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REPORT OF THE DIRECTORS

To all shareholders:

The Board of Directors of Harbin Power Equipment Company Limited (the "Company") is pleased to announce the operating results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2009, 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 Yuehua CPA Limited.

OPERATING RESULTS

For the six months ended 30th June, 2009, the Group recorded a net profit of Rmb215.53 million, a decrease of 61.38% as compared with the same period last year. Earnings per share amounted to Rmb0.16, a decrease of Rmb0.25 as compared with the same period last year. Net assets at the end of the period amounted to Rmb8,248.35 million, an increase of Rmb112.27 million over the beginning of the year. Net assets per share amounted to Rmb5.99, an increase of Rmb0.08 over the beginning of the year. The decrease in profit was mainly attributable to a significant increase in the cost of products during the period, a decrease in gross profit margin and a significant increase in the provision for impairment loss on assets as compared with the same period last year, which were caused by the fact that the raw materials consumed to produce our products sold during the period were purchased in the fourth quarter of 2007 and the first half of 2008 when the prices were at their historic heights.

INTERIM DIVIDEND

The Board does not recommend an interim dividend for the period ended 30th June, 2009.

BUSINESS REVIEW

In the first half of 2009, the Chinese government proactively coped with the adverse effects on the economic development brought by the international financial crisis and overcame various difficulties one after another. As a result, the economic development in the PRC has been powerfully boosted. According to the data published by the relevant government departments, the Chinese GDP increased by 7.1% year on year from the same period last year, and the economic prospect is better than expectations.

At the same time, demand in the power equipment market was rapidly shifting to environmental, efficiency and renewable energy-oriented products. The equipments for alternative energies, such as nuclear power, wind power and so on, were in great demand, while the demand for conventional thermal power equipment declined with a relatively stronger demand from the international market.

All financial indexes of the Company for the first half -year declined to different extents due to changing market demand and an increase in raw material prices.

NEW CONTRACTS

During the first half of the year, the value of new contracts secured by the Group amounted to Rmb13.2 billion, representing a decrease of 62% as compared with the same period last year. The power equipment market has entered a period of adjustment after two years of rapid growth, and market demand declined significantly.

PRODUCTION AND SERVICES

Although the Group's production during the first half of the year remained relatively high, total output decreased slightly from the same period last year because the delivery dates of several orders were postponed. 22 utility boilers with a total capacity of 9,535MW, a decrease of 31.28% as compared with the same period last year; 31 power plant turbines with a total capacity of 11,092MW, an increase of 4.11% over the same period last year; 31 power plant turbine generators with a total capacity of 11,060MW, a decrease of 13.02% as compared with the same period last year; and 14 sets of hydropower turbine generator unit with a total capacity of 2,717.2MW, a decrease of 8.76% as compared with the same period last year, were completed during the period.

TURNOVER AND COST

For the first half of 2009, the Group recorded a turnover from principal business activities of Rmb12,842.12 million, representing a slight decrease as compared with the same period last year. In particular, turnover of thermal power main units was Rmb9,729.33 million, a decrease of 2% as compared with the same period last year; turnover of hydropower main units was Rmb819.89 million, an increase of 6.20% over the same period last year; turnover of power plant engineering and services was Rmb1,297.75 million, an increase of 1.89% over the same period last year; and turnover of power plant auxiliaries and parts was Rmb256.67 million, an increase of 19.53% over the same period last year. The turnover of AC/DC motors and other products and services was Rmb738.48 million, an increase of 10.48% over the same period last year.

During the period, the export sales of the Group amounted to Rmb1,292.96 million and accounted for 10.07% of the Group's total turnover. The major export destinations were countries in Asia and Africa.

During the period, the cost of the principal operations of the Group was Rmb11,291.58 million, an increase of 3.85% over the same period last year.

GROSS PROFIT AND PROFIT MARGIN

During the period, the Group's gross profit from its principal business activities was Rmb1,550.54 million, a decrease of 21.82% as compared with the same period last year. The profit margin was 12.07%, a decrease of 3.36 percentage points as compared with the same period last year.

Among them the gross profit from thermal power main units was Rmb1,212.59 million and the profit margin was 12.46%, a decrease of 4.08 percentage points as compared with the same period last year. The gross profit from hydro power main units was Rmb165.98 million and the profit margin was 20.24%, which remained stable against the same period last year. The gross profit from power plant engineering and services was Rmb3.91 million and the profit margin was 0.30%, a decrease of 0.63 percentage points as compared with the same period last year. The gross profit from power plant auxiliaries and parts was Rmb56.14 million and the profit margin was 21.87%, a decrease of 3.57 percentage points as compared with the same period last year. The gross profit from AC/DC motors and other products and services was Rmb111.92 million and the profit margin was 15.16%, a decrease of 2.57 percentage points as compared with the same period last year. The main reason for the decrease in the profit margin of our major products was a substantial increase in the cost of products during the period, which was detrimental to our profit margin, due to the fact that the raw materials consumed to produce our products sold during the period were purchased in the fourth quarter of 2007 and the first half of 2008 when the prices were at their historic heights.

EXPENSES DURING THE PERIOD

For the first half of the year, the Group's operational and administrative expenses amounted to Rmb1,145.53 million, a decrease of Rmb41.73 million or 3.52% as compared with the same period last year.

ASSETS AND LIABILITIES

As at 30th June 2009, the total assets of the Group amounted to Rmb51,102.89

PROSPECT

In the second half of 2009, the Chinese government will continue to put the promotion of fast yet steady economic development as the top mission in its economic policies, maintain the continuity and stability of its macroeconomic policies and consolidate the stable and rising trend of the economy.

With a accelerated pace of adjustment of the national energy consumption structure, the power equipment manufacturing enterprises will face double challenges in maintaining the stable growth in their operating results and making adjustment to their products mix.

In the second half of 2009, the Company will timely monitor market changes, deploy scientific production plans, implement dynamic control and make endeavors to satisfy the demand of its customers. The Company will continue to actively expand domestic and international markets, consolidate its traditional markets and speed up the development of new markets.

Furthermore, the Company will undertake a comprehensive internally controlled auditing project, promote the establishment of an internal control system, further strengthen its cost control, implement energy conservation and emission reduction measures, and improve its management standard and ability to mitigate risks.

In the second half of 2009 as well as the coming years, the Company will persist in improving its self-innovation ability and accelerating the adjustment to its products structure so as to meet the requirements of the national energy policies and changes in the market demand.

The Board will strive to create a supportive environment for the Company's management to lead the entire staff to fight for further growth. The Board is fully confident in this regard.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2009, the company's share capital in issue comprised 1,376,806,000 shares. The major shareholders included:

Shareholder	Share category	Number of Shares	Percentage in total share capital	Position of shares held
Harbin Electric Corporation	State-owned shares	701,235,000	50.93%	Long position
HKSCC Nominees Limited	H shares	666,458,598	48.41%	Long position

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

As at 30th June 2009, none of the Directors, Supervisors or senior management, or any of their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance).

MODEL CODE

After making enquiries to the directors, all directors have complied with the provisions of the Model Code set out in Appendix 10 of the Listing Rules during the period.

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has currently and at all time during the accounting period complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The members of the Audit Committee of the Company are Li He-jun, Ding Xue-mei and Duan Hong-yi. The Board's Audit Committee has reviewed these interim results.

AUDITORS

The Board of the Company has appointed Yuehua CPA Limited as the auditors of the Company for the interim period of the year 2009 according to the authority given at the Shareholders' General Meeting. The auditors have reviewed the interim results.

SHAREHOLDERS'S MEETING

The Company's 2008 Annual General Meeting was held on 12th June 2009 in Harbin, and the result of the meeting has been published on the websites of the Hong Kong Stock Exchange and the Company.

DOCUMENTS AVAILABLE FOR INSPECTION

The original copies of the interim report and the reviewed financial statements for the six months ended 30th June 2009 of the Company and the Articles of Association are available for inspection at Block B, 39 Sandadongli Road, Xianfang District, Harbin, the PRC.

By order of the Board
Gong Jing-kun
Chairman

Harbin, the PRC, 7th August, 2009

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
HARBIN POWER EQUIPMENT COMPANY LIMITED
(A joint stock company established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 24, which comprises the condensed consolidated statement of financial position of Harbin Power Equipment Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 30th June, 2009 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

YUEHUA CPA LIMITED
Certified Public Accountants
Hong Kong, 7th August, 2009

HENG KWOO SENG
Practising Certificate Number: P01087

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Notes	Six months ended 30.6.2009 Rmb'000 (unaudited)	30.6.2008 Rmb'000 (unaudited)
Revenue	3	**12,842,125**	12,856,702
Cost of sales	4	**(11,291,584)**	(10,873,469)
Gross profit		**1,550,541**	1,983,233
Other income		**131,730**	169,268
Distribution costs		**(127,560)**	(162,818)
Administrative expenses	4	**(1,017,970)**	(1,024,446)
Other expenses		**(78,906)**	(10,766)
Finance costs		**(82,825)**	(97,936)
Share of results of associates		**9,663**	4,821
Profit before taxation		**384,673**	861,356
Income tax expense	5	**(76,990)**	(163,821)
Profit for the period	6	**307,683**	697,535
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive income for the period		**307,683**	697,535
Profit attributable to:			
Equity holders of the parent		**215,530**	558,075
Minority interests		**92,153**	139,460
		307,683	697,535
Total comprehensive income attributable to:			
Equity holders of the parent		**215,530**	558,075
Minority interests		**92,153**	139,460
		307,683	697,535
Earnings per share – basic	8	**15.65 cents**	40.53 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30TH JUNE, 2009

	Notes	30.6.2009 Rmb'000 (unaudited)	31.12.2008 Rmb'000 (audited)
Current liabilities			
Derivative financial instrument		–	3,133
Amounts due to customers for contract work		**1,278,519**	757,056
Trade creditors	*11*	**8,632,969**	7,715,110
Other creditors and accrued charges		**1,953,836**	2,055,636
Deposits received		**16,851,437**	18,656,591
Amounts due to fellow subsidiaries		**20,520**	50,069
Advance from holding company		**13,236**	13,470
Tax payables		**204,033**	375,591
Borrowings-due within one year	*12*	**497,360**	870,704
		29,451,910	30,497,360
Net current assets		**16,702,070**	13,618,937
Total assets less current liabilities		**21,650,977**	18,469,265
CAPITAL AND RESERVES			
Share capital	*13*	**1,376,806**	1,376,806
Reserves		**6,871,544**	6,759,274
Equity attributable to equity holders of the parent		**8,248,350**	8,136,080
Minority interests		**1,523,998**	1,431,845
TOTAL EQUITY		**9,772,348**	9,567,925
Non-current liabilities			
Deposits received		**7,455,043**	5,059,506
Borrowings-due after one year	*12*	**3,882,666**	3,535,114
Advance from holding company		**540,920**	306,720
		11,878,629	8,901,340
		21,650,977	18,469,265

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Unaudited								
	Attributable to equity holders of the parent								
	Share capital *Rmb'000*	Share premium *Rmb'000*	Statutory capital reserve *Rmb'000*	Statutory surplus reserve *Rmb'000*	Other reserve *Rmb'000*	Retained profits *Rmb'000*	Total *Rmb'000*	Minority interests *Rmb'000*	Total *Rmb'000*
At 1st January, 2008	1,376,806	1,980,295	709,850	531,614	–	2,614,428	7,212,993	1,199,417	8,412,410
Total comprehensive income for the period	–	–	–	–	–	558,075	558,075	139,460	697,535
Purchase of addition interests in a subsidiary from a minority shareholder	–	–	–	–	565	2,930	3,495	(5,768)	(2,273)
Dividends *(Note 7)*	–	–	–	–	–	(125,289)	(125,289)	–	(125,289)
At 30th June, 2008	1,376,806	1,980,295	709,850	531,614	565	3,050,144	7,649,274	1,333,109	8,982,383

	Unaudited								
	Attributable to equity holders of the parent								
	Share capital ***Rmb'000***	**Share premium** ***Rmb'000***	**Statutory capital reserve** ***Rmb'000***	**Statutory surplus reserve** ***Rmb'000***	**Other reserve** ***Rmb'000***	**Retained profits** ***Rmb'000***	**Total** ***Rmb'000***	**Minority interests** ***Rmb'000***	**Total** ***Rmb'000***
At 1st January, 2009	**1,376,806**	**1,980,295**	**709,850**	**557,183**	**6,539**	**3,505,407**	**8,136,080**	**1,431,845**	**9,567,925**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**215,530**	**215,530**	**92,153**	**307,683**
Dividends ***(Note 7)***	**–**	**–**	**–**	**–**	**–**	**(103,260)**	**(103,260)**	**–**	**(103,260)**
At 30th June, 2009	**1,376,806**	**1,980,295**	**709,850**	**557,183**	**6,539**	**3,617,677**	**8,248,350**	**1,523,998**	**9,772,348**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended	
	30.6.2009	30.6.2008
	Rmb'000	*Rmb'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**1,156,779**	142,731
Net cash used in investing activities		
Purchases of property, plant and equipment	**(307,109)**	(629,811)
Other investing cash flows	**(904,471)**	440,489
	(1,211,580)	(189,322)
Net cash from/(used in) financing activities		
Increase in bank borrowings	**395,248**	6,847
Increase in other borrowings	**21,634**	–
Repayment of borrowings	**(442,674)**	(686,424)
Other financing cash flows	**151,141**	(69,065)
	125,349	(748,642)
Net increase/(decrease) in cash and cash equivalents	**70,548**	(795,233)
Cash and cash equivalents brought forward	**7,221,676**	8,681,542
Cash and cash equivalents carried forward	**7,292,224**	7,886,309
Analysis of cash and cash equivalents		
Bank balances and cash	**6,316,733**	7,446,309
Bank deposits	**975,491**	440,000
	7,292,224	7,886,309

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

1. BASIS OF PREPARATION

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 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL 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 used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1st January, 2009.

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7	Financial instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 10	Events after the Balance Sheet Date
HKAS 18	Revenue
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HK(IFRIC) – Int 9 and HKAS 39	Reassessment of Embedded Derivative
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 5 Amendments	Non-current Assets Held for Sale and Discontinued Operations – Classification of Non-current assets (or disposal groups) as held for sale[1]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]

Note

1 Effective for annual periods beginning on or after 1st July, 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Business segments

The Group operates in five major segments as follows – main thermal power equipment, main hydro power equipment, engineering services for power stations, ancillary equipment for power stations and AC/DC motors and other products.

Principal activities are as follows:

Main thermal power equipment	–	manufacture of main thermal power equipment.
Main hydro power equipment	–	manufacture of main hydro power equipment.
Engineering services	–	providing engineering services for power stations.
Ancillary equipment	–	manufacture of ancillary equipment for power stations.
AC/DC motors and others	–	manufacture of AC/DC motor and others.

Six months ended 30th June, 2009	**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*	**Eliminations** *Rmb'000*	**Consolidated** *Rmb'000*
REVENUE							
External sales	9,729,331	819,888	1,297,754	256,675	738,477	–	12,842,125
Inter-segment sales	250,868	–	–	–	86,657	(337,525)	–
Total revenue	9,980,199	819,888	1,297,754	256,675	825,134	(337,525)	12,842,125
SEGMENT RESULTS	1,212,592	165,982	3,906	56,140	111,921	–	1,550,541
Unallocated corporate expenses							(1,092,706)
Finance costs							(82,825)
Share of results of associates	–	–	–	–	9,663	–	9,663
Profit before taxation							384,673
Income tax expense							(76,990)
Profit for the period							307,683

Six months ended 30th June, 2008	Main thermal power equipment	Main hydro power equipment	Engineering services for power stations	Ancillary equipment for power stations	AC/DC motors and others	Eliminations	Consolidated
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
REVENUE							
External sales	9,927,798	772,059	1,273,676	214,744	668,425	–	12,856,702
Inter-segment sales	482,241	–	–	–	97	(482,338)	–
Total revenue	10,410,039	772,059	1,273,676	214,744	668,522	(482,338)	12,856,702
SEGMENT RESULTS	1,642,138	156,126	11,813	54,641	118,515	–	1,983,233
Unallocated corporate expenses							(1,028,762)
Finance costs							(97,936)
Share of results of associates	–	–	–	–	4,821	–	4,821
Profit before taxation							861,356
Income tax expense							(163,821)
Profit for the period							697,535

Inter-segment sales are charged at prevailing market rates.

4. COST OF SALES/ADMINISTRATIVE EXPENSE

Allowance for irrecoverable trade receivables

Included in administrative expenses is an allowance of Rmb237,755,000 (2008: Rmb139,834,000) for estimated irrecoverable trade receivables, which is determined based on the difference between the carrying amount of those receivables and the present value of estimated future cash flows from those receivables, discounted at the original effective interest rate.

Write-down of inventories to net realisable value

Included in cost of goods sold is an amount of Rmb36,600,000 (2008: Rmb14,207,000) in respect of the write-down of inventories to their estimated net realisable value.

5. INCOME TAX EXPENSE

(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 30th June, 2009.

(b) Income tax in the consolidated income statement represents the provision of PRC income tax as follows:

On 21st November, 2008, the Company was named as one of the High and New Technical Enterprise (高新技術企業). According to the PRC Law on Enterprise Income Tax promulgated on 16th March, 2007, the Company is entitled to a concessionary rate of income tax at 15% over 3 years, beginning on 1st January, 2008. The Company was subject to 15% PRC corporate income tax in 2009.

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 15% (2008: 15%).

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended	
	30.6.2009	30.6.2008
	Rmb'000	*Rmb'000*
Depreciation of property, plant and equipment	**170,156**	192,128
Depreciation of investment properties	**9,087**	8,101
Amortisation of prepaid lease payments	**4,830**	4,872
Amortisation of patents	**7,891**	7,682
Share of tax of associates (included in share of results of associates)	**2,069**	1,733
Interest and investment income	**(116,324)**	(136,049)
Gain on disposal of property, plant and equipment	**(190)**	(1,917)

7. DIVIDENDS

	Six months ended	
	30.6.2009	30.6.2008
	Rmb'000	*Rmb'000*
Final dividend declared for 2008 of Rmb0.075 per share	**103,260**	–
Final dividend declared for 2007 of Rmb0.091 per share	**–**	125,289
	103,260	125,289

The Directors do not recommend the payment of any interim dividend for the period (six months period ended 30th June, 2008: nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period of Rmb215,530,000 (six months period ended 30th June, 2008: Rmb558,075,000) and on the weighted average number of shares 1,376,806,000 (30th June, 2008: 1,376,806,000 shares).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and machinery with a carrying amount of Rmb5,519,000 for proceeds of Rmb5,709,000, resulting in a gain on disposal of Rmb190,000.

During the period, the Group spent approximately Rmb310,000,000 mainly on construction in progress and plant and machinery for production process and to upgrade its manufacturing capabilities.

10. TRADE DEBTORS

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

The following is an aged analysis of trade debtors at the balance sheet date:

	30.6.2009	31.12.2008
	Rmb'000	*Rmb'000*
Within 1 year	**6,651,028**	8,554,404
1 to 2 years	**4,910,641**	2,391,479
2 to 3 years	**810,949**	1,119,172
Over 3 years	**668,318**	289,171
	13,040,936	12,354,226

11. TRADE CREDITORS

The following is an aged analysis of trade creditors at the balance sheet date:

	30.6.2009	31.12.2008
	Rmb'000	*Rmb'000*
Within 1 year	**5,618,876**	7,039,443
1 to 2 years	**2,269,135**	470,791
2 to 3 years	**658,544**	67,951
Over 3 years	**86,414**	136,925
	8,632,969	7,715,110

12. BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately Rmb395 million and made repayment of bank borrowings in the amount of approximately Rmb443 million. The borrowings bear interest at market rate and have fixed terms of repayment. The proceeds were used for working capital of operation.

13. SHARE CAPITAL

	30.6.2009	31.12.2008
	Rmb'000	*Rmb'000*
Registered, issued and fully paid:		
State owned equity interest shares of Rmb1 each	**701,235**	701,235
H Shares of Rmb1 each	**675,571**	675,571
	1,376,806	1,376,806

Except for the currency in which dividends are paid and restrictions as to whether the shareholders can be PRC investors or foreign investors, state owned equity interest shares and H shares rank pari passu in all respects with each other.

14. CONTINGENT LIABILITIES

	30.6.2009	31.12.2008
	Rmb'000	*Rmb'000*
Guarantee given to banks and financial institutions in respect of general banking facilities granted to external parties	**5,000**	14,119

15. CAPITAL COMMITMENTS

	30.6.2009	31.12.2008
	Rmb'000	*Rmb'000*
Capital expenditure for the acquisition of property, plant and equipment and investment properties:		
– contracted for but not provided in the financial statements	**183,674**	315,838

16. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged property, plant and equipment and investment properties having a net book value of approximately Rmb244,094,000 (2008: Rmb245,814,000) to secure certain of Group's trading facilities. There is Rmb123,452,000 (2008: Rmb484,255,000) bank deposits to secure certain of Group's trading facilities during the year.

17. RELATED PARTY DISCLOSURES

(i) Transactions/balance with ultimate holding company and fellow subsidiaries

In the current period, the Group made purchases from subsidiaries of Harbin Electric Corporation ("HE") amounting to approximately Rmb60,343,000 (2008: Rmb58,210,000). At the balance sheet date, credit facilities granted by certain banks to the Company were secured by corporate guarantee given by HE.

(ii) Transactions/balance with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under HE, which is controlled by the PRC government. Apart from the transactions with HE and fellow subsidiaries disclosed in section (i) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not. Material transactions/balances with other state-controlled entities are as follows:

	Six months ended	
	30.6.2009	30.6.2008
	Rmb'000	*Rmb'000*
Trade sales	**10,858,173**	10,752,506
Trade purchases	**4,791,351**	4,738,677
Amounts due to and deposits received from other state-controlled entities	**22,172,557**	21,680,567
Amounts due from other state-controlled entities	**11,848,508**	11,935,944

INFORMATION ON THE COMPANY

REGISTERED NAME OF THE COMPANY
哈爾濱動力設備股份有限公司

ENGLISH NAME OF THE COMPANY
Harbin Power Equipment Company Limited

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Gong Jing-kun
Ma Sui

COMPANY SECRETARY
Ma Sui

AUDITORS
Yuehua CPA Limited

LEGAL ADVISORS
as to PRC Law
Haiwen Partners

as to Hong Kong Law
Richards Butler

LISTING INFORMATION
H Shares
The Stock Exchange of Hong Kong Limited
Code: 1133

DEPOSITARY
The Bank of New York

SHARE REGISTER AND TRANSFER OFFICE
Hong Kong Registrars Limited