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REPORT OF THE DIRECTORS

To all shareholders:

The Board of Directors of the Company has pleasure in announcing the results of the Company's operations for the period ended 30 June 2010, together with the audited financial statements for the period. The financial statements are set out on pages 10 to 15 of the Annual Report. The financial statements have been audited by the auditors, Messrs. PricewaterhouseCoopers Chartered Accountants, who have issued their audit report on the financial statements on 27 July 2010. The financial statements are available on the Company's website at www.hkair.com.

OPERATING RESULTS

For the period ended 30 June 2010, the Group's operating results are as follows:

	2010	2009
Operating profit	446.66	107.24
Operating profit as a percentage of revenue	0.32	0.16
Operating profit per share	9,059.94	420.92
Operating profit per share as a percentage of revenue	0.31	0.16

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.05 per share for the period ended 30 June 2010.

BUSINESS REVIEW

In the first half of 2010, China's GDP grew 11.1% year on year. The Chinese economy has been recovering from the impact of the global financial crisis. The Chinese government has implemented a series of measures to stimulate the economy, including increasing government spending and cutting taxes. The Chinese government has also implemented a series of measures to improve the business environment, including reducing the cost of doing business and improving the efficiency of government services. The Chinese government has also implemented a series of measures to improve the quality of life, including increasing investment in education and healthcare. The Chinese government has also implemented a series of measures to improve the environment, including increasing investment in renewable energy and reducing carbon emissions. The Chinese government has also implemented a series of measures to improve the legal system, including increasing the independence of the judiciary and strengthening the rule of law. The Chinese government has also implemented a series of measures to improve the social system, including increasing investment in social welfare and improving the quality of public services. The Chinese government has also implemented a series of measures to improve the international relations, including increasing cooperation with other countries and participating in international organizations. The Chinese government has also implemented a series of measures to improve the military, including increasing investment in defense and modernizing the military equipment. The Chinese government has also implemented a series of measures to improve the culture, including increasing investment in cultural heritage and promoting Chinese culture. The Chinese government has also implemented a series of measures to improve the science and technology, including increasing investment in research and development and promoting innovation. The Chinese government has also implemented a series of measures to improve the sports, including increasing investment in sports facilities and promoting sports. The Chinese government has also implemented a series of measures to improve the tourism, including increasing investment in tourism infrastructure and promoting tourism. The Chinese government has also implemented a series of measures to improve the education, including increasing investment in education and promoting quality education. The Chinese government has also implemented a series of measures to improve the healthcare, including increasing investment in healthcare and promoting quality healthcare. The Chinese government has also implemented a series of measures to improve the environment, including increasing investment in environmental protection and promoting sustainable development. The Chinese government has also implemented a series of measures to improve the legal system, including increasing the independence of the judiciary and strengthening the rule of law. The Chinese government has also implemented a series of measures to improve the social system, including increasing investment in social welfare and improving the quality of public services. The Chinese government has also implemented a series of measures to improve the international relations, including increasing cooperation with other countries and participating in international organizations. The Chinese government has also implemented a series of measures to improve the military, including increasing investment in defense and modernizing the military equipment. The Chinese government has also implemented a series of measures to improve the culture, including increasing investment in cultural heritage and promoting Chinese culture. The Chinese government has also implemented a series of measures to improve the science and technology, including increasing investment in research and development and promoting innovation. The Chinese government has also implemented a series of measures to improve the sports, including increasing investment in sports facilities and promoting sports. The Chinese government has also implemented a series of measures to improve the tourism, including increasing investment in tourism infrastructure and promoting tourism. The Chinese government has also implemented a series of measures to improve the education, including increasing investment in education and promoting quality education. The Chinese government has also implemented a series of measures to improve the healthcare, including increasing investment in healthcare and promoting quality healthcare. The Chinese government has also implemented a series of measures to improve the environment, including increasing investment in environmental protection and promoting sustainable development.

Dollars, net of freight charges of \$2,272.65
 as accrued for 15.64% freight charges. The
 net amount received is \$12,569.53.

Dollars, net of freight charges of \$12,569.53,
 as accrued for 11.32% freight charges.
 The net amount received is \$11,142.44.

GROSS PROFIT AND GROSS PROFIT MARGIN

Dollars, net of freight charges of \$1,959.79,
 as accrued for 26.39% freight charges. The
 net amount received is \$1,442.44. The
 net amount received is \$1,442.44.
 The net amount received is \$1,442.44.

ASSETS AND LIABILITIES

A a 30 J e 2010, e a a e f e G a e 51,811.95 , a e e a e f 1,064.43 2.01% e e e f 2010, a c e c e a e e e 46,258.1 , e e e 89% f e a a e . e -c e a e e e 5,553.85 , e e e 11% f e a a e .

e G ' a a e a e 41,380.57 , a e e a e f 1,278.55 e e e f e e a , a c e c e a e a e e 29,818.44 , e e e 72% f e a a e . e -c e a e e e 11,562.13 , e e e 28% f e a a e . A a 30 J e 2010, e G ' a e / a e a a 79.87%.

DEPOSITS AND CASH FLOW

A a 30 J e 2010, e a e a ca f e G a e 12,405.29 , a e e a e f 1,760.44 e e e f e e a , a c e e e acc e f 2,620 . D e e , e G ' e ca f f f e a ac e a e 1,159.92 . e e ca f f f r a c ac e a e 291.42 a e e ca f f e e ac e a 624.49 .

FUNDING AND BORROWING

e G a e e a e f e a a e e e f , a e a e e 'ca a , a e e e a e f e c e a a ' . e G a a e f e ac e c f c e c . E e f e e ca a , a e a e a e G ' a e . H e e , e a a e a a f e a e c a f ca a e e e e . A a 30 J e 2010, e G ' a a a e 3,747.23 , a f c e e e f a c e ca a a e a e' c a e e a e a e e a e . A e G ' , e a e e e e a a 948.17 , a e e a e f 340.41 a c a e e e f e e a . e a f e G ' e a f e e e a a 2,799.06 , a c e a e f 91.96 a c a e e e f e e a . e G ' a e e e a a e e e 22,416 , a e e a e f 919.23 e e e f e e a .

PROSPECT

I e e c a f f 2010, e e c e a e C e e e e e
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I e e c a f f 2010 a e a e c e a, e C a e
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a e c e c e e e .

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

As at 30 June 2010, the Directors, the Supervisors, the Senior Management, the Executive Officers and the Company's employees (including family members) do not hold any shares in the Company.

MODEL CODE

The Company has adopted the Model Code for Directors and Supervisors of the Hong Kong Stock Exchange. All Directors and Supervisors have confirmed their compliance with the Model Code.

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

During the year, the Company has not purchased, sold or redeemed any of its listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code on Corporate Governance Practices set out in the Listing Rules. All Directors and Supervisors have confirmed their compliance with the Code.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, including the Chairman. The Audit Committee has reviewed the Company's financial statements for the year ended 30 June 2010.

AUDITORS

The Board of Directors has appointed the PricewaterhouseCoopers ("PwC") as the Company's auditors for the year ended 30 June 2010. PwC has provided the audit services to the Company for the year ended 30 June 2010.

SHAREHOLDERS'S MEETING

2009 Annual General Meeting 2009 Extraordinary General Meeting 3 June 2010
Held at the offices of the Company, 100, The Quadrant, London W2 2AL

DOCUMENTS AVAILABLE FOR INSPECTION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

		Six months ended	
	Notes	30.6.2010 R b'000 (unaudited)	30.6.2009 Rmb'000 (a e)
Revenue	3	14,529,321	12,842,125
Cost of sales		<u>(12,569,532)</u>	<u>(11,291,584)</u>
Gross profit		1,959,789	1,550,541
Operating expenses		173,865	131,730
Depreciation and amortisation		(229,173)	(127,560)
Administrative expenses	4	(1,060,893)	(1,017,970)
Finance costs		(110,616)	(78,906)
Finance income		(77,790)	(82,825)
Share of results of associates		7,574	9,663
Profit before tax		662,756	384,673
Income tax expense	5	<u>(141,338)</u>	<u>(76,990)</u>
Profit and Total comprehensive income for the period	6	<u>521,418</u>	<u>307,683</u>
Attributable to:			
Equity holders of the Company		446,658	215,530
Non-controlling interests		<u>74,760</u>	<u>92,153</u>
		<u>521,418</u>	<u>307,683</u>
Earnings per share – basic	8	<u>32.44 cents</u>	<u>15.65 e</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010 **unaudited**)10**audited**)109104,407,82710

	30.6.2010	31.12.2009
<i>Notes</i>	R b'000	<i>Rmb'000</i>
	(unaudited)	(a) (€)
Current liabilities		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Six months ended	
	30.6.2010	30.6.2009
	<i>R b'000</i>	<i>Rmb'000</i>
	(unaudited)	(a e)
Net cash (e) / f e a ac e	(1,159,921)	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

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G a a a e f e a e e a a ,
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HKF (A) I e e HKF 2010¹
 HKA 24 () e a e f a D c e⁴
 HKA 32 (A) C a f c a f I e²
 HKF 1 (A) L e E e f C a a e HKF 7
 D c e f F - e A e³
 HKF 9 F a c a l e⁵
 HK (IF IC)-I 14 f e a e f a M F
 (A) e e e⁴
 HK (IF IC)-I 19 E F a c a L a e E
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Note

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- 2 e c e f a a e e a 1 F e a , 2010
- 3 e c e f a a e e a 1 J , 2010
- 4 e c e f a a e e a 1 Ja a , 2011
- 5 e c e f a a e e a 1 Ja a , 2013

e c f G a c a e a e a c a f e e a
 e HKF a e a a c e e a f a c a
 f G .

3. SEGMENT INFORMATION

Business segments

The Group's operations are divided into five segments, which are defined 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 others.

Information on the segments is as follows:

Main thermal power equipment: This segment includes the design, manufacture and supply of main thermal power equipment, including steam turbines, boilers, condensers, etc.

Main hydro power equipment: This segment includes the design, manufacture and supply of main hydro power equipment, including water turbines, generators, etc.

Engineering services for power stations: This segment includes the design, engineering and construction services for power stations.

Ancillary equipment for power stations: This segment includes the design, manufacture and supply of ancillary equipment for power stations, including pumps, fans, etc.

AC/DC motors and others: This segment includes the design, manufacture and supply of AC/DC motors and other electrical equipment.

Six months ended 30th June, 2010 (Unaudited)	Main thermal power equipment R b'000	Main hydro power equipment R b'000	Engineering services for power stations R b'000	Ancillary equipment for power stations R b'000	AC/DC motors and others R b'000	Eliminations R b'000	Consolidated R b'000
REVENUE							
Electricity	10,131,511	986,845	2,033,463	405,706	971,796	-	14,529,321
Other	1,109,889	-	-	-	88,028	(1,197,917)	-
	<u>11,241,400</u>	<u>986,845</u>	<u>2,033,463</u>	<u>405,706</u>	<u>1,059,824</u>	<u>(1,197,917)</u>	<u>14,529,321</u>
SEGMENT RESULTS	<u>1,441,793</u>	<u>225,444</u>	<u>24,412</u>	<u>97,026</u>	<u>171,114</u>	<u>-</u>	<u>1,959,789</u>
Share of associates							(1,226,817)
Finance							(77,790)
Other	-	-	-	-	7,574	-	7,574
Profit							662,756
Loss							(141,338)
Profit							<u>521,418</u>

	Ma E a	Ma E a	E e E e	A c a E e	AC/DC a	E a	C a
30 J e, 2009 (a e)	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
REVENUE							
E e a a e	9,729,331	819,888	1,297,754	256,675	738,477		12,842,125
I e - e e a e	250,868						

5. INCOME TAX EXPENSE

(a) N a e e a e f H K i f i a a e G
 e a a c e e c H K i f i a e
 e e 30 J e, 2010.

() I c e a e c a e a e e f c e e e c e
 e e e e f i C c e a a f :

21 N e e , 2008, e C a a a e a e f e H
 a N e e c a E e e (高 新 技 術 企 業). Acc e f C
 L a E e e I c e a a e 16 M a c , 2007, e
 C a e e a c e a a e f c e a a 15% e
 3 e a , e 1 J a a , 2008. e C a a e c
 15% i C c a e c e a 2009 a 2010.

D e e a a c a c a e f e a i f e e e e e
 a e a c a a a a e f 15% (2009: 15%).

6. PROFIT FOR THE PERIOD

i f i e e a e e a e a a f e c a (c e):

	Six months ended	
	30.6.2010	30.6.2009
	R b'000	Rmb'000
	(unaudited) (a e)	
D e c a f e , a a e e	216,824	170,156
D e c a f e e e e	7,964	9,087
A a f e a e a e e	4,888	4,830
A a f a e	7,013	7,891
(e a c f) / i a a e e	(37,830)	36,600
a e f a f a c a e (c e a e f e f a c a e)	1,286	2,069
I e e a e e c e	(155,198)	2,069G a

7. DIVIDENDS

	Six months ended	
	30.6.2010 R b'000 (unaudited)	30.6.2009 Rmb'000 (a e)
F a e e c a e f i 2009 f 0.068 e a e	93,623	
F a e e c a e f i 2008 f 0.075 e a e	-	103,260
	<u>93,623</u>	<u>103,260</u>

e D e c e e e e a e f a e e e f
e e (e e e 30 J e, 2009:).

8. EARNINGS PER SHARE

e c a c a f e a c e a e a e a e e f
f e e f 446,658,000 (e e e 30 J e,
2009: 215,530,000) a e e e a e a e e f a e
1,376,806,000 (30 J e, 2009: 1,376,806,000 a e).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

D e e , e G e f e a a a a c e
a c a a f 1,690,000 f e e f 3,854,000,
e a a a f 2,164,000.

D e e , e G e a a e 444 a
c c e a a a a c e f c e
a a e a f a c a a e.

10. TRADE DEBTORS

The following table shows the ageing analysis of trade debtors as at 30.6.2010 and 30.6.2009. The analysis is based on the date of invoice.

The following table shows the ageing analysis of trade debtors as at 30.6.2010 and 30.6.2009.

	30.6.2010 <i>R b'000</i> (unaudited)	30.6.2009 <i>Rmb'000</i> (audited)
1 year or less	5,986,371	5,506,511
1 to 2 years	5,076,605	4,816,263
2 to 3 years	1,428,657	1,147,185
Over 3 years	700,249	699,022
	<u>13,191,882</u>	<u>12,168,981</u>

11. TRADE CREDITORS

The following table shows the ageing analysis of trade creditors as at 30.6.2010 and 30.6.2009.

	30.6.2010 <i>R b'000</i> (unaudited)	30.6.2009 <i>Rmb'000</i> (audited)
1 year or less	7,730,889	6,941,123
1 to 2 years	1,854,021	2,877,157
2 to 3 years	603,802	267,834
Over 3 years	218,723	80,431
	<u>10,407,435</u>	<u>10,166,545</u>

12. BORROWINGS

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 000,000, 000,000, 000,000

13. SHARE CAPITAL

	30.6.2010 <i>R b'000</i> (unaudited)	30.6.2009 <i>Rmb'000</i> (a 000)
000,000, 000,000, 000,000		
000,000, 000,000, 000,000		
1000	701,235	701,235
H 000,000, 1000	<u>675,571</u>	<u>675,571</u>
	<u>1,376,806</u>	<u>1,376,806</u>

E 000,000, 000,000, 000,000
 000,000, 000,000, 000,000
 000,000, 000,000, 000,000
 000,000, 000,000, 000,000

14. CONTINGENT LIABILITIES

	30.6.2010 <i>R b'000</i> (unaudited)	30.6.2009 <i>Rmb'000</i> (a 000)
G 000,000, 000,000, 000,000		
000,000, 000,000, 000,000		
000,000, 000,000, 000,000	<u>5,000</u>	5,000

15. CAPITAL COMMITMENTS

	30.6.2010 R b'000 (unaudited)	30.6.2009 Rmb'000 (audited)
Capital commitments for the acquisition of property, plant and equipment:		
Contracted but not provided for	417,306	414,039

16. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure bank borrowings:

Property, plant and equipment	197,931,000 (2009: 204,652,000)	172,505,000 (2009: 526,229,000)
Financial assets		

17. RELATED PARTY DISCLOSURES

- (i) Transactions/balances with ultimate holding company and its subsidiaries

At the end of the reporting period, the Group had the following balances with its ultimate holding company, Haier Electric Co., Ltd. (HEC):

Due from HEC	11,225,000 (2009: 10,911,000)
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At the end of the reporting period, the Group had the following balances with its subsidiaries:

Due from HEA	65,716,000 (2009: 60,343,000)
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At the end of the reporting period, the Group had the following balances with its subsidiaries:

Due from HEA	20,800,000 (2009: 23,800,000)
Due from HEC	5,472,000 (2009: 4,131,000)

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

REGISTERED ADDRESS OF THE COMPANY

B c 3
Na a D c H ec
I c Ba e
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I C
e a N .2301001003796

OFFICE ADDRESS OF THE COMPANY

B c B, 39 a a a
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I C
I c e: 150040
e : 86-451-82135717 82135727
Fa : 86-451-82135700

PLACE OF BUSINESS IN HONG KONG

20 F , A e a a H e
16 20 C a e a
C e a
H K

WEBSITE

.c ec.c

LEGAL REPRESENTATIVE

G J -

AUTHORISED REPRESENTATIVES

e - a
Ma

COMPANY SECRETARY

Ma

AUDITORS

Yuehua CPA Limited

LEGAL ADVISORS

as to PRC Law
Haiwen Partners

as to Hong Kong Law
Richards Butler

LISTING INFORMATION

H a e
The Stock Exchange of Hong Kong Limited
C e: 1133

DEPOSITARY

The Bank of New York

SHARE REGISTER AND TRANSFER OFFICE

Hong Kong Registrars Limited