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哈电集团

哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

*(formerly known as Harbin Power Equipment Group Limited of China with limited liability)* — *(A joint stock limited company incorporated in the People's Republic of China)*  
(Stock code: 1133)

*(incorporated in the People's Republic of China with limited liability)*

Stock Code : 1133

**CONTINUING CONNECTED TRANSACTIONS  
– FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**FINANCIAL SERVICE FRAMEWORK AGREEMENT**

On 18 December 2012, the Company entered into the Financial Services Framework Agreement with the Finance Company, pursuant to which the Finance Company will provide the Financial Services (including the Depository Services, Loan Services, Settlement Services and Other Finance Services) to the Group. Pursuant to the Financial Services Framework Agreement, the Finance Company agreed to provide the Financial Services to the Group at a fair and reasonable price and on normal commercial terms. The Group is not under any obligation to obtain any or all of the Financial Services from the Finance Company and may obtain such Financial Services based on its business needs.

Harbin Electric is the controlling shareholder of the Company. As the Finance Company is a subsidiary (and therefore an “associate” under the Listing Rules) of Harbin Electric, the Finance Company is a connected person of the Company under the Listing Rules the transactions contemplated under the Financial Services Framework Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the Depository Service are less than 5%, the Depository Service 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.

As the Loan Services to be provided by the Finance Company to the Group for the benefit of the Group on normal commercial terms (or better to the Group) where no security is granted over the assets of the Group in respect of the Loan Services, the Loan Services pursuant to the Financial Services Framework Agreement are exempt from the reporting,

announcement and Independent Shareholders' approval requirements under Chapter 14A.65(4) of the Listing Rules.

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 Settlement Services and 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 connected transaction regulatory requirements under Chapter 14A of the Listing Rules.

## I. FINANCIAL SERVICES FRAMEWORK AGREEMENT

On 18 December 2012, the Company and the Finance Company entered into the Financial Services Framework Agreement, the principal terms of which are set out below:

**Date :** 18 December 2012

**Parties:** (i) The Company; and  
(ii) Finance Company

**Term :** The Financial Services Framework Agreement shall be for a term of 3 years from 1 January 2013.  
Subject to the compliance with applicable laws and the Listing Rules, the term of the agreement will upon expiry automatically be renewed for a further term of 3 years unless terminated by either party before the expiry of each term.

**Services:** Pursuant to the Financial Services Framework Agreement, the Finance Company agreed to provide the Financial Services to the Group at a fair and reasonable price and on normal commercial terms. The Finance Company undertakes under the Financial Services Framework Agreement that the terms of any Financial Services to be provided by the Finance Company to the Group will be no less favourable than those offered by independent third parties to the Group. The Group is not under any obligation to obtain any or all of the Financial Services from the Finance Company and may obtain such Financial Services based on its business needs.

### *Depository Services*

The Group may from time to time deposit money with the Finance Company pursuant to the Financial Services Framework Agreement. The Finance Company shall accept deposits from the Group at an interest rate not less than the interest rate as may be offered by any independent third party to the Group for the same type of deposits.

### *Loan Services*

The Group may from time to time request the Finance Company to provide Loan Services to them pursuant to the Financial Services Framework Agreement. The fees or interest rate charged by the Finance Company for the provision of such Loan Services will not be more than the fees or interest rate charged by any third party on any members of the Group for the same type of loans. The annual credit that may be extended by the Finance Company to the Company and its subsidiaries should in principal not be less than the maximum amount of deposits made by them for each of the three years ending 31 December 2015.

The Group will not be required to provide any security for the Loan Services.

In the event that any member of the Group is required to provide any security for the Loan Services, the Company would propose to seek Independent Shareholders' approval on the cap for the Loan Services and comply with the requirements under Chapter 14A of the Listing Rules.

### *Settlement Services*

The Group may from time to time request the Finance Company to provide Settlement Services to them pursuant to the Financial Framework Agreement. The fees charged by the Finance Company for the provision of such Settlement Services will not be more than the fees charged by any third party on any members of the Group for the same type of services.

### *Other Financial Services*

The Group may from time to time request the Finance Company to provide Other Financial Services to them pursuant to the Financial Framework Agreement. The fees charged by the Finance Company for the provision of such Other Financial Services will not be more than the fees charged by any third party on any member of the Group for the same type of services.

## **Proposed annual caps for the Depository Services**

The table below sets out the maximum cap for the value of Depository Services to be received by the Group from the Finance Company for the years ending 31 December 2013, 2014 and 2015:

*Table 1: Annual caps*

	<b>Year ending 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Receipt of Depository Services – Daily maximum outstanding balance of deposit (including accrued interest and handling			

fees) 370,000 370,000 370,000

As at 31 December 2010, 31 December 2011 and 30 June 2012, the Group had cash deposits in commercial banks in the amount of approximately RMB12.1 billion, RMB7.9 billion and RMB6.2 billion, including unpledged cash deposits of approximately RMB11.8 billion, RMB7.8 billion and RMB5.8 billion. The annual caps for 2013, 2014 and 2015 have been set by reference to approximately 4.37% of the average unpledged cash of the Group over the last three years ended 30 June 2012.

Set out below is a summary of the Group's consolidated unpledged bank deposits, cash and cash equivalents, borrowings as extracted from the relevant annual reports and interim reports of the Company:

*Table 2: Group's deposits and borrowings*

	As at 31 December		As at 30 June	
	2011 RMB'000 (Audited)	2010 RMB'000 (Audited) (Restated)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Unpledged Bank deposits	247,404	1,090,860	410,178	420,000
Cash and cash equivalents	8,271,875	11,459,319	5,803,427	8,247,219
Borrowings	1,895,867	2,209,964	1,768,133	1,996,686

In arriving at the above proposed annual caps set out in the above table, in addition to the above reasons, the following factors have also been considered:

- (i) the amount of unpledged deposit the Group has placed with independent commercial banks as at 31 December 2010, 31 December 2011 and 30 June 2012;
- (ii) the utilization of the Depository Services when considered in the context of the Loan Services and the Settlement Services that are available to the Group can greatly facilitate deployment of surplus funds within the Group which can have a material impact as the business of the Group grows and its cash resources increase;
- (iii) the possible favourable interest rate to be obtained by the Group from the Finance Company compared with interest rate that could otherwise be obtained by placing deposits with independent commercial banks.

As the Group is not under any obligation to place deposits in the Finance Company, the Directors are of the view that, through the Financial Services Framework Agreement, the Group can benefit from the flexibility in the allocation of its unrestricted cash should the terms be attractive to the Company, and the annual caps are fair and reasonable.

### **Internal Controls and Risk Management**

In order to safeguard the interests of the Shareholders, the Financial Services Framework Agreement provides for the following risk management measures:

- (i) to ensure security of the deposits made by the Group in the Finance Company, the Finance Company is required to make sure the safe operation of the deposit management information systems which have passed all safety tests in relation to online bank interfaces of commercial banks, used direct dedicated line when connecting to commercial banks and reached safety standards of the PRC commercial banks and complied with the specifications under the CA safety certification;
- (ii) Harbin Electric has given a guarantee that the Finance Company shall be operated in strict compliance with the risk monitoring indicators required by the CBRC and the major risk monitoring indicators such as the gearing ratio and liquidity ratio of the Finance Company shall with the requirements of the CBRC and other applicable laws and regulations;
- (iii) Harbin Electric has given a guarantee to the CBRC that it will make further capital contributions in the event that the Finance Company has difficulty in fulfilling its payment obligations to ensure normal operation of the Finance Company.

### **Reasons for, and benefits of, the Financial Services Framework Agreement**

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

The Finance Company was duly established in the PRC as a non-banking financial institution in 2010. The principal business of the Finance Company includes the provision of, among others, deposit services, loan services, settlement services and other financial services. The Finance Company is regulated by the People's Bank of China ( ) and the CBRC and provides its services in accordance with the rules and operational requirements of these regulatory authorities. The registered capital of Finance Company is RMB300 million (approximately HK\$ 370 million). As at the date of this announcement, Harbin Electric, the Company,

(a non-wholly owned subsidiary of the Company),

(a non-wholly owned subsidiary of the Company),

(a non-wholly owned subsidiary of the Company) and

(an indirect non-wholly-owned subsidiary of Harbin Electric) is interested in 51%, 21%, 8%, 8%, 8% and 4% of the equity interest of the Finance Company, respectively.

Having considered the reasons set out below, the Directors are of the view that the Financial Services Framework Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms and the terms of which (including the proposed maximum daily amount to be deposited with the Finance Company) are fair and reasonable and in the interests of the Company and the Shareholders as a whole:

- (i) the Finance Company is a non-bank financial institution approved and regulated by People's Bank of China ( ) and CBRC and is engaged in providing various financial services in compliance with the rules and other operational requirements set by these regulatory authorities. The Finance Company will be required under (Measures for the Administration of the Finance Companies of Enterprise Groups promulgated by the CBRC on 27 July 2004

(as amended on 28 December 2006)) to satisfy the following operation conditions in respect of assets and liabilities ratios:

- (a) the capital adequacy ratio is not less than 10%;
  - (b) the balance of borrowings shall not exceed the total capital;
  - (c) the total amount of outstanding guarantees provided shall not exceed the total capital;
  - (d) the short-term securities investment to total capital ratio is not more than 40%;
  - (e) the long-term investment to total capital ratio is not more than 30%; and
  - (f) the self-owned fixed assets to total capital ratio is not more than 20%;
- (ii) the Finance Company has established its system of internal control and risk management and implemented the corporate governance guidelines in accordance with the requirements of the CBRC and are required under the Financial Services Framework Agreement to comply with the risk management measures outlined above.
- (iii) given that the terms of the services available to the Group will be no less favourable than those offered by other PRC commercial banks, the Group can benefit from the lower cost of funding and other financial service charges and thereby enhancing the profitability Group;
- (iv) the Finance Company will only provide financial services to members of the Harbin Electric Group and will therefore be exposed to a lower level of potential risk than other PRC commercial banks dealing with customers of various credit ratings;
- (v) the arrangements with Finance Company under the Financial Services Framework Agreement provides the Group with an alternative but do not preclude the Group from using the services of other PRC commercial banks. The Group still maintains its own discretion in choosing other PRC commercial banks as its financial services provider as it thinks fit and appropriate for the benefit of the Group; and
- (vi) the Company and its subsidiaries through its 45% equity interest in the Finance Company will be able to share the profits of the Finance Company.

### **Listing Rules Implications**

Harbin Electric is the controlling shareholder of the Company. As the Finance Company is a subsidiary (and therefore an “associate” under the Listing Rules) of Harbin Electric, the Finance Company is a connected person of the Company under the Listing Rules the transactions contemplated under the Financial Services Framework Agreement therefore constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the maximum daily amount of the Depository Service are less than 5%, the Depository Service 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





“Finance Service Framework Agreement”	the finance service framework agreement dated 18 December 2012 entered into between the Company and the Finance Company in respect of the Financial Services;
“Financial Services”	the Depository Service, the Loan Services, the Settlement Services and Other Financial Services;
“Group”	the Company and its subsidiaries;
“Harbin Electric”	(Harbin Electric Corporation*), a state-owned enterprise and the controlling shareholder of the Company
“Harbin Electric Group”	Harbin Electric and its subsidiaries, including the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Loan Services”	the loan services to be provided by the Finance Company to the Group pursuant to the Financial Services Framework Agreement, including provision of guarantees; dealing with inter group entrusted loans provision of bill acceptance and bill discount services and provision of loans and finance leasing services and other loan services as may be approved by the CBRC;
“Other Financial Services”	other financial services to be provide by the Finance Company to the Group pursuant to the Financial Services Framework Agreement, including provision of finance services and financing consultancy services, credit verification and related consultancy and agency services; payment and receipt of transaction proceeds; provision of approved insurance agency services; inter-bank borrowing and lending services; and other business as may be approved by the CBRC;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Settlement Services”	the provision of intra-group transfer and settlement services and liquidation planning services to be provided by the Finance Company to the Group pursuant to the Financial Services Framework Agreement;
“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;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	percent.

*In this announcement, exchange rate of HK\$ 1: RMB0.8041 has been used for illustrative purposes. No assurance is given that these currencies may be exchanged at this rate or at all.*

By order of the Board  
**Harbin Electric Company Limited**

**LIU Zhi-quan**  
*Company Secretary*

Harbin, PRC, 19 December 2012

*As at the date of this announcement, the non-executive directors of the Company are Mr. Gong Jing-kun, Mr. Zou Lei and Mr. Duan Hong-yi; the executive Directors are Mr. Wu Wei-zhang and Mr. Shang Zhong-fu; and the independent non-executive directors are Mr. Sun Chang-ji, Mr. Jia Cheng-bing, Ms. Li He-jun, Mr. Yu Bo and Mr. Liu Deng-qing.*

*\* for identification purposes only*