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東方電氣股份有限公司

Dongfang Electric Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1072)

**MAJOR TRANSACTION AND CONTINUING CONNECTED
TRANSACTIONS: RENEWAL OF
FRAMEWORK AGREEMENTS AND
THE PROPOSED ANNUAL CAPS IN RESPECT THEREOF**

The Board announces that on 30 October 2014, the Company entered into the 2015 DEC Framework Agreements with DEC (or in the case of the 2015 Financial Services Framework Agreement, DEC Finance) and revision of the annual caps for the existing continuing connected transactions.

As DEC is a substantial shareholder of the Company and DEC Finance is an associate of DEC, each of DEC and DEC Finance is a connected person of the Company within the meaning of the Hong Kong Listing Rules. Hence, the 2015 DEC Framework Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

Based on the annual caps proposed to be adopted for 2015 Purchase and Production Services Framework Agreement for each of the three years ending 31 December 2015, 2016 and 2017, one or more of the relevant ratios for the transactions to be carried out pursuant to each such agreement are expected to exceed 5% but less than 25% and each of the annual cap for the three years ending 31 December 2015, 2016 and 2017 is more than HK\$10,000,000. Hence, the transaction is subject to the reporting, annual review, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Hong Kong Listing Rules.

Based on the annual caps proposed to be adopted for the deposit services under the 2015 Financial Services Framework Agreement for each of the three years ending 31 December 2015, 2016 and 2017, one or more of the relevant ratios for the transactions to be carried out pursuant to each such agreement are expected to exceed 5% but less than 25% and each of the annual cap for the three years ending 31 December 2015, 2016 and 2017 is more than HK\$10,000,000. Hence, these transactions (except the loan and other services to be provided by DEC Finance to the Group under the 2015 Financial Services Framework Agreement) are subject to the reporting, annual review, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Hong Kong Listing Rules. Further, as one or more of the relevant ratios in respect of the provision of the deposit services under the 2015 Financial Services Framework Agreement are expected to exceed 25% but less than 75%, the provision of deposit services also constitutes a major transaction of the Company and is subject to notification, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Pursuant to the Shanghai Listing Rules, the transactions to be carried out under the Non-exempt 2015 Financial Services Framework Agreement (including the related proposed annual caps) are required to be approved by the Shareholders (excluding DEC and its Associated Shareholders).

Based on the annual caps proposed to be adopted for each of the Exempt 2015 Framework Agreements (except the ancillary services to be provided by the Group to the DEC Group under the 2015 Combined Ancillary Services Framework Agreement) for each of the three years ending 31 December 2015, 2016 and 2017, one or more of the relevant ratios for the transactions to be carried out pursuant to each such agreement are expected to exceed 0.1% but be less than 5%. Hence, these transactions are subject to the reporting, annual review and announcement requirements only and are exempted from the independent shareholders' approval requirement as prescribed under Chapter 14A of the Hong Kong Listing Rules.

Based on the annual caps to be adopted for the ancillary services to be provided by the Group to the DEC Group under the agreement for each of the three years ending 31 December 2015, 2016 and 2017, each of the relevant ratios for the transactions to be carried out pursuant to the agreement is expected to be less than 0.1% and hence fall within the de minimis threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules. They are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules, but nonetheless subject to the disclosure requirements under the Shanghai Listing Rules.

Pursuant to the Shanghai Listing Rules, the transactions to be carried out under the 2015 Sales and Production Services Framework Agreement (including the related proposed annual caps) are nonetheless required to be approved by the Shareholders (excluding DEC and its Associated Shareholders).

Based on the annual caps proposed to be adopted for the 2015 Properties and Equipment Framework Lessor Agreement, each of the three years ending 31 December 2015, 2016 and 2017 will not exceed the annual cap of RMB10,000,000 and each of the relevant ratios for the transactions to be carried out pursuant to the agreement is expected to be less than 0.1% and hence fall within the de minimis threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules. It is therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules, but nonetheless subject to the disclosure requirements under the Shanghai Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Non-exempt 2015 Framework Agreements (in the case of the 2015 Financial Services Framework Agreement, only the deposit services to be provided by DEC Finance to the Group pursuant thereto) and the related proposed annual caps. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent H Shareholders in this regard.

The EGM will be convened at which ordinary resolutions to approve, inter alia, the Non-exempt 2015 Framework Agreements, the 2015 Sales and Production Services Framework Agreement, the related Continuing Connected Transactions and the related proposed annual caps will be proposed. DEC, its associates and Associated Shareholders will abstain from voting on the resolutions.

A circular containing, inter alia, (i) details of Non-exempt 2015 Framework Agreements, Exempt 2015 Framework Agreements, and 2015 Properties and Equipment Framework Lessor Agreement and the proposed annual caps in respect thereof for the three years ending 31 December 2015, 2016 and 2017 (the proposed annual caps for deposit services only under the 2015 Financial Services Framework Agreement); (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent H Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the H Shareholders on or before 28 November 2014.

1. BACKGROUND

References are made to the announcement dated 30 October 2014 and the 2011 Circular dated 4 November 2011, in relation to, among other things, the 2012 DEC Framework Agreements with DEC (or in the case of the 2012 Financial Services Framework Agreement, DEC Finance). The 2012 DEC Framework Agreements will expire on 31 December 2014 and the Group intends to continue the transactions under those agreements in the coming years.

Hence, on 30 October 2014, the Company entered into the 2015 DEC Framework Agreements with DEC (or in the case of the 2015 Financial Services Framework Agreement, DEC Finance). Each of the 2015 DEC Framework Agreements will take effect on 1 January 2015, subject to compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules), and expire on 31 December 2017.

2. NON-EXEMPT CONTINUING CONNECTED TRANSACTION SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS UNDER THE HONG KONG LISTING RULES

2.1 2015 Purchase and Production Services Framework Agreement

Date:

30 October 2014

Parties:

- (a) The Company (as purchaser and service user); and
- (b) DEC (as supplier and service provider).

Products and materials to be supplied to the Group:

Pursuant to the agreement, DEC will, and will procure that other members of the DEC Group will, supply the following products and materials involved in the production of power generator equipment to the Group: raw materials, semi-finished products, auxiliary equipment, supporting materials and tools including but not limited to wind motor frames, motor, blade, main control system, and other related products and materials.

Production services to be provided to the Group:

Pursuant to the agreement, DEC will, and will procure that other members of the DEC Group will, provide the following services to the Group: processing of semi-finished products, import agency services, technical services, inspection and testing services, after-sales services, transportation services, maintenance, repair and management services for equipment and tools, repair of vehicles and other related production services.

Term:

From 1 January 2015 to 31 December 2017, subject to the compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules).

Historical figures and proposed annual caps:

Purchase of products and use of services	2011	2012	for the year ended 31 December				
			2013	2014	2015	2016	2017
			(RMB'000)				
Historical caps	5,300,000	3,000,000	3,500,000	4,000,000			
				for the six months ended 30 June			
Total amount paid by the Group to the DEC Group	2,134,268	1,336,442	2,739,962	1,096,076			
Proposed annual caps					3,500,000	4,000,000	4,000,000

Due to market changes in the wind power industry in 2012, orders for products in the wind power segment were decreased which resulted in the utilization rates of historical annual caps being relatively low. However, the wind power segment has improved and orders have begun to increase in 2014 and still expected to grow in the coming three years.

The proposed annual caps for the three years ending 31 December 2015, 2016 and 2017 are determined by reference to an expected increase in the amount to be paid by the Group for the products and materials to be supplied, and the production services to be provided, by members of the DEC Group for the years ending 31 December 2015, 2016 and 2017 as compared to the amount paid for the year ended 31 December 2013 and the projected amount to be paid for the entire year of 2014, having regard to:

- (i) the number of contracts on hand for completion in 2015, 2016 and 2017 and the projected growth in the Group's business;

- (ii) the projected growth in the Group's business, in particular, the expected increase in sales and orders in wind power products in view of an upturn of the growth of the wind power industry resulting from energy reform and energy structure adjustment in the PRC, which is reflected by the very substantial increase in orders of wind power products for the 2014 period up to the date of this announcement, and the improvement in business potential of the wind power department due to internal consolidation of the Company; and
- (iii) the estimated demand for raw materials, semi-finished products and other related products as well as production services associated with the manufacture of power generator equipment, taking into account the number of contracts on hand for completion in each of the three years ending 31 December 2015, 2016 and 2017, the projected growth in the Group's business, and the corresponding production cycles applicable to such delivery schedule.

Basis of price determination:

For determining the prices of the products, materials and services to be supplied to the Group, the price at which each transaction under the agreement is to be conducted will be determined on the following basis:

- (a) market price (i.e. the price offered by the party supplying products or providing production services to an independent third party in respect of the supply or provision of the same or similar products or production services in the ordinary course of business; or the price obtained by the party purchasing products or receiving production services by way of open tender or negotiated tender in accordance with the requirements of applicable laws of PRC government; or

- (b) if market price is not available, then the cost incurred by the relevant member of the DEC Group for the production/supply of such product or material or provision of such service (as the case may be) plus a service charge of not more than 15% of such cost which represents the maximum profit margin for similar products or services determined with reference to the market practice adopted by other industry players. The finance department of the Company regularly reviews service charges adopted by other participants within the power equipment manufacturing industry to ensure that any service charge applied is in line with market trends. The market price is negotiated with the relevant member of the DEC Group and that the service charge applied is not less favorable than those provided by the independent third parties.

Currently all the products and services under the 2015 Purchase and Production Services Framework Agreement (such as raw materials (steel plates, nonferrous metals; pipe-shaped material), imported mechanical and electrical products, product accessories) are purchased by open tenders or negotiated tenders. The tender office (招標辦工室) of the Company will obtain at least 2 to 3 tenders (depending on the size of the contract sum) in accordance with the Company's tender management policy (招標管理辦法). This will ensure that the prices of the products or services supplied by DEC or DEC Group are not less favorable than those supplied by other party supplying similar products and services to independent third parties.

Time and method of payment:

Depending on the products, materials or production services to be supplied to the Group, the time and method of payment for each transaction under the agreement will be determined on the following basis:

- (a) market practice, which payments are usually settled by way of bank transfers within an average credit period of 180 days; or
- (b) if there is no market practice, then the time and method of payment adopted by independent third parties to whom the same products or production services are provided.

Reasons for and benefits of entering into the agreement:

Given the close working relationship between the DEC Group and the Group and the close geographical proximity of their respective operations, the Board believes that the arrangement would be cost effective and would provide a stable and reliable source of supply of quality products, materials and production services to the Group.

2.2 Hong Kong Listing Rules Implications

DEC is a substantial shareholder of the Company and therefore, a connected person of the Company. The transactions to be entered into pursuant to the 2015 Purchase and Production Services Framework Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

Based on the annual caps proposed to be adopted for 2015 Purchase and Production Services Framework Agreement for each of the three years ending 31 December 2015, 2016 and 2017, one or more of the relevant ratios for the transactions to be carried out pursuant to each such agreement are expected to exceed 5% but less than 25% and each of the annual cap for the three years ending 31 December 2015, 2016 and 2017 is more than HK\$10,000,000. Hence, the transaction is subject to the reporting, annual review, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Shanghai Listing Rules, the transactions to be carried out under the 2015 Purchase and Production Services Framework Agreement are required to be approved by the Shareholders (excluding DEC and its Associated Shareholders).

The Directors consider that the 2015 Purchase and Production Services Framework Agreement and the continuing connected transactions contemplated thereunder will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable (including the related proposed annual caps) and in the interests of the Company and the Shareholders as a whole.

3. MAJOR AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS UNDER THE HONG KONG LISTING RULES

3.1 2015 Financial Services Framework Agreement

Date:

30 October 2014

Parties:

- (a) The Company (as service user); and
- (b) DEC Finance (as service provider).

DEC Finance is a non-bank finance company established in 1988 with the approval of the PBOC. The business activities of DEC Finance are regulated and supervised by the CBRC and PBOC. DEC currently holds 100% equity interest in DEC Finance.

Financial services to be provided to the Group:

Pursuant to the agreement, DEC Finance will provide the following financial services to the Group: deposit-taking, loans and credit facilities, fund settlement services and other investment and financial services approved by the CBRC.

The Group, taking account of the terms offered by DEC Finance and any independent third party, may obtain relevant financial services from independent third parties and has no obligation to obtain such financial services from DEC Finance.

DEC Finance also agreed in the agreement that, to the extent permitted by law, the Company shall have the right to offset any outstanding loans or other amounts owing by it and/or any member of the Group to DEC Finance against and up to the outstanding principal amount of, and the accrued interest to, the deposits placed by the Company and/or any member of the Group with DEC Finance pursuant to the agreement, and DEC Finance will execute and procure execution of any document necessary to effect such set-off right.

In addition, DEC Finance has undertaken to and agreed with the Company that:

- (a) DEC Finance will ensure that funds placed with it by the Group and those placed by DEC and its subsidiaries (other than members of the Group) will be segregated and managed independently. The Company will have the right to monitor the management of the Group's funds by DEC Finance at any time;
- (b) any funds of any member of the Group placed on deposit with DEC Finance under the 2015 Financial Services Framework Agreement will only be used by DEC Finance to lending to other members of the Group (and not to any party outside the Group) and to the extent that such funds are not so used, will be deposited by DEC Finance with the PBOC or one or more licensed commercial banks in the PRC;
- (c) DEC Finance will grant integrated credit facilities to the Group of an amount no less than the cap amount in respect of deposits that may be placed by the Group with DEC Finance under the 2015 Financial Services Framework Agreement for each of the three years ending 31 December 2017. In this regard, any drawdown of those facilities by any member of the Group within the relevant limit will not be secured by any assets of the Group or guarantees and funds will be made available as and when required by the Group;
- (d) a report on the status of the Group's deposits with DEC Finance will be delivered by DEC Finance to the Company before 10:00 a.m. of each working day to enable the Company to monitor and ensure that the average daily deposit balance (including any interest accrued therefrom) for the Group's deposits with DEC Finance does not exceed the upper limit;

- (e) a copy of every regulatory report submitted by DEC Finance to the CBRC will be provided to and reviewed by the Company; and
- (f) the financial statements of DEC Finance for each month will be provided to and reviewed by the management of the Company, including the executive Directors, on the fifth working day of the following month.

Based on information provided by DEC, the Company understands that DEC has undertaken to the CBRC that in an emergency situation where DEC Finance encounters any difficulties in meeting its payment obligations, DEC will inject additional capital to DEC Finance according to its needs at such time.

As an additional protection to the Group, DEC has irrevocably and unconditionally undertaken to the Company that whenever DEC Finance fails to make payment or discharge any of the obligations under or in connection with the 2015 Financial Services Framework Agreement when they become due for payment or discharge:

- (a) DEC will immediately on demand by the Company make such payment and discharge such obligation(s), as if it were the principal obligor;
- (b) to the extent permitted by law, the Company shall have the right to offset any amount owing by it and/or any member of the Group to DEC and/or any of its subsidiaries (other than members of the Group) against and up to the outstanding principal amount of, and the accrued interests to, the deposits placed by the Company and/or any member of the Group with DEC Finance pursuant to the 2015 Financial Services Framework Agreement, and DEC will and will procure any of its subsidiaries (other than members of the Group) to execute any document necessary to effect such setoff right; and
- (c) DEC will, immediately on demand by the Company, indemnify the Company against any cost, loss or liability suffered by the Company if any of the obligations of DEC Finance under or in connection with the 2015 Financial Services Framework Agreement is or becomes unenforceable, invalid or illegal for any reason (whether or not DEC Finance or the Company was aware of it).

Term:

From 1 January 2015 to 31 December 2017, subject to the compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules).

Historical and proposed annual caps:

Deposits services:

	2011	2012	For the year ended 31 December		2015	2016	2017
			2013	2014			
			(RMB'000)				
Historical caps							
Maximum daily outstanding balance of deposits	10,000,000	12,000,000	13,000,000	14,000,000			
Interest income received from DEC Finance	<u>400,000</u>	<u>400,000</u>	<u>500,000</u>	<u>600,000</u>			
Total	<u><u>10,400,000</u></u>	<u><u>12,400,000</u></u>	<u><u>13,500,000</u></u>	<u><u>14,600,000</u></u>			
				for the six month ended 30 June			
Maximum daily outstanding balance of deposits maintained by the Group with DEC Finance	9,944,957	7,358,110	10,723,474	10,303,990			
Interest income received from DEC Finance by the Group	<u>190,767</u>	<u>146,659</u>	<u>195,382</u>	<u>124,349</u>			
Total:	<u><u>10,135,724</u></u>	<u><u>7,504,769</u></u>	<u><u>10,918,856</u></u>	<u><u>10,428,339</u></u>			
Proposed annual caps							
Maximum daily outstanding balance of deposits maintained by the Group with DEC Finance					12,000,000	12,000,000	12,000,000
Interest income received from DEC Finance by the Group					<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total:					<u><u>12,500,000</u></u>	<u><u>12,500,000</u></u>	<u><u>12,500,000</u></u>

The difference between the 2012 to 2014 annual caps and the actual deposits maintained by the Group with DEC Finance is mainly due to the overall demand in the electricity equipment industry was low and increase in receivables from sales. With the expected improvement of business and increase of new orders as from the second half of 2014, it is expected that there will be an increase in funds deposited with DEC Finance.

The proposed annual cap for each of the year ending 31 December 2015, 2016 and 2017, was set at the same level i.e. RMB12,500,000,000. The proposed annual cap is determined with reference to: (a) the expected maximum daily outstanding balance of deposits (including accrued interest) that members of the Group are expected to maintain with DEC Finance and expected interest income to be received by the Group from DEC Finance for such year; (b) the decision of the Company to centralise its cash/capital management function to enhance efficiency; (c) the amount of cash on hand of the Group of approximately RMB10,917,603,783.25 as at 30 June 2014 and the expected funds that may be generated in the second half of 2014; (d) the projection in the increase of the amount of cash generated from the Group's operations due to an expected growth in business and improved collection of receivables; and (e) the expected increase in interest income derived from the increased amount of deposits placed with DEC Finance taking into account the sufficiency of funds of the Group and the ability to maintain deposits with DEC Finance for longer periods.

Loan services:

The loans drawn from, and the related interest expenses paid by the Group to, DEC Finance for each of the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 amounted to RMB2,775,124,000, RMB2,910,514,000 and RMB2,527,701,000, respectively.

As the loan and credit facilities services to be provided by DEC Finance to the Group under the agreement are expected to be on normal commercial terms which will be no less favourable than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of the loan and credit facilities to be provided by DEC Finance, the loan and credit facilities services under the agreement are exempt from all reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Pursuant to the Shanghai Listing Rules, however, the Company is required to put forward annual caps for the loan services to be provided by DEC Finance to the Group under the agreement for approval by the Shareholders (excluding DEC and its Associated Shareholders). In this regard, an annual cap of RMB12,500,000,000 for each of the three years ending 31 December 2015, 2016 and 2017, in respect of the maximum amount of loans to be drawn from, and the related interest expenses to be paid by the Group to, DEC Finance, is proposed by the Company.

Other services:

The other services including credit facilities, fund settlement services, other investment and financial services to be provided by DEC Finance to the Group are expected to be on normal commercial terms which will be no less favourable than those offered by independent third parties for comparable services in the PRC. The Company expects that each of the relevant ratios calculated based on the total fees payable by the Group to DEC Finance for such other services for each of the three years ending 31 December 2017 will be less than 0.1% and will fall within the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules. They are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules.

Basis of fee determination:

- (a) the interest rate for the Group's deposits with DEC Finance shall not be less than the deposit interest rate as announced by the PBOC from time to time and shall be no less favourable than that offered by other commercial banks in the PRC to the Group;

- (b) the interest rate for loans granted to the Group by DEC Finance shall be the base lending rate as announced by the PBOC from time to time less 10% of such rate but shall in any event be no less favourable than that offered by other commercial banks in the PRC to the Group;
- (c) in respect of the Group's fund settlement business with DEC Finance, they will be offered to the Group for free; and
- (d) the fees chargeable by DEC Finance for other services (except for fund settlement services) shall be not higher than those offered by other commercial banks in the PRC.

Before entering into individual agreement with DEC Finance, the finance department of the Group will invite several commercial banks to provide quotations for similar transaction offered to independent third parties for comparison with the terms offered by DEC Finance to ensure that the terms offered to the Group are not less favourable than that offered by other independent third parties.

Time and method of payment:

The time and method of payment for each transaction under the agreement will be determined on the following basis:

- (a) market practice; or
- (b) if there is no market practice, then the time and method of payment adopted by independent third parties to whom the same services are provided.

Reasons for and benefits of entering into the agreement:

DEC Finance has been chosen as the financial service provider to the Group instead of other independent financial institutions as:

- (a) The Company and certain members of the Group, with their huge cash surplus on hand, could not extend loans to those members within the Group which require working capital because the PRC laws do not permit companies, including affiliates, to extend intra-group loans directly without going through a financial agency. In this regard, DEC Finance could act as such financial agency via which funds of the Company and/or other members of the Group may be used to lend to other members of the Group which require additional working capital. As the Company currently does not have any alternative plan for its cash on hand, under such arrangement, the Group's internal resources could be better deployed and the capital efficiency could be further improved.
- (b) The rates on loans and deposits to be offered by DEC Finance will be more favourable than or at least equal to those offered by other independent commercial banks in the PRC. In addition, settlement services would be offered to the Group for free which would further reduce the Group's overall financial expenses.
- (c) Based on information provided by DEC Finance, the Company understands that DEC Finance is regulated by the CBRC and PBOC. Pursuant to the relevant regulations, DEC Finance is not allowed to be engaged in non-financial service business and must comply with certain ratio requirements such as capital adequacy ratio, net inter-bank borrowing balance, asset-to-equity ratio, and its customers are restricted to entities within DEC and its subsidiaries (including the Group) only, thereby reducing the risks that DEC Finance may otherwise be exposed to if it can do business with other entities unrelated to DEC. The restriction on use of the deposits placed by the Group and the submissions of regular reports by DEC Finance to the Company as set out in the 2015 Financial Services Framework Agreement would also help reducing and monitoring the risk that the Group may face in respect of the deposits to be placed by the Group with DEC Finance.

- (d) As DEC Finance is familiar with the business and operation of the Group, it is more efficient and expedient for DEC Finance to provide a longer-term and wider range of financial services tailored to the needs of the Group.
- (e) It is beneficial to the Group as a whole to centralise its cash and capital management function as it will reduce the time of capital in transit and accelerate the turnover of cash flow and reduce transaction costs and expenses, thereby enhancing the quality and efficiency of capital utilisation.

3.2 Hong Kong Listing Rules Implications

DEC is a substantial shareholder of the Company, while DEC Finance is a wholly-owned subsidiary of DEC and hence, an associate of DEC. Both DEC and DEC Finance are, therefore, connected persons of the Company. The transaction to be entered into pursuant to the Non-exempt 2015 Framework Agreements will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

Based on the annual caps proposed to be adopted for the deposit services under the 2015 Financial Services Framework Agreement for each of the three years ending 31 December 2015, 2016 and 2017, one or more of the relevant ratios for the transactions to be carried out pursuant to each such agreement are expected to exceed 5% but less than 25% and each of the annual cap for the three years ending 31 December 2015, 2016 and 2017 is more than HK\$10,000,000. Hence, these transactions (except the loan and other services to be provided by DEC Finance to the Group under the 2015 Financial Services Framework Agreement) are subject to the reporting, annual review, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Hong Kong Listing Rules. Further, as one or more of the relevant ratios in respect of the provision of the deposit services under the 2015 Financial Services Framework Agreement are expected to exceed 25% but less than 75%, the provision of deposit services also constitutes a major transaction of the Company and is subject to notification, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Pursuant to the Shanghai Listing Rules, the transactions to be carried out under the Non-exempt 2015 Financial Services Framework Agreement (including the related proposed annual caps) are required to be approved by the Shareholders (excluding DEC and its Associated Shareholders).

The Directors consider that the deposit services under the 2015 Financial Services Framework Agreement and the continuing connected transactions contemplated thereunder will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable (including the related proposed annual caps) and in the interests of the Company and the Shareholders as a whole.

4. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, AND ANNOUNCEMENT REQUIREMENTS ONLY UNDER THE HONG KONG LISTING RULES

4.1 2015 Sale and Production Services Framework Agreement

Date:

30 October 2014

Parties:

- (a) The Company (as supplier and service provider); and
- (b) DEC (as purchaser and service user).

Products and materials to be supplied by the Group:

Pursuant to the agreement, the Company will, and will procure that other members of the Group will, supply the following products and materials involved in the production of power generator equipment to the DEC Group: raw materials, semi-finished products, finished products which are of a similar nature as those under the 2015 Purchase and Production Services Framework Agreement and turbine products, boiler products, nuclear products, gas turbines products, power generation equipment, production equipment, components, spare parts, supporting materials, employee necessities and other related products and materials.

Production services to be provided by the Group:

Pursuant to the agreement, the Company will, and will procure that other members of the Group will, provide the following services to the DEC Group: processing services, technical services, transportation services, import agency services, and other related production services.

Term:

From 1 January 2015 to 31 December 2017, subject to the compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules).

Historical and proposed annual caps:

Supply of products and provision of services	2011	2012	for the year ended 31 December			2016	2017
			2013	2014	2015		
Historical annual caps	2,500,000	1,780,000	1,780,000	1,780,000			
				for the six month ended 30 June			
Total amount paid by the DEC Group to the Group	1,125,358	1,242,177	906,074	129,440			
Proposed annual caps					1,050,000	1,050,000	1,050,000

Due to the overall low demand in the electricity equipment industry, the utilization rates of historical annual caps in 2013 and 2014 were low.

The proposed annual cap is set at RMB1,050,000,000 for each of the three years ending 31 December 2015, 2016 and 2017 is determined by reference to the average total amount to be received by the Group for the products and materials to be supplied, and the production services to be provided, to the DEC Group for the years ending 31 December 2015, 2016 and 2017 and the projected amount to be received for the entire year of 2014, taking into account the existing contracts on hand for completion and delivery in 2015, 2016 and 2017 and the projected corresponding demand of members of the DEC Group for related raw materials and services.

Basis of price determination:

For determining the prices of the products, materials and services to be supplied by the Group, the price at which each transaction under the agreement is to be conducted will be determined on the following basis:

- (a) market price (i.e. the price offered by the party supplying products or providing production services to an independent third party in respect of the supply or provision of the same or similar products or production services in the ordinary course of business; or the price obtained by the party purchasing products or receiving production services by way of open tender or negotiated tender in compliance with the requirements of applicable laws of the PRC government. The market prices are comparable to rates for similar transactions entered with independent third parties under normal commercial terms of similar previous transactions; or
- (b) if market price is not available, then the cost incurred by the relevant member of the Group for the production or supply of such product or material or provision of such service (as the case may be) plus a service charge of not more than 15% of such cost. The service charge of not more than 15% represents the maximum profit margin with reference to the market practice adopted by other industry players. The finance department of the Company regularly reviews service charges adopted by other participants within the power equipment manufacturing industry to ensure that any service charge applied is in line with market trends and not less favorable than those provided by independent third parties.

Currently all products and services under the 2015 Sale and Production Services Framework Agreement are supplied at market prices negotiated within prescribed price range in accordance with the Company's internal sales policy between the parties. The market price will be determined or approved by the authorized department of the Group in relation to the particular transaction.

Time and method of payment:

Depending on the products, materials or production services to be supplied by the Group, the time and method of payment for each transaction under the agreement will be determined on the following basis:

- (a) market practice; or
- (b) if there is no market practice, then the time and method of payment adopted by independent third parties to whom the same products, materials or services are provided.

Reasons for and benefits of entering into the agreement:

Given the close working relationship between the DEC Group and the Group and the close geographical proximity of their respective operations, the Board believes that the arrangement would be cost effective and would provide a stable and reliable source of supply of quality products, materials and production services to members of the DEC Group which in turn would, after further processing, supply equipment and products to the Group.

4.2 2015 Combined Ancillary Services Framework Agreement

Date:

30 October 2014

Parties:

- (a) The Company; and
- (b) DEC.

Ancillary services to be provided to the Group:

Pursuant to the agreement, DEC will, and will procure that other members of the DEC Group will, provide the following ancillary services to the Group: medical services, cleaning services, employee management services, nursery services, management services for retired employees, militia services, educational services, training services, and other ancillary services.

Ancillary services to be provided by the Group:

Pursuant to the agreement, the Company will, and will procure that the other members of the Group will, provide the following ancillary services to the DEC Group: training services, utility services (including water, electricity and gas), communication services, combined management services and other ancillary services.

Term:

From 1 January 2015 to 31 December 2017, subject to the compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules).

Basis for fee determination:

The fees at which each transaction under the agreement is to be conducted will be determined on the following basis:

- (a) for shared facilities including water, electricity and gas and communication services provided by the Group, government-prescribed fees apply. The government-prescribed fees are determined by reference prices published from time to time by relevant government authorities; or
- (b) for services with no applicable government-prescribed fee (such as cleaning and training services), the market price applies. The market price is the price offered by the party supplying services or providing services to an independent third party in respect of the supply or provision of similar services in the ordinary course of business, or price obtained by the party purchasing the services by way of open tender or negotiated tender; or
- (c) if no applicable government prescribed fee or market price, the cost incurred by the relevant party for the provision of the service plus a service charge of not more than 15% of such cost. The service charge of not more than 15% represents the maximum profit margin which has been determined with reference to the market practice adopted by other industry players. The Company regularly reviews the rates of service charge paid by other independent third parties providing similar services and determine the prices by negotiation with reference to the prevailing market conditions.

The responsible department of the Company will obtain at least 2 to 3 tenders to ensure that the prices of ancillary services provided by DEC or DEC Group are not less favorable than those provided by independent third parties.

Currently all services under the 2015 Combined Ancillary Services Framework Agreement are provided applying government-prescribed fees or by open tenders. The market price will be negotiated within prescribed price range in accordance with the Company's internal sales policy between the parties. The market price will be determined or approved by the authorized department of the Group in relation to the particular transaction.

Time and method of payment:

The time and method of payment for each transaction under the agreement will be determined on the following basis:

- (a) market practice; or
- (b) if there is no market practice, then the time and method of payment adopted by independent third parties to whom the same services are provided.

Reasons for and benefits of entering into the agreement:

The arrangements under the 2015 Combined Ancillary Services Framework Agreement would allow the Group to obtain the use of a wide range of support services that it or its employees will require on a day-to-day basis. The provision of such services by the DEC Group will allow the Group to concentrate its resources on its core production operations. The ancillary services to be provided by the Group to the DEC Group will enable convenient and cost-efficient sharing of such services between the Group and the DEC Group.

4.3 2015 Properties and Equipment Framework Lessee Agreement

Date:

30 October 2014

Parties:

- (a) The Company (as lessee); and
- (b) DEC (as lessor).

Subject matter:

Pursuant to the agreement, DEC will, and will procure that other members of the DEC Group will, lease certain real estate properties, factories, warehouse, land and equipment relating to the business and operation of the Group to the Group. Equipment includes plant equipment for the production of boiler components and steam separator and other components such as punching hydraulic press, four roller coiling machine, vertical lathe, bridge cranes and general equipment such as benders, lathes and hydraulic machines.

Term:

From 1 January 2015 to 31 December 2017, subject to the compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules).

Historical and proposed annual caps:

Lease of properties, production facilities and equipment	for the year ended 31 December							
	2011	2012	2013	2014	2015	2016	2017	
			(RMB'000)					
Historical annual caps	80,000	80,000	90,000	100,000				
				for the six months ended 30 June				
Total rent paid by the Group to the DEC Group	53,157	53,378	53,460	8,908				
Proposed annual caps					100,000	100,000	100,000	

The proposed annual caps for the three years ending 31 December 2015, 2016 and 2017 are determined by reference to (a) the annual cap of RMB100,000,000 for the entire year ending 31 December 2014 previously approved by the Shareholders; (b) the expected number of properties (including office premises and factories for manufacturing) and equipment to be leased by the Group from the DEC Group; and (c) the estimated increase of rental in each of three years.

Basis of rent determination:

The rental at which each transaction under the agreement is to be conducted will be determined on the following basis:

- (a) market price (if available). The market price refers to an independent third party leasing similar location and area of land or buildings or the same or similar production equipment market rent or statistics price refers to the local government on the same type of rental property; or
- (b) if market price is not available, then the cost incurred by the relevant member of the DEC Group in leasing out the relevant properties or equipment plus a profit of not more than 15% of such cost. The margin of not more than 15% has been determined with reference to the market practice adopted by other industry players. The finance department of the Company will regularly review the rate of margin paid by industry players, and negotiate the precise percentage of margin with reference to the prevailing market conditions.

The responsible department of the Company will from at least 2 to 3 tenders to ensure rent of the lease provided by DEC or DEC Group is not less favorable than those provided by independent third parties.

The market price will be negotiated within prescribed price range in accordance with the Company's internal sales policy between the parties. The market price will be determined or approved by the authorized department of the Group in relation to the particular transaction.

Time and method of payment:

Rental is payable every quarter by transferring the aggregate rent for the three months to the designated account of the relevant member of the DEC Group in the first month of each quarter.

Reasons for and benefits of entering into the agreement:

Certain properties had been leased to members of the Group by members of the DEC Group in the past as those properties, are not required by the DEC Group for its core operations. Therefore, the arrangement would enable the Group to continue using those properties without disruption to its business operations.

4.4 Hong Kong Listing Rules Implications

Based on the annual caps proposed to be adopted for each of the Exempt 2015 Framework Agreements (except the ancillary services to be provided by the Group to the DEC Group under the 2015 Combined Ancillary Services Framework Agreement) for each of the three years ending 31 December 2015, 2016 and 2017, one or more of the relevant ratios for the transactions to be carried out pursuant to each such agreement are expected to exceed 0.1% but be less than 5%. Hence, these transactions are subject to the reporting, annual review and announcement requirements only and are exempted from the independent shareholders' approval requirement as prescribed under Chapter 14A of the Hong Kong Listing Rules.

Based on the annual caps to be adopted for the ancillary services to be provided by the Group to the DEC Group under the agreement for each of the three years ending 31 December 2015, 2016 and 2017, each of the relevant ratios for the transactions to be carried out pursuant to the agreement is expected to be less than 0.1% and hence fall within the de minimis threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules. They are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules, but nonetheless subject to the disclosure requirements under the Shanghai Listing Rules.

Pursuant to the Shanghai Listing Rules, the transactions to be carried out under the 2015 Sales and Production Services Framework Agreement (including the related proposed annual caps) are nonetheless required to be approved by the Shareholders (excluding DEC and its Associated Shareholders).

The Directors consider that the Exempt 2015 Framework Agreements and the continuing connected transactions contemplated thereunder will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable (including the related proposed annual caps) and in the interests of the Company and the Shareholders as a whole.

5. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS UNDER THE HONG KONG LISTING RULES

5.1 2015 Properties and Equipment Framework Lessor Agreement

Date:

30 October 2014

Parties:

- (a) The Company (as lessor); and
- (b) DEC (as lessee).

Subject matter:

Pursuant to the agreement, the Company will, and will procure that other members of the Group will, lease certain real estate properties (such as office premises), factories, warehouse, land and equipment (such as hot and cold island facilities and tooling for use in the solar energy engineering technology) to the DEC Group.

Term:

From 1 January 2015 to 31 December 2017, subject to the compliance with applicable regulatory requirements (including those under the Hong Kong Listing Rules).

Basis of rent determination:

The rental at which each transaction under the agreement is to be conducted will be determined on the following basis:

- (a) market price (if available). The market price refers to the market rent of land or buildings of the independent third party leasing the similar location and area or identical or similar production equipment, or refers to local government statistical price of the same type of leased property rentals; or
- (b) if market price is not available, then the cost incurred by the relevant member of the Group in leasing out the relevant properties or equipment plus a profit of not more than 15% of such cost. The margin of not more than 15% has been determined with reference to the market practice adopted by other industry players. The finance department of the Company will regularly review the rate of margin paid by industry players, and negotiate the precise percentage of service charge with reference to the prevailing market conditions and operational needs of the Group.

The tender office (招標辦工室) of the Company will obtain at least 2 to 3 tenders to ensure that the rent of the lease provided to DEC or DEC Group is not more favorable than those supplied by independent third parties.

The market price will be negotiated within prescribed price range in accordance with the Company's internal sales policy between the parties. The market price will be determined or approved by the authorized department of the Group in relation to the particular transaction.

Time and method of payment:

Rental is payable every quarter by transferring the aggregate rent for the three months to the designated account of the relevant member of the Group in the first month of each quarter.

The relevant member of the DEC Group shall be responsible for all the expenses with respect to water, electricity, gas, property or equipment maintenance etc. and relevant management and heating costs incurred during the term of the lease.

5.2 Hong Kong Listing Rules Implications

The total rent paid by the DEC Group to the Group for each of the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 amounted to RMB538,000, RMB1,594,000 and RMB0, respectively.

The leasing of properties, production facilities and equipment under the agreement by the Group to the DEC Group is expected to be on normal commercial terms. The Company expects that the total rent payable by the DEC Group to the Group for such lease for each of the three years ending 31 December 2015, 2016 and 2017 will not exceed the annual cap of RMB10,000,000. Based on such annual caps, each of the relevant ratios for the transactions to be carried out pursuant to the agreement is expected to be less than 0.1% and hence fall within the de minimis threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules. It is therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules, but nonetheless subject to the disclosure requirements under the Shanghai Listing Rules.

The Directors consider that the 2015 Properties and Equipment Framework Lessor Agreement and the continuing connected transactions contemplated thereunder will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable (including the related proposed annual caps) and in the interests of the Company and the Shareholders as a whole.

6. INTERNAL CONTROL MEASURES

The Company has established connected transaction management policy (關連交易管理辦法), (the "CT Management Policy") to ensure that connected transactions will be conducted in a fair, equal and public manner, on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The office of the Board, the management unit of connected transactions of the Company, is responsible for overseeing the approval of connected transactions procedures, disclosure of the information of connected transactions and management of the operations of continued connected transaction framework agreements. Each member of the Group shall formulate respective measures on management of connected transactions which include specifying the department responsible for managing connected transactions, and for the report, operation, management and control of connected transactions of the respective member.

Where various units and controlled subsidiaries of the Company enter into continuing connected transaction agreements with the same associate (as defined under the Listing Rules) in consecutive years, the responsible department for managing connected transactions shall, at the last month of the year, estimate reasonably the accumulated maximum amount for similar connected transactions for the whole of next year on the same basis and propose to the office of the Board. The office of the Board will review together with the legal affairs department of the Company and finance department of the Company and report to the Board for consideration and approval in accordance with the relevant requirements of the CT Management Policy.

Various units and controlled subsidiaries of the Company shall compile a report on the performance conduct of connected transaction agreements for the last quarter and submit to the finance department of the Company within ten working days of the beginning of each quarter. The finance department of the Company will summarise and categorise and report to the office of the Board. The office of the Board will make specific management opinions and submit a Connected Transactions Operation Performance Report (關連交易運行簡報), based on the performance of connected transactions and submit to the Board (including independent non-executive directors) for consideration.

The office of the Board and the responsible departments for managing connected transactions in the Group are responsible for ensuring that the transactions under the 2015 DEC Framework Agreements will not exceed the proposed annual caps and will be carried out in accordance with the terms (not limited to the pricing policy) of the particular transactions.

7. INFORMATION REGARDING THE GROUP, DEC AND DEC FINANCE

Information of the Group

The Group is principally engaged in the manufacture and sales of high efficiency and clean energy generation products, new energy generation products, hydro-electric power and environmental protection equipment and the provision of construction services for power stations.

Information of DEC

DEC is a state-owned company established in the PRC with limited liability in 1984. Its total registered and paid-up capital is RMB4,791,675,000. DEC currently holds 1,002,457,252 A Shares, representing approximately 50.03% of the total issued share capital of the Company, and is the controlling shareholder of the Company. DEC is principally engaged in import and export business; general contracting and subcontracting of projects of hydro-, thermal- and nuclear-power stations; whole-set technological development of power station equipment and technology consultation; manufacturing and sales of complete equipment; sales of machinery and electrical ancillaries, general contracting and subcontracting of related projects. According to the audited consolidated financial statements of DEC for the year ended 31 December 2013 prepared in accordance with the PRC accounting standard, its total asset value, net asset value and net profits were approximately RMB92,741 million, RMB22,305 million and RMB1,429 million, respectively.

Information of DEC Finance

DEC Finance is a non-bank finance company established in 1988 with the approval of the PBOC. Its total registered and paid-up capital is RMB2,095,000,000. The business activities of DEC Finance are regulated and supervised by the CBRC and PBOC which principally include deposit-taking from member entities, provision of loans and financial leasing to member entities, provision of financial consultancy services, credit worthiness endorsement and consultancy services, agency services, internal cash settlement services and bill and note acceptance and discounting services to member entities, provision of guarantee for member entities, entrusted loans and investments between member entities and provision of loans to fellow financial institutions. As at the date of the announcement, DEC held 100% equity interest in DEC Finance. According to the audited consolidated financial statements of DEC Finance for the year ended 31 December 2013 prepared in accordance with the PRC accounting standard, its total asset value, net asset value and net profits attributable to controlling interest were approximately RMB20,449 million, RMB2,313 million and RMB147 million, respectively.

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Non-exempt 2015 Framework Agreements (in the case of the 2015 Financial Services Framework Agreement, only the deposit services to be provided by DEC Finance to the Group pursuant thereto) and the related proposed annual caps. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent H Shareholders in this regard.

9. EGM

The EGM will be convened at which ordinary resolutions to approve, inter alia, the Non-exempt 2015 Framework Agreements, the 2015 Sales and Production Services Framework Agreement, the related Continuing Connected Transactions and the related proposed annual caps will be proposed. DEC, its associates and Associated Shareholders will abstain from voting on the resolutions.

Each of Mr. Si Zefu, Mr. Zhang Xiaolun, Mr. Wen Shugang, Mr. Huang Wei, Mr. Zhu Yuanchao and Mr. Zhang Jilie, being a Director who holds a management position with DEC, has abstained from voting on the board resolutions approving the 2015 DEC Framework Agreements and the transactions contemplated thereunder.

A circular containing, inter alia, (i) details of Non-exempt 2015 Framework Agreements, Exempt 2015 Framework Agreements, and 2015 Properties and Equipment Framework Lessor Agreement and the proposed annual caps in respect thereof for the three years ending 31 December 2015, 2016 and 2017 (the proposed annual caps for deposit services only under the 2015 Financial Services Framework Agreement); (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent H Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the H Shareholders on or before 28 November 2014.

10. DEFINITIONS

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

“2011 Circular”	the circular of the Company dated 4 November 2011 in relation to, among others, the 2012 DEC Framework Agreements and the related continuing connected transactions of the Company
“2012 DEC Framework Agreements”	the 2012 purchase and production services framework agreement, the 2012 sales and production services framework agreement, the 2012 combined ancillary services framework agreement and the 2012 properties and equipment framework lease agreements, all dated 21 October 2011 and entered into between the Company and DEC and the 2012 Financial Services Framework Agreement, details of which were set out in the 2011 Circular

“2012 Financial Services Framework Agreement”	the financial services framework agreement dated 21 October 2011 and entered into between the Company and DEC Finance in relation to the provision of financial services by DEC Finance to the Group, details of which were set out in the 2011 Circular
“2015 Combined Ancillary Services Framework Agreement”	the conditional 2015-2017 combined ancillary services framework agreement dated 30 October 2014 and entered into between the Company and DEC in relation to the mutual provision of ancillary services between the Group and the DEC Group
“2015 DEC Framework Agreements”	the Non-exempt 2015 Framework Agreements, the Exempt 2015 Framework Agreements and the 2015 Properties and Equipment Framework Lessor Agreement
“2015 Financial Services Framework Agreement”	the conditional 2015-2017 financial services framework agreement dated 30 October 2014 and entered into between the Company and DEC Finance in relation to the provision of financial services by DEC Finance to the Group
“2015 Properties and Equipment Framework Lessee Agreement”	the conditional 2015-2017 properties and equipment framework lessee agreement dated 30 October 2014 and entered into between the Company and DEC in relation to the lease of properties, production facilities and equipment by the DEC Group to the Group
“2015 Properties and Equipment Framework Lessor Agreement”	the conditional 2015-2017 properties and equipment framework lessor agreement dated 30 October 2014 and entered into between the Company and DEC in relation to the lease of properties, production facilities and equipment by the Group to the DEC Group

“2015 Purchase and Production Services Framework Agreement”	the conditional 2015-2017 purchase and production services framework agreement dated 30 October 2014 and entered into between the Company and DEC in relation to the supply of products and provision of production services by the DEC Group to the Group
“2015 Sales and Production Services Framework Agreement”	the conditional 2015-2017 sales and production services framework agreement dated 30 October 2014 and entered into between the Company and DEC in relation to the supply of products and provision of production services by the Group to the DEC Group
“A Shares”	the domestic shares of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange and traded in RMB
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Associated Shareholders”	in relation to DEC, Shareholders who are considered to be in association with it under the Shanghai Listing Rules
“Board”	the board of Directors
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
“Company”	東方電氣股份有限公司(Dongfang Electric Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability whose H Shares are listed on the Main Board of the Stock Exchange and A Shares are listed on the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules

“Continuing Connected Transactions”	the transactions contemplated under the 2015 DEC Framework Agreements which constitute continuing connected transactions of the Company within the meaning of the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“DEC”	中國東方電氣集團有限公司(Dongfang Electric Corporation), a limited liability company (wholly state-owned) established in the PRC and the controlling shareholder of the Company
“DEC Finance”	東方電氣集團財務有限公司(Dongfang Electric Finance Co., Ltd.), a non-bank finance company with limited liability established under the PRC law and a wholly-owned subsidiary of DEC
“DEC Group”	DEC and its associates (excluding members of the Group)
“Directors”	directors of the Company
“EGM”	the 2014 second extraordinary general meeting of the Company to be held at the conference room of the Company at No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province, the PRC on 23 December 2014 at 9:00 a.m. (or any adjournment thereof)for the purpose of, among others, considering the Non-exempt 2015 Framework Agreements, the 2015 Sales and Production Services Framework Agreement, the related continuing connected transactions and the related proposed annual caps
“Exempt 2015 Framework Agreements”	the 2015 Sales and Production Services Framework Agreement, the 2015 Combined Ancillary Services Framework Agreement and the 2015 Properties and Equipment Framework Lessee Agreement

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent H Shareholders in respect of the Non-exempt 2015 Framework Agreements (in the case of the 2015 Financial Services Framework Agreement, only the deposit services to be provided by DEC Finance to the Group pursuant thereto) and the related proposed annual caps
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising Mr. Zhao Chunjun, Mr. Li Yanmeng and Mr. Peng Shaobing who are the independent non-executive Directors
“Independent H Shareholders”	Holders of H share other than DEC and its associates
“Independent Shareholders”	Shareholders other than DEC and its associates
“Non-exempt 2015 Framework Agreements”	the 2015 Purchase and Production Services Framework Agreement and the 2015 Financial Services Framework Agreement

“PBOC”	中國人民銀行 (People’s Bank of China)
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“relevant ratio”	any of the five percentage ratios (other than the profits ratio and the equity capital ratio) as set out in Rule 14.07 of the Hong Kong Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Listing Rules”	上海證券交易所股票上市規則 (the Listing Rules of the Shanghai Stock Exchange)
“Shanghai Stock Exchange”	上海證券交易所 (Shanghai Stock Exchange)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	the shares of the Company, including A Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“%”	per cent.

By Order of the Board
Dongfang Electric Corporation Limited
Si Zefu
Chairman

Chengdu, Sichuan, the PRC
30 October 2014

As at the date of this announcement, the Directors are as follows:

Directors: *Si Zefu, Zhang Xiaolun, Wen Shugang,
Huang Wei, Zhu Yuanchao and Zhang Jilie*

Independent Non-executive Directors: *Li Yanmeng, Zhao Chunjun and Peng Shaobing*