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(Stock Code: 01133)

INTERIM RESULTS ANNOUNCEMENT 2015

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 2015, which were prepared in accordance with accounting principles generally accepted in Hong Kong. Such operating results have not been audited but have been [redacted]

[redacted]			
Distr[redacted]			
Administ[redacted]			
Other operating [redacted]			
Finance costs			
Share of profits less losses of ass[redacted]			
Profit before taxation	*5*		
Income tax	*6*	**(135,417)**	[redacted]
Profit for the period		**6,875**	136,233

	Six months ended	
	30.6.2015	30.6.2014
	RMB'000	*'000*
	(unaudited)	(unaudited)
Attributable to:		
Equity shareholders of the Company	**96,063**	140,102
Non-controlling interests	**(89,188)**	(3,869)
	6,875	136,233
Earnings per share		
— Basic and diluted	**RMB6.98 cents**	RMB10.18 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Ł Ł Ł 30 Ł 2015

	Six months ended	
	30.6.2015	30.6.2014
	RMB'000	*'000*
	(unaudited)	(unaudited)
Profit for the period	**6,875**	136,233
Other comprehensive income/(loss) for the period, net of income tax		
Item that may be subsequently reclassified to profit or loss:		
Cash flow hedges:		
Gains/(losses) arising during the period	**183,093**	(193,207)
Less: Reclassification adjustments for amounts transferred to profit or loss	**(18,412)**	–
Income tax relating to items that may be reclassified subsequently to profit or loss	**(24,702)**	28,981
Other comprehensive income/(loss) for the period, net of income tax	**139,979**	(164,226)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 [illegible] 2015

	30.6.2015	31.12.2014
	RMB'000	*'000*
	(unaudited)	(audited)
Non-current assets		
Investment properties	**21,073**	21,701
Property, plant and equipment	**6,563,357**	6,701,041
Prepaid lease payments	**486,113**	493,517
Intangible assets	**188,117**	200,333
Deferred tax assets	**324,908**	349,580
Interests in associates	**245,193**	242,769
Other non-current assets	**61,291**	49,292
	7,890,052	8,058,233
Current assets		
Inventories	**15,052,379**	15,471,226
Trade receivables	**11,440,442**	12,567,552
Bills receivable	**1,886,485**	2,144,792
Discounted bills and loans receivable	**19,550**	19,550
Other receivables, deposits and prepayments	**6,582,961**	5,627,510
Prepaid lease payments	**14,275**	14,009
Amounts due from customers for contract work	**1,320,932**	1,263,968
Amounts due from fellow subsidiaries	**555,095**	336,530
Trading securities	**–**	1,909,300
Tax recoverable	**165,179**	87,548
Restricted and pledged bank deposits	**259,084**	339,540
Deposits with central bank	**738,016**	710,781
Bank deposits	**5,705,000**	2,086,312
Cash and cash equivalents	**8,138,020**	11,557,109
	51,877,418	54,135,727

		30.6.2015	31.12.2014
		RMB'000	*'000*
		(unaudited)	(audited)
Current liabilities			
Amounts due to customers for contract work		**2,901,665**	2,219,009
Derivative financial instruments		**37,860**	139,410
Trade payables	*10*	**13,559,924**	13,997,053
Bills payable	*10*	**3,883,501**	4,162,470
Other payables, accruals and provisions		**1,352,494**	1,304,964
Deposits received		**6,803,436**	7,701,437
Amounts due to fellow subsidiaries		**44,455**	57,734
Advance from holding company		**1,895,196**	1,854,550
Customers' deposits		**1,049,860**	796,680
Bank borrowings		**1,110,094**	1,105,704
Tax payables		**225,770**	347,831
Obligations under finance leases			
— due within one year		**43,061**	41,733
		32,907,316	33,728,575
Net current assets		**18,970,102**	20,407,152
Total assets less current liabilities		**26,860,154**	28,465,385
Non-current liabilities			
Derivative financial instruments		**72,345**	153,889
Deposits received		**8,940,361**	10,527,167
Advance from holding company		**3,500**	3,500
Bank borrowings		**74,450**	74,450
Obligations under finance leases			
— due after one year		**33,691**	55,597
Corporate bonds		**2,995,320**	2,994,443
Other non-current liabilities		**664,648**	676,223
		12,784,315	14,485,269
NET ASSETS		**14,075,839**	13,980,116
CAPITAL AND RESERVES			
Share capital		**1,376,806**	1,376,806
Reserves		**11,459,911**	11,274,130
Total equity attributable to equity shareholders of the Company		**12,836,717**	12,650,936
Non-controlling interests		**1,239,122**	1,329,180
TOTAL EQUITY		**14,075,839**	13,980,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 [illegible] 2015

1. GENERAL INFORMATION

The Company was established as a joint stock company in the People's Republic of China (the "PRC") and

3. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the directors of the Company, the Group's chief operating decision maker, for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Main thermal power equipment — manufacturing of main thermal power equipment.
- Main hydro power equipment — manufacturing of main hydro power equipment.
- Engineering services for power stations — provision of engineering services for power stations.
- Ancillary equipment for power stations — manufacturing of ancillary equipment for power stations.
- AC/DC motors and others — manufacturing of AC/DC motor and others.

(a) Segment results, assets and liabilities

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 2015

	Main thermal power equipment *RMB'000* **(unaudited)**	**Main hydro power equipment** *RMB'000* **(unaudited)**	**Engineering services for power stations** *RMB'000* **(unaudited)**	**Ancillary equipment for power stations** *RMB'000* **(unaudited)**	**AC/DC motors and others** *RMB'000* **(unaudited)**	**Total** *RMB'000* **(unaudited)**
SEGMENT REVENUE						
Revenue from external customers	**5,933,973**	**1,322,456**	**2,758,919**	**838,242**	**962,319**	**11,815,909**
Inter-segment revenue	**1,032,471**	**–**	**–**	**–**	**–**	**1,032,471**
Reportable segment revenue	**6,966,444**	**1,322,456**	**2,758,919**	**838,242**	**962,319**	**12,848,380**
Reportable segment profit	**952,906**	**102,968**	**103,690**	**86,047**	**63,523**	**1,309,134**

Six months ended 30 June 2014

	Main thermal power equipment *'000* (unaudited)	Main hydro power equipment *'000* (unaudited)	Engineering services for power stations *'000* (unaudited)	Ancillary equipment for power stations *'000* (unaudited)	AC/DC motors and others *'000* (unaudited)	Total *'000* (unaudited)
SEGMENT REVENUE						
Revenue from external customers	6,032,904	1,648,613	1,825,361	786,879	1,096,485	11,390,242
Inter-segment revenue	901,684	–	–	–	–	901,684
Reportable segment revenue	6,934,588	1,648,613	1,825,361	786,879	1,096,485	12,291,926
Reportable segment profit	1,041,856	417,068	133,034	142,273	95,507	1,829,738

	30.6.2015	31.12.2014
	RMB'000	*'000*
	(unaudited)	(audited)
SEGMENT ASSETS		
Main thermal power equipment	**31,986,333**	31,971,154
Main hydro power equipment	**5,284,494**	5,226,341
Engineering services for power stations	**2,675,953**	2,710,586
Ancillary equipment for power stations	**2,644,123**	3,050,889
AC/DC motor and others	**3,645,112**	5,534,629
Reportable segment assets	**46,236,015**	48,493,599

	30.6.2015	31.12.2014
	RMB'000	*'000*
	(unaudited)	(audited)
SEGMENT LIABILITIES		
Main thermal power equipment	**27,160,502**	27,755,381
Main hydro power equipment	**4,051,145**	4,298,796
Engineering services for power stations	**4,651,725**	4,317,490
Ancillary equipment for power stations	**2,630,881**	2,919,926
AC/DC motor and others	**2,430,167**	4,408,274
Reportable segment liabilities	**40,924,420**	43,699,867

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended	
	30.6.2015	30.6.2014
	RMB'000	*'000*
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue	**12,848,380**	12,291,926
Elimination of inter-segment revenue	**(1,032,471)**	(901,684)
Consolidated turnover	**11,815,909**	11,390,242
Profit		
Reportable segment profit	**1,309,134**	1,829,738
Elimination of inter-segment losses	**22,735**	1,850
Reportable segment profit derived from Group's external customers	**1,331,869**	1,831,588
Share of profits less losses of associates	**4,146**	9,321
Interest income	**253,492**	179,104
PRC government subsidies	**9,643**	1,928
Fair value gains/(losses) on trading securities	**261,252**	(137,800)
Fair value gain — cash flow hedge (transfer from equity)	**18,412**	–
Finance costs	**(156,979)**	(149,491)
Unallocated other revenue and net income	**56,238**	56,200
Unallocated head office and corporate expenses	**(1,635,781)**	(1,567,884)
Consolidated profit before taxation	**142,292**	222,966

	30.6.2015	31.12.2014
	RMB'000	*'000*
	(unaudited)	(audited)
Assets		
Reportable segment assets	**46,236,015**	48,493,599
Elimination of inter-segment receivables	**(4,701,744)**	(5,020,546)
	41,534,271	43,473,053
Interests in associates	**245,193**	242,769
Deferred tax assets	**324,908**	349,580
Other non-current assets	**61,291**	49,292
Trading securities	**–**	1,909,300
Restricted and pledged bank deposits	**259,084**	339,540
Bank deposits	**5,705,000**	2,086,312
Deposits with central bank	**738,016**	710,781
Cash and cash equivalents	**8,138,020**	11,557,109
Unallocated head office and corporate assets	**2,761,687**	1,476,224
Consolidated total assets	**59,767,470**	62,193,960
Liabilities		
Reportable segment liabilities	**40,924,420**	43,699,867
Elimination of inter-segment payables	**(4,701,744)**	(5,020,546)
	36,222,676	38,679,321
Income tax payables	**41,897**	108,423
Derivative financial instruments	**110,205**	293,299
Advance from holding company	**1,898,696**	1,858,050
Bank borrowings	**1,184,544**	1,180,154
Other non-current liabilities	**664,648**	676,223
Obligations under finance leases	**76,752**	97,330
Corporate bonds	**2,995,320**	2,994,443
Unallocated head office and corporate liabilities	**2,496,893**	2,326,601
Consolidated total liabilities	**45,691,631**	48,213,844

4. ADMINISTRATIVE EXPENSES

Impairment of trade, bills and other receivables

Included in administrative expenses is the provision of impairment losses for the current period of RMB413,484,000 (six months ended 30 June 2014: RMB279,437,000), in respect of trade, bills and other receivables 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, bills and other receivables directly.

5. PROFIT BEFORE TAXATION

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

	Six months ended	
	30.6.2015	30.6.2014
	RMB'000	*'000*
	(unaudited)	(unaudited)
Depreciation for property, plant and equipment	**351,540**	343,247
Amortisation of prepaid lease payments	**7,138**	5,847
Amortisation of intangible assets	**14,324**	14,423
(Reversal of)/allowance against inventories	**(9,193)**	26,917
Allowance for doubtful debts	**413,484**	279,437
Interest and investment income	**(99,402)**	(90,651)
Interest income from Finance Company	**(181,523)**	(115,640)
(Gains)/losses on disposal of property, plant and equipment	**(9,278)**	333
Fair value (gains)/losses on trading securities	**(261,252)**	137,800

6. 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 2015 and 2014.

(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 5 August 2014.

Except for certain subsidiaries which are subject to an Enterprise Income Tax rate of 15% (six months ended 30 June 2014: 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 2014: 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 [illegible]

7. DIVIDENDS

	Six months ended	
	30.6.2015	30.6.2014
	RMB'000	*'000*
	(unaudited)	(unaudited)
Final dividends declared for 2014 of RMB0.04 per share	**55,072**	–
Final dividends declared for 2013 of RMB0.08 per share	**–**	110,144
	55,072	110,144

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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 RMB96,063,000 (six months ended 30 June 2014: RMB140,102,000) and on the weighted average number of 1,376,806,000 (six months ended 30 June 2014: 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 2015 and 2014, 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:

	30.6.2015	31.12.2014
	RMB'000	*'000*
	(unaudited)	(audited)
Within 1 year	**8,009,107**	8,955,086
1 to 2 years	**1,981,261**	2,731,996
2 to 3 years	**1,913,241**	1,415,246
Over 3 years	**1,423,318**	1,610,016
	13,326,927	14,712,344

10. TRADE PAYABLES AND BILLS PAYABLE

Trade payables and bills payable with the aging analysis are as follows:

	30.6.2015	31.12.2014
	RMB'000	*'000*
	(unaudited)	(audited)
Within 1 year	**15,102,194**	15,490,004
1 to 2 years	**1,065,284**	1,632,085
2 to 3 years	**790,310**	532,491
Over 3 years	**485,637**	504,943
	17,443,425	18,159,523

OPERATING RESULTS

For the six months ended 30 June 2015, the Group recorded a turnover of RMB11,815.91 million from its principal business activities, an increase of 3.74% as compared with the same period last year. The Group recorded a net profit attributable to the equity shareholders of the Company of RMB96.06 million, a decrease of 31.43% as compared with the same period last year. Earnings per share were RMB0.07, a decrease of RMB0.03 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 RMB12,836.72 million, an increase of RMB185.78 million over the beginning of the period; and net assets per share were RMB9.32, an increase of RMB0.13 over the beginning of the period. The decrease in profit of Group during the period was mainly attributable to keen competition within the market and decrease in product prices, resulting in a substantial decrease in gross profit margin.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

During the first half of the year, facing complications from both the international and domestic fronts, China's national economy stayed within the reasonable range, where major indices gradually recover, and returned to a slow but steady and healthy growth, whereas the GDP went up by 7.0% as compared to the same period last year. According to the statistics of China Electricity Council, during the first half of the year, newly installed capacity of power generating units of the nationwide infrastructure reached 43,380MW, of which the installed capacity of non-fossil fuel generating units accounted for 46.7%. By the end of June, the installed capacity of 6,000KW or above power generating units nationwide was 1,360,000MW, representing an increase of 8.7% as compared to the same period last year, and the consolidated capacity of power generating units approached 1,400,000MW. Impacted by the slowdown of electricity demand, the supply surplus, as well as the rapid growth in non-fossil fuel power generating peak load, the capacity of thermal power generation decreased by 3.2% as compared to the same period last year, and recorded a negative growth for twelve consecutive months since July 2014; investments in hydro power generation was half of that in the same period in 2012 (the period when most of the investments in hydro power were

finalized); the nuclear generation business entered into large scale production, where the generating capacity of nuclear power increased rapidly; the wind power grid-connected installed capacity reached 100,000MW, and the solar power grid-connected installed capacity also increased rapidly. As the domestic economy development enters into new normal, the electricity consumption shall shift gear from a rapid growth rate to medium or even slow-to-medium growth rate.

In the face of harsher market environment and difficult tasks of production operations, during the first half of the year, the Group focused on the three major battlegrounds in terms of the market, quality and efficiency, and united all our work forces to overcome any challenges, resulting in a relatively smooth production operation. Meanwhile, the Group put full efforts in reforms and adjustments, and strengthened the cooperation with renowned international companies in pursue of the development in fuel-fired power generating business; and implemented the eco-friendly business integration, which enhanced the Group's competitive power within the green industry.

NEW CONTRACTS

During the first half of the year, the value of new contracts secured by the Group amounted to RMB11.061 billion, a decrease of 54.97% from the same period last year, to which export contract contributed RMB1.559 billion, a decrease of 83.39% from the same period last year. Among the contracts in the first half of the year, thermal power accounted for 64.88%; hydropower accounted for 15.94%; nuclear power accounted for 1.19%; and the others accounted for 17.99%.

PRODUCTION AND SERVICES

The total capacity of the Group's power equipment produced during the first half of the year was 10,148.4MW, a decrease of 18.41% as compared with the same period last year, among which 1,928.4MW were generated by 50 water turbine generators, representing a decrease of 30.03% as compared with the same period last year; 8,220MW were generated by 18 steam turbine generators, representing a decrease of 15% as compared with the same period last year; 6,075MW were generated by 16 utility boilers, representing an increase of 96.60% as compared with the same period last year; while 6,690MW were generated by 18 steam turbines for power plants, representing a decrease of 7.26% as compared with the same period last year.

TURNOVER AND COST

As at 30 June 2015, the Group recorded a turnover of RMB11,815.91 million from its principal business activities, an increase of 3.74% as compared with the same period last year. In particular, turnover of main thermal power equipment was RMB5,182.81 million, a decrease of 4.05% as compared with the same period last year. Turnover of nuclear power equipment was RMB751.17 million, an increase of 18.96% as compared with the same period

last year. Turnover of main hydropower equipment was RMB1,322.46 million, a decrease of 19.78% as compared with the same period last year. Turnover of engineering services for power stations was RMB2,758.92 million, an increase of 51.14% as compared with the same period last year. Turnover of ancillary equipment for power stations was RMB838.24 million, an increase of 6.53% as compared with the same period last year. Turnover of AC/DC motors and other products and services was RMB962.32 million, a decrease of 12.24% as compared with the same period last year.

During the period, the Group recorded an export turnover of RMB2,815.00 million, accounting for 23.82% of the turnover of the principal business activities. The exports were mainly to Turkey, Indonesia and Ecuador, among which exports to Europe accounted for 35.15% of the export turnover, exports to Asia accounted for 32.14% of the export turnover, whereas Southern America accounted for 25.76% of the export turnover.

During the period, the cost of the principal business activities of the Group was RMB10,484.04 million, an increase of 9.68% as compared with the same period last year, which is mainly attributable to the growth of scale of operation and the increase in project costs.

GROSS PROFIT AND GROSS PROFIT MARGIN

As at 30 June 2015, the Group's gross profit from its principal business activities was RMB1,331.87 million, a decrease of 27.28% as compared with the same period last year. The gross profit margin was 11.27%, a decrease of 4.81 percentage points as compared with the same period last year, which was mainly attributable to keen competition within the market and decrease in product prices.

Among them, the gross profit from main thermal power equipment was RMB908.35 million and the gross profit margin was 17.53%, a decrease of 0.73 percentage points as compared with the same period last year. The gross profit from nuclear power equipment was RMB67.29 million and the gross profit margin was 8.96%, a decrease of 0.18 percentage points as compared with the same period last year. The gross profit from main hydropower equipment was RMB102.97 million and the gross profit margin was 7.79%, a decrease of 17.51 percentage points as compared with the same period last year. The gross profit from engineering services for power stations was RMB103.69 million and the gross profit margin was 3.76%, a decrease of 3.53 percentage points as compared with the same period last year. The gross profit from ancillary equipment for power stations was RMB86.05 million and the gross profit margin was 10.27%, a decrease of 7.81 percentage points as compared with the same period last year. The gross profit from AC/DC motors and other products and services was RMB63.52 million and the gross profit margin was 6.60%, a decrease of 2.11 percentage points as compared with the same period last year.

EXPENSES FOR THE PERIOD

As at 30 June 2015, the Group's operational and administrative expenses amounted to RMB1,552.64 million, an increase of RMB27.23 million or 1.79% as compared with the same period last year, which is mainly attributable to the increase in provisions.

ASSETS AND LIABILITIES

As at 30 June 2015, the total assets of the Group amounted to RMB59,767.47 million, a decrease of RMB2,426.49 million or 3.90% over the beginning of the period, among which the current assets were RMB51,877.42 million, representing 86.80% of the total assets, and the non-current assets were RMB7,890.05 million, representing 13.20% of the total assets.

The total liabilities of the Group amounted to RMB45,691.63 million, a decrease of RMB2,522.21 million or 5.23% over the beginning of the period, among which the total current liabilities were RMB32,907.32 million, representing 72.02% of the total liabilities, and the total non-current liabilities were RMB12,784.31 million, representing 27.98% of the total liabilities. As at 30 June 2015, the gearing ratio of the Group was 76.45%.

INVESTMENTS IN LISTED SHARES

During the reporting period, the Company disposed of all of its investments in equity shares in Datang International Power Generation Co., Ltd., GD Power Development Co., Ltd. and Inner Mongolia MengDian HuaNeng Thermal Power Corporation Limited.

DEPOSITS AND CASH FLOW

As at 30 June 2015, the bank deposits and cash of the Group amounted to RMB13,843.02 million, an increase of RMB199.60 million over the beginning of the period, among which the time deposits amounted to RMB5,705.00 million. During the period, net cash outflow from operating activities of the Group amounted to RMB295.22 million, net cash outflow from investing activities amounted to RMB3,147.35 million, and net cash inflow from financing activities amounted to RMB23.48 million.

FUNDING AND BORROWINGS

The Group currently has four funding sources for operation and development, namely shareholder's funds, trade receivables from customers, bank borrowings and corporate bonds. 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 2015, the Group's total borrowings amounted to RMB1,184.54 million, all of which amounts were borrowed from various commercial banks and the state's policy banks with interest rates stipulated by the state. Among the borrowings, the amount due within one year was RMB1,110.09 million, an increase of RMB4.39 million over the beginning of the period. The amount of the Group's borrowings due after one year was RMB74.45 million, same as the beginning of the period. The amounts received in advance were RMB15,743.80 million, a decrease of RMB2,484.81 million over the beginning of the period.

GEARING RATIO

As at 30 June 2015, gearing ratio of the Group (calculated as non-current liabilities over total shareholders' equity) was 1.00:1 as compared to 1.14:1 at the beginning of the period.

TAX POLICIES

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, corporations including the Company and five of its subsidiaries, namely Harbin Electrical Machinery Company Limited, Harbin Boiler Company Limited, Harbin Turbine Company Limited, Harbin Electric Power Equipment Company Limited and HE Harbin Power Plant Valve Company Limited were re-recognised as High and New Technology Enterprises, which entitles the companies to a 15% preferential income tax rate.

In accordance with regulations of the State Administration of Taxation, the rate for tax rebate applicable to the Group's new export products contracts is 13% with effective from 15 October 2003.

Pursuant to the Implementation Measures of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), the Group is included in the general framework of the value-added tax system reform, which allows the Group to deduct the value-added tax incurred for the purchase of equipment.

Under the Opinions of Central Committee of the Communist Party of China and the State Council on the Revitalization Strategies for Historical Industrial Bases of the Northeast Regions (《中共中央、國務院關於實施東北地區等老工業基地振興戰略的若干意見》), the Group will continue to enjoy the relevant favorable policies in supporting such revitalization for historical industrial bases of the northeast regions.

STAFF

As at 30 June 2015, the employees of the Group totaled at 19,169.

PROSPECTS

Presently, China's economic development has entered into the new normal module, with a larger pressure of economic downturn and an obvious structural struggle in terms of lack of new motivators of economic growth and weakening of existing economic drives. With adequate domestic supply of electricity, and shall steadily transform to green electricity, whereas the traditional thermal power generation industry shall transform into a highly efficient and clean utility, and the upgrading and conversion business of power generating equipment shall face better development opportunities; the proportion of non-fossil installed generators shall further increase, creating both opportunities and challenges for the power equipment manufacturing industry; at the same time, the State has introduced the "One Belt and One Road" strategic notion, creating new possibilities for overseas market development.

As the lowering of product prices in recent years still cast a negative impact on the performance of the Group, the Group faces downturn pressure even though its scale indices have achieved the "over half" target during the first half of the year. Facing harsher environment and keen market competition, the Group shall further implement the work arrangements set in the beginning of the year, and focus on the follow aspects: firstly, the Group shall endeavor to win the three battlegrounds in terms of "market, quality and efficiency"; secondly, the Group shall put efforts in the structural adjustments within the industry, which shall emphasis on gas and nuclear power; thirdly, the Group shall leverage on its advantages as an international engineering company, and strive to develop the international market; fourthly, the Group shall backtrack on its problems when implementing reformation, thus enhance its management standards. The Group shall put its full force behind the implementation of its plans, tighten its management, as well as putting its efforts in pursue of reforms and innovations, so as to further the sustainable and healthy development of the corporation.

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 2015, 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 legal person shares	701,235,000	50.93%	Long position
HKSCC Nominees Limited	H shares	629,576,597	45.73%	Long position

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

As at 30 June 2015, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules throughout the period.

PURCHASE, SALE OR 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

As at the end of the interim period, the Group has four pending litigations, details of which are also set out in note 19 of the interim report.

(i) In 2013, a litigation was brought against the Group's subsidiary, namely Harbin Electrical Machinery Company Limited, by one of its suppliers ("Plaintiff 1") in relation to a dispute in a purchase transaction and claiming for an amount of approximately RMB1,542,000 and default interest of approximately RMB2,864,000 in respect of the delayed payment.

Harbin Electrical Machinery Company Limited has filed a counter-claim for an amount of approximately RMB3,583,000 against Plaintiff 1 for the costs suffered due to the delay in the delivery of the goods and the repairs and maintenance costs incurred for the defected goods.

Plaintiff 1 was granted a freezing order by Henan Provincial Xinxiang City Intermediate People's Court over Harbin Electrical Machinery Company Limited's bank deposits of approximately RMB2,500,000.

In 2014, Henan Provincial Xinxiang City Hongqi District People's Court held that Harbin Electrical Machinery Company Limited was liable to pay the purchase amounts of an aggregate of RMB1,500,000 and the interests on overdue payments (calculated according to the bank's lending rate over the same period) to Plaintiff 1. Subsequently, Harbin Electrical Machinery Company Limited made an application to appeal against the decision.

In 2015, Henan Provincial Xinxiang City Intermediate People's Court held the previous decision that Harbin Electrical Machinery Company Limited was liable to pay the purchase amounts of an aggregate of RMB1,500,000 and the interests on overdue payments to Plaintiff 1 and hence the freezing order of approximately RMB2,500,000 was transferred to the Court.

Subsequently in July 2015, Harbin Electrical Machinery Company Limited made a further application to appeal against the decision.

The dispute has not been finalised and no opinion is possible at this time as to likelihood of the outcome of the case. The directors of the Company considered that no further provision is required.

(ii) In 2014, a litigation was brought against the Group's subsidiary, namely Harbin Electric Power Equipment Company Limited, by one of its suppliers ("Plaintiff 2") in relation to a dispute in a purchase transaction claiming for an amount of approximately RMB1,571,000 and default interest of RMB10,000 in respect of the delayed payment. The purchase amount of RMB1,571,000 had been accrued by Harbin Electric Power Equipment Company Limited in 2014.

Subsequently in July 2015, Heilongjiang Province Harbin City People's Court held that Harbin Electric Power Equipment Company Limited was liable to pay the purchase amounts of an aggregate of RMB1,571,000 to Plaintiff 2 and Plaintiff 2 was liable to pay the late delivery penalty amounts of approximately RMB96,000 (calculated at 1.5 times to the bank's lending rate over the same period) to Harbin Electric Power Equipment Company Limited. The resulting net amount of approximately RMB1,475,000 had been paid to Plaintiff 2 accordingly and the directors of Harbin Electric Power Equipment Company Limited considered that the case was settled.

(iii) In 2014, 5 litigations were brought against the Group's subsidiary, namely Harbin Power Equipment National Engineering Research Centre Co., Ltd., by one of its suppliers ("Plaintiff 3") in relation to disputes in several purchase transactions claiming for an aggregate amount of approximately RMB2,798,000 in respect of the delayed payment.

Plaintiff 3 was granted freezing orders by Henan Provincial Xixia County People's Court over the bank deposit of Harbin Power Equipment National Engineering Research Centre Co., Ltd. amounting to approximately RMB2,797,000.

The purchase amounts of RMB2,094,000 had been accrued by Harbin Power Equipment National Engineering Research Centre Co., Ltd. in 2014.

The dispute has not been finalised and no opinion is possible at this time as to likelihood of the outcome of the case. The directors of the Company considered that no further provision is required.

(iv) During the year 2014, the Group's subsidiary, Harbin Power Equipment National Engineering Research Centre Co., Ltd., was involved in a legal dispute witCenineerin5orin5onne

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 and Corporate Governance Report contained in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. In respect of the diversification of the members of Board, the Company understands a diversified board is beneficial for the Company to improve its performance. When determining the composition of the Board, the Company will consider board diversity from different point of view, including (but not limited to) age, educational background, professional experience, expertise and skills etc.

THE AUDIT COMMITTEE

The members of audit committee of the Company include Liu Deng-qing, Yu Bo and Yu Wen-xing. 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 2015 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 2014 annual general meeting of the Company was held in Harbin, PRC on 15 May 2015, whereas the extraordinary general meeting, the H shares class meeting and the domestic shares class meeting of the Company were held in Harbin, PRC on 28 August 2015, 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 2015 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
Zou Lei
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Harbin, PRC, 28 August 2015

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