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As each of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the annual caps for (1) the provision of services by the Group to the Unlisted Harbin Electric Group; (2) the provision of services by the Unlisted Harbin Electric Group to the Group; (3) the sale of materials and accessory parts by the Group to the Unlisted Harbin Electric Group; and (4) the purchase of materials and accessory parts by the Group from the Unlisted Harbin Electric Group is less than 5%, the Company is subject to the reporting and announcement requirements in respect of the Products and 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. Should such transactions exceed the exemption threshold in the future, the Company will comply with the applicable provisions governing connected transactions under Chapter 14A of the Listing Rules.

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

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

PRODUCTS AND SERVICES FRAMEWORK AGREEMENT

On 9 December 2016, the Company entered into the Products and 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 1 January 2017 and ending on 31 December 2019.

III. Subject Matter

Products and services will be provided at fair and reasonable market prices and on

- (2) the provision of energy services, such as power supply, by the Group to the Unlisted Harbin Electric Group;
- (3) the sale of materials and accessory parts by the Group to the Unlisted Harbin Electric Group;
- (4) the purchase of materials and accessory parts by the Group from the Unlisted Harbin Electric Group.

IV. Pricing Policy

The fees payable for the transactions contemplated under the Products and Services Framework Agreement will be determined with reference to the applicable statutory price or, failing which, the market price for the relevant service or product. The "market price" under the new agreement will be determined with reference to the price of similar services or products provided by third parties in Harbin, or if no such prices are available for reference, a 5% markup over actual cost for the provision of such services or products will apply.

The standard and terms for the cross-provision of services and products between the Group and the Unlisted Harbin Electric Group will be no less favourable than those on which similar services or products are provided to any third parties (including its own employees). The Group and the Unlisted Harbin Electric Group will give each other priority over any third parties in relation to the provision of services and products. If the Group or the Unlisted Harbin Electric Group is able to secure the provision of any of the services or products contemplated under the new agreement from a third party in the vicinity of Harbin on more favourable terms, it is entitled to terminate the relevant transaction by giving one month's advance notice.

V. Transaction Caps and Historical Transaction Amounts

The annual caps in respect of the transactions contemplated under the Products and Services Framework Agreement between the Group and the Unlisted Harbin Electric Group will be as follows:

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	Provision of services by the Group to the Unlisted Harbin Electric Group	Provision of services by the Unlisted Harbin Electric Group to the Group	Sale of materials and accessory parts by the Group to the Unlisted Harbin Electric Group	materials and accessory parts by the Group from the Unlisted Harbin Electric Group
Transaction caps for the period from 1 January 2017 to 31 December 2017	RMB2,000,000	RMB84,000,000	RMB12,000,000	RMB195,000,000
Transaction caps for the period from 1 January 2018 to	KWID2,000,000	KMD04,000,000	KMD12,000,000	KMD175,000,000
31 December 2018 Transaction caps for the period from 1 January 2019 to	RMB2,000,000	RMB84,000,000	RMB12,000,000	RMB195,000,000
31 December 2019	RMB2,000,000	RMB84,000,000	RMB12,000,000	RMB195,000,000

Transaction Caps and Actual Transaction Amounts for the Past Three Years

	Provision of services by the Group to the Unlisted Harbin Electric Group	Provision of services by the Unlisted Harbin Electric Group to the Group	Sale of materials and accessory parts by the Group to the Unlisted Harbin Electric Group	Purchase of materials and accessory parts by the Group from the Unlisted Harbin Electric Group
Transaction caps for the period				
from 1 January 2014 to 31 December 2014	RMB5,000,000	RMB90,150,000	RMB65,300,000	RMB253,370,000
Actual transaction amounts for the period from 1 January 2014				
to 31 December 2014	RMB724,000	RMB85,643,000	RMB25,825,000	RMB166,979,000
Transaction caps for the period				
from 1 January 2015 to 31 December 2015	RMB2,000,000	RMB90,650,000	RMB65,300,000	RMB253,370,000
Actual transaction amounts for	101111111111111111111111111111111111111	KMD70,030,000	Кивоз,500,000	KMB233,370,000
the period from 1 January 2015				
to 31 December 2015	RMB20,000	RMB84,690,000	RMB9,463,800	RMB114,201,200
Transaction caps for the period from 1 January 2016 to				
31 December 2016	RMB2,000,000	RMB92,150,000	RMB65,300,000	RMB253,370,000
Actual transaction amounts for				
the period from 1 January 2016	21.520	D1. D4. 440.000	D14D #0# #00	D1. D1.0000 100
to 30 June 2016	RMB0	RMB26,559,800	RMB505,200	RMB18,983,100

The annual caps in respect of the Products and Services Framework Agreement have been adjusted downward to different extents as compared to the annual caps for the three years from 2014 to 2016.

REASONS AND BENEFITS FOR ENTERING INTO THE PRODUCTS AND SERVICES FRAMEWORK AGREEMENT

In light of the business growth of the Group, the Group requires certain materials and accessory parts to sustain its business development. The Unlisted Harbin Electric Group is able to guarantee the quality of materials and services provided as well as provide high quality materials and reliable services at a reasonable price. The Group may also gain profits by selling certain surplus raw materials or by-products arising from the production process of the Group to the Unlisted Harbin Electric Group.

The Group has been providing energy services, such as power supply, to the Unlisted Harbin Electric Group and receiving ancillary social services from the Unlisted Harbin Electric Group at fair and reasonable market prices and on normal commercial terms. While the Group has taken measures to reduce its requirements for services from the Unlisted Harbin Electric Group, the continuation of the receipt and provision of services between the Group and the Unlisted Harbin Electric Group is nevertheless necessary.

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 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"	Hombin	Elastria	Commons	Limitad	_	0.0 100 10 0 10 1 1	incorporated
COMBANY	нагот	елесиис	Commany	типпеа	и	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;

"Harbin Electric" 哈爾濱電氣集團公司 (Harbin Electric Corporation), a stateoatbookse ecm

"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 Products and the original products and services framework agreement Services Framework dated 31 December 2013 entered into between the Company Agreement" and Harbin Electric and to be expired on 31 December 2016; "Products and Services the products and services framework agreement dated 9 Framework Agreement" December 2016 entered into between the Company and Harbin Electric; "controlling shareholder" has the meaning ascribed to it under the Listing Rules; "PRC" the People's Republic of China;

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

"RMB"

As at the date of this announcement, the executive Directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-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 Wen-xing.