哈电集团
HARBIN ELECTRIC CORPORATION

哈尔滨电气股份有限公司
HARBIN ELECTRIC COMPANY LIMITED

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

(Stock Code: 1133)

INTERIM RESULTS ANNOUNCEMENT 2012

The Board of Directors of Harbin Electric Company Limited (the "Company") is pleased to announce the operating results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012, which were prepared in accordance with accounting principles generally accepted in Hong Kong. Such operating results have not been audited but have been reviewed by Crowe Horwath (HK) CPA Limited.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	**Six months ended** **30.6.2012** ***RMB'000*** **(unaudited)**	30.6.2011 *RMB'000* (unaudited)
Revenue	*3*	**11,163,078**	14,614,477
Cost of sales		**(8,741,619)**	(12,131,566)
Gross profit		**2,421,459**	2,482,911
Other revenue and net income		**140,836**	290,685
Fair value gains/(losses) on trading securities		**86,600**	(290,800)
Distribution expenses		**(268,909)**	(258,368)
Administrative expenses	*4*	**(1,517,126)**	(1,350,659)
Other operating expenses		**(30,522)**	(58,140)
Finance costs		**(23,214)**	(30,874)
Share of profits less losses of associates		**17,075**	4,193
Profit before taxation	*6*	**826,199**	788,948
Income tax	*5*	**(131,541)**	(113,146)
Profit for the period		**694,658**	675,802

	Notes	Six months ended 30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Attributable to:			
Equity shareholders of the Company		**701,034**	577,356
Non-controlling interests		**(6,376)**	98,446
		694,658	675,802
Earnings per share			
— Basic and diluted	*8*	**RMB50.92 cents**	RMB41.93 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**694,658**	675,802
Other comprehensive income for the period, net of income tax		
Cash flow hedges	**12,127**	—
Income tax relating to component of other comprehensive income	**(1,819)**	—
	10,308	—
Total comprehensive income for the period	**704,966**	675,802
Attributable to:		
Equity shareholders of the Company	**711,342**	577,356
Non-controlling interests	**(6,376)**	98,446
	704,966	675,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	**30.6.2012** **RMB'000** **(unaudited)**	31.12.2011 *RMB'000* (audited)
Non-current assets			
Investment properties		**4,810**	4,810
Property, plant and equipment		**6,082,785**	5,799,944
Prepaid lease payments		**431,541**	433,000
Intangible assets		**246,137**	261,732
Deferred tax assets		**275,617**	277,366
Interests in associates		**562,974**	546,899
Available-for-sale investments		**96,637**	96,637
Held-to-maturity investments		**242,129**	236,085
		7,942,630	7,656,473
Current assets			
Inventories		**12,399,806**	11,616,296
Trade receivables	*9*	**14,170,448**	12,918,135
Bills receivable	*9*	**967,991**	1,052,526
Other receivables, deposits and prepayments		**4,777,583**	4,484,066
Prepaid lease payments		**12,208**	11,922
Amounts due from customers for contract work		**2,569,239**	1,849,593
Amounts due from fellow subsidiaries		**202,104**	59,929
Derivative financial instruments		**4,919**	92,641
Trading securities		**1,953,000**	2,001,530
Restricted bank deposits		**1,806**	2,506
Pledged bank deposits		**447,335**	131,155
Bank deposits		**410,178**	247,404
Cash and cash equivalents		**5,803,427**	8,271,875
		43,720,044	42,739,578

	Notes	30.6.2012 *RMB'000* (unaudited)	31.12.2011 *RMB'000* (audited)
Current liabilities			
Derivative financial instruments		**17,005**	3,730
Amounts due to customers for contract work		**2,027,360**	1,413,194
Trade payables	*10*	**15,959,760**	14,646,188
Other payables, accruals and provisions		**4,103,301**	3,934,593
Deposits received		**5,623,228**	7,483,656
Amounts due to fellow subsidiaries		**43,324**	36,266
Advance from holding company		**478**	2,785
Borrowings — due within one year		**614,104**	581,623
Tax payables		**267,628**	920,618
Obligations under finance leases — due within one year		**44,079**	—
		28,700,267	29,022,653
Net current assets		**15,019,777**	13,716,925
Total assets less current liabilities		**22,962,407**	21,373,398
Non-current liabilities			
Derivative financial instruments		**3,539**	28,941
Deposits received		**7,318,877**	6,337,141
Advance from holding company		**1,295,238**	1,169,838
Borrowings — due after one year		**1,154,029**	1,314,244
Obligations under finance leases — due after one year		**155,921**	—
		9,927,604	8,850,164
NET ASSETS		**13,034,803**	12,523,234
CAPITAL AND RESERVES			
Share capital		**1,376,806**	1,376,806
Reserves		**9,743,403**	9,224,814
Total equity attributable to equity shareholders of the Company		**11,120,209**	10,601,620
Non-controlling interests		**1,914,594**	1,921,614
TOTAL EQUITY		**13,034,803**	12,523,234

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

1. GENERAL INFORMATION

The Company was established as a joint stock company in the People's Republic of China (the "PRC") and its H shares are listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate parent company is Harbin Electric Corporation ("HE"), a state-owned enterprise established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the "Information on the Company" section of the interim report.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand unless otherwise indicated. RMB is the Company's functional and presentation currency.

These condensed consolidated financial statements are unaudited, but have been reviewed by Crowe Horwath (HK) CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The principal activities of the Company and its subsidiaries are mainly engaged in manufacturing and sales of various kinds of power equipments and provision of power station engineering services.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except as described in below.

In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2012.

Amendments to HKFRS 7	"Disclosures — Transfers of Financial Assets"
Amendments to HKAS 12	"Deferred Tax — Recovery of Underlying Assets"

The application of these amendments has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early applied any of the following new or revised standards, amendments and interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2012:

Amendments to HKFRSs	"Annual Improvements to HKFRSs 2009–2011 Cycle" [2]
Amendments to HKFRS 7	"Disclosures — Offsetting Financial Assets and Financial Liabilities" [2]
Amendments to HKFRS 7 and HKFRS 9	"Mandatory Effective Date of HKFRS 9 and Transition Disclosures" [4]
HKFRS 9	"Financial Instruments" [4]
HKFRS 10	"Consolidated Financial Statements" [2]
HKFRS 11	"Joint Arrangements" [2]
HKFRS 12	"Disclosure of Interests in Other Entities" [2]
HKFRS 13	"Fair Value Measurement" [2]
Amendments to HKAS 1	"Presentation of Items of Other Comprehensive Income" [1]
HKAS 19 (as revised in 2011)	"Employee Benefits" [2]
HKAS 27 (as revised in 2011)	"Separate Financial Statements" [2]
HKAS 28 (as revised in 2011)	"Investments in Associates and Joint Ventures" [2]
Amendments to HKAS 32	"Offsetting Financial Assets and Financial Liabilities" [3]
HK (IFRIC)-Int 20	"Stripping Costs in the Production Phase of a Surface Mine" [2]

(1) Effective for annual periods beginning on or after 1 July 2012.
(2) Effective for annual periods beginning on or after 1 January 2013.
(3) Effective for annual periods beginning on or after 1 January 2014.
(4) Effective for annual periods beginning on or after 1 January 2015.

The directors of the Group anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2012

	Main thermal power equipment *RMB'000*	Main hydro power equipment *RMB'000*	Engineering services for power stations *RMB'000*	Ancillary equipment for power stations *RMB'000*	AC/DC motors and others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE						
Revenue from external customers	**6,539,339**	**1,734,505**	**1,499,260**	**392,361**	**997,613**	**11,163,078**
Inter-segment revenue	**1,134,895**	**—**	**—**	**—**	**—**	**1,134,895**
Reportable segment revenue	**7,674,234**	**1,734,505**	**1,499,260**	**392,361**	**997,613**	**12,297,973**
Reportable segment profit	**1,439,507**	**616,806**	**111,770**	**167,603**	**112,811**	**2,448,497**
Elimination of inter-segment profits						**(27,038)**
Reportable segment profit derived from Group's external customers						**2,421,459**
Unallocated head office and corporate expenses						**(1,589,121)**
Finance costs						**(23,214)**
Share of profits less losses of associates						**17,075**
Consolidated profit before taxation						**826,199**

Six months ended 30 June 2011

	Main thermal power equipment *RMB'000*	Main hydro power equipment *RMB'000*	Engineering services for power stations *RMB'000*	Ancillary equipment for power stations *RMB'000*	AC/DC motors and others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE						
Revenue from external customers	9,938,568	1,433,150	1,752,905	413,312	1,076,542	14,614,477
Inter-segment revenue	1,043,614	—	—	—	—	1,043,614
Reportable segment revenue	10,982,182	1,433,150	1,752,905	413,312	1,076,542	15,658,091
Reportable segment profit	1,663,446	421,458	166,425	101,695	149,693	2,502,717
Elimination of inter-segment profits						(19,806)
Reportable segment profit derived from Group's external customers						2,482,911
Unallocated head office and corporate expenses						(1,667,282)
Finance costs						(30,874)
Share of profits less losses of associates						4,193
Consolidated profit before taxation						788,948

4. ADMINISTRATIVE EXPENSES

Impairment of trade receivables and bills receivable

Included in administrative expenses is the provision of impairment losses for the current period of RMB422,444,000 (six months ended 30 June 2011: RMB380,235,000), in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

5. INCOME TAX

(a) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 30 June 2012 and 2011.

(b) On 21 November 2008, the Company was named as one of the High and New Technology Enterprise (高新技術企業). According to the PRC Law on Enterprise Income Tax promulgated on 16 March 2007, the Company is entitled to a concessionary rate of Enterprise Income Tax at 15% over 3 years, beginning on 17 October 2011.

Except for certain subsidiaries which are subject to an Enterprise Income Tax rate of 15% (six months ended 30 June 2011: 15%), other subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (six months ended 30 June 2011: 25%) on its assessable profits.

(c) According to Circular Guoshuihan [2008] No. 897 "Notice on the issue about withholding Enterprise Income Tax on the dividends paid by Chinese resident enterprises to overseas non-resident enterprises H-share holders" issued by State Administration of Taxation on 6 November 2008, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the Enterprise Income Tax on the basis of 10% of the dividends. In accordance with this circular, the Company would withhold the Enterprise Income Tax with tax rate of a 10% when it pays dividends for the year of 2008 or any year thereafter to its overseas non-resident enterprise H-shares holders.

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**288,636**	241,117
Depreciation for investment properties	**—**	90
Amortisation of prepaid lease payments	**6,104**	6,012
Amortisation of intangible assets	**16,143**	5,284
Allowance against inventories	**66,483**	5,741
Interest and investment income	**(117,411)**	(174,123)
Loss/(gain) on disposal of property, plant and equipment	**1,080**	(3,399)

7. DIVIDENDS

	Six months ended	
	30.6.2012	30.6.2011
	RMB'000	*RMB'000*
Final dividends declared for 2011 of RMB0.14 per share	**192,753**	—
Final dividends declared for 2010 of RMB0.14 per share	**—**	192,753
	192,753	192,753

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: RMBNil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the period of approximately RMB701,034,000 (six months ended 30 June 2011: RMB577,356,000) and on the weighted average number of 1,376,806,000 (six months ended 30 June 2011: 1,376,806,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2012 and 2011, and diluted earnings per share is the same as basic earnings per share.

9. TRADE RECEIVABLES AND BILLS RECEIVABLE

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are periodically performed.

Trade receivables and bills receivable with aging analysis is as follows:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
Within 1 year	**7,633,453**	7,824,717
1 to 2 years	**3,932,455**	2,430,624
2 to 3 years	**1,258,502**	1,374,045
Over 3 years	**2,314,029**	2,341,275
	15,138,439	13,970,661

10. TRADE PAYABLES

Trade payables with the aging analysis is as follows:

	30.6.2012	31.12.2011
	RMB'000	*RMB'000*
Within 1 year	**13,851,706**	13,684,001
1 to 2 years	**1,177,684**	278,938
2 to 3 years	**249,700**	389,386
Over 3 years	**680,670**	293,863
	15,959,760	14,646,188

MANAGEMENT DISCUSSION AND ANALYSIS
OPERATING RESULTS

For the six months ended 30 June 2012, the Group recorded a turnover of RMB11,163.08 million from its principal business activities, a decrease of 23.62% as compared with the same period last year; and a net profit attributable to the equity shareholders of the Company of RMB701.03 million, an increase of 21.42% as compared with the same period last year. Earnings per share were RMB0.51, an increase of RMB0.09 as compared with the same period last year. Net assets at the end of the period attributable to the equity shareholders of the Company were RMB11,120.21 million, an increase of RMB518.59 million over the beginning of the year; and net assets per share were RMB8.08, an increase of RMB0.38 over the beginning of the year. The increase in profit of Group during the period was mainly attributable to the improvement in gross profit margin and the fair value gains on trading securities.

INTERIM DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2012.

BUSINESS REVIEW

In the first half of 2012, the European debt crisis has been increasingly threatening the global economy and adding its uncertainty and instability.

China's economic growth maintained at an expected rate, posting a year on year increase of 7.8% in GDP growth. The PRC government insisted upon its general direction of progress amid stability to achieve balance among stable development, structural adjustment and curbing inflation, and put more efforts on its austerity measures to ensure a steady overall economic development. In the first half of the year, the demand and supply for power in China remained stable. Power consumption across China suffered substantial decline and only recorded a year on year increase of 5.5%. Investment in power business nationwide posted a year on year increase of 2.3%, while investment in wind power and thermal power recorded a year on year decrease of 37.3% and 16.8% respectively. The proportion of investment in thermal power has been decreased by 4.7 percentage points over the same period last year. Investment in nuclear power also recorded a year on year decrease of 5.1%. The newly installed capacity nationwide has reached 25,850MW, representing a year on year decrease of 8,920MW, which was mainly attributable to the year on year decrease of 7,440MW in thermal power.

Facing with a complex and volatile economic environment and highly competitive market, the Group formulates its strategies and strives for keeping in line with the "Twelfth Five Year Plan", enhancing customer satisfaction and adjusting its structure, improving its management and execution efficiency, so as to make notable progress in all aspects, realize its goal of enhancing efficiency and maintain steady development.

NEW CONTRACTS

During the first half of the year, the value of new contracts secured by the Group amounted to RMB24.502 billion, which was approximate to that of the same period last year, in which thermal power accounted for 44.30%; hydropower accounted for 7.15%; power plant engineering services accounted for 11.01%; nuclear power accounted for 11.75%; steam power accounted for 6.50%; wind power accounted for 3.63%; and others accounted for 15.66%.

PRODUCTION AND SERVICES

The total output of the Group's power equipment during the first half of the year remained at a relatively high level, posting a year on year increase of 9.74%, among which were 30 water turbine generators with a total capacity of 3,358.65MW, representing a year on year increase of 20.01%; and 24 steam turbine generators with a total capacity of 9,195MW, representing a year on year increase of 6.41%. In addition, due to delay in construction and unstable delivery schedule of certain projects, the output of 21 steam turbines for power plants with a total capacity of 8,160MW has recorded a year on year decrease of 22.03%, while 18 utility boilers with a total capacity of 6,215MW has recorded a year on year decrease of 51.10%.

TURNOVER AND COST

As at 30 June 2012, the Group recorded a turnover of RMB11,163.08 million from its principal business activities, a decrease of 23.62% as compared with the same period last year. In particular, turnover of thermal power main equipment business was RMB6,539.34 million, a decrease of 34.20% as compared with the same period last year. Turnover of hydropower main equipment was RMB1,734.51 million, an increase of 21.03% as compared with the same period last year. Turnover of power plant engineering services was RMB1,499.26 million, a decrease of 14.47% as compared with the same period last year. Turnover of ancillary equipment for power stations was RMB392.36 million, a decrease of 5.07% as compared with the same period last year. Turnover of AC/DC motors and other products and services was RMB997.61 million, a decrease of 7.33% as compared with the same period last year.

During the period, the Group recorded a turnover of export of RMB1,710.25 million, accounting for 15.32% of the turnover of the principal business activities. The export was mainly to India and Pakistan.

During the period, the cost of the principal business activities of the Group was RMB8,741.62 million, a decrease of 27.94% as compared with the same period last year, which was higher than the decline in turnover of its principal businesses.

GROSS PROFIT AND GROSS PROFIT MARGIN

As at 30 June 2012, the Group's gross profit from its principal business activities was RMB2,421.46 million, a decrease of 2.47% as compared with the same period last year. The gross profit margin was 21.69%, an increase of 4.7 percentage points as compared with the same period last year.

Among them, the gross profit from thermal power main equipment was RMB1,412.47 million and the gross profit margin was 21.60%, an increase of 5.06 percentage points as compared with the same period last year. The gross profit from hydropower main equipment was RMB616.81 million and the gross profit margin was 35.56%, an increase of 6.15 percentage points as compared with the same period last year. The gross profit from power plant engineering services was RMB111.77 million and the gross profit margin was 7.46%, a decrease of 2.03 percentage points as compared with the same period last year. The gross profit from ancillary equipment for power stations was RMB167.60 million and the gross profit margin was 42.72%, an increase of 18.12 percentage points as compared with the same period last year. The gross profit from AC/DC motors and other products and services was RMB112.81 million and the gross profit margin was 11.31%, a decrease of 2.6 percentage points as compared with the same period last year.

EXPENSES DURING THE PERIOD

As at 30 June 2012, the Group's operational and administrative expenses amounted to RMB1,786.04 million, an increase of RMB177.01 million or 11.00% as compared with the same period last year.

ASSETS AND LIABILITIES

As at 30 June 2012, the total assets of the Group amounted to RMB51,662.67 million, an increase of RMB1,266.62 million or 2.51% over the beginning of the year, among which the current assets were RMB43,720.04 million, representing 84.63% of the total assets, and the non-current assets were RMB7,942.63 million, representing 15.37% of the total assets.

The total liabilities of the Group amounted to RMB38,627.87 million, an increase of RMB755.05 million over the beginning of the year, among which the total current liabilities were RMB28,700.27 million, representing 74.30% of the total liabilities, and the total non-current liabilities were RMB9,927.60 million, representing 25.70% of the total liabilities. As at 30 June 2012, the gearing ratio of the Group was 74.77%.

DEPOSITS AND CASH FLOW

As at 30 June 2012, the bank deposits and cash of the Group amounted to RMB6,213.61 million, a decrease of RMB2,305.67 million over the beginning of the year, among which the time deposits amounted to RMB410.18 million. During the period, net cash outflow from operating activities of the Group amounted to RMB1,675.16 million, net cash inflow from financing activities amounted to RMB185.90 million, and net cash outflow from investment activities amounted to RMB979.19 million.

FUNDING AND BORROWINGS

The Group has three major funding sources for operation and development, namely shareholder's funds, trade receivables from customers and bank borrowings. The Group arranges borrowings for each specific project. Except for some special situations, loans will be raised individually by the Group's subsidiaries. However, prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 30 June

2012, the Group's total borrowings amounted to RMB1,768.13 million, of which amount borrowed from various commercial banks and the state's policy banks with interest rates stipulated by the state amounted to RMB1,250.42 million. Among the Group's borrowings, the amount due within one year was RMB614.10 million, an increase of RMB32.48 million over the beginning of the year. The amount of the Group's borrowings due after one year was RMB1,154.03 million, a decrease of RMB160.22 million over the beginning of the year. The amounts received in advance were RMB12,942.11 million, a decrease of RMB878.69 million over the beginning of the year.

GEARING RATIO

As at 30 June 2012, gearing ratio of the Group (calculated as non-current liabilities over total shareholders' equity) was 0.89:1 as compared to 0.83:1 at the beginning of the year.

INCOME TAX

According to the provisions of Administrative Measures with regard to the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration for Taxation of the PRC on 14 April 2008 and the Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (《高新技術企業認定管理工作指引》) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 8 July 2008, the Company and its major subsidiaries were re-recognized as High and New technology enterprises, which entitles the Company to a 15% preferential income tax rate.

STAFF

As at 30 June 2012, the employees of the Group totaled at 19,874.

PROSPECTS

In the second half of 2012, the feeble recovery and depression of the global economy continues, while demand and risks coexist in the international power market. The PRC government stays alert on major conflicts and issues arising from economic development and is well poised to remain adamant on its stance of striving for steady progress. As for macro measures, the PRC government has established "optimizing energy structure, promoting environmental-friendly and efficient usage of conventional energy, steadily developing nuclear power, proactively developing hydropower and developing renewable energy in an orderly manner" as its development direction. The PRC government has also approved the "Nuclear Safety Plan (核安全規劃)" and issued the "National Strategic Emerging Industries Development Plan under the Twelfth Five Year Plan (《「十二五」國家戰略新興產業發展規劃》)". Looking ahead, it is expected that more emphasis will be placed on hydropower and the development of nuclear power will continue. At the same time, the proportion of new energy and renewable energy will continue to increase. Recently, International Energy Agency anticipated that the global power output from new energy will reach 6,400TWh with a growth of over 40% in next five years, reflecting the ample space for development of power generation equipment manufacturing enterprises.

At the backdrop of the current complicated environment, the Group will further enhance its awareness of crisis, reinforce its confidence in a proactive manner and pursue for stable development. In order to realize its annual target, the Group will adhere to its annual development direction according to the "Twelfth Five Year Plan" and focus on the following five aspects:

Firstly, develop markets with full strength and ensure sustainable development;

Secondly, enhance operating efficiency continuously and improve effectiveness gradually;

Thirdly, further adjust the organizational structure and achieve breakthroughs in bottleneck;

Fourthly, optimize the quality of the products to customers' satisfaction;

Fifthly, enhance its management and lay a solid foundation for the Company's future development.

The Board sincerely appreciates the continuous support and trust from all shareholders and the efforts of the management and all employees. I am fully confident in the Company's future development.

THE SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the total issued share capital of the Company was 1,376,806,000 shares. The shareholdings of substantial shareholders were as follows:

Name of Shareholders	Class of Shares	Number of Shares	Percentage to total share capital *(%)*	Position held
Harbin Electric Corporation	State-owned shares	701,235,000	50.93%	Long position
HKSCC Nominees Limited	H shares	651,562,597	47.32%	Long position

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN SHARE CAPITAL

As at 30 June 2012, none of the Directors, Supervisors and senior management of the Company and their associates had any interest and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

MODEL CODE

The Company, having made specific enquiry, confirms that all Directors have complied with the provisions of the Model Code set out in Appendix 10 of the Listing Rules throughout the period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

Pending litigation

In 2010, a litigation was brought against the Group's subsidiary namely, 哈爾濱電機廠(昆明)有限公司 ("Kunming Generator"), by one of its customers (the "Plaintiff") in relation to a dispute in sales transaction for a compensation of a sum of approximately RMB8.8 million. The Plaintiff was granted a freezing order by Sichuan Provincial Liangshan Yi Autonomous Prefecture Intermediate People's Court over Kunming Generator's bank deposits of RMB9 million, of which a sum of RMB4 million was subsequently released in return for a pledge of Kunming Generator's prepaid lease payment and buildings with carrying values of approximately RMB1,452,000 and RMB326,000 respectively.

In April 2011, Kunming Generator pledged its machinery with carrying amount of approximately RMB15,712,000 in exchange for a release of the abovementioned bank deposits, prepaid lease payment and buildings. The litigation is still in progress and the directors of the Company consider that the amount of the obligation cannot be measured with sufficient reliability, no provision was made for this pending litigation.

The Group did not have any other significant contingent liabilities as at the end of this interim period.

PLEDGE OF ASSETS

As at 30 June 2012, certain property, plant and equipment, prepaid lease payments and bank deposits of the Group with net carrying amount of approximately RMB6,238,000, RMB25,075,000 and RMB447,335,000 (as at 31 December 2011: RMB6,389,000, RMB25,363,000 and RMB131,155,000) respectively were pledged to secure banking facilities granted to the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has currently and at all times during the accounting period complied with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules of the Stock Exchange.

THE AUDIT COMMITTEE

The members of audit committee of the Company include Li He-jun, Liu Deng-qing and Duan Hong-yi. The Board's audit committee has reviewed these interim results.

THE AUDITOR

The Board of the Company appointed Crowe Horwath (HK) CPA Limited as the auditor for the interim period of the year 2012 according to the authority granted at the general meeting. The auditor has reviewed these interim results.

SHAREHOLDERS' MEETING

The 2011 annual general meeting of the Company was convened in Harbin, PRC on 17 May 2012 and the results of which have been published on the Hong Kong Stock Exchange website and the Company's website.

DOCUMENTS AVAILABLE FOR INSPECTION

The office of the Company is located at Block B, 39 Sandadongli Road, Xiangfang District, Harbin, the PRC, at where the Articles of Association of the Company and the original copies of the interim report and reviewed financial statements as at 30 June 2012 will be available for inspection.

By order of the Board
Harbin Electric Company Limited
LIU Zhi-quan
Company Secretary

Harbin, PRC, 16 August 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.