

CONTENTS

	<i>Page(s)</i>
DIRECTORS' REPORT	1
INDEPENDENT REVIEW REPORT	11
CONDENSED CONSOLIDATED INCOME STATEMENT	12
CONDENSED CONSOLIDATED BALANCE SHEET	13
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	15
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	16
INFORMATION ON THE COMPANY	22

DIRECTORS' REPORT

To all shareholders:

The Board of Directors (the "Board") of Harbin Power Equipment Company Limited (the "Company") is pleased to announce the consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002. The results are unaudited but have been reviewed by Deloitte Touche Tohmatsu.

RESULTS

For the six months ended 30 June 2002, the Group recorded a turnover of RMB1,671.93 million, an increase of 42.86% over the same period last year. The profit after taxation and minority interest was RMB20.92 million, an increase of 9.48% over the same period last year and the earnings per share was RMB0.0176.

As at 30 June 2002, the Group's total assets were valued at RMB10,527.68 million. Total liabilities amounted to RMB7,563.98 million. The net assets per share reached RMB2.47.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2002, the macro economy of China continued to grow rapidly. Gross domestic product of China grew by 7.8%. The power generation equipment market was active. The construction of some new product projects such as 600MW super-critical unit project and 600MW direct air cooling unit project started. The power equipment industry of China is now entering a new development era. The production and operation of the Group continued to improve. The production tasks gradually increased. All staff grasped the opportunities and worked very hard to achieve various progress.

NEW CONTRACTS

For the six months ended 30 June 2002, new orders secured by the Group totaled RMB3.7 billion, a decrease of RMB760 million. The orders for power generation equipment increased RMB880 million while the contracts for engineering and services projects decreased RMB1.64 billion. The major new orders include the super-critical turbine and turbine generator for the Huaneng Qinbei Power Plant (2 X 600MW), the air-cooling turbine and turbine generator for Shanxi Datong No. 2 Thermal Power Plant (2 X 600MW), main oil-fired units for the Salah-aldeen Power Plant in Iraq (1 X 300MW), turbine and turbine generator for the Shanxi Zhangshan Thermal Power Plant (2 X 300MW), turbine and turbine generator for Guangxi Beihai Thermal Power Plant (2 X 300MW), circulated fluidised boiler and turbine for the Guangdong Xinhuishuang Hydropower Station (2 X 150MW), the general contracting project for the Cao Ngan Thermal Power Station in Vietnam (2 X 55MW) and five 135MW circulated fluidised boilers for three power plants including the Yunnan Xunjiansi Power Plant and etc. Of these projects, the Huaneng Qinbei super-critical project is the first localised super-critical project in China and the Shanxi Datong direct air-cooling unit project is the first 600MW class air-cooling project in China. These two contracts further maintained and strengthened the product advantage and leading position of the Group in the market of 600MW class power equipment and filled in the gaps of Chinese large thermal power units super-critical technology and direct air-cooling technology, which laid a sound foundation for the future development of the Company. In July 2002, the Group secured the orders for utility boilers of the Shanxi Hequ Power Plant (2 X 600MW) and Guizhou Nayong No. 2 Power Plant (4 X 300MW with “W” flame) respectively and the contract for turbine and turbine generator of the Guizhou Yaxi Thermal Power Plant (2 X 300MW).

PRODUCTION AND SERVICES

During the period under review, the Group's output of utility boilers was 2,929MW (20 units), an increase of 277.94% over the same period last year. The output in power plant turbine was 770MW (five units), a decrease of 6.67%. The output in power plant turbine generator was 1,700MW (seven units), an increase of 191.60%. The output in hydropower turbine generator was 144.5MW (two units/sets) (excluding the production of the Three Gorges units), a decrease of 39.79% over the same period last year. The power plant engineering and services projects proceeded as scheduled.

TURNOVER AND ITS DISTRIBUTION

For the six months ended 30 June 2002, the Group recorded a turnover of RMB1,671.93 million, representing an increase of 42.86% over the same period last year. Among which, turnover from thermal power main units was RMB895.22 million, an increase of 27.80% over the same period last year. Turnover from hydropower main units was RMB178.92 million, an increase of 126.15% and turnover from power plant engineering and services was RMB417.40 million, an increase of 71.42%. Turnover from power plant auxiliaries and parts was RMB53.34 million, an increase of 5.68%. The turnover from AC/DC motor and other products and services was RMB127.05 million, an increase of 31.35% over the same period last year.

During the period, in terms of structure, more than 86% of the total business of the Group was from China. The export sales and sales denominated in foreign currencies of the Group amounted to USD27.03 million, representing 13.38% of the Group's total turnover. The major export countries and regions include Sudan, Iran, Cambodia, the Philippines, the United States of America and etc.

CONSOLIDATED PROFIT AFTER TAXATION

During the period under review, the Group's profit after taxation and minority interest was RMB20.92 million, an increase of 9.48% over the same period last year. The earnings per share was RMB0.0176.

During the period under review, the gross profit of the Group were RMB249.54 million, a decrease of 5.51% over the same period last year. The gross profit margin decreased 7.64%, which was mainly due to the reduction of product prices.

COST AND EXPENSES

During the period under review, the Group's cost of sales were RMB1,422.39 million, an increase of 56.96% over the same period last year, higher than the increase in turnover for the period under review.

The Group's expenses during the period were RMB296.06 million, an increase of 7.77% over the same period last year, which was mainly due to an increase of RMB17.99 million in finance costs.

FINANCE COSTS

During the period under review, the Group's finance costs amounted to RMB82.16 million, an increase of 28.03% over the same period last year, which was mainly due to the increase of loans caused by the increase of investment in work-in-progress and procurement of raw materials.

INCOME TAX RATE

During the period under review, the taxable income earned by the Group is subject to an income tax rate of 15%.

FUNDING AND BORROWINGS

During the period under review, there were no changes took place regarding the funding of the Group for operation and development. As at 30 June 2002, the Group's bank borrowings totaled RMB4,358.04 million, an increase of RMB473.18 million over the beginning of the year.

The Group's borrowings due within one year were RMB2,312.78 million, an increase of RMB130 million and 5.96% over the beginning of the year, which was mainly due to the increase of work-in-progress. The long-term borrowings were RMB2,045.26 million, an increase of RMB343.18 million and 20.16% over the beginning of the year, which was mainly due to the financing for overseas engineering projects and increase of loans for the Three Gorges Renovation Project.

DEPOSITS AND CASH FLOW

As at 30 June 2002, the bank deposits and bank balances and cash of the Group amounted to RMB1,573.62 million, an increase of RMB246.01 million over the beginning of last year.

During the period under review, the Group's net cash used in operation activities was RMB92.94 million. The Group's net cash used in investment activities was RMB197.20 million. The Group's net cash from financing activities was RMB438.18 million.

ASSETS

As at 30 June 2002, total assets of the Group amounted to RMB10,527.68 million, an increase of RMB670.17 million and 6.80% as compared to the beginning of the year. Among which, total current assets were RMB8,234.72 million, representing 78.22% of total assets. Total fixed assets were RMB2,203.54 million, representing 20.93% of total assets.

The growth of assets was mainly due to the increase of inventories, trade debtors, amounts due from customers for contract work, bank deposits and bank balances and cash. With the increase of orders, raw materials procurement increased and investment in work-in-progress increased. As at 30 June 2002, total inventories of the Group were RMB2,872.45 million, an increase of RMB174.49 million over the beginning of the year. The balance of trade debtors of the Group was RMB2,097.18 million, an increase of RMB134.74 million as compared to the beginning of the year. Amounts due from customers for contract work were RMB851.33 million, an increase of RMB13.06 million over the beginning of the year.

LIABILITIES

As at 30 June 2002, the Group's liabilities totaled RMB7,563.98 million, an increase of 9.48% over the beginning of the year. Among which, total current liabilities were RMB5,377.29 million, an increase of 6.16% and non-current liabilities were RMB2,186.68 million, an increase of 18.62%. The increase of current liabilities was mainly because production volume increased and loans for raw materials procurement increased. The increase of non-current liabilities was mainly due to the increase of loans for the Three Gorges hydropower renovation project.

All liabilities of the Group were denominated in Renminbi.

SHAREHOLDERS' FUND

As at 30 June 2002, the shareholders' fund of the Company totaled RMB2,941.92 million, an increase of RMB14.97 million over the beginning of the year. Net assets per share were RMB2.47, an increase of RMB0.01 compared to the beginning of the year. Reserves were RMB1,752.76 million, an increase of RMB14.97 million over the beginning of the year.

GEARING RATIO

As at 30 June 2002, the Group's gearing ratio (computed on non-current liabilities/ total shareholders' fund) was 0.74:1 as compared to that of 0.63:1 at the beginning of the year.

CONTINGENT LIABILITIES

During the period under review, there was no any external guarantee and contingent liabilities arising from outstanding litigation of the Group.

CAPITAL EXPENDITURE

During the period under review, the capital expenditure of the Group reached RMB100 million, which was mainly used for enhancing large hydropower equipment manufacturing capability, technical renovation projects for super-critical units and pumped storage units and the construction of the National Engineering Research Center of Power Equipment.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has certain amount of deposits that are in foreign currencies. The export business of the Group is also settled in foreign currencies and there is exchange risk. During the period under review, the Group has entrusted the Bank of China to adopt hedges measures for certain amount of foreign currencies in order to avoid exposure to fluctuations in exchange rates.

USE OF LISTING PROCEEDS

During the period under review, the Group used a total of RMB50 million from its listing proceeds as working capital of associated companies. As at 30 June 2002, the Group has used a total of RMB764 million from its listing proceeds. The Board approved RMB294 million from its listing proceeds to be used for renovation project of large hydropower equipment and construction of the National Engineering Research Center. The remaining balance of RMB182 million of listing proceeds was deposited in the bank and will be used according to the prospectus of the Company for the issue of H shares dated 5 December 1994.

STAFF

As at 30 June 2002, the employees of the Group totaled at 18,700.

PROSPECT

In the second half of 2002, the macro economy of China will continue to grow and power equipment market will continue to head to positive direction. A batch of new projects including Longtan Large Hydropower Station are expected to start in the second half of 2002, which will bring new opportunities to the Group. The Group's production and operation will further improve. However, the market competition will still be fierce. Unbalanced production and tight capital and other factors will restrict the growth of the results of the Group to a certain extent. In the second half of the year, the Group will continue to carry out its plans at the beginning of the year and mainly be engaged in the following tasks:

- take opportunities and further expanding domestic and overseas market, especially strengthening the marketing of 300MW and 600MW thermal power units, large hydropower units, air cooling units, circulated fluidised boilers, gas turbines and combined cycle units and etc. in order to secure more orders;
- enhance technical upgrading and investment in research and development, speed up new product development and technology transfer and accelerate product upgrading and replacement. Especially speed up the technology transfer for heavy duty gas turbine in combined cycle and digestion and absorbing of the transferred technology for super-critical units. Enhance the cooperation with multinational companies. Accelerate the construction of National Engineering Research Center, the technical renovation for production bottleneck links and initial work for the construction of coastal basis in order to increase the level of facilities; and
- further enhance internal administration, perfect the system, speed up reforms, straighten out relationship, sort out and integrate resources, improve distribution system and bring every positive factor of employees into play in order to achieve the goal of production and operation for the whole year.

The Board believes that the Chinese power generation equipment industry is now facing an important development era. The Group will take this opportunity, enhance the adjustment of product structure, speed up product upgrading and replacement and improve the level of products and facilities so as to meet the need of the power equipment market.

SHARE CAPITAL STRUCTURE

As at 30 June 2002, the share capital of the Company comprised of 1,189,151,000 shares is as follows:

	Shares	Percentage in total Share capital (%)
(1) State shares (not circulated)	720,000,000	60.55
(2) H shares (circulated and listed on the HKSE)	469,151,000	39.45
Total	<u>1,189,151,000</u>	<u>100</u>

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the Company's major shareholders included:

Shareholder	Share category	Share number	Percentage in total share capital
Harbin Power Plant Equipment Group Corporation	State share	720,000,000	60.55
HKSCC Nominees Limited	H share	454,788,798	38.24

Other than disclosed above, the Board has not been notified of any other interests directly or indirectly representing 10% or more of the Company's issued share capital.

DIRECTOR'S, SUPERVISOR'S AND SENIOR MANAGEMENT'S INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2002, none of the Directors, supervisors or senior management, or any of their connected persons had any interests in any shares, debentures or options of the Company or any of the subsidiaries. None of them was given preferential purchase right by the Company.

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.

CODE OF BEST PRACTICE

The Company has not established an audit committee, whose principal duties should be the review and supervision of the Company's financial reporting process and internal controls in accordance with the 14 paragraph in the Code of Best Practice as set out in Appendix 14 of the Rules governing the Listing of Securities. Since the establishment of the Company, the Company has set up a supervisory committee with the similar functions to those of audit committee in its organisation. The members of the supervisory committee shall be elected and removed by the shareholders' general meeting and shall be accountable to the shareholders' general meeting, but not the board of directors. However, the members of audit committee shall mainly consist of independent non-executive directors. Other than the above-mentioned, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing Securities in the Stock Exchange of Hong Kong Limited through the year.

DISCLOSURE OF SIGNIFICANT EVENTS

The Company was informed by the Assets Management Companies on 9 July 2002 that the Agreements entered into by the Company, the Subsidiaries and the Assets Management Companies in relation to the Debt Capitalisation were approved by the State on 8 May 2002. According to the Agreements, the debts to be capitalised by the Subsidiaries totaled RMB485.98 million. The relevant details were published in the Standard and the Ta Kung Pao on 10 July 2002.

In June 2002, the Company smoothly passed the quality assurance certification organised by the Quality Assurance Center of China Quality Management Association and was awarded with the quality management system certificate of GB/T19001-2000 – ISO9001: 2000 issued by the Center, which further perfected the quality management system of the Company.

During the period under review, the Company, the Carrefour Company of France and Liaoning Chengda Company signed an agreement for the incorporation of Harbin Carrefour Hypermarket Company Limited in Harbin. The registered capital of this company is USD12 million, among which, the Company's investment was USD2.16 million, accounting for 18% of the total registered capital. And the investment of Liaoning Chengda Company and Carrefour Company accounted for 17% and 65% of the total registered capital respectively. At present, this Agreement has been reported to the State for approval.

During the period under review, the Group signed the equipment supply contract for air-cooling turbine and turbine generator of Datong Power Plant (2 X 600MW), which is the largest air cooling unit project in China.

During the period under review, Harbin Turbine Company Limited under the Group cooperated with Mitsubishi to secure the equipment supply contract for 2 X 600MW super-critical turbine of the Huaneng Qinbei Power Plant. And Harbin Electrical Machinery Company Limited under the Group got the equipment supply contract for turbine generator for this project. This is the first localised large super-critical project in China.

Other than disclosed above, the Group did not have other disclosable significant events in the period under review.

SHAREHOLDERS' MEETING

The Company's 2001 Annual General Meeting was held on 21 June 2002 in Harbin city, during which all resolutions set out in the Company's Notice of Annual General Meeting dated 23 April 2002 were passed.

REFERENCE DOCUMENT

The interim financial report for the six months ended 30 June 2002 of the Company and the Articles of Association of the Company are available for inspection at Block B, 95 Daqing Road, Dongli District, Harbin, Heilongjiang, the PRC.

By order of the Board

Geng Lei

Chairman

Harbin, the PRC, 23 August 2002

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF HARBIN POWER EQUIPMENT COMPANY LIMITED

哈爾濱動力設備股份有限公司

(A joint stock company established in the People's Republic of China with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 12 to 21.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 23 August 2002

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

		Six months ended	
		30.6.2002	30.6.2001
		RMB'000	RMB'000
	NOTES	(unaudited)	(audited)
Turnover		1,671,931	1,170,296
Cost of sales		(1,422,389)	(906,211)
Gross profit		249,542	264,085
Other revenue		72,153	43,281
Distribution costs		(26,216)	(28,301)
Administrative expenses		(187,684)	(182,241)
Profit from operations	4	107,795	96,824
Finance costs		(82,157)	(64,171)
Share of result of an associate		282	(5,118)
Profit before tax		25,920	27,535
Income tax expense	5	(4,861)	(8,514)
Profit after tax		21,059	19,021
Minority interest		(141)	86
Net profit for the period		20,918	19,107
Transfer to statutory surplus reserve		3,812	5,171
Transfer to statutory public welfare fund		3,667	5,164
Dividends	6	5,946	44,593
Earnings per share – basic	7	1.76 cents	1.61 cents

There were no recognised gains or losses other than the net profit for the period.

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2002

		30.6.2002 RMB'000 (unaudited)	31.12.2001 <i>RMB'000</i> <i>(audited)</i>
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,203,542	2,206,182
Interest in an associate		29,868	29,586
Investments in securities		59,550	61,203
		2,292,960	2,296,971
CURRENT ASSETS			
Inventories		2,872,445	2,697,952
Trade debtors	9	2,097,175	1,962,433
Other debtors, deposits and prepayments		733,528	645,925
Amounts due from customers for contract work		851,331	838,271
Amounts due from fellow subsidiaries		106,622	88,351
Bank deposits		570,454	502,722
Bank balances and cash		1,003,166	824,884
		8,234,721	7,560,538
CURRENT LIABILITIES			
Amounts due to customers for contract work		242,741	133,380
Trade creditors	10	740,916	645,613
Other creditors and accrued charges		608,821	542,806
Deposits received		1,403,540	1,463,360
Amount due to ultimate holding company		19,645	25,589
Tax liabilities		48,850	71,886
Borrowings – due within one year	11	2,312,780	2,182,780
		5,377,293	5,065,414
NET CURRENT ASSETS		2,857,428	2,495,124
TOTAL ASSETS LESS CURRENT LIABILITIES		5,150,388	4,792,095

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

		30.6.2002	31.12.2001
		RMB'000	RMB'000
	<i>NOTES</i>	(unaudited)	<i>(audited)</i>
CAPITAL AND RESERVES			
Share capital		1,189,151	1,189,151
Share premium and reserves	12	1,752,765	1,737,793
		2,941,916	2,926,944
MINORITY INTEREST			
		21,790	21,649
NON-CURRENT LIABILITIES			
Borrowings – due after one year	11	2,045,262	1,702,082
Advance from ultimate holding company		141,420	141,420
		2,186,682	1,843,502
		5,150,388	4,792,095

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Six months ended	
	30.6.2002	30.6.2001
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Net cash used in operating activities	(92,944)	(16,517)
Net cash used in investing activities	(197,200)	(176,603)
Net cash from financing activities	438,180	279,700
Net increase in cash and cash equivalents	148,036	86,580
Cash and cash equivalents at 1 January	893,544	497,718
Cash and cash equivalents at 30 June	<u>1,041,580</u>	<u>584,298</u>
Analysis of cash and cash equivalents		
Bank balances and cash	1,003,166	570,692
Bank deposits maturing within three months	38,414	13,606
	<u>1,041,580</u>	<u>584,298</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements in 2001.

3. SEGMENT INFORMATION

Business segments

Six months ended	Main thermal power equipment	Main hydropower equipment	Engineering services for power stations	Ancillary equipment for power stations	AC/DC motors and other products	Eliminations	Consolidated
30.6.2002	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	895,224	178,922	417,395	53,344	127,046	-	1,671,931
Inter-segment sales	141	-	-	-	29,417	(29,558)	-
Total revenue	<u>895,365</u>	<u>178,922</u>	<u>417,395</u>	<u>53,344</u>	<u>156,463</u>	<u>(29,558)</u>	<u>1,671,931</u>
SEGMENT RESULTS	<u>154,407</u>	<u>12,849</u>	<u>39,928</u>	<u>21,152</u>	<u>21,206</u>	<u>-</u>	<u>249,542</u>
Unallocated corporate expenses – net							<u>(141,747)</u>
Profit from operations							<u>107,795</u>

3. SEGMENT INFORMATION (continued)

Business segments (continued)

Six months ended	Main thermal power equipment	Main hydropower equipment	Engineering services for power stations	Ancillary equipment for power stations	AC/DC motors and other products	Eliminations	Consolidated
30.6.2001	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE							
External sales	700,490	79,118	243,486	50,475	96,727	-	1,170,296
Inter-segment sales	-	106,629	-	5,344	14,004	(125,977)	-
Total revenue	<u>700,490</u>	<u>185,747</u>	<u>243,486</u>	<u>55,819</u>	<u>110,731</u>	<u>(125,977)</u>	<u>1,170,296</u>
SEGMENT RESULTS	<u>164,774</u>	<u>21,847</u>	<u>27,928</u>	<u>16,090</u>	<u>33,446</u>	<u>-</u>	<u>264,085</u>
Unallocated corporate expenses – net							<u>(167,261)</u>
Profit from operations							<u>96,824</u>

Geographical segments

	Sales revenue by geographical market Six months ended		Contribution to profit from operations Six months ended	
	30.6.2002 RMB'000	30.6.2001 RMB'000	30.6.2002 RMB'000	30.6.2001 RMB'000
The People's Republic of China (the "PRC")	1,448,244	961,309	235,070	234,358
Overseas	<u>223,687</u>	<u>208,987</u>	<u>14,472</u>	<u>29,727</u>
Total revenue/gross profit	<u>1,671,931</u>	<u>1,170,296</u>	<u>249,542</u>	<u>264,085</u>
Unallocated corporate expenses – net			<u>(141,747)</u>	<u>(167,261)</u>
Profit from operations			<u>107,795</u>	<u>96,824</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2002	30.6.2001
	<i>RMB'000</i>	<i>RMB'000</i>
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	108,355	95,675
Interest income	(33,733)	(32,136)

5. INCOME TAX EXPENSE

The charge represents the PRC income tax calculated at 15% of the estimated taxable income for the period.

Pursuant to a document issued by the PRC Ministry of Finance and the State Tax Bureau on 29 March 1994, taxable income earned by the Group is subject to an income tax rate of 15%.

There was no significant unprovided deferred taxation for the period or at the balance sheet date.

6. DIVIDENDS

	Six months ended	
	30.6.2002	30.6.2001
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend paid for 2000 of RMB0.0375 per share	–	44,593
Final dividend paid for 2001 of RMB0.005 per share	5,946	–
	5,946	44,593

The Directors do not recommend the payment of any interim dividend for the period (six months period ended 30 June 2001: nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of RMB20,918,000 (six months period ended 30 June 2001: RMB19,107,000) and on 1,189,151,000 shares (six months period ended 30 June 2001: 1,189,151,000 shares) at the period ended 30 June 2002.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB100 million mainly on construction in progress and plant and machineries for production process and upgrade its manufacturing capabilities.

9. TRADE DEBTORS

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 debtors, credit evaluations of customers are performed periodically.

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

	30.6.2002 RMB'000	31.12.2001 <i>RMB'000</i>
Within 1 year	1,222,278	984,095
1 to 2 years	272,506	354,814
2 to 3 years	178,920	240,050
Over 3 years	423,471	383,474
	<u>2,097,175</u>	<u>1,962,433</u>

10. TRADE CREDITORS

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

	30.6.2002 RMB'000	31.12.2001 <i>RMB'000</i>
Within 1 year	560,034	467,459
1 to 2 years	64,349	53,622
2 to 3 years	24,912	70,606
Over 3 years	91,621	53,926
	<u>740,916</u>	<u>645,613</u>

11. BORROWINGS

During the period, the Group obtained new bank loans in the amount of RMB905 million. The loans bear interest at market rates and have fixed terms of repayment. The proceeds were used to finance the acquisition of property, plant and equipment, upgrading the manufacturing capabilities and working capital for various production projects.

12. SHARE PREMIUM AND RESERVES

	Share premium RMB'000	Statutory capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2001	788,155	709,850	76,888	76,264	109,461	1,760,618
Net profit for the period	–	–	–	–	19,107	19,107
Transfers	–	–	5,171	5,164	(10,335)	–
Dividends	–	–	–	–	(44,593)	(44,593)
At 30 June 2001	788,155	709,850	82,059	81,428	73,640	1,735,132
Net profit for the period	–	–	–	–	2,661	2,661
Transfers	–	–	(259)	(270)	529	–
At 31 December 2001	788,155	709,850	81,800	81,158	76,830	1,737,793
Net profit for the period	–	–	–	–	20,918	20,918
Transfers	–	–	3,812	3,667	(7,479)	–
Dividends	–	–	–	–	(5,946)	(5,946)
At 30 June 2002	788,155	709,850	85,612	84,825	84,323	1,752,765

13. CAPITAL COMMITMENTS

	30.6.2002 RMB'000	31.12.2001 RMB'000
Capital expenditure for the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	<u>183,507</u>	<u>197,424</u>
– authorised but not contracted for	<u>294,000</u>	<u>33,000</u>

14. POST BALANCE SHEET EVENT

As mentioned in the Company's circular dated 10 July 2002, the Company and its wholly-owned subsidiaries set out below entered into conditional agreements on 30 September 2001 (the "Debt Capitalisation Agreements") with中國華融資產管理公司 (China Hua Rong Asset Management Company), 中國信達資產管理公司 (China Xin Da Asset Management Company) and 中國長城資產管理公司 (China Greatwall Asset Management Company) (the "Assets Management Companies") pursuant to which the subsidiaries and the Assets Management Companies agreed to capitalise the debts owed by the subsidiaries to the Assets Management Companies by way of an issue of equity interests in the subsidiaries to the Assets Management Companies. These Debt Capitalisation Agreements were approved by the PRC's State Council on 8 May 2002 and the aggregate amount of debts to be capitalised by the subsidiaries is RMB485,980,000 (equivalent to approximately HK\$458,470,000).

The Company is in the process of obtaining the new business licences for each of the subsidiaries so as to finalise the debt capitalisation arrangement. The Company expects the arrangement to be finalised prior to the year end.

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

Block 3
Nangang District High Technology
Production Base
Harbin
Heilongjiang
PRC
Registration No. 12757557-3

OFFICE ADDRESS OF THE COMPANY

Block B, 95 Daqing Road
Dongli District
Harbin
Heilongjiang
PRC
Postcode: 150040
Tel: 86-451-2135717 or 2135727
Fax: 86-451-2135700 or 2135717

PLACE OF BUSINESS IN HONG KONG

20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

LEGAL REPRESENTATIVE

Geng Lei

AUTHORISED REPRESENTATIVES

Zhao Ke-fei
Deng Xian-yuan

COMPANY SECRETARIES

Deng Xian-yuan

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Harbin Heping Branch

China Construction Bank
Harbin Dongli Branch

Bank of China
Heilongjiang Branch

Bank of China
Harbin Binjiang Branch

Bank of China
Hong Kong Branch

Everbright Bank of China
Heilongjiang Branch

State Development Bank of China

China Import & Export Bank

AUDITORS

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu CPA Limited

LEGAL ADVISORS

as to PRC Law
Haiwen Partners

as to Hong Kong Law
Richards Butler

LISTING INFORMATION

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

DEPOSITARY

The Bank of New York

SHARE REGISTER AND TRANSFER OFFICE

Hong Kong Registrars Limited