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哈电集团
HARBIN ELECTRIC CORPORATION

哈尔滨动力设备股份有限公司
HARBIN POWER EQUIPMENT COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

(Stock Code: 1133)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The Board of Directors of Harbin Power Equipment Company Limited is pleased to announce the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**2010** *RMB'000*	2009 *RMB'000*
Revenue	*4*	**28,815,543**	28,629,522
Cost of sales		**(24,665,786)**	(24,964,015)
Gross profit		**4,149,757**	3,665,507
Other revenue and net income	*5*	**948,150**	568,962
Distribution expenses		**(483,997)**	(388,589)
Administrative expenses		**(2,686,530)**	(2,325,715)
Other operating expenses		**(410,931)**	(390,036)
Finance costs	*6(a)*	**(132,321)**	(180,381)
Share of results of associates		**25,793**	34,764

	Note	**2010** *RMB'000*	2009 *RMB'000*
Profit before taxation	*6*	**1,409,921**	984,512
Income tax	*7*	**(272,027)**	(226,871)
Profit and total comprehensive income for the year		**1,137,894**	757,641
Attributable to:			
Equity shareholders of the Company		**1,024,498**	606,206
Non-controlling interests		**113,396**	151,435
		1,137,894	757,641
Earnings per share			
– Basic and diluted	*9*	**RMB74.4cents**	RMB44.0cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Investment properties		**4,991**	248,724
Property, plant and equipment		**4,815,171**	4,261,254
Prepaid lease payments		**367,348**	342,018
Intangible assets		**90,321**	98,881
Deferred tax assets		**193,878**	133,932
Interests in associates		**328,490**	179,079
Available-for-sale investments		**35,941**	27,074
		5,836,140	5,290,962
Current assets			
Inventories		**12,562,801**	14,230,160
Trade receivables	*11*	**11,122,830**	12,168,981
Bills receivable	*11*	**980,496**	600,844
Other receivables, deposits and prepayments	*11*	**4,506,705**	4,852,058
Prepaid lease payments		**12,058**	10,176
Amounts due from customers for contract work		**894,923**	947,326
Amounts due from fellow subsidiaries		**112,920**	76,908
Derivative financial instruments		**104,276**	–
Trading securities		**1,188,000**	–
Restricted bank deposits		**–**	7,006
Pledged bank deposits		**249,294**	526,229
Bank deposits		**1,090,000**	3,553,595
Cash and cash equivalents		**11,425,774**	10,612,136
		44,250,077	47,585,419
Current liabilities			
Amounts due to customers for contract work		**1,274,290**	509,964
Trade payables	*12*	**11,746,026**	10,166,545
Other payables and accrued charges		**2,799,289**	3,173,130
Deposits received		**11,681,047**	15,216,864
Amounts due to fellow subsidiaries		**24,418**	51,757
Advance from holding company		**20,478**	20,478
Borrowings – due within one year		**507,005**	1,288,579
Tax payables		**815,084**	592,313
		28,867,637	31,019,630

	Note	2010 RMB'000	2009 RMB'000
Net current assets		**15,382,440**	16,565,789
Total assets less current liabilities		**21,218,580**	21,856,751
Non-current liabilities			
Deposits received		**7,592,559**	8,118,370
Advance from holding company		**1,042,918**	814,020
Borrowings – due after one year		**1,549,909**	2,707,099
		10,185,386	11,639,489
NET ASSETS		**11,033,194**	10,217,262
CAPITAL AND RESERVES			
Share capital	*13*	**1,376,806**	1,376,806
Reserves		**8,260,977**	7,262,220
Equity attributable to equity shareholders of the Company		**9,637,783**	8,639,026
Non-controlling interests		**1,395,411**	1,578,236
TOTAL EQUITY		**11,033,194**	10,217,262

NOTES:

FOR THE YEAR ENDED 31 DECEMBER 2010

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 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale or as trading securities and derivative financial instruments are stated at their fair value.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), "*Business combinations*"
- Amendments to HKAS 27, "*Consolidated and separate financial statements*"
- Amendment to HKAS 39, "*Financial instruments: Recognition and measurement – eligible hedged items*"
- Improvement to HKFRSs (2009)
- Hong Kong Interpretation 5 ("HK Int 5"), "*Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause*"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for HKAS 24 (Revised), "*Related Party Disclosure*" as follows:

The Group has early adopted paragraphs 25 to 27 of HKAS 24 (Revised) in respect of partial exemption from certain disclosure requirements for government-related entities. A government-related entity as defined in HKAS 24 (Revised) is exempt from some of the detailed disclosure requirements in relation to certain transactions and outstanding balances (including commitments) between the entity and a government that has control, joint control or significant influence over the entity; and between the entity and another entity over which the same government has control, joint control or significant influence.

The amendment to HKAS 39 has had no material impact on the Group's financial statements as the amendment's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

    In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28 "*Investments in associates*", the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- As part of "*Improvements to HKFRSs*" issued in 2009, HKAS 17, "*Leases*" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

  The application of the amendments to HKAS 17 has had no impact on the amounts reported in current and prior years as the Group has no leasehold land that qualifies for finance lease classification in current and prior years.

- Hong Kong Interpretation 5, *"Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause"* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

  In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

  The application of HK Int 5 has had no impact on the reported financial position or profit or loss for the current and prior years as the Group did not have such kind of term loans at the end of reporting period.

4. REVENUE

Revenue, which is also the Group's turnover, represents the amounts received and receivable for goods sold and services rendered by the Group to customers during the year, net of taxes and sales returns, and an analysis of the Group's revenue for the year as follows:

	2010	2009
	RMB'000	*RMB'000*
Sales of goods	**21,116,828**	20,741,812
Revenue from construction contracts	**7,691,199**	7,629,850
Gross proceeds from sales of properties	**–**	202,628
Gross rental income from investment properties	**–**	40,801
Revenue from services rendered	**7,516**	14,431
	28,815,543	28,629,522

For the year ended 31 December 2010, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2009: Nil).

5. OTHER REVENUE AND NET INCOME

	2010 *RMB'000*	2009 *RMB'000*
Other revenue		
Interest income	**278,138**	266,543
Total interest income on financial assets not at fair value through profit or loss	**278,138**	266,543
Compensation income	**60,617**	–
Dividend income from unlisted equity securities	**20**	1,298
PRC government subsidy	**334,518**	252,253
Other income	**29,279**	9,880
	702,572	529,974
Other net income/(loss)		
Net gain on disposal of property, plant and equipment	**5,877**	7,805
Net gain on disposal of investment properties	**550**	510
Net gain on disposal of prepaid lease payments	**–**	8,437
Net (loss)/profit from sale of scrap materials and others	**(9,584)**	20,522
Gain on disposal of subsidiaries	**150,349**	–
Fair value gains on derivative financial instruments not qualifying as hedges	**104,276**	–
Reversal of impairment loss of property, plant and equipment	**1,110**	1,714
Fair value losses on trading securities	**(7,000)**	–
	245,578	38,988
	948,150	568,962

6. PROFIT BEFORE TAXATION

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

	2010 *RMB'000*	2009 *RMB'000*
(a) Finance costs		
Interest on bank and other borrowings:		
– wholly repayable within five years	**126,912**	144,131
– not wholly repayable within five years	**18,690**	39,282
Total interest expenses on financial liabilities not at fair value through profit or loss	**145,602**	183,413
Less: interest expense capitalised into construction in progress	**(13,281)**	(3,032)
	132,321	180,381

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.78% (2009: 4.86%) per annum to expenditure on qualifying assets.

		2010	2009
		RMB'000	*RMB'000*
(b)	**Staff costs**		
	Staff costs including directors' and supervisors' emoluments	**1,324,596**	1,172,907
	Retirement benefit scheme contributions	**256,978**	229,713
	Total staff costs	**1,581,574**	1,402,620
(c)	**Other items**		
	Allowance for doubtful debts	**558,117**	548,874
	Allowance for inventories	**120,899**	30,776
	Amortisation of intangible assets	**12,993**	22,023
	Amortisation of prepaid lease payments	**12,058**	10,707
	Auditors' remuneration	**2,520**	2,500
	Cost of inventories#	**24,665,786**	23,013,191
	Depreciation for investment properties	**181**	16,060
	Depreciation for property, plant and equipment	**455,844**	374,589
	Realised loss on disposal of derivative financial instruments	**–**	1,659
	Net foreign exchange loss	**95,830**	700
	Impairment loss recognised in respect of intangible assets	**3,945**	–
	Property, plant and equipment written off	**5,937**	2,300
	Research and development expenses	**650,239**	463,633

\# Cost of inventories includes RMB1,360,119,000 (2009: RMB1,234,581,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax		
– provision for the year	**360,907**	239,022
– overprovision in respect of prior years	**(28,934)**	(12,056)
	331,973	226,966
Deferred tax		
Origination and reversal of temporary differences	**(59,946)**	(95)
	272,027	226,871

On 21 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 16 March 2007, the Company is entitled to a concessionary rate of enterprise income tax at 15% over 3 years, beginning on 1 January 2008.

Except for certain subsidiaries which are subject to an enterprise income tax rate of 15%, other subsidiaries located in the PRC are subject to the PRC corporate income tax at a rate of 25% (2009: 25%) on its assessable profits.

According to Circular Guoshuihan 2008 No. 897 "Notice on the issue about withholding Corporate 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 corporate income tax on the basis of 10% of the dividends. In accordance with this circular, the Company would withhold the corporate income tax with tax rate of a 10% when it pays dividends for the year of 2008 or any year thereafter to its overseas non-resident enterprise H-shares holders.

8. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.14 per ordinary share (2009: RMB0.068 per ordinary share)	**192,753**	93,623

The final dividend proposed after the end of the reporting has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.068 per ordinary share (2009: RMB0.075 per ordinary share)	**93,623**	103,260

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB1,024,498,000 (2009: RMB606,206,000) and on the weighted average number of shares of 1,376,806,000 (2009: 1,376,806,000) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2010 and 2009, and diluted earnings per share is the same as basic earnings per share.

10. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both 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 resource 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 – provision of engineering services for power stations.
- Ancillary equipment – 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

For the purposes of assessing segment performance and allocating resources between segments, the Group's directors monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, available-for-sale investments, trading securities, derivative financial instruments, deferred tax assets and other corporate assets. Segment liabilities include trade payables, accruals and other payables, accrued charges and deposits received attributable to the manufacturing and sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted operating profit/(loss)". To arrive at "adjusted operating profit/(loss)", the Group's profit/(loss) are further adjusted for items not specifically attributed to individual segments, such as share of results of associates, directors' and auditors' remuneration and other head office or corporate administration costs. Taxation charge is not allocated to reporting segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below.

2010

	Main thermal power equipment *RMB'000*	**Main hydro power equipment** *RMB'000*	**Engineering services for power stations** *RMB'000*	**Ancillary equipment for power stations** *RMB'000*	**AC/DC motors and others** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**17,984,152**	**2,362,495**	**5,060,211**	**919,028**	**2,489,657**	**28,815,543**
Inter-segment revenue	**3,655,382**	**–**	**–**	**–**	**–**	**3,655,382**
Reportable segment revenue	**21,639,534**	**2,362,495**	**5,060,211**	**919,028**	**2,489,657**	**32,470,925**
Reportable segment profit	**2,534,295**	**596,378**	**170,478**	**307,563**	**541,043**	**4,149,757**
Depreciation for property, plant and equipment	**314,336**	**66,856**	**11,904**	**8,933**	**53,815**	**455,844**
Depreciation for investment properties	**–**	**–**	**–**	**–**	**181**	**181**
Amortisation of intangible assets	**11,038**	**271**	**–**	**568**	**1,116**	**12,993**
Amortisation of prepaid lease payments	**7,097**	**1,612**	**41**	**234**	**3,074**	**12,058**
Allowance for doubtful debts	**441,736**	**40,375**	**(1,079)**	**18,546**	**58,539**	**558,117**
Impairment loss of intangible assets	**–**	**–**	**–**	**–**	**3,945**	**3,945**
Reportable segment assets	**25,458,150**	**3,031,678**	**3,853,640**	**969,260**	**3,739,975**	**37,052,703**
Additions to non-current segment assets during the year	**454,143**	**141,568**	**10,969**	**12,558**	**140,268**	**759,506**
Reportable segment liabilities	**26,382,460**	**2,955,454**	**3,803,714**	**1,060,681**	**2,620,820**	**36,823,129**

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*	Total *RMB'000*
Reportable segment revenue	19,220,791	1,893,429	4,299,673	1,251,301	1,964,328	28,629,522
Inter-segment revenue	1,736,527	–	–	–	–	1,736,527
Reportable segment revenue	20,957,318	1,893,429	4,299,673	1,251,301	1,964,328	30,366,049
Reportable segment profit/(loss)	2,572,874	437,991	(60,962)	316,106	399,498	3,665,507
Depreciation for property, plant and equipment	271,128	43,687	10,329	13,135	36,310	374,589
Depreciation for investment properties	–	–	–	–	16,060	16,060
Amortisation of intangible assets	17,813	218	–	1,288	2,704	22,023
Amortisation of prepaid lease payments	8,490	1,296	40	385	496	10,707
Allowance for doubtful debts	390,798	46,730	35,622	22,218	53,506	548,874
Reportable segment assets	28,354,652	2,438,448	4,576,856	1,498,732	3,133,281	40,001,969
Additions to non-current segment assets during the year	563,920	99,329	8,094	16,245	171,914	859,502
Reportable segment liabilities	29,811,273	2,692,148	3,036,218	1,675,755	1,728,146	38,943,540

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**32,470,925**	30,366,049
Elimination of inter-segment revenue	**(3,655,382)**	(1,736,527)
Consolidated turnover	**28,815,543**	28,629,522
Profit		
Reportable segment profit derived from Group's external customers	**4,149,757**	3,665,507
Finance costs	**(132,321)**	(180,381)
Share of results of associates	**25,793**	34,764
Unallocated head office and corporate expenses	**(2,633,308)**	(2,535,378)
Consolidated profit before taxation	**1,409,921**	984,512
Assets		
Reportable segment assets	**37,052,703**	40,001,969
Interests in associates	**328,490**	179,079
Deferred tax assets	**193,878**	133,932
Derivative financial instruments	**104,276**	–
Trading securities	**1,188,000**	–
Available-for-sale investments	**35,941**	27,074
Unallocated head office and corporate assets	**11,182,929**	12,534,327
Consolidated total assets	**50,086,217**	52,876,381
Liabilities		
Reportable segment liabilities	**36,823,129**	38,943,540
Income tax payables	**408,567**	298,577
Unallocated head office and corporate liabilities	**1,821,327**	3,417,002
Consolidated total liabilities	**39,053,023**	42,659,119

(c) Geographical information

The following is an analysis of geographical location of the Group's revenue from external customers and the Group's non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The Group's non-current assets, which include property, plant and equipment, investment properties, prepaid lease payments and intangible assets, and exclude financial instruments and deferred tax assets. The geographical location of the Group non-current assets are based on the physical location of the asset under consideration in case of tangible assets and the location of the operation to which they are allocated, in the case of intangible assets. In the case of interests in associates, it is the location of operations of such associates.

	Revenues from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC (place of domicile)	**23,516,049**	24,303,858	**5,606,321**	5,129,956
Overseas	**5,299,494**	4,325,664	**–**	–
	28,815,543	28,629,522	**5,606,321**	5,129,956

11. TRADE RECEIVABLES/BILLS RECEIVABLE/OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**13,302,879**	13,790,913
Less: allowance for doubtful debts	**(2,180,049)**	(1,621,932)
	11,122,830	12,168,981
Bills receivable	**980,496**	600,844
	12,103,326	12,769,825
Other receivables	**418,731**	802,386
Deposits and prepayments	**4,057,974**	4,049,672
Short-term entrustment loan	**30,000**	–
	16,610,031	17,621,883

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 performed periodically. The balances mentioned above are expected to be recovered or recognised as expense within one year.

Trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**5,566,752**	6,107,355
1 to 2 years	**2,583,910**	4,816,263
2 to 3 years	**3,264,650**	1,147,185
Over 3 years	**688,014**	699,022
	12,103,326	12,769,825

12. TRADE PAYABLES

Trade payables with the following ageing analysis as of the end of reporting period is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 year	**9,856,188**	6,941,123
1 to 2 years	**1,199,575**	2,877,157
2 to 3 years	**548,747**	267,834
Over 3 years	**141,516**	80,431
	11,746,026	10,166,545

13. SHARE CAPITAL

	2010		2009	
	Number of shares	***RMB'000***	*Number of shares*	*RMB'000*
Registered, issued and fully paid:				
State owned equity interest shares of RMB1 each	**701,235,000**	**701,235**	701,235,000	701,235
H shares of RMB1 each	**675,571,000**	**675,571**	675,571,000	675,571
At 1 January and 31 December	**1,376,806,000**	**1,376,806**	1,376,806,000	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. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

(a) On 11 March 2011, 哈爾濱電機廠有限責任公司 ("Harbin Generator"), a non-wholly owned subsidiary of the Company, entered into an agreement with Harbin Electric Corporation ("HE"), the ultimate parent company of the Company, and 哈爾濱電機廠(昆明)有限責任公司 ("Kunming Generator"), a non-wholly owned subsidiary of HE, to have capital contribution of RMB250,000,000 to Kunming Generator. Kunming Generation is principally engaged in the business of manufacturing of small-scale hydro power equipment. After the capital contribution, Harbin Generator holds an equity interest of 55.64% in Kunming Generator. Details of this transaction were set out in the announcement as issued by the Company on 15 March 2011.

(b) After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in note 9.

MANAGEMENT DISCUSSION AND ANALYSIS

(Unless otherwise stated, all amounts are denominated in Renminbi)

Macro Economy and Industry Development

The world economy as a whole moved towards recovery in 2010, with emerging economies growing faster than advanced economies, though Europe's deteriorating sovereign debt crisis fueled the fluctuations of the global financial market, adding to the uncertainty of worldwide economic recovery. In China, the government's stimulus package in response to the global financial crisis proved successful, with the national economy maintaining steady and rapid development at an impressive 10.30% GDP growth, laying a solid foundation for the smooth implementation of the country's "12th Five-year Plan".

In 2010, China saw a continued rapid growth in both power generation and power consumption and an acceleration of the structural adjustment of its power structure, with the market demand for thermal power slightly declined, the demand for new energy products such as nuclear power and wind power increased, and the demand from the international market remaining strong. Meanwhile, domestic peers have developed rapidly and market competition is becoming increasingly fierce. These factors, along with the uncertainty of the economic outlook and the rapidly heightened expectation from the market of technological innovation capacity, combine to increase enterprises' operational risk. In a word, power equipment manufacturing enterprises face rare opportunities of development as well as more daunting challenges.

New Contracts

In the face of declining demand for conventional power equipment in the domestic market and heightened competition in the international market in 2010, the Group made an all-out effort to develop both the domestic and international markets and scored RMB42.398 billion worth new contracts, including 17.691 billion worth thermal power equipment or 41.73% of the total contracts; RMB1.437 billion worth hydropower equipment or 3.39%; RMB8.840 billion worth electric power engineering equipment (repetitions deducted) or 20.85%; RMB10.965 billion worth nuclear power equipment or 25.86%; and RMB3.465 billion worth other products or 8.17%.

The amount of new contracts of nuclear power equipment marked a historical new high. The Group secured contracts of T&G for AP1000 nuclear power projects in Xianning, Sanmen and Haiyang. With a market share of up to 72%, the Group's AP1000 conventional island steam turbine unit holds a leading position in the domestic market.

The Group maintains its strong competitiveness in the conventional thermal power equipment market. During the year, it secured orders for more than sixty boilers, steam turbines and steam turbine generators.

The Group has consolidated its traditional advantageous position in the market of conventional hydropower equipment. In spite of the decrease in the number of hydropower projects and the increasing competition, the Group still obtained a good number of contracts, including contracts of two 600MW francis water turbines (Guanyinyan) and two 300MW francis water turbines (Yantan Hydropower Station).

The Group secured RMB18.421 billion worth new contracts from the international power equipment market, renewing historical records for successively two years. It signed contracts for 10 units/sets of 600MW thermal power equipment, six 60MW hydropower units (Kajbar, Sudan) and three 21.15MW hydropower units (Feilu, Mali). Moreover, the Group has signed a supply contract for 16 sets of 660MW super critical thermal power units, with the contract price totaling approximately RMB10.101 billion (effective successively since January 2011).

Production and Services

The total output of the power equipments for 2010 reached 21,556.6 MW, representing a decrease of 17.43% compared with the previous year, among which the total capacity of utility boilers amounted to 26,070MW, increasing 17.51% over the previous year; the total capacity of steam turbines for power plant recorded 20,827.3MW, roughly the same with the previous year; the total capacity of turbine generators was 17,940MW, a decrease of 13.72% from the previous year; the total capacity of hydro power turbo-generator units totaled 3,616.6MW, a decrease of 31.93% from the previous year.

As the delivery schedule was centralized and the capacity of the newly-established enterprises was not high enough, we saw various difficulties during the implementation phase. In view of this, we took a range of effective measures to ensure the deliveries of key projects, including: strengthening the foundation of project management; enhancing supervision of project implementation; improving on-site service and communication; reinforcing the dynamic management on projects; consolidating internal resources; improving manufacturing technologies; and intensifying risk assessment, which earned the Group reputations from customers.

R&D and Technology Introduction

In 2010, the Group increased its inputs in science and technology, significantly boosting its sustainable development and capacity in self-innovation.

The capacity in self-innovation was improved. During the year, 233 R&D projects were completed and 20 awards from various fields were acquired, among which the "Study of Innovation on and Localization Practice for Hydro Generators in Three Gorges" and "The Development and Application of New Last Stage Blade with High Damper Structure" won the special prize and the first prize at provincial and municipal levels, respectively. In addition, we completed the development of various new products with independent intellectual property, such as the 600MW super critical boiler and obtained patents in 75 products.

Technology introduction and absorption was progressing steadily. The Company was absorbing manufacturing technology of AP1000 nuclear half-speed power turbine units of Mitsubishi Corporation and the hydrogen, sealing oil and cooling water system relating technology of nuclear power conventional islands; obtained a number of achievements in the study of key technologies in respect of the localization of the 1000MW ultra supercritical unit; completed the acceptance of technology introduction and absorption of the 1000 MW class nuclear power auxiliary equipment.

Energy conservation and emission reduction was in progress. The Group actively encouraged the utilization of energy-saving and environment-friendly products, increased inputs in pollution control while boosted a series of technological upgrading projects. In 2010, the energy consumption and pollutant emission in certain aspects were lower than the previous year.

Reform and Management

The Company strives to push forward the internally controlled auditing project. During the year 2010, the internal project teams, cooperated with the external experts appointed after extensive research, carried out a comprehensive review on the related systems and successfully complied an internal control manual of tailor-made internal control procedures for the subsidiaries. This has laid down a solid foundation for further implementation of risk control.

The Company has established a collaboration system, providing improved channels for internal communication and information sharing and enhancing working efficiency.

The Company has appointed PricewaterhouseCoopers as consultant and started pilot projects of risk management within the Group. A risk management training for all employees has been carried out and the initial risk identification is currently in the progress. This will effectively strengthen the Group's risk prevention and control capabilities amid the complex internal and external environment.

The Company continues to enhance cost management. The Company strengthened its management of manufacturing cost from all production processes by regulating the procedures and behaviours and increasing auditing efforts. The measures have achieved encouraging results.

Profit

In the year of 2010, net profit of the Group attributable to the shareholders of the Company was RMB1,024.50 million, an increase of 69.00% compared to the last year; earnings per share was RMB0.74, an increase of RMB0.30 compared to the corresponding period of last year; net asset as at the end of the period attributable to the shareholders of the Company was RMB9,637.78 million, an increase of RMB998.75 million compared to the beginning of the year; net asset per share was RMB7.00, an increase of RMB0.73 compared to the beginning of the year.

During the period, the increase of profit was mainly attributable to increased gross profit.

TURNOVER

In 2010, the Group recorded a turnover of principal business activities of RMB28,815.54 million, an increase of 0.65% compared to the last year. In particular, turnover of the thermal power main equipment business was RMB17,984.15 million, representing a decrease of 6.43% over the last year and accounted for 62.41% of the turnover of the principal business activities. Turnover of hydropower main equipment was RMB2,362.50 million, an increase of 24.77% over the last year, representing 8.20% of the turnover of the principal business activities. Turnover of power plant engineering services was RMB5,060.21 million, an increase of 17.69% compared to the last year, representing 17.56% of the turnover of the principal business activities. Turnover of power plant accessories and parts was RMB919.03 million, a decrease of 26.55% over the last year, representing 3.19% of the turnover of the principal business activities. Turnover of AC/DC motors and other products and services was RMB2,489.66 million, an increase of 26.74% over the last year, representing 8.64% of the turnover of the principal business activities.

During 2010, the Group recorded a turnover of export of RMB5,299.49 million, representing an increase of RMB973.83 million over the last year and accounted for 18.39% of the turnover of the principal business activities. The export was mainly to areas such as Asia and Africa.

COST

During 2010, the cost of the principal business activities of the Group was RMB24,665.79 million, a decrease of 1.19% as compared to the last year. The decrease was mainly attributable to the Group's effort in cost control paid off.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2010, the gross profit from the principal business activities of the Group was RMB4,149.76 million, an increase of 13.21% as compared to the last year. The gross profit margin was 14.40%, an increase of 1.60 percentage points over the last year. Among them the gross profit from thermal power main equipment was RMB2,534.29 million, a decrease of RMB38.58 million compared to the last year. The gross profit margin for thermal power main equipment was 14.09%, an increase of 0.70 percentage points compared to the corresponding period last year. The gross profit from hydropower main equipment was RMB596.38 million, an increase of RMB158.39 million compared to the corresponding period last year. The gross profit margin for hydropower main equipment was 25.24%, an increase of 2.11 percentage points compared to the corresponding period last year. The gross profit from power plant engineering services was RMB170.48 million, an increase of RMB231.44 million compared to the corresponding period last year. The gross profit margin for power plant engineering services was 3.37%, an increase of 4.79 percentage points over the corresponding period last year. The gross profit from power plant accessories and parts was RMB307.56 million, a decrease of RMB8.55 million compared to the corresponding period last year. The gross profit margin for power plant accessories and parts was 33.47%, an increase of 8.21 percentage points over the last year. The gross profit from the AC/DC motors and other products and services was RMB541.04million, an increase of RMB141.54 million compared to the corresponding period last year. The gross profit margin for the AC/DC motors and other products and services was 21.73%, an increase of 1.39 percentage points over the last year.

EXPENSES DURING THE PERIOD

The Group's expenses for operation activities during the year of 2010 amounted to RMB484.00 million, an increase of RMB95.41 million or 24.55% compared to the corresponding period last year.

Expenses for administration activities during the year of 2010 amounted to RMB2,686.53 million, an increase of RMB360.82 million or 15.51% compared to the corresponding period last year.

The increase in expenses was mainly due to the increase in staff costs, sales services expenses, depreciation expenses and R&D expenses,.

INTEREST EXPENSE

In 2010, the Group has incurred financial expenses of RMB132.32 million, a decrease of RMB48.06 million compared to the corresponding period last year.

FUNDING AND BORROWINGS

The Group has three major resources for operation and development funding, namely shareholder's capital, trade receivable from customers and bank borrowings. The Group arranges borrowings for each specific project. Except for some special situations, loans will be raised individually by the Group's subsidiaries. However, the advance approval from the parent company for capital investment borrowings is required. As the number of orders and the trade amount received in advance of the Group increased significantly during the past two years, the Group had abundant working capital and has thus repaid substantially all of the loans for working capital. As at 31st December 2010, the total sum of the Group's borrowings was RMB2,056.91 million (31st December 2009: RMB3,995.68 million). The Group's bank borrowings were loans from various commercial banks and the State's policy banks with interest rates stipulated by the state. Among the Group's borrowings, the amount due within one year was RMB507.00 million, a decrease of RMB781.58 million compared to the beginning of the year. The amount of the Group's borrowings due after one year was RMB1,549.91 million, a decrease of RMB1,157.19 million compared to the beginning of the year.

DEPOSITS AND CASH FLOW

As at 31st December, 2010, bank deposits and cash of the Group amounted to RMB12,515.77 million, a decrease of RMB1,649.96 million over the beginning of the year. During the period, net cash inflow from operating activities amounted to RMB854.33 million. Net cash inflow from investment activities amounted to RMB1,906.30 million and net cash outflow from financing activities was RMB1,946.99 million.

CAPITAL STRUCTURE AND CHANGES THEREOF

As at 31st December, 2010, total assets of the Group amounted to RMB50,086.22 million, a decrease of RMB2,790.16 million (or 5.28%) compared to the beginning of the year, among which current assets were RMB44,250.08 million, representing 88.35% of the total assets, and non-current assets were RMB5,836.14 million, representing 11.65% of the total assets.

LIABILITIES

As of 31st December, 2010, the Group's total liabilities amounted to RMB39,053.02 million, a decrease of RMB3,606.10 million compared to the beginning of the year, among which total current liabilities were RMB28,867.64 million, representing 73.92% of the total liabilities, and total non-current liabilities were RMB10,185.38 million, representing 26.08% of the total liabilities. As at 31st December, 2010, the assets to liabilities ratio of the Group was 77.97%.

SHAREHOLDERS' EQUITY

As of 31st December, 2010, the total equity attributable to the shareholders of the Company amounted to RMB9,637.78 million, an increase of RMB998.75 million compared to the beginning of the year; the net asset per share was RMB7.00. During the period, the net asset return rate of the Group was 11.21%.

GEARING RATIO

As of 31st December, 2010, gearing ratio of the Group (non-current liabilities over total shareholders' equity) was 1.06:1 as compared to that of 1.35:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGE OF ASSET

As of 31st December, 2010, the Group pledged its assets in an amount of RMB249.29 million to secure loans for liquidity.

CAPITAL EXPENDITURES AND MAJOR INVESTMENTS

In the year 2010, the Group has a total capital expenditure of RMB932 million invested in infrastructure constructions and technological upgrades.

Except for some facilities in Qinhuangdao, the improvement project for domestic nuclear production at conventional islands has been completed. The main equipments of the manufacturing and construction project for nuclear island are put into use. The cross construction of the newly built stock under the self-reliance and improvement project of the main equipments for nuclear island is finished. The civil engineering works of the construction project of manufacturing base for main pump generators have been prepared to use and the major equipments have been delivered. The manufacturing technology upgrade project for nuclear power reactor-cooling agent pump units is largely completed, and the bidding work for equipments is almost done. The new factory of the technological upgrade project for 1000MW nuclear power auxiliary equipment has been put into operation.

Meanwhile, the technological upgrade and construction project for power plant valve have been completed and put into use. The valve company has finished its relocation. The main body of the factories and offices of the technological upgrade project for the newly built hydro power model laboratory have been topped-out. The first stage of the technological upgrade project of large-scale coal engineering has completed on schedule and put into use.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has certain amount of deposits that are denominated in foreign currencies. As at 31st December, 2010, the amount of the Group's deposits in foreign currencies amounted to RMB365.37 million. The export business and foreign currencies settled businesses expose the Group to exchange risk.

USE OF FUND-RAISING PROCEEDS

In the year 2010, the Group has utilized a total of RMB145 million of its fund-raising proceeds mainly for the Workshop Base Construction Project in relation to the heavy-duty gas turbine, the construction of the main equipment for nuclear islands and nuclear power main pump generators, etc.

As of 31st December, 2010, the Group has utilized a total of RMB2,630 million of its H share listing proceeds without any remaining balance.

STAFF AND REMUNERATION

As at 31st December, 2010, the Group had a workforce of 18,485 employees and the total remuneration amounted to RMB1,326 million. In order to enhance knowledge, skills and capabilities as well as promote the overall caliber of its staff, the Company has put additional efforts in staff training and adopted various training approaches, such as the internal communication and on-the-job training, providing learning and improving opportunities to each of them. Through these efforts, the knowledge, skills and qualification of the staff have been greatly improved, and the Group also established an effective system to identify, train and use its people in the right way.

PROSPECT

Looking into 2011, whilst the global economy recovery will continue, the economic prospect is heading for a grim situation with the recovery proceeding at a sluggish pace within the developed economies and considerable uncertainties remaining with the global economic environment. Domestically, long-term uptrend of China's economy remained substantially intact, with GDP growth goal standing at 8% for the year 2011. It is expected that the total power generating capacity in 2011 will surpass 1.04 billion KW with an estimated new power generating capacity of about 90 million KW. With the increasingly stable macro economic environment, comprehensive adjustment in energy structure as well as the progress of the national Twelfth Five-Year Plan and strategic development plan of seven emerging industries, the construction of power plants will be more focused on the areas of effective, energy-saving, environmental and renewable energy. Thus significant increase of demand is expected for new energy markets such as nuclear, hydropower, wind and solar power. In addition, the Twelfth Five-Year Plan period is expected to see a significant development of hydroelectric power, with an expected power generating capacity in excess of 100 million KW. Meanwhile, demand from international markets remains robust in view of the rapid development in emerging economies. The Group is facing valuable development opportunities as well as considerable challenges. Under the leadership of the Board, we are determined to strive for a new era of stable and rapid growth so as to achieve outstanding returns for our shareholders.

The Group will focus on accomplishing the following tasks in 2011:

1. Sticking to the priority of raising the quality of economic operation

All the tasks of the Company shall stick to the priority of raising the quality of economic operation. Through various means such as perfecting the assessment system, strengthening the training efforts and deepening the understanding of the quality of economic operation for all staff, the Group will secure the improvement of the quality of economic operation with its excellent qualities of work, products, services and management. The Group will strive for a significant improvement in various economic indicators such as consolidated gross profit margin, trade debtors and inventories in 2011 as compared to 2010.

2. Sticking to the focus of market development efforts

For the year 2011, the Group's operation targets are to have a market share of no less than one third of the conventional hydro and thermal power generator market in China and have new breakthroughs in the market development of nuclear power, gas turbines and environmental friendly products, as well as million kilowatt ultra super critical thermal power generator. In order to achieve these results, the Group will strengthen the building of the marketing team and the overall planning of marketing. The group will advocate for all staff marketing and establish the idea that market goes first among the staff, taking practical measures to ensure that all works of the Group will serve the purpose of market development. The Group will continue to adopt the Going Out policy and international development strategy, consolidating traditional markets such as Vietnam, India and Pakistan, as well as actively exploring emerging markets such as South America, Middle East and Eastern Europe. The Group will devote more efforts into market development for new products, further consolidate the Group's expansion in the third-generation nuclear power market and strengthen the researches into market changes and market risks, which will create favorable market conditions for the development of the Group.

3. Striving for breakthroughs in three areas

Achieve new breakthrough in the manufacturing of nuclear power products The Group will accelerate the model researches of nuclear power technology development system and the building of a talented team. The Group will enrich the nuclear power talent team and raise its design and development abilities of nuclear power products and the management level of nuclear power projects.

The Group will further strengthen the construction of nuclear culture, increase the awareness of nuclear safety, create a favorable nuclear atmosphere and ensure the smooth and effective execution of the nuclear quality assurance system.

The Group will further perfect the construction of nuclear power bases and boost the production scale and manufacturing ability of nuclear power products.

The Group will ensure that the preparations for projects under construction and projects to be built go as planned, spurring the nuclear power businesses into a fast development track.

Achieve new breakthrough in the development of new industry. To break the bottleneck of development and achieve another leap in development, the key is to act in response to the changing market demand, and accelerate the development of new industry. For 2011, the Company shall accelerate the construction of Zhenjiang Wind Power Plant, by combination of market expansion and base construction; the Company shall achieve breakthrough in the R&D of desalination and solar power generation products; for contracted projects such as tidal current power generation and water pump, the Company shall ensure timely delivery by accelerating the pace of R&D, so as to gain satisfactory results and push forward the process of industrialization.

The Company shall provide technical support to the development of new industry, by ways of accelerating the construction of R&D system, leveraging on the advantage of internal technical resources, strengthening the tie and cooperation with outside research institutions, and forming an open technical development system by committing more investment to the R&D capability.

Achieve new breakthrough in the innovation of management. The Company shall implement the internal control manual on a full scale, upon completion of the drawing up of the complementary system of the manual. The Company shall strengthen the Group's risk resistance by completing the pilot program of comprehensive risk management.

The Company shall continue to seek innovation in the R&D system and improve the management system, so as to meet the new demand of market diversification and high-tech application.

The Company shall continue to facilitate the development of information-based applications, by ways of improving the office network and information platform of the Group, as well as improving work efficiency and information processing capability.

The Company shall continue to seek income enhancement and expenditure reduction, as well as energy conservation and emission reduction.

The Company shall strengthen the system of basic management, consolidate the foundation of development, and continue to implement cost-control measures. Meanwhile, the Company shall accelerate the construction of human resources capability, by organizing more training programs for employees to enhance the overall capability of all employees.

DIVIDEND

A dividend of RMB0.14 per share (appropriate tax included) for the year of 2010 (2009: RMB0.068 per share) was proposed by the board of directors, which was the highest in recent years.

The Directors propose a dividend of RMB0.14 per share for 2010 for shareholders who registered on shareholder' list before 13th April, 2011; payment of dividends totally amounted to RMB192.75 million. Shareholders of H share will be paid in Hong Kong dollar; the exchange rate used is based on average closing rate of the People's Bank of China during the five days preceding the date of 18th March, 2011, which is RMB1 for HK$1.1861. The dividend for every H share will be HK$0.1661 (inclusive of applicable tax).

CLOSURE OF REGISTER

The Register of members of the Company will be closed from 13th April, 2011 to 12th May, 2011 (both days inclusive). Final dividends for 2010 will be distributed to shareholders whose names appear in the Register of members of the Company on 13th April 2011 before 15th July 2011. In order to qualify for the final dividend for 2010, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, namely, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m., 8th April 2011.

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

As at 31st December, 2010, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or of any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the Register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listing Companies as contained in Appendix 10 to the Listing Rules.

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

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

MODEL CODE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year of 2010 with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules of the Stock Exchange.

AUDITORS

The current PRC auditor of the Company is Crowe Horwath China CPA Co., Ltd, and the Hong Kong auditor is Crowe Horwath (HK) CPA Limited.

By order of the Board
Gong Jing-kun
Chairman

Harbin, 18 March 2011

At the date of this announcement, the Executive Directors of the Company are Mr. Gong Jingkun, Mr. Zou Lei, Mr. Duan Hong-yi, Mr. Wu Wei-zhang and Mr. Shang Zhong-fu; and the Independent Non-executive Directors are Mr. Sun Chang-ji, Mr. Jia Cheng-bing, Ms. Li He-jun, Mr. Yu Bo, and Mr. Liu Deng-qing.