

## INTERIM RESULTS ANNOUNCEMENT 2013

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 2013, 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 STATEMENT OF PROFIT OR LOSS

30 2013

		<b>Six months ended</b>	
		<b>30.6.2013</b>	30.6.2012
		<i>RMB'000</i>	<i>'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>	3	<b>9,468,102</b>	11,163,078
Cost of sales		<b>(7,647,119)</b>	(8,741,619)
<b>Gross profit</b>		<b>1,820,983</b>	2,421,459
Other revenue and net income		<b>116,302</b>	140,836
Fair value gains on trading securities		<b>73,500</b>	86,600
Distribution expenses		<b>(249,470)</b>	(268,909)
Administrative expenses	4	<b>(1,196,936)</b>	(1,517,126)
Other operating expenses		<b>(46,843)</b>	(30,522)
Finance costs		<b>(98,130)</b>	(23,214)
Share of profits less losses of associates		<b>14,914</b>	17,075
<b>Profit before taxation</b>	6	<b>434,320</b>	826,199
Income tax	5	<b>(81,694)</b>	(131,541)
<b>Profit for the period</b>		<b>352,626</b>	694,658

	<b>Six months ended</b>	
	<b>30.6.2013</b>	30.6.2012
	<i>RMB'000</i>	<i>'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>375,225</b>	701,034
Non-controlling interests	<b>(22,599)</b>	(6,376)
	<u><b>352,626</b></u>	<u>694,658</u>
 <b>Earnings per share</b>		
— Basic and diluted	<b>RMB27.25 cents</b>	RMB50.92 cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

30 2013

	<b>Six months ended</b>	
	<b>30.6.2013</b>	30.6.2012
	<i>RMB'000</i>	<i>'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit for the period</b>	<b>352,626</b>	694,658
<b>Other comprehensive (loss)/income for the period, net of income tax</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Cash flow hedges	<b>(2,641)</b>	12,127
Income tax relating to component of other comprehensive (loss)/income	<b>396</b>	(1,819)
	<b>(2,245)</b>	10,308
<b>Total comprehensive income for the period</b>	<b>350,381</b>	704,966
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>372,980</b>	711,342
Non-controlling interests	<b>(22,599)</b>	(6,376)
	<b>350,381</b>	704,966

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4 30 2013

	30.6.2013 <i>RMB'000</i> <b>(unaudited)</b>	31.12.2012 <i>'000</i> <b>(audited)</b>
<b>Non-current assets</b>		
Investment properties	4,448	4,629
Property, plant and equipment	6,438,122	6,412,038
Prepaid lease payments	414,858	420,946
Intangible assets	229,798	233,393
Deferred tax assets	288,634	288,542
Interests in associates	597,772	583,840
Other non-current assets	364,371	357,964
	<b>8,338,003</b>	8,301,352
<b>Current assets</b>		
Inventories	12,430,608	12,356,211
Trade receivables	15,466,254	15,286,812
Bills receivable	1,626,187	1,278,348
Other receivables, deposits and prepayments	5,791,221	4,595,063
Prepaid lease payments	12,300	12,300
Amounts due from customers for contract work	2,507,129	2,079,367
Amounts due from fellow subsidiaries	121,810	111,832
Derivative financial instruments	2,584	15,422
Trading securities	1,675,300	1,601,800
Tax recoverable	157,871	–
Restricted bank deposits	–	14,631
Pledged bank deposits	359,311	331,446
Bank deposits	361,463	472,913
Cash and cash equivalents	8,150,981	8,174,912
	<b>48,663,019</b>	46,331,057

		<b>30.6.2013</b>	31.12.2012
		<i>RMB'000</i>	<i>'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Current liabilities</b>			
Amounts due to customers for contract work		<b>1,246,990</b>	1,563,378
Trade payables	10	<b>16,830,655</b>	17,260,173
Bills payables		<b>3,303,331</b>	3,555,642
Other payables, accruals and provisions		<b>1,705,570</b>	1,655,720
Deposits received		<b>6,634,511</b>	7,238,055
Amounts due to fellow subsidiaries		<b>35,350</b>	73,953
Advance from holding company		<b>400,478</b>	400,478
Borrowings — due within one year		<b>979,437</b>	1,151,595
Tax payables		<b>186,208</b>	901,855
Obligations under finance leases — due within one year		<b>47,298</b>	36,988
		<b>31,369,828</b>	33,837,837
<b>Net current assets</b>		<b>17,293,191</b>	12,493,220
<b>Total assets less current liabilities</b>		<b>25,631,194</b>	20,794,572
<b>Non-current liabilities</b>			
Deposits received		<b>6,377,345</b>	4,655,159
Advance from holding company		<b>1,365,908</b>	1,357,108
Borrowings — due after one year		<b>900,251</b>	981,317
Obligations under finance leases — due after one year		<b>117,509</b>	136,391
Corporate bonds		<b>2,993,280</b>	—
Deferred tax liabilities		—	396
		<b>11,754,293</b>	7,130,371
<b>NET ASSETS</b>		<b>13,876,901</b>	13,664,201
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>1,376,806</b>	1,376,806
Reserves		<b>10,712,410</b>	10,477,111
Total equity attributable to equity shareholders of the Company		<b>12,089,216</b>	11,853,917
Non-controlling interests		<b>1,787,685</b>	1,810,284
<b>TOTAL EQUITY</b>		<b>13,876,901</b>	13,664,201

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 2013

## 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 of the Company is Block 3, Nangang District High Technology Production Base, Harbin, Heilongjiang, PRC.

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 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except as described in below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2013.

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

The following new and revised HKFRSs are relevant to the Group's condensed consolidated financial statements.

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosure to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The Group's "condensed consolidated income statement" and "condensed consolidated statement of comprehensive income" are renamed as "condensed consolidated statements of profit or loss" and "condensed consolidated statement of profit or loss and other comprehensive income" respectively and presentation of items of other comprehensive income has been modified accordingly.

### **HKFRS 13 Fair Value Measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim condensed consolidated financial statements. In accordance with the transitional provision of HKFRS 13, the Group has applied the new fair value measurement requirements prospectively. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The application of other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these 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 2013:

Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>(2)</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>(1)</sup>
HKFRS 9	Financial Instruments <sup>(2)</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>(1)</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>(1)</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>(1)</sup>
HK(IFRIC)-Int 21	Levies <sup>(1)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>(2)</sup> 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 2013

	Main thermal power equipment <i>RMB'000</i>	Main hydro power equipment <i>RMB'000</i>	Engineering services for power stations <i>RMB'000</i>	Ancillary equipment for power stations <i>RMB'000</i>	AC/DC motors and others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT REVENUE						
Revenue from external customers	5,690,920	1,544,989	687,966	392,151	1,152,076	9,468,102
Inter-segment revenue	775,392	-	-	-	-	775,392
Reportable segment revenue	<u>6,466,312</u>	<u>1,544,989</u>	<u>687,966</u>	<u>392,151</u>	<u>1,152,076</u>	<u>10,243,494</u>
Reportable segment profit	<u>1,051,918</u>	<u>356,656</u>	<u>154,091</u>	<u>68,337</u>	<u>189,150</u>	1,820,152
Elimination of inter-segment loss						<u>831</u>
Reportable segment profit derived from Group's external customers						1,820,983
Unallocated head office and corporate expenses						(1,303,447)
Finance -cost						



Six months ended 30 June 2012

	Main thermal power equipment '000	Main hydro power equipment '000	Engineering services for power stations '000	Ancillary equipment for power stations '000	AC/DC motors and others '000	Total '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	<u>7,674,234</u>	<u>1,734,505</u>	<u>1,499,260</u>	<u>392,361</u>	<u>997,613</u>	<u>12,297,973</u>
Reportable segment profit	<u>1,439,507</u>	<u>616,806</u>	<u>111,770</u>	<u>167,603</u>	<u>112,811</u>	2,448,497
Elimination of inter-segment (profits)						<u>(27,038)</u>
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						<u>17,075</u>
Consolidated profit before taxation						<u>826,199</u>

#### 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 RMB219,017,000 (six months ended 30 June 2012: RMB422,444,000), 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

- 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 2013 and 2012.
- 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 2012: 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 2012: 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 at a tax rate of 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):

	<b>Six months ended</b>	
	<b>30.6.2013</b>	30.6.2012
	<i>RMB'000</i>	<i>'000</i>
Depreciation of property, plant and equipment	<b>330,974</b>	288,636
Amortisation of prepaid lease payments	<b>6,088</b>	6,104
Amortisation of intangible assets	<b>17,800</b>	16,143
Allowance against inventories	<b>12,739</b>	66,483
Impairment loss on doubtful debts	<b>219,017</b>	422,444
Interest and investment income	<b>(115,716)</b>	(117,411)
(Gain)/loss on disposal of property, plant and equipment	<b>(2,905)</b>	1,080
	<u><u>                    </u></u>	<u><u>                    </u></u>

## 7. DIVIDENDS

	<b>Six months ended</b>	
	<b>30.6.2013</b>	30.6.2012
	<i>RMB'000</i>	<i>'000</i>
Final dividends declared for 2012 of RMB0.10 per share	<b>137,681</b>	–
Final dividends declared for 2011 of RMB0.14 per share	–	192,753
	<u><u>                    </u></u>	<u><u>                    </u></u>
	<b>137,681</b>	192,753

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

## 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 RMB375,225,000 (six months ended 30 June 2012: RMB701,034,000) and on the weighted average number of 1,376,806,000 (six months ended 30 June 2012: 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 2013 and 2012, 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:

	<b>30.6.2013</b> <i>RMB'000</i>	31.12.2012 <i>'000</i>
Within 1 year	<b>10,514,358</b>	9,967,661
1 to 2 years	<b>2,553,117</b>	2,871,100
2 to 3 years	<b>2,118,357</b>	1,569,410
Over 3 years	<b>1,906,609</b>	2,156,989
	<b><u>17,092,441</u></b>	<b><u>16,565,160</u></b>

## 10. TRADE PAYABLES

Trade payables with aging analysis is as follows:

	<b>30.6.2013</b> <i>RMB'000</i>	31.12.2012 <i>'000</i>
Within 1 year	<b>13,419,213</b>	14,130,384
1 to 2 years	<b>2,680,649</b>	2,471,225
2 to 3 years	<b>282,428</b>	147,336
Over 3 years	<b>448,365</b>	511,228
	<b><u>16,830,655</u></b>	<b><u>17,260,173</u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS OPERATING RESULTS**

For the six months ended 30 June 2013, the Group recorded a turnover of RMB9,468.10 million from its principal business activities, a decrease of 15.18% as compared with the same period last year. The Group recorded a net profit attributable to the equity shareholders of the Company of RMB375.23 million, a decrease of 46.48% as compared with the same period last year. Earnings per share were RMB0.27, a decrease of RMB0.24 as compared with the same period last year. Net assets attributable to the equity shareholders of the Company at the end of the period were RMB12,089.22 million, an increase of RMB235.30 million over the beginning of the year; and net assets per share were RMB8.78, an increase of RMB0.17 over the beginning of the year. The decrease in profit of Group during the period was mainly attributable to the decrease of revenue and gross profit margin.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

### **INDUSTRY DEVELOPMENT AND BUSINESS REVIEW**

In the first half of 2013, the global economy remained subdued while China's economic growth maintained at an expected rate, posting a year-on-year increase of 7.6% in GDP growth. Newly installed capacity of the power generating units in the PRC for the year was estimated to be approximately 90,000MW. According to the statistics in the supply and demand pattern analytical report for the first half of the year issued by CEC, newly installed capacity of the power generating units for the first half of the year was 32,430MW, an increase of 25.5% over the same period last year. Market demand for power generating unit witnessed a certain degree of growth, operating condition of the corporations investing in power industry was improved, but efficiency decreased in the equipment manufacturing industry. As the coal price decreased slowly, thermal power industry experienced a turnaround from the heavy loss in the past. Power equipment market showed signs of recovery.

Facing with a complex and volatile economic environment and the increasingly competitive market, in the first half of the year, the Group adhered to its goal set at the beginning of the year, with an emphasis on securing orders, honouring contracts and enhancing management. The Group also strengthened its judgment on situation and adjusted its strategy in a timely manner with careful planning and great efforts, resulted in certain progress in every aspects of its work. Major indicators have reached the expected level set out in the beginning of the year.

### **NEW CONTRACTS**

During the first half of the year, the value of new contracts secured by the Group amounted to RMB25.194 billion, slightly increasing from the same period last year, to which export contract contributed RMB10.456 billion, an increase of 41.53% from the same period last year. Among the contracts in the first half of the year, thermal power accounted for 55.07%; hydropower accounted for 2.90%; power plant engineering services accounted for 26.48%; nuclear power accounted for 0.65%; gas power accounted for 5.27%; and the others accounted for 9.63%.



## **EXPENSES FOR THE PERIOD**

As at 30 June 2013, the Group's operational and administrative expenses amounted to RMB1,446.41 million, a decrease of RMB339.63 million or 19.02% as compared with the same period last year.

## **ASSETS AND LIABILITIES**

As at 30 June 2013, the total assets of the Group amounted to RMB57,001.02 million, an increase of RMB2,368.61 million or 4.34% over the beginning of the year, among which the current assets were RMB48,663.02 million, representing 85.37% of the total assets, and the non-current assets were RMB8,338.00 million, representing 14.63% of the total assets.

The total liabilities of the Group amounted to RMB43,124.12 million, an increase of RMB2,155.91 million over the beginning of the year, among which the total current liabilities were RMB31,369.83 million, representing 72.74% of the total liabilities, and the total non-current liabilities were RMB11,754.29 million, representing 27.26% of the total liabilities. As

## **GEARING RATIO**

As at 30 June 2013, gearing ratio of the Group (calculated as non-current liabilities over total shareholders' equity) was 0.97:1 as compared to 0.60:1 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 and were entitled to a 15% preferential income tax rate.

## **STAFF**

As at 30 June 2013, the employees of the Group totaled at 19,387.

## **PROSPECTS**

In the second half of the year, the global economy will still be difficult and complicated. Domestic economy will maintain its stable growing trend. However, the economic environment will be more complex, characterized by the co-existence of economic growing momentum and downward pressure.

At the beginning of the year, in the Twelfth Five-Year Plan for Energy Development issued by the country, it is estimated that in 2015, the total installed capacity of power generated in the PRC will reach 1,490,000MW, with 960,000MW for thermal power, 290,000MW for hydro power, 40,000MW for nuclear power, 56,000MW for natural gas power, 100,000MW for wind power and 21,000MW for solar power. It also proposed the development strategy of safe and efficient development of coal-fired power, active and progressive development of hydro power, safe and efficient development of nuclear power, step-up development of wind power and other renewable energy.

Facing the existing complex situation, the Group will focus on the development trend of the domestic power industry. Its main objective is to suppress downsizing, strive for progress without compromising stability, seize the opportunities and positive action and perform the following tasks: 1. carefully analyze and respond and adopt appropriate measures to suppress downsizing; 2. make use of the advantage of the Group to increase its branding effect and actively explore the market; 3. decrease the trade receivables and inventories, save cost and improve the efficiency to enhance operating quality; 4. strengthen its principal business and pay attention to emerging industries to optimize the business structure; 5. follow the market trend, increase investment in scientific research and reinforce self-innovation; 6. control the administrative system, reasonably optimize the workflow and realize the administrative enhancement.

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 2013, the total issued share capital of the Company was 1,376,806,000 shares. The shareholdings of substantial shareholders were as follows:

<b>Name of Shareholders</b>	<b>Class of Shares</b>	<b>Number of Shares</b>	<b>Percentage to total share capital (%)</b>	<b>Position held</b>
Harbin Electric Corporation	State-owned legal person 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 2013, 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**

In the reporting period, the Group did not have any significant contingent liabilities.

## **PLEDGE OF ASSETS**

As at 30 June 2013, the Group pledged certain property, plant and equipment, prepaid lease payments and bank deposits having a net book value of approximately RMB32,465,000, RMB28,877,000 and RMB359,311,000 (at 31 December 2012: RMB6,131,000, RMB24,786,000 and RMB331,446,000) to secure the banking facilities granted to the Group.



## **CORPORATE GOVERNANCE CODE**

The Company is currently and has been at all times during the accounting period in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

## **THE AUDIT COMMITTEE**

The members of audit committee of the Company include Fan Fu-chun, Yu Bo, Liu Deng-qing and Zhang Ying-jian. The Board's audit committee has reviewed these interim results.

Crowe Horwath (HK) CPA Limited, the Group's external auditors, have carried out a review of the unaudited interim report for the six months ended 30 June 2013 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## **SHAREHOLDERS' MEETING**

The 2012 annual general meeting of the Company was held in Harbin, PRC on 10 May 2013 and the results of which have been published on the websites of Hong Kong Stock Exchange and the Company.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

The Articles of Association of the Company and the original copies of the interim report and reviewed financial statements as at 30 June 2013 will be available for inspection at the office of the Company at Block B, 39 Sandadongli Road, Xiangfang District, Harbin, the PRC.

By order of the Board  
**Harbin Electric Company Limited**  
**Gao Xu-guang**

Harbin, PRC, 23 August 2013