Board”) of the Company hereby announces that, on 29 January 2016, the Board has considered and approved the new management entrustment agreement entered into between the Company and Harbin Electric, pursuant to which, the Company will provide management services to Harbin Electric, including but not limited to administration management, human resources and labour wage management (including external affairs management), quality control on technology, asset and financial management, integrated planning management, statistics and economic operation management, auditing and internal control management, investment management, strategic development management, legal affairs management, information management, marketing management, project management, production safety management, compliance management, management of political work and other affairs, etc. Harbin Electric will pay management entrustment fee to 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. Therefore, the provision of management services to Harbin Electric constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratio calculated in according with the Listing Rules in respect of the fee charged for the provision of management services to Harbin Electric is less than 5%, the Company is subject to the reporting and announcement requirements in respect of the management entrustment agreement, but is exempt from 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 management entrustment agreement, or is required to abstain from voting on the board resolution approving the management entrustment agreement and the transactions contemplated thereunder.

The independent directors of the Company have reviewed the management entrustment agreement, and are of the view that the agreement is favourable in enhancing efficiency of the Company’s operation and is in the interest of the Company as a whole.

THE MANAGEMENT ENTRUSTMENT AGREEMENT

On 29 January 2016, the Company entered into a new management entrustment agreement with Harbin Electric, the principal terms of which are set out below:

1. Effective date of the agreement

The management entrustment agreement will be duly effective from 23 March 2016.

2. Subject of the management entrustment

The subject of the management entrustment agreement is part of the management functions of Harbin Electric Corporation.

3. Content of the management entrustment

The management services covered by the agreement includes (but not limited to): administration management, human resources and labour wage management (including external affairs management), quality control on technology, asset and financial management, integrated planning management, statistics and economic operation management, auditing and internal control management, investment management, strategic development management, legal affairs management, information management, marketing management, project management, production safety management, compliance management, management of political work and other affairs, etc..

4. Term of the management entrustment

The entrustment period under the agreement shall be for a term of 3 years from the duly effective date of the agreement, which will be renewed automatically upon expiry in the absence of disagreement on its terms from either party.

5. Management entrustment fee and payment methods

- (1) As agreed by both parties, the management entrustment fee under the agreement adopted the same rate as the management entrustment agreement dated 23 March 2013, which shall be RMB3,280,000 per year.

Actual amount of the management entrustment fee for the past three years were as follows:

Period	23 March 2013 to 31 December 2013	1 January 2014 to 31 December 2014	1 January 2015 to 31 December 2015
Fee	RMB2,067,000	RMB3,280,000	RMB3,280,000

- (2) As agreed by both parties, Party A agrees to pay management fee on a yearly basis to the designated account of Party B as one-off payment in June each year.

6. Others

The Company and its subsidiaries are 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 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:

“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;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the 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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“RMB”

Renminbi, the lawful currency of the PRC.

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

Harbin, PRC
29 January 2016

As at the date of this announcement, the executive directors of the Company are Mr. Wu Wei-zhang, Mr. Zhang Ying-jian and Mr. Song Shi-qi; the non-executive director of the Company is Mr. Zou Lei; and the independent non-executive directors of the Company are Mr. Yu Bo, Mr. Liu Deng-qing and Mr. Yu Wen-xing.