



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

(Stock Code: 1133)

2022 INTERIM REPORT

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2022 INTERIM REPORT OF THE BOARD

The Board of Directors (the “**Board**”) of Harbin Electric Company Limited (the “**Company**”) hereby announces the operating results of the Company and its subsidiaries for the six months ended 30 June 2022, which were prepared in accordance with the Chinese Enterprises Accounting Standard. Such operating results have not been audited but have been reviewed by Da Hua Certified Public Accountants LLP. Unless otherwise specified, the currency mentioned in this report was Renminbi.

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

Since 2022, the international environment has become more complicated and severe, together with frequent and sporadic outbreak of pandemic in China, resulting in significant increase in adverse effects. The economic development has been extremely unusual, and the factors of unexpected emergencies have brought about severe impacts. In the face of the complex and ever-changing environment, China has effectively coordinated the pandemic prevention and control and economic and social development, stepped up macro-policy adjustment, and effectively implemented the package policies and measures to stabilize the economy. The pandemic rebound has been efficiently controlled, and the national economy has stabilized and recovered.

According to the statistics from the NEA, as at the end of June 2022, the installed capacity of power generation in China was approximately 2.44 billion kilowatts, of which the installed power generation capacity of thermal power was approximately 1.3 billion kilowatts, the installed power generation capacity of hydropower was approximately 400 million kilowatts, the installed power generation capacity of nuclear power was approximately 56 million kilowatts, the installed power generation capacity of wind power was approximately 340 million kilowatts and the installed power generation capacity of solar power was approximately 340 million kilowatts, and the proportion of non-fossil energy power generation continued to increase of the total installed power generation capacity. In the first half of 2022, China's installed power generation capacity increased by 69.10 million kilowatts, representing an increase of 17.23 million kilowatts over the same period last year, of which hydropower increased by 9.41 million kilowatts, representing an increase of 1.29 million kilowatts over the same period last year, thermal power increased by 13.20 million kilowatts, representing a decrease of 4.36 million kilowatts over the same period last year, nuclear power increased by 2.28 million kilowatts, basically equivalent to that of the same period last year, wind power increased by 12.94 million kilowatts, representing an increase of 2.10 million kilowatts over the same period last year, and solar power increased by 30.88 million kilowatts, representing an increase of 17.87 million kilowatts over the same period last year. Green and low-carbon transformation effect has continued to manifest.

In the first half of 2022, the Board further scientifically studied and judged the development trend in the market and industry, optimized and adjusted the development strategy, clearly optimized the strategic layout around the “three systems”, accelerated the transformation of the “three businesses”, and implemented the “three-step” strategic arrangement, which led to a clearer direction of transformation, more reasonable allocation of resources and stronger development momentum. The Company continued to intensify reform efforts, deepened the reform of the headquarters organization, further consolidated the responsibility of the main body of operation, and continued to increase market development efforts. In the first half of the year, the amount of formal contracts signed and the total profit were better than those of the same period last year. The effect of the “turning losses into profit” in operation was preliminary seen, and the “catching-up” operation and the “taking the lead in science and technology” operation advanced steadily. The economic operation stabilized and improved, and the Company is ushering in a new phase of transformation and development.

OPERATING RESULTS

For the six months ended 30 June 2022, the Company recorded an operating revenue of RMB11,741.50 million, representing a decrease of 0.56% as compared with the same period last year. The Company recorded a net profit attributable to owners of the parent company of RMB51.84 million, representing an increase of 50.39% as compared with the same period last year. Earnings per share were RMB0.03, representing an increase of RMB0.01 as compared with the same period last year. The Company’s total equity attributable to the owners of the parent company at the end of the period was RMB11,642.62 million, representing an increase of RMB73.93 million over the beginning of the year; and net assets per share were RMB6.82, representing an increase of RMB0.04 over the beginning of the year.

NEW CONTRACTS

For the six months ended 30 June 2022, the contracts secured by the Company amounted to RMB15.543 billion, representing an increase of 73.61% from the same period last year, to which the coal power equipment contributed RMB2.691 billion, representing a year-on-year decrease of 30.10%; the formal contract amount for hydropower equipment amounted to RMB2.216 billion, representing a year-on-year increase of 31.33%; the formal contract amount for nuclear power equipment amounted to RMB0.115 billion, representing a year-on-year decrease of 2.88%; the formal contract amount for steam power equipment amounted to RMB2.028 billion, no contracts for the same period last year; the formal contract amount for power engineering amounted to RMB2.515 billion, no contracts for the same period last year; the formal contract amount for power station service amounted to RMB2.844 billion, representing a year-on-year increase of 84.64%; and the formal contract amount for other products amounted to RMB3.134 billion, representing a year-on-year increase of 78.38%.

The value of export contracts by the Company amounted to RMB2.901 billion, representing an increase of 564.68% from the same period last year.

PRODUCT OUTPUT

The capacity of the Company's power equipment produced for the six months ended 30 June 2022 was 8,564 MW, representing a decrease of 19.5% as compared with the same period last year, and among which water turbine generators sets generated a total of 1,544 MW, representing a decrease of 68.5% as compared with the same period last year; steam turbine generators generated a total of 7,020 MW, representing an increase of 22.4% as compared with the same period last year; utility boilers for power stations generated a total of 5,590 MW, representing a decrease of 35.7% as compared with the same period last year, and steam turbines for power stations generated a total of 5,560 MW, representing an increase of 166.0% as compared with the same period last year.

OPERATING REVENUE AND COST

For the six months ended 30 June 2022, the Company recorded an operating revenue of RMB11,741.50 million, representing a decrease of 0.56% as compared with the same period last year. In particular, operating revenue of main thermal power equipment was RMB4,379.11 million, representing a decrease of 1.29% as compared with the same period last year. Operating revenue of nuclear power equipment was RMB592.94 million, representing a decrease of 2.11% as compared with the same period last year. Operating revenue of main hydropower equipment was RMB1,569.18 million, representing an increase of 27.01% as compared with the same period last year. Operating revenue of engineering services for power stations was RMB2,720.42 million, representing a decrease of 11.50% as compared with the same period last year. Operating revenue of ancillary equipment and supporting products for power stations was RMB218.15 million, representing a decrease of 46.47% as compared with the same period last year. Operating revenue of AC/DC motors and other products and services was RMB2,261.70 million, representing an increase of 10.43% as compared with the same period last year. The decrease in the operating revenue of the Company was mainly attributable to the change of production schedule structure in the first half of the year.

The Company recorded an export turnover of RMB2,347.32 million, accounting for 19.99% of the operating revenue. The exports were mainly to Asia, accounting for 19.54% of the operating revenue and 97.73% of the export turnover.

The operating cost of the Company was RMB9,959.71 million, representing a decrease of 5.59% as compared with the same period last year, which was mainly attributable to the implementation of special action by the Company to turn losses into profit, as well as reduce and control losses in loss contracts.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2022, the Company realized a gross profit from operating business of RMB1,781.79 million, representing an increase of 41.67% as compared with the same period last year. The gross profit margin was 15.18%, representing an increase of 4.52 percentage points as compared with the same period last year.

In particular, the gross profit from main thermal power equipment was RMB631.07 million and the gross profit margin was 14.41%, representing an increase of 3.71 percentage points as compared with the same period last year; the gross profit from nuclear power equipment was RMB166.58 million and the gross profit margin was 28.09%, representing a decrease of 3.89 percentage points as compared with the same period last year; the gross profit from main hydropower equipment was RMB330.51 million and the gross profit margin was 21.06%, representing an increase of 4.78 percentage points as compared with the same period last year; the gross profit from engineering services for power stations was RMB155.13 million and the gross profit margin was 5.70%, representing an increase of 6.25 percentage points as compared with the same period last year; the gross profit from ancillary equipment and supporting products for power stations was RMB23.33 million and the gross profit margin was -10.7%, representing a decrease of 16.36 percentage points as compared with the same period last year; and the gross profit from AC/DC motors and other products and services was RMB521.83 million and the gross profit margin was 23.07%, representing an increase of 4.44 percentage points as compared with the same period last year.

The Company's gross profit margin slightly increased, mainly due to the decrease in the operating cost.

EXPENSES FOR THE PERIOD

For the six months ended 30 June 2022, the Company incurred expenses for the current period of RMB1,102.72 million, representing a decrease of RMB19.85 million on the same statistical caliber basis (exclude forward exchange settlement financial impact) as compared with the same period last year. In particular, distribution expenses incurred amounted to RMB237.70 million, representing an increase of RMB8.90 million as compared with the same period last year; administrative expenses incurred amounted to RMB498.40 million, representing a decrease of RMB22.54 million as compared with the same period last year; R&D expenses incurred amounted to RMB288.69 million, representing an increase of RMB7.79 million as compared with the same period last year; financial costs incurred amounted to RMB77.93 million, representing a decrease of RMB14.00 million on the same statistical caliber basis as compared with the same period last year.

ASSETS AND LIABILITIES

As at 30 June 2022, the total assets of the Company amounted to RMB62,187.53 million, representing an increase of RMB1,577.34 million or 2.60% over the beginning of the period, among which the current assets were RMB53,130.63 million, accounting for 85.44% of the total assets, and the non-current assets were RMB9,056.90 million, accounting for 14.56% of the total assets. The total liabilities of the Company amounted to RMB49,884.24 million, representing an increase of RMB1,468.73 million or 3.03% over the beginning of the period, among which the current liabilities were RMB45,175.68 million, accounting for 90.56% of the total liabilities, and the non-current liabilities were RMB4,708.57 million, accounting for 9.44% of the total liabilities. As at 30 June 2022, the gearing ratio of the Company was 80.22% as compared to 79.88% at the beginning of the period.

CAPITAL AND GEARING RATIO

As at 30 June 2022, the gearing ratio of the Company (calculated as non-current liabilities over total shareholders' equity) was 0.40:1 as compared to 0.34:1 at the beginning of the period.

MONETARY CAPITAL AND CASH FLOWS

As at 30 June 2022, the monetary capital of the Company was RMB14,670.18 million, representing an increase of RMB1,068.30 million or 7.85% as compared to the beginning of the period. During the period, the net cash flow generated from operating activities of the Company was RMB825.36 million, while investing activities generated net cash flow of RMB-287.70 million and financing activities generated net cash flow of RMB653.53 million.

FUNDING SOURCE AND BORROWING STATUS

The Company currently has four funding sources for operation and development, namely shareholder's funds, trade receivables from customers, bank borrowings and entrusted loan of national funds. The Company arranges borrowings based on each specific project. Except for some exceptions, loans will be raised individually by the Company's subsidiaries. However, prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 30 June 2022, the Company's total borrowings amounted to RMB8,596.25 million, all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR. Among those borrowings, the amount repayable within one year amounted to RMB6,328.73 million, representing a decrease of RMB83.13 million as compared with the beginning of the year; the borrowings repayable after one year amounted to RMB2,267.53 million, representing an increase of RMB1,234.46 million as compared to the beginning of the year. As at 30 June 2022, the Company's contracted liabilities were RMB14,706.53 million, representing a decrease of RMB339.08 million from that at the beginning of the period.

MAJOR INVESTMENTS HELD, MAJOR ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND THE FUTURE PLAN ON MAJOR INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

For the six months ended 30 June 2022, the Company had made fixed assets investments of RMB214.6851 million, which were mainly utilized for investment in technical measures and technical transformation for maintaining the normal production and operation of Dehui biomass electricity and heat cogeneration project, Wangkui biomass electricity and heat cogeneration project and subsidiaries. There is no significant change in the 2022 investment plan of the Company.

Save as disclosed above, the Company did not have any other major investment, significant acquisition or disposal of subsidiaries, or approve any other major investment or plan on acquisition of capital assets during the period.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The export business and the businesses settled in foreign currencies and all deposits denominated in foreign currencies of the Company are exposed to exchange risk. As at 30 June 2022, the Company's deposits denominated in foreign currencies were equivalent to approximately RMB679.63 million. To avoid the risk of exchange rate fluctuation in the foreign exchange market, the Company has signed contracts of Forward FX sales and purchase with banks for some future foreign currency receivables of overseas projects.

APPLICATION OF RAISED FUNDS

As at 30 June 2022, the funds raised by the Company's domestic share subscription in 2017 (the "Funds") remained unused at RMB126 million. All the funds raised from the issuance of shares and bonds in the previous years had been fully used. During the reporting period, the Company had no raised funds.

The use of the Funds is as follows:

The planned use of the Funds	Planned use amount of the Funds <i>(RMB '00 million)</i>	The used amount of the Funds <i>(RMB '00 million)</i>	The balance of the Funds <i>(RMB '00 million)</i>	Planned use time
Gas turbine joint venture project	1.8	1.5	0.3	before 24 October 2026
Gas turbine joint venture project	4.86	3.9	0.96	before 31 December 2023
Purchase of raw materials for production and operation of nuclear power industry	3	3	0	
Purchase of raw materials for production and operation of nuclear power industry	1.47	1.47	0	
Implement financial leasing business	1.54	1.54	0	
Total	12.67	11.41	1.26	

TAX POLICIES

According to the provisions of Administrative Measures with regard to the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration for Taxation of the PRC on 14 April 2008 and the Administrative Guidance with regard to the Recognition of High and New Technology Enterprises (《高新技術企業認定管理工作指引》) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 8 July 2008, corporations including the Company and five of its subsidiaries, namely Harbin Electrical Machinery Company Limited, Harbin Boiler Company Limited, Harbin Turbine Company Limited, Harbin Electric Power Equipment Company Limited and HE Harbin Power Plant Valve Company Limited were entitled to a 15% preferential income tax rate.

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

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

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

SCIENTIFIC AND TECHNOLOGICAL INNOVATION

In the first half of 2022, the Company adhered to innovation driven, and actively promoted the development of new products and new industries. The world's first non-supplemental combustion compressed air energy storage power station Jintan salt cavern compressed air energy storage national test demonstration project developed by the Company and other units was successfully put into operation; the world's only safety valve trial test platform with ultra-supercritical parameters successfully passed the on-site witnessing; China's first pumped storage unit with four-branch technology in the Arakawa ditch was successfully put into operation; the unit of Huanggou Pumped Storage Power Station, China's first pumped storage unit developed by the Company using the four-branch technology was successfully put into operation; the first full-power variable speed and constant frequency water pump and energy storage unit developed by the Company was successfully put into trial operation at the Chunbanba project; the first two units of Lianghekou Hydropower Station, Yalong River, the highest million kilowatt hydropower station in China, were officially put into operation; all three units of Yangjiang Water Pump and Energy Storage Power Station, the largest 400MW single-unit capacity and 700-meter high in China, were put into operation to generate electricity; the research and demonstration application of safe and efficient deep peak shaving power generation technology of coal-fired power generation unit passed the preliminary review; the key technology research and demonstration project of absorption and compression carbon dioxide energy storage passed the expert demonstration.

EMPLOYEES, REMUNERATION, STOCK OPTION PLAN AND TRAINING

As at 30 June 2022, the Company has a total of 11,704 employees, and the total remuneration amounted to RMB719.87 million.

In the first half of 2022, there was no significant change in the Company's remuneration policy.

On 29 January 2021, the share appreciation rights incentive plan and scheme were approved by the general meeting of the Company. On the same date, the Board announced that the conditions for granting the share appreciation rights incentive plan and scheme were satisfied, and formally granted 48.32 million share appreciation rights to 281 incentive targets. According to the incentive scheme and plan of Share Appreciation Right, since the performance of the Company in 2021 does not meet the performance target of the first exercise period of Share Appreciation Right, one third of the number of Share Appreciation Right proposed to grant to each grantee (the first exercise period) is not exercisable.

In the first half of 2022, the Company organized 374 classes in total for training and trained 18,188 persons.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

PROSPECTS

According to the forecast of China Electricity Council (CEC), driven by the rapid development of new energy, China's new installed capacity in 2022 will reach a record high, and is expected to reach 2.6 billion kilowatts of installed capacity by the end of 2022, among which, the installed capacity of non-fossil energy generating power will reach 1.3 billion kilowatts, and the proportion of total installed capacity will rise to 50%, representing an increase of 16% year-on-year. It will reach half of the total installed power capacity for the first time, with an increase of about 3 percentage points from the end of 2021. In particular, hydropower will be 410 million kilowatts, grid-connected wind energy 380 million kilowatts, grid-connected solar power 400 million kilowatts, nuclear power 57 million kilowatts, biomass power generation approximately 44 million kilowatts. The installed power generation capacity of coal-fired power will be 1.14 billion kilowatts.

In the second half of 2022, the Company will unswervingly adhere to its annual business objectives, adhere to technology, quality, service and brand, and enhance the comprehensive competitiveness. The Company is fully committed to exploring the market, with further efforts to reduce trade receivables and inventories, effectively improves the quality of economic operation, and lays a foundation for high-quality development. The Company will make every effort to improve the ability of scientific and technological innovation, adhere to the “four orientations”, focus on tackling key technological problems, strengthen the construction of the source of original technologies, strive to be the chain leader of the modern industrial chain, deepen the reform of the innovation system and mechanism, and comprehensively improve the level of scientific and technological innovation. The Company is committed to working on the construction of major projects, comprehensively promoting the construction of follow-up units of the Baihetan project, promoting the implementation of key projects, and creating more high-quality projects in more countries. The Company is dedicated to improving the ability to manage and control major risks, solidly promoting special actions for comprehensive governance, paying close attention to the prevention and control of investment risks, debt risks and financial derivative risks, and actively resolving potential risks. The Company is also dedicated to deepening the reform of state-owned enterprises, ensuring that the three-year action for the reform of state-owned enterprises will be completed in a comprehensive and high-quality manner by the end of the year. Establishing a complete market-oriented operation and management mechanism, the Company will give prominence to the special tasks of reform. The Company will strive to achieve a stable recovery of production and operation with greater determination, greater responsibility and more practical measures.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 June 2022, the total number of share capital of the Company was 1,706,523,000 shares, of which included 1,030,952,000 state-owned legal person shares and 675,571,000 overseas H shares. The interests and short positions of shareholders holding 5% or more of the issued share capital of relevant class of share of the Company, which were required to be recorded under the register of interests and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"), are set out as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage to underlying share capital	Percentage to total share capital
Harbin Electric Corporation	State-owned legal person shares	1,030,952,000	Beneficial owner	100%	60.41%

Save as disclosed above, as at 30 June 2022, the Company did not receive any notification about the interests or short positions in shares or underlying shares of the Company, which are required to be entered in the register pursuant to Section 336 of the SFO.

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

As at 30 June 2022, none of the Directors, Supervisors and senior management of the Company and their associates had any interest and short position in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

COMPLIANCE WITH THE MODEL CODE

As at 30 June 2022, the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made enquiry to the Directors, confirms that all Directors have complied with the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers throughout the period.

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

As at 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

As at 30 June 2022, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB1,710.70 million in aggregate. There was no external guarantee of the Company.

PLEDGE OF ASSETS

As at 30 June 2022, the Company pledged its assets of RMB91.04 million (as at 30 June 2021: RMB96.61 million) to secure loans for liquidity.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the accounting period ended 30 June 2022, the Company had been in compliance with the rules set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, and, where appropriate, has adopted the recommended best practices as specified therein. Mr. Sun Zhi-yong has resigned from the positions of the executive Director on 15 February 2022 due to change of work arrangements. The number of the Board members has fallen below the quorum as required under the Articles of Association of the Company. Currently, the Company has added one Director, and the number of members of the Board complies with the quorum as required under the Articles of Association: on 26 August 2022, the Board of the Company appointed Mr. Zhang Ying-jian as the executive Director in accordance with the authorization of the annual general meeting.

THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and approved the interim report of the Company for the six months ended 30 June 2022. The members of Audit Committee of the Company include Tang Zhi-hong, He Yu, Hu Jian-min and Chen Guo-qing.

AUDITORS

Dahua Certified Public Accountants LLP, the Company's auditor, has carried out a review of the unaudited interim report of the Company for the six months ended 30 June 2022 in accordance with the requirements of "China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statement".

SHAREHOLDERS' MEETING

On 27 May 2022, the 2021 annual general meeting of the Company was convened in Harbin, the PRC. The results of relevant meetings had been published on the websites of the Hong Kong Stock Exchange and the Company.

OTHER DISCLOSEABLE INFORMATION

As at 30 June 2022, the Company did not have any information which was required to be disclosed pursuant to Rules 40.3(a) to (i) under Appendix 16 of the Listing Rules.

DOCUMENTS AVAILABLE FOR INSPECTION

The Articles of Association of the Company and the original copies of the interim report and the reviewed financial statements for the six months ended 30 June 2022 are available for inspection at the head office of the Company at 1399 Chuangxinyi Road, Songbei District, Harbin, the PRC.

REVIEW REPORT

D.H.H.Z [2022] NO.0011661

To the Shareholders of Harbin Electric Company Limited :

We have reviewed the accompanying financial statements of Harbin Electric Company Limited (Hereafter refer to as “HEC”), which comprise the consolidated balance sheet as of June 30, 2022, the consolidated income statement from January 1, 2022 to June 30, 2022, the consolidated cash flow statement, the consolidated statement of changes in owner’s equity, and the notes to the financial statements. The preparation of these financial statements is the responsibility of managements of HEC. Our responsibility is to issue review report based on the implementation of review work.

We conducted our review in accordance with Chinese Certified Public Accountants reviewing Standards No. 2101. Those standards require that we plan and perform the review to obtain limited assurance whether the financial statements are free from material misstatements. The review is mainly limited to asking the relevant personnel of the company and implementing the analysis procedures for financial data, and the level of assurance provided is lower than the audit. We did not perform audit, and therefore do not express an audit opinion.

Based on our review, we did not notice any matter which causes us to believe that the financial statements are not prepared in accordance with International Accounting Standards, and fail to fairly reflect the financial situation, the results of operations and cash flow of the reviewed units in all material respects.

**Da Hua Certified Public Accountants
(Special General Partnership)**

**China Certified Public Accountant :
Yan Xincai (Project partner)**

**China Certified Public Accountant :
Fei Qiang**

Beijing • China

26 August, 2022

CONSOLIDATED BALANCE SHEET

For the six months ended 30 June 2022

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30,2022	Dec 31,2021
Current assets :		–	–
Cash and bank		14,670,178,086.46	13,601,882,949.85
Settlement reserve			
Due from banks and other financial institutions		900,000,000.00	1,160,000,000.00
Transactional financial assets		1,586,755.20	1,586,755.20
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		2,039,201,248.60	2,673,559,748.96
Accounts receivable	VI(I)	7,777,055,951.25	7,247,643,005.32
Receivables for financing		–	
Prepayments	VI(II)	3,836,838,562.86	4,053,396,852.51
Premium receivable			
Reinsurance premium receivable			
Reinsurance reserve receivable			
Other receivables	VI(III)	1,561,938,249.16	1,320,694,485.73
Including: Dividend receivable		83,649,184.00	–
Buying back the sale of financial assets		710,000,000.00	1,600,000,000.00
Inventories		10,878,749,893.04	9,277,188,524.26
Including: raw materials		3,154,694,228.94	2,929,891,292.03
Merchandise inventories(finished goods)		309,958,748.22	392,202,142.70
Contract assets		9,776,011,689.60	9,376,793,737.57
Held-for-sale assets			
Current portion of non-current assets		523,159,258.84	532,462,521.58
Other current assets	VI(IV)	455,915,168.91	655,929,163.44
Total current assets		53,130,634,863.92	51,501,137,744.42

CONSOLIDATED BALANCE SHEET (CONTINUED)

For the six months ended 30 June 2022

Items	Notes	June 30,2022	Dec 31,2021
Non-current assets :		–	–
Loans and advances issued		–	31,200,000.00
Debt investments			
Available-for-sale financial assets			
Other debt investments		–	–
Held-to-maturity investments			
Long-term receivables		263,778,408.54	251,453,934.46
Long-term equity investments		364,940,291.67	380,662,063.58
Other equity instruments investments		293,843,554.63	253,742,400.98
Other non-current financial assets		178,116.98	–
Investment property	VI(V)	201,670,121.35	192,097,586.49
Fixed assets		5,178,945,811.45	5,412,526,694.03
Including: Cost		14,893,864,714.25	14,931,804,461.28
Accumulated depreciation		9,665,029,982.20	9,469,795,888.44
Impairment		49,921,969.82	49,481,878.81
Construction in progress		948,134,083.45	750,210,600.69
Productive biological assets			
Oil and gas assets			
The right-of-use assets		611,840.63	
Intangible assets	VI(V)	925,141,548.49	961,518,817.12
Development disbursements		133,927,150.90	106,224,822.46
Goodwill		23,919,751.92	23,919,751.92
Long-term deferred expenses		6,039,499.18	7,488,107.98
Deferred tax assets		715,765,100.19	738,010,696.54
Other non-current assets			
Including: authorised reserve material			
Total non-current assets		9,056,895,279.38	9,109,055,476.25
Total assets		62,187,530,143.30	60,610,193,220.67

CONSOLIDATED BALANCE SHEET (CONTINUED)

For the six months ended 30 June 2022

Items	Notes	June 30,2022	Dec 31,2021
Current liabilities :			
Short-term borrowings	VI(VI)	5,481,930,838.65	5,223,060,625.25
Borrowings from central bank		89,064,831.95	68,654,568.37
Placement from banks and other financial institutions		200,000,000.00	
Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		6,984,109,580.64	7,257,666,848.12
Accounts payable	VI(VII)	15,071,509,110.15	13,875,963,319.42
Advances from customers		–	–
Contract liabilities		14,706,532,117.00	15,045,611,306.96
Securities sold under agreement to repurchase		294,000,000.00	
Deposits and placements from other financial institutions		390,590,973.00	365,927,085.43
Securities brokering			
Securities underwriting			
Employee benefits payable		450,658,594.45	527,038,717.74
Including: salary payable		116,743,992.66	181,109,149.95
Welfare benefits payable		17,374,396.44	18,192.00
Including: Employee bonus and welfare fund			
Taxes and surcharges payable		332,927,890.67	354,342,491.05
Including: taxes payable excluding surcharges		329,097,743.20	347,839,831.60
Other payables		327,560,114.21	544,545,445.84
Including: Dividend payable		3,782,486.16	3,482,486.16
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities	VI(VIII)	846,794,302.00	1,188,794,302.00
Other current liabilities	VI(IX)	–	463,280.00
Total current liabilities		45,175,678,352.72	44,452,067,990.18

CONSOLIDATED BALANCE SHEET (CONTINUED)

For the six months ended 30 June 2022

Items	Notes	June 30,2022	Dec 31,2021
Non-current liabilities :		–	–
Reserve of insurance contract			
Long-term borrowings		2,267,526,379.15	1,033,066,644.43
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities		426,356.33	–
Long-term payable		20,419,794.29	20,419,794.29
Long-term employee benefits payable		386,070,940.99	386,096,909.56
Provisions		1,754,985,881.63	2,259,633,261.28
Deferred income		279,136,736.80	264,222,683.35
Deferred tax liabilities			
Other non-current liabilities		–	
Including: authorized reserve fund			
Total non-current liabilities		4,708,566,089.19	3,963,439,292.91
Total liabilities		49,884,244,441.91	48,415,507,283.09

CONSOLIDATED BALANCE SHEET (CONTINUED)

For the six months ended 30 June 2022

Items	Notes	June 30,2022	Dec 31,2021
Equity :		–	–
Paid-in capital	VI(X)	1,706,523,000.00	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		1,030,952,000.00	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		675,571,000.00	675,571,000.00
Less: payback capital			
Paid-in capital -net value		1,706,523,000.00	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		4,334,042,032.12	4,338,736,992.12
Less: treasury shares			
Other comprehensive income		8,348,583.34	-8,899,799.96
Including: Currency translation reserve		-5,605,601.31	-9,378,391.12
Specialized reserve		49,063,584.54	43,527,398.71
Surplus reserve		809,136,649.47	809,136,649.47
Including: statutory surplus reserve		809,136,649.47	809,136,649.47
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
General risk reserve			
Retained earnings		4,735,505,221.10	4,679,669,917.68

CONSOLIDATED BALANCE SHEET (CONTINUED)

For the six months ended 30 June 2022

Items	Notes	June 30,2022	Dec 31,2021
Equity attributable to parent company		11,642,619,070.57	11,568,694,158.02
Minority interests		660,666,630.82	625,991,779.56
Total owner's equity		12,303,285,701.39	12,194,685,937.58
Total liabilities and owner's equity		62,187,530,143.30	60,610,193,220.67

Legal representative : Chief Accounting Officer : Accounting agency head:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2022	January to June 2021
1. Revenue		11,872,287,698.97	11,927,880,095.72
Including: operating revenue	VI(XI)	11,741,498,025.57	11,807,328,596.35
Interest income		130,789,673.40	120,551,499.37
Premium earned			
Fees and commissions income			
2. Total cost		11,137,510,943.50	11,655,349,455.80
Including: operating cost	VI(XI)	9,959,710,022.62	10,549,642,862.33
Interest expenses		4,286,691.94	4,374,788.03
Fees and commissions expenses		34,250.11	23,358.73
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges		70,756,708.15	58,749,305.79
Selling expenses		237,704,179.43	228,799,012.08
Administrative expenses	VI(XII)	498,397,855.04	520,936,385.87
Research and development expenses		288,693,577.35	280,898,742.51
Financial expenses		77,927,658.86	11,925,000.46
Including: interest expenses		109,876,299.14	105,838,860.14
Interest income		7,314,239.59	14,785,582.52
Net exchange loss			
("—" for net proceeds)		-35,074,876.53	-86,017,352.51
Other costs and expenses			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
Add: Other income		29,915,359.46	61,800,288.02
Investment income ("-" for loss)		12,185,623.66	16,118,392.82
Including: investment income from associates and joint ventures		3,381,116.96	281,420.51
Income from derecognition of financial assets at amortised cost			
Gain on foreign exchange ("-" for loss)		16,293.31	-494.81
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)		-	
Credit losses ("-" for loss))	VI(XIII)	-521,747,927.36	-119,543,627.16
Impairment on assets ("-" for loss)	VI(XIV)	-152,216,384.39	-175,200,596.34
Proceeds from asset disposal ("-" for loss)		301,592.65	11,911,957.22
3. Operating profits ("-" for loss)		103,231,312.80	67,616,559.67
Add: non-operating income		25,355,852.87	21,168,395.98
Including: Government grants		423,634.53	6,785,509.59
Less: non-operating expenses		4,162,828.16	631,368.98
4. Profit before tax ("-" for loss)		124,424,337.51	88,153,586.67
Less: income tax		62,826,775.03	43,192,584.77

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
5. Net profit (“-” for net loss)		61,597,562.48	44,961,001.90
(1) By ownership			
Net profit attributable to parent company		51,835,303.42	34,471,036.17
Profit/loss attributable to minority shareholders		9,762,259.06	10,489,965.73
(2) By going concern basis			
Continuous operating profit and loss		61,597,562.48	44,961,001.90
Termination of the business profit and loss			
6. Other comprehensive income after tax		17,248,383.30	-52,609,930.85
Other comprehensive income after tax attributable to parent company		17,248,383.30	-52,609,930.85
(1) Comprehensive income not to be reclassified as profit or loss		13,345,453.65	-19,847,328.02
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		13,345,453.65	-19,847,328.02
4. Fair value changes in enterprise's own credit risk			
5. Others			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
(2) Other comprehensive income to be reclassified as profit or loss		3,902,929.65	-32,762,602.83
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income		-	
3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve		130,139.84	-31,912,382.24
8. Currency translation reserve		3,772,789.81	-850,220.59
9. Other profit or loss to be reclassified			
Other comprehensive income after tax attributable to minority share-holders		-	
7. Total comprehensive income		78,845,945.78	-7,648,928.95
Total comprehensive income attributable to parent company		69,083,686.72	-18,138,894.68
Total consolidated income attributable to minority share-holders		9,762,259.06	10,489,965.73
8. Earnings per share:			
Basic earnings per share	VI(XVIII)	0.03	0.02
Diluted earnings per share	VI(XVIII)	0.03	0.02

Legal representative : Chief Accounting Officer : Accounting agency head:

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2022	January to June 2021
1. Cash flows from operating activities:			
Cash received from sales and services		11,698,804,483.53	10,465,262,095.18
Net increase in deposits and placements from financial institutions		20,804,715.81	-130,499,825.05
Net increase in due to central banks		20,410,263.58	
Net increase in placement from financial institutions		—	300,000,000.00
Cash received from premiums of original insurance contracts		—	
Net amount of reinsurance business		—	
Net increase in insured's deposits and investments		—	
Net increase in disposal of financial assets at fair value through profit and loss		—	
Cash received from interests, fees and commissions		130,789,673.40	120,551,499.37
Net increase of placement from banks and other financial institutions		200,000,000.00	
Net increase in repurchasing		1,184,000,000.00	294,000,000.00
Net cash received from agent sales of securities			
Taxes and surcharges refunds		412,026,020.90	159,950,933.31
Other cash receipts related to operating activities		682,647,411.56	413,462,822.01
Total cash inflows from operating activities		14,349,482,568.78	11,622,727,524.82

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
Cash paid for goods and services		10,883,485,237.11	10,282,143,669.33
Net increase in loans and advances		171,755,513.33	29,706,206.41
Net increase in deposits with central banks and other financial institutions		1,354,626.71	4,745,899.21
Cash paid for claim settlements on original insurance contracts			
Net increase of due from banks and other financial institutions		-260,000,000.00	100,000,000.00
Cash paid for interest, fees and commissions		1,168,021.61	2,424,867.61
Cash paid for policy dividends		—	
Cash paid to and for employees		1,211,065,636.61	1,187,936,933.20
Taxes and surcharges cash payments		607,107,750.25	534,162,355.41
Other cash payments related to operating activities		908,186,712.03	758,016,429.13
Total cash outflows from operating activities		13,524,123,497.65	12,899,136,360.30
Net cash flows from operating activities		825,359,071.13	-1,276,408,835.48

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
2. Cash flows from investing activities:			
Cash received from withdraw of investments		–	3,000,000,000.00
Cash received from investment income		292,649.85	29,193,700.83
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		1,307.00	13,268,341.66
Net cash received from disposal of subsidiaries and other business units		–	2,738,423.00
Other cash receipts related to investing activities		8,165,561.97	8,361,858.10
Total cash inflows from investing activities		8,459,518.82	3,053,562,323.59
Cash paid for fixed assets,intangible assets and other long-term assets		202,334,500.10	135,647,703.18
Cash payments for investments		93,821,500.00	1,807,802,980.72
Net increase in pledged loans		–	
Net cash paid for acquiring subsidiaries and other business units		–	
Other cash payments related to investing activities		–	110,360.25
Total cash outflows from investing activities		296,156,000.10	1,943,561,044.15
Net cash flows from investing activities		-287,696,481.28	1,110,001,279.44

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
3. Cash flows from financing activities:			
Cash received from investments by others		4,888,840.00	19,888,840.00
Including: cash received by subsidiaries from minority shareholders' investments		–	15,000,000.00
Cash received from borrowings		2,338,475,962.75	1,139,527,443.33
Other cash receipts related to other financing activities		–	
Total cash inflows from financing activities		2,343,364,802.75	1,159,416,283.33
Cash repayments for debts		1,470,221,670.22	1,227,636,125.90
Cash payments for distribution of dividends, profit and interest expenses		211,358,202.23	121,008,744.05
Including: dividends or profit paid by subsidiaries to minority shareholders		–	
Other cash payments related to financing activities		8,250,277.36	7,079,363.51
Total cash outflows from financing activities		1,689,830,149.81	1,355,724,233.46
Net cash flows from financing activities		653,534,652.94	-196,307,950.13

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

Item	Notes	January to June 2022	January to June 2021
4. Effect of foreign exchange rate changes on cash and cash equivalents		11,578,038.67	2,966,834.93
5. Net increase in cash and cash equivalents		1,202,775,281.46	-359,748,671.24
Add: beginning balance of cash and cash equivalents		12,620,970,173.01	11,298,046,225.31
6. Ending balance of cash and cash equivalents		13,823,745,454.47	10,938,297,554.07

Legal representative :

Chief Accounting Officer :

Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2022

Monetary unit: RMB YUAN

Made by: Harbin Electric Company Limited

Item	January to June 2022													
	Equity attributable to owners of the parent company										Total owners' equity			
	Pre-IPO capital	Preferred stock	Perpetual stock	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision		Retained earnings	Subtotal	Minority interests
1. Ending balance of last year Add: increases/decreases due to changes in accounting policies Increases/decreases due to corrections of errors in prior period Others	1,706,820,000.00	-	-	-	4,338,738,892.12	-	-8,689,793.96	43,327,338.71	819,136,848.47	-	4,678,659,176.88	11,539,894,163.02	625,931,793.96	12,164,885,970.58
2. Beginning balance of current year	1,706,820,000.00	-	-	-	4,338,738,892.12	-	-8,689,793.96	43,327,338.71	819,136,848.47	-	4,678,659,176.88	11,539,894,163.02	625,931,793.96	12,164,885,970.58
3. Increases/decreases for current year: ** for decrease (1) Total comprehensive income (2) Other comprehensive income and movements of capital (3) Capital contributed by other equity instrument holders 1. Share-based payment recorded in owner's equity 2. Share-based payment recorded in owner's equity 3. Share-based payment recorded in owner's equity 4. Other	-	-	-	-	-	-	17,249,393.20	5,336,185.83	-	-	55,835,303.42	73,594,912.55	34,674,851.26	108,859,763.81
(4) Profits distribution 1. Appropriation of surplus reserve including treasury surplus reserve Reserve fund Corporate development fund Return of investment 2. Accrual of general risk reserve 3. Distribution to owner's shareholder 4. Other	-	-	-	-	-4,694,660.00	-	17,249,393.20	5,336,185.83	-	-	518,855,003.42	69,383,888.72	31,622,829.05	784,944,678.19
(5) Transfer within owner's equity 1. Capital reserve transferred to paid-in capital 2. Surplus reserve transferred to paid-in capital 3. Reserve of loss by surplus reserve 4. Demed benefit plan change carried forward to retained earnings 5. Other comprehensive income carried forward to retained earnings 6. Others	-	-	-	-	-4,694,660.00	-	-	-	-	-	4,000,000.00	-	30,468,669.29	25,775,924.29
4. Ending balance of current year	1,706,820,000.00	-	-	-	4,334,142,232.12	-	8,249,393.54	49,163,524.54	819,136,848.47	-	4,733,552,211.10	11,642,919,705.57	616,865,838.82	12,259,785,514.39

Legal representative: _____ Chief Accounting Officer: _____ Accounting agency head: _____

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

For the six months ended 30 June 2022

January to June 2021

Items	Equity attributable to owners of the parent company													
	Put-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
1. Ending balance of last year	1,706,523,000.00	-	-	-	4,341,472,461.31	-59,296,123.89	41,743,255.95	889,135,948.47	8,795,227,504.41	15,677,245,912.95	922,635,591.95	16,200,095,534.91		16,200,095,534.91
Additional increase due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease due to conversion of bonds in IPO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Beginning balance of current year	1,706,523,000.00	-	-	-	4,341,472,461.31	-59,296,123.89	41,743,255.95	889,135,948.47	8,795,227,504.41	15,677,245,912.95	922,635,591.95	16,200,095,534.91		16,200,095,534.91
3. Increase/decrease for current year														
(1) Total comprehensive income					2,002,990.51	-52,009,930.85	6,351,327.46	806,135,848.47	18,002,863.16	-26,182,532.72	69,594,812.21	43,401,624.29		16,200,095,534.91
(2) Owner's contributions and withdrawals of capital					2,002,990.51	-52,009,930.85			34,471,026.17	-18,138,894.68	10,489,895.73	-7,648,306.95		16,200,095,534.91
1. Common stock contributed by owners					2,002,990.51				4,886,390.51		66,719,970.10			16,200,095,534.91
2. Capital contributed by other equity instruments holders					2,002,990.51				2,384,400.00		2,002,990.51			16,200,095,534.91
3. Share-based payment recorded in owner's equity holders														16,200,095,534.91
(3) Decrease/realization of specialized reserve									2,384,400.00					16,200,095,534.91
1. Accrual of specialized reserve														16,200,095,534.91
2. Utilization of specialized reserve														16,200,095,534.91
(4) Profits distribution									-18,771,753.01					16,200,095,534.91
1. Appropriation of surplus reserve including statutory surplus reserve														16,200,095,534.91
2. Discretionary surplus reserve														16,200,095,534.91
3. Reserve fund														16,200,095,534.91
4. Corporate development fund														16,200,095,534.91
5. Return of investment														16,200,095,534.91
6. Accrual of general risk reserve														16,200,095,534.91
7. Contribution to owner's liability														16,200,095,534.91
8. Others														16,200,095,534.91
(5) Transfer within owner's equity														16,200,095,534.91
1. Capital reserve transferred based on capital														16,200,095,534.91
2. Surplus reserve transferred to paid-in capital														16,200,095,534.91
3. Recover of loss by surplus reserve														16,200,095,534.91
4. Defined benefit plan charges carried forward to related earnings														16,200,095,534.91
5. Other comprehensive income carried forward to related earnings														16,200,095,534.91
6. Others														16,200,095,534.91
4. Ending balance of current year	1,706,523,000.00	-	-	-	4,343,475,451.82	-73,306,054.74	48,104,633.12	889,135,948.47	8,817,410,163.57	15,651,062,083.24	922,400,914.16	16,243,632,299.40		16,243,632,299.40

Legal representative :

Chief Accounting Officer :

Accounting agency head :

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended on 30 June 2022

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

I. INFORMATION ABOUT THE COMPANY

(I) Company Profile

Harbin Electric Company Limited (the “Company”) was initially and was formed through the restructuring of Harbin Electric Corporation (“HE Corporation”) and its three affiliates: Harbin Electrical Machinery Works, Harbin Boiler Works and Harbin Turbine Works (the “three major power factories”). The Company was established in Harbin on October 6, 1994. The reconstruction and listing of its shares in Hong Kong with limited liabilities has been approved by the State Commission for Restructuring the Economic Systems on November 5, 1994.

The parent company of the company is Harbin Electric Corporation.

The Company is engaged in manufacturing of power generator and generator units, its principal businesses are production and sales of power generator and turn-key construction of power station projects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

I. INFORMATION ABOUT THE COMPANY (CONTINUED)

(II) Scope of Consolidated Financial Statements

As of June 30, 2022, the company scope of consolidated financial statements had the company are as follows:

Name of subsidiaries

Harbin Steam Turbine Factory Co., Ltd.
Harbin Electric Power Technology & Trade Co., Ltd.
Harbin Electric International Engineering Co., Ltd.
Harbin Electric Factory Co., Ltd.
Harbin Electric Power Generation Equipment National Engineering
Research Center Co., Ltd.
Harbin Power Station Valve Co., Ltd. of Harbin Electric Group
Harbin Boiler Factory Co., Ltd.
Harbin Electric Power Equipment Co., Ltd.
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd.
Harbin Electric Group Finance Co., Ltd.
Harbin Harbin Electric Co., Ltd.
Harbin Electric Group Shanxi Environmental Engineering Co., Ltd.
Chengdu Sanliya Technology Co., Ltd.
Harbin Electric Leasing (Tianjin) Co., Ltd.
Harbin Electric Group Biomass Power Generation
(Wangkui) Co., Ltd.
Harbin Electric Group Biomass Power Generation (Dehui) Co., Ltd.

Compared with the previous period, the number of subjects included in the consolidated financial statements in this period increased by 0 and decreased by 0.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

Based on going concern and actual transactions and events, the Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as “CAS”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission, and Hong Kong Stock Exchange’s Rules Governing the Listing of Securities and the Hong Kong Companies Ordinance.

(II) Going concern

The company has continuous operation capability for at least 12 months from the end of the reporting period, and has no major issues affecting its ability to continue to operate. Therefore, the financial statements are prepared on the basis of the going concern assumption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

- (I) Statement of compliance with corporate accounting standards

The Company have formulated certain specific accounting policies and accounting estimates in accordance with the production and operation characteristics, which are mainly reflected in the valuation method of inventory, the method of calculating and calculating the expected credit loss of receivables, the depreciation of fixed assets and the amortization of intangible assets, the timing of revenue recognition, etc.

- (II) Statement of compliance with corporate accounting standards

The financial statements prepared by the company are following the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the financial status, operating results, cash flow and other relevant information of the company and its subsidiaries.

- (III) Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IV) Reporting currency

The reporting currency of the Company is Renminbi (“CNY”).

(V) Accounting basis and valuation principles

The Company is based on accrual basis of accounting. The company generally adopts historical cost when measuring accounting elements. The company will provide special explanations for the measurement of other attributes such as replacement cost, net realizable value, present value or fair value according to the standards.

(VI) Accounts receivable

Receivables include accounts receivable, other receivables, etc. The accounts receivable formed by the Company’s external sales of goods or provision of labor services shall be deemed as the initial recognition amount based on the fair value of the contract or agreement receivable from the purchaser. The receivables are presented using the effective interest method and the amortized cost less the provision for bad debts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Accounts receivable (Continued)

(1) Accounts receivable

For accounts receivable, whether it contains significant financing components, the company always measures its loss reserves in accordance with the amount of expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included into the current profit and loss as an impairment loss or gain.

In the scope of consolidation, the enterprises involved in the provision of bad debt provision using the expected credit loss model include: Harbin Electric Co., Ltd. and all subsidiaries.

The company combines the accounts receivable based on similar credit risk characteristics (ageing), and based on all reasonable and supportable information, including forward-looking information, the ratio of the provision for bad debts of the accounts receivable is estimated as follows:

Ageing	Ratio (%)
Within 1 year (Including 1 year)	0-5
1 - 2 years	5-25
2 - 3 years	50
3 - 4 years	80
4 - 5 years	80
Over 5 years	100

If there is objective evidence showing that a certain account receivable has been credit-impaired, the company shall make a provision for bad debts for the single account receivable and confirm expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Accounts receivable (Continued)

(1) Accounts receivable (Continued)

The scope of accounts receivable without provision for bad debts:

- 1 Accounts receivable between related parties.
- 2 Other receivables, such as deposits, deposits and other receivables to relevant national industry authorities, industry associations and other institutions, and temporary loans, reserve funds and other receivables that occur for business operations by internal departments of the enterprise or in-service employees Unless there is solid evidence showing that there is a sign of impairment, no impairment provision may be made.

(2) Other accounts receivable

For the measurement of impairment loss of other accounts receivable, the measurement method of impairment loss of the aforementioned financial assets (excluding accounts receivable) shall be used for treatment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Revenue

The scope of merger in the application of new revenue standards include: Harbin Electric Co., Ltd. and all its subsidiaries;

- (1) On the contract start date, the enterprise shall evaluate the contract and identify the individual performance obligations included in the contract, and determine whether each individual performance obligation is fulfilled within a certain period of time, or is performed at a certain point in time, and then, when each individual performance obligation is fulfilled, the income is separately recognized.

The performance obligation refers to the commitment of the enterprise in the contract to transfer the goods to the customer clearly. The performance obligation includes both the commitments specified in the contract and the commitments that the client reasonably expects the company to perform when the contract is concluded due to the company's publicly announced policies, specific statements or past practices. The initial activities that an enterprise should undertake to perform a contract usually do not constitute a performance obligation unless the activity transfers the promised goods to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Revenue (Continued)

(1) (Continued)

The enterprise shall measure the income according to the transaction price allocated to each individual performance obligation. The company shall determine the transaction price in accordance with the terms of the contract and in combination with its previous practices. When determining the transaction price, the enterprise should consider the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration.

(2) If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

The customer obtains and consumes the economic benefits brought by the performance of the enterprise at the same time as the company performs the contract.

The customer can control the goods under construction in the process of corporate performance.

The goods produced during the performance of the enterprise have irreplaceable uses, and the enterprise has the right to receive payment for the part of the performance that has been completed so far throughout the contract period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Revenue (Continued)

- (3) Confirmation of performance obligation income performed at a certain point in time

For performance obligations performed at a certain point in time, the enterprise shall earn income when the customer obtains control of the relevant commodity. In determining whether a customer has acquired control of a commodity, the company should consider the following signs:

The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.

The enterprise has transferred the legal title of the commodity to the customer, that is, the customer already owns the legal title of the commodity.

The enterprise has transferred the physical goods to the customer, that is, the customer has possessed the goods in kind.

The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.

The customer has accepted the goods.

Other indications that the customer has obtained control of the commodity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

III. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Revenue (Continued)

- (4) Confirmation of performance obligation income performed during a certain period of time

For performance obligations performed within a certain period of time, the enterprise shall confirm the income according to the progress of the performance during the period, unless the performance of the performance cannot be reasonably determined. Enterprises should consider the nature of the goods and use the output method or input method to determine the appropriate performance schedule. Among them, the output method is based on the value of the goods that have been transferred to the customer to determine the performance of the customer; the input method is based on the company's commitment to fulfill the performance obligations. For similar performance obligations in similar situations, companies should use the same method to determine the progress of compliance.

When the performance of the performance cannot be reasonably determined, if the costs incurred by the enterprise are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

IV. DESCRIPTION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MAJOR PREVIOUS ERRORS

(I) Changes in accounting policies

There is no change in important accounting policies in this period.

(II) Change in accounting estimates

There is no change in important accounting estimates in this period.

(III) Important corrections of prior period errors

No corrections to prior period accounting errors using the retrospective restatement method occurred during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

V. TAXATION

The principal taxable items of the Company and its subsidiaries are as follows:

(I) Turnover tax and additional taxes

Tax Type	Tax basis	Tax rate	Note
Value-added Tax ("VAT")	The output tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference is partly due to the value-added tax.	3%, 6%, 9%, 10%, 13%	
City maintenance and construction tax	Actual paid turnover tax	7%	
Corporate income tax	Calculated based on taxable income	15%、25%	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

V. TAXATION (CONTINUED)

(II) Tax incentives

According to the relevant provisions of the “Enterprise Income Tax Law”, high-tech enterprises that are supported by the state are subject to a corporate income tax rate of 15%.

On 7 August, 2020, the Company obtained the High and New Technology Enterprise certificate (Number: GR202023000278) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Except for certain subsidiaries enjoying a corporate income tax rate of 15% (six months ended June 30, 2022: 15%), other subsidiaries located in China should be subject to a corporate income tax rate of 25% (as of 2) For the six months ended June 30, 2022: 25%) Chinese corporate income tax is paid.

(III) Hong Kong profits tax

The Group did not earn any income subject to Hong Kong Profits Tax from January to June 2022. Therefore, no provision for Hong Kong Profits Tax has been made.

(IV) In accordance with the Circular of the State Administration of Taxation on the issue of the payment of corporate income tax on dividends paid by the Chinese resident enterprises to the shareholders of non-resident enterprises of overseas H shares on 6 November 2008 [2008] No. 897 issued by the State Administration of Taxation. The Chinese resident enterprises shall pay the enterprise income tax at the rate of 10% of the annual dividend of the H-share non-resident enterprise shareholders. Accordingly, the Company shall pay the enterprise income tax at the rate of 10% of the annual dividend of H shares non-resident enterprise shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(In addition to the special note, the unit of amount is CNY)

(I) Accounts receivable

1. Accounts receivable shown by classification

Type	30 June, 2022				31 December, 2021			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable individually accruing bad debt provision	1,681,825,756.14	13.12	978,985,303.57	58.21	1,583,436,677.18	13.43	974,343,230.62	61.53
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	11,134,146,650.63	86.88	4,059,931,151.95	36.46	10,207,775,887.87	86.57	3,569,226,329.11	34.97
Total	12,815,972,406.77	-	5,038,916,455.52	39.32	11,791,212,565.05	-	4,543,569,559.73	38.53

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Accounts receivable (Continued)

2. Accounts receivable individually accruing bad debt provision

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
No.703 Research Institute of China Shipbuilding Industry Corporation	353,477,805.40	37,570,150.00	10.63	Judging by future recyclability
Harbin Guanghan Power Technology Development Co., Ltd.	318,166,250.00	23,923,187.49	7.52	Judging by future recyclability
Ministry of National Water Resources and Irrigation of the Republic of Sudan	265,368,130.43	265,368,130.43	100.00	Judging by future recyclability
Indian coast energy co.	128,272,441.15	128,272,441.16	100.00	Judging by future recyclability
Xinjiang Zhudong TBEA Energy Co., Ltd.	61,035,500.00	49,035,900.00	80.34	Judging by future recyclability
Sudan National Electric Power Company	52,347,779.33	52,347,779.33	100.00	Judging by future recyclability
Shenhua Guoneng Group Co., Ltd. Beijing Materials Branch	39,747,920.00	39,747,920.00	100.00	Judging by future recyclability
Sudan Electricity and Dam Department	37,263,364.14	37,263,364.14	100.00	Judging by future recyclability

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Accounts receivable (Continued)

2. Accounts receivable individually accruing bad debt provision (Continued)

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
China Power Construction Group Shandong Electric Power Construction Co., Ltd.	32,500,000.00	32,500,000.00	100.00	Judging by future recyclability
Inner Mongolia Chuangyuan Metal Co., Ltd.	30,204,000.00	23,273,700.00	77.06	Judging by future recyclability
Shenhua Guoneng Baoqing Coal Electrochemical Co., Ltd.	28,338,652.99	25,450,123.25	89.81	Judging by future recyclability
Datang Environmental Industry Group Co., Ltd. Leizhou Project Branch	27,384,367.22	19,810,493.78	72.34	Judging by future recyclability
Datong Coal Mine Group Shuozhou Coal and Electricity Co., Ltd.	22,718,528.00	22,718,528.00	100.00	Judging by future recyclability
Inner Mongolia Jinlian Aluminum Co., Ltd.	22,298,670.00	22,298,670.00	100.00	Judging by future recyclability
Xinjiang Qiya Aluminum Electric Co., Ltd.	21,028,000.00	21,028,000.00	100.00	Judging by future recyclability
Weiming Environmental Protection Equipment Co., Ltd.	19,739,500.00	7,435,860.00	37.67	Judging by future recyclability

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Accounts receivable (Continued)

2. Accounts receivable individually accruing bad debt provision (Continued)

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
Xinjiang Changji Tebian Energy Co., Ltd.	19,124,880.00	19,124,880.00	100.00	Judging by future recyclability
Inner Mongolia Hongyu Shandong Electric Power Construction Third Engineering Co., Ltd. (Gudalore)	17,510,000.00	17,510,000.00	100.00	Judging by future recyclability
Great Leader Thermoelectric (Private) Limited	16,091,909.00	16,091,909.00	100.00	Judging by future recyclability
Sudan Dam Department Thermal Power Company	15,568,750.15			Judging by future recyclability
Energy China Group Equipment Co., Ltd.	15,280,771.22	13,150,527.76	86.06	Judging by future recyclability
Datong Coal Mine Group Yanggao Thermal Power Co., Ltd.	13,754,400.00	13,754,400.00	100.00	Judging by future recyclability
Others	12,840,000.00	10,272,000.00	80.00	Judging by future recyclability
	111,764,137.11	81,037,339.23	72.51	Judging by future recyclability
Total	1,681,825,756.14	978,985,303.57	—	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Accounts receivable (Continued)

3. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

(1) Accounts receivables accruing bad debt provision by applying aging analysis :

Age	30 June, 2022			31 December, 2021		
	Amount	Bad debt Provision	Percentage (%)	Amount	Bad debt Provision	Percentage (%)
Within one year	4,606,069,532.53	218,519,305.38	41.37	4,525,823,090.04	222,714,727.95	44.34
One to two years	2,247,580,236.63	549,022,193.74	20.19	1,937,022,420.03	472,022,587.93	18.98
Two to three years	1,421,236,530.25	699,147,016.24	12.76	1,077,983,425.50	520,074,107.77	10.56
Three to four years	566,697,363.37	440,649,717.03	5.09	709,960,150.39	549,900,092.63	6.96
Four to five years	528,517,021.21	412,353,500.86	4.75	521,201,801.88	397,540,193.60	5.11
Over five years	1,764,045,966.64	1,740,239,418.70	15.84	1,435,785,000.03	1,435,785,000.03	14.05
Total	11,134,146,650.63	4,059,931,151.95	-	10,207,775,887.87	3,569,226,329.11	-

4. Provision, transfer and recovery of bad debts in the period

Net value of provision, transfer and recovery of bad debts in the period was 495,346,895.79 yuan.

5. Accounts receivable actually written off in the current period

The amount of accounts receivable actually written off from January 1, 2022 to June 30, 2022 was 292,500.00 yuan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Prepayments

Age	30 June, 2022			31 December, 2021		
	Carrying Amount		Bad debt provision	Carrying Amount		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within one year	2,185,765,087.67	56.94		3,000,740,554.91	74.00	
One to two years	1,065,747,729.17	27.76		533,091,915.60	13.15	
Two to three years	230,783,436.04	6.02		95,919,981.81	2.36	
Over three years	356,274,927.78	9.28	1,732,617.80	425,377,017.99	10.49	1,732,617.80
Total	3,838,571,180.66	100.00	1,732,617.80	4,055,129,470.31	100.00	1,732,617.80

(III) Other receivables

Items	30 June, 2022	31 December, 2021
Interest receivable	6,205,660.38	9,905,479.45
Dividend receivable	83,649,184.00	
Other receivables	1,472,083,404.78	1,310,789,006.28
Total	1,561,938,249.16	1,320,694,485.73

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Other receivables (Continued)

1. Classification of Interest receivable

Items	30 June, 2022	31 December, 2021
Term deposits		
Entrusted Loan	2,905,660.38	
Bond investment	3,300,000.00	3,300,000.00
Others		6,605,479.45
Total	6,205,660.38	9,905,479.45

2. Details of dividend receivable

Name	30 June, 2022	31 December, 2021
GE-HA Power-Nan Steam Turbine Energy Service (Qinhuangdao) Co., Ltd.	83,649,184.00	
Total	83,649,184.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Other receivables (Continued)

3. Details of other receivables

(1) Classification disclosure of other receivables

Type	30 June, 2022				31 December, 2021			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivable individually accruing bad debt provision	1,389,374,735.06	69.63	302,302,510.34	21.76	1,514,360,729.85	83.72	284,567,418.91	18.79
Other receivable accruing bad debt provision in credit risk characteristic portfolio	606,116,935.15	30.37	221,105,755.09	36.48	294,443,918.45	16.28	213,448,223.11	72.49
Total	1,997,093,730.41	-	523,408,265.43	26.23	1,808,804,648.30	-	498,015,642.02	27.53

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Other receivables (Continued)

3. Details of other receivables (Continued)

(1) Classification disclosure of other receivables (Continued)

1) Other receivables individually accruing bad debt provision

Debtor	Other receivables	Bad debt provision	Percentage (%)	Reason
Harbin Electric Co., Ltd.	49,802,619.26			Related parties do not accrue
Guizhou Huadian Tangzhai Power Generation Co., Ltd. and other units	1,521,141,327.70	257,163,839.45	16.91	Based on recoverability
Total	1,570,943,946.96	257,163,839.45	16.37	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Other receivables (Continued)

3. Details of other receivables (Continued)

(1) Classification disclosure of other receivables (Continued)

2) Other receivables accruing bad debt provision by applying aging analysis :

Age	30 June, 2022			31 December, 2021		
	Amount	Percentage (%)	Bad debt Provision	Amount	Percentage (%)	Bad debt Provision
	Amount			Amount		
Within one year	75,540,117.02	12.46	2,971,355.08	65,475,741.06	22.24	3,136,183.37
One to two years	10,558,792.60	1.74	1,268,003.59	8,570,937.75	2.91	2,142,734.44
Two to three years	7,981,513.68	1.32	3,948,918.38	6,088,423.34	2.07	3,044,211.68
Three to four years	314,444,746.13	51.88	18,026,962.17	23,330,145.44	7.92	19,272,211.55
Four to five years	16,564,829.71	2.73	13,863,579.86	25,848,943.95	8.78	20,723,155.16
Over five years	181,026,936.01	29.87	181,026,936.01	165,129,726.91	56.08	165,129,726.91
Total	606,116,935.15	-	221,105,755.09	294,443,918.45	-	213,448,223.11

3) Provision, transfer and recovery of bad debts in the period

Net value of provision, transfer and recovery of bad debts in the period was 25,392,623.41 yuan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Other current assets

Items	30 June, 2022	31 December, 2021
Bank financial products		
Entrust loans	150,000,000.00	150,000,000.00
Deductible input tax and prepay VAT	305,915,168.91	505,929,163.44
Others		
Total	455,915,168.91	655,929,163.44

(V) Changes in investment real estate, fixed assets, intangible assets and other long term assets.

For the six months ended June 30, 2022, The Group has disposed of certain plant and machinery equipment with a carrying amount of RMB3,516,298.27 (six months ended 30 June 2021: RMB4,383,090.65) in exchange for proceeds of RMB3,817,890.92 (Six months ended June 30, 2021: RMB16,295,047.87), and the income from the disposal were approximately RMB301,592.65 (six months ended 30 June 2021: income of RMB11,911,957.22).

For the six months ended June 30, 2022, the Group spent approximately RMB202,334,500.10 (six months ended 30 June 2021: RMB231,888,860.89), which was mainly used for construction in progress, machinery and equipment, transportation equipment, etc. and increased production capacity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) Short-term borrowings

Items	30 June, 2022	31 December, 2021
Pledged loan	28,500,000.00	
Mortgage loan		
Guaranteed loan		155,000,000.00
Credit loan	5,453,430,838.65	5,068,060,625.25
Total	5,481,930,838.65	5,223,060,625.25

(VII) Accounts payable

Items	30 June, 2022	31 December, 2021
Within one year	11,027,017,499.16	11,119,876,552.54
One to two years	3,209,464,830.36	1,045,491,677.88
Two to three years	68,476,935.32	867,841,747.48
Over three years	766,549,845.31	842,753,341.52
Total	15,071,509,110.15	13,875,963,319.42

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) Non-current liabilities within one year

Items	30 June, 2022	31 December, 2021
Long-term loans due within one year	846,794,302.00	1,188,794,302.00
Total	846,794,302.00	1,188,794,302.00

(IX) Other current liabilities

Items	30 June, 2022	31 December, 2021
Financing lease accounts payable		463,280.00
Total		463,280.00

(X) Share capital

Shareholder's name	31 December, 2021		Increase during the period	Decrease during the period	30 June, 2022	
	Investment amount	proportion (%)			Investment amount	proportion (%)
Harbin Electric Corporation	1,030,952,000.00	60.41			1,030,952,000.00	60.41
Overseas-listed shares	675,571,000.00	39.59			675,571,000.00	39.59
Total	1,706,523,000.00	100.00			1,706,523,000.00	100.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents

1. *Basis of reporting division and accounting policy*

The company confirmed six reports' division which was based on inter-corporation structure and corporate governance as following: Thermal power host equipment division, hydropower stations in the host equipment division, engineering services division, power plant auxiliary and supporting products, nuclear power products division, ac/dc motor and others. The individual report of the company offers the different products and services, or operating activities in different area. Due to different divisions need different technique and market strategy, the company's managements report the operating activities of every division respectively and evaluate the operating outcomes regularly to decide how to allocate the resources and evaluate its performance.

The transfer price of divisions should decide by the actual price and the indirectly expenses of divisions should allocate by ratios. The assets should allocate by the operating of the divisions and its locations. The liabilities of divisions include the liabilities which related to the operating activities of the divisions. If several divisions bear the related expenses together, the divisions bear the liabilities together.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents (Continued)

2. Financial information of divisions

1) The information of assets, liabilities and revenue for division

Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	nuclear power products division	Ac/dc motors and others	Total
30 June 2022							
Reportable assets of divisions	39,259,682,646.13	7,978,941,271.43	6,259,577,936.18	1,178,306,421.26	4,726,756,645.36	13,113,102,337.36	72,516,367,257.72
Reportable liabilities of divisions	36,932,066,305.27	5,001,327,581.06	7,947,343,505.21	899,951,152.40	3,128,488,063.76	9,866,537,731.18	63,775,714,338.88
January to June 2022							
Revenue of divisions							
External customer	4,379,111,282.92	1,569,182,617.39	2,720,420,046.42	218,147,892.80	592,939,545.76	2,261,696,640.28	11,741,498,025.57
Internal customer	3,055,681,216.54					5,048,205.23	3,060,729,421.77
Reportable revenue of divisions	7,434,792,499.46	1,569,182,617.39	2,720,420,046.42	218,147,892.80	592,939,545.76	2,266,744,845.51	14,802,227,447.34
Reportable revenue of gross profit	591,008,066.80	330,506,607.11	155,131,927.05	-23,333,052.79	166,575,772.79	525,353,239.88	1,745,242,560.84

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

1) The information of assets, liabilities and revenue for division (Continued)

Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	Nuclear power products division	Ac/dc motors and others	Total
31 December 2021							
Reportable assets of divisions	37,340,257,437.26	7,474,624,147.77	6,636,918,288.58	2,384,294,155.33	4,912,594,713.21	13,400,741,951.48	72,149,430,693.63
Reportable liabilities of divisions	34,664,334,019.49	4,617,054,964.48	8,349,149,924.87	1,908,665,746.92	3,366,086,527.27	10,409,570,968.41	63,314,862,151.44
January to June 2021							
Revenue of divisions							
External customer	4,436,524,143.48	1,235,517,012.18	3,073,904,425.91	407,530,947.66	605,746,556.11	2,048,105,511.01	11,807,328,596.35
Internal customer	2,270,756,745.86					10,815,307.63	2,281,572,053.49
Reportable revenue of divisions	6,707,280,889.34	1,235,517,012.18	3,073,904,425.91	407,530,947.66	605,746,556.11	2,058,920,818.64	14,088,900,649.84
Reportable revenue of gross profit	498,138,708.11	201,156,783.17	-16,733,251.67	23,069,406.91	392,406,990.56	193,751,661.79	1,291,790,298.87

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

2) The information of assets, liabilities and revenue for division

Items	30 June, 2022	31 December, 2021
Assets		
Reportable assets of divisions	72,516,367,257.72	72,149,430,693.63
Offset division's accounts from related parties	-25,313,405,665.24	-27,046,118,311.31
Reportable net assets of divisions	47,202,961,592.48	45,103,312,382.32
Deferred tax assets	715,765,100.19	738,010,696.54
Other Non-Current Assets		
Tradable financial assets	1,586,755.20	1,586,755.20
Restricted and pledged bank loans		
Deposit in bank	10,715,230,391.41	10,152,550,330.53
Deposit in central bank	648,648,288.73	637,921,395.25
Cash and cash equivalents	48,355,946.66	58,408,809.78
Unallocated assets of head office and the company	2,854,982,068.63	3,918,402,851.05
Total assets	62,187,530,143.30	60,610,193,220.67

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

2) The information of assets, liabilities and revenue for division (Continued)

Items	30 June, 2022	31 December, 2021
Liabilities		
Reportable liabilities of divisions	63,775,714,338.88	63,314,862,151.44
Offset division's accounts from related parties	-15,202,262,435.08	-15,691,761,499.36
Reportable net liabilities of divisions	48,573,451,903.80	47,623,100,652.08
Tax payable	332,927,890.67	354,342,491.05
Deferred income tax liabilities		
Unallocated liabilities of head office and the company	977,864,647.44	438,064,139.96
Total liabilities	49,884,244,441.91	48,415,507,283.09

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

2) The information of assets, liabilities and revenue for division (Continued)

Items	January to June in 2022	January to June in 2021
Revenue		
External revenue	11,741,498,025.57	11,807,328,596.35
Internal revenue	3,060,729,421.77	2,281,572,053.49
Reportable revenue of divisions	14,802,227,447.34	14,088,900,649.84
Reportable gross profit of divisions	1,745,242,560.84	1,291,790,298.87
Offset losses between divisions	-36,545,442.11	34,104,564.85
External customers' reportable gross profit	1,781,788,002.95	1,257,685,734.02
Long-term equity investment account by equity method	3,588,535.96	281,420.51
Interests income	138,103,912.99	135,337,081.89
Chinese government grants	30,338,993.99	68,585,797.61
The profit and loss of financial assets measured at fair value and recorded into the current profit and loss		
Profit and loss of trading financial assets		
Interest expenses	114,162,991.08	110,213,648.17
Impairment losses for long-term assets such as fixed assets and intangible assets		
Undistributed other revenue and net revenue	33,847,192.00	42,131,321.11
Undistributed expenses of head office and the company	1,749,079,309.30	1,305,654,120.30
Total profit	124,424,337.51	88,153,586.67

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

3) Regional information

Items	Revenue from external customers	
	January to June in 2022	January to June in 2021
1. Domestic (China)	9,394,181,300.67	8,887,745,752.80
2. Overseas :		
-Islamic Republic of Pakistan	654,237,964.53	1,598,265,094.32
-Republic of Turkey	446,776,784.05	11,971,695.51
-The United Arab Emirates	893,830,819.23	851,746,838.41
-Republic of Ecuador	32,654,856.45	36,625,549.80
-The People's Republic of Bangladesh	140,951,515.86	71,423,553.54
-Republic of Indonesia	2,777,414.20	101,348,688.22
-Republic of Iraq	150,972,322.01	241,439,834.40
-Other countries	25,115,048.57	6,761,589.35
Overseas subtotals	2,347,316,724.90	2,919,582,843.55
Total	11,741,498,025.57	11,807,328,596.35

(XII) Administrative expenses

For the six months ended 30 June 2022, the amount of management expenses was RMB498,397,855.04 (for the six months ended June 30, 2021, the amount of management expenses was RMB520,936,385.87). Mainly for labor costs, depreciation and amortization expenses, etc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIII) Credit impairment losses

Items	January to June in 2022	January to June in 2021
Bad debt loss	-521,747,927.36	-119,543,627.16
Others		
Total	-521,747,927.36	-119,543,627.16

Note: In the current period, the provision for impairment of accounts receivable and other receivables is 521,747,927.36 RMB. This amount of impairment will be directly provided if the amount is less likely to be recovered by the Group. The impairment preparation will be directly used to write off the accounts receivable and other receivables.

(XIV) Impairment on assets

Items	January to June in 2022	January to June in 2021
Inventory price loss	-32,964,102.37	-16,502,346.65
Impairment loss of Contract asset	-118,769,361.88	-158,698,249.69
Fixed asset impairment loss	-482,920.14	
Total	-152,216,384.39	-175,200,596.34

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XV) Assets with limited ownership or use rights

Items	Closing book value	Reason
Monetary funds	846,732,631.99	Acceptance of money received, deposit of reserve deposits of the Central Bank, etc.
Fixed assets	67,571,811.00	Note 1
Intangible assets	23,472,283.19	Note 1

Note 1: The main reason is that Harbin Electric Machinery (Zhenjiang) Co., Ltd. signed three contracts with Zhenjiang Branch of Bank of China Co., Ltd. in 2014. The maximum amount of mortgage contracts, respectively: 1) with 17 sets of machinery and equipment as collateral contract number: 150319582E14061201-3, the maximum amount of the mortgage contract with the contract value of 29,937,700.00 yuan, has been repaid on September 2, 2016, and the mortgage registration has been cancelled; 2) With housing and buildings as collateral contract number: 150319582E14061201-2, the contract amount of 54,967,600.00 yuan the maximum amount of mortgage contract; 3) the mortgage contract with the land contract number: 150319582E14061201-1 and the maximum contract amount of 21,991,830.00 yuan. Including: Mortgage contract with house construction as collateral, contract number 150319582E14061201-2 expires on June 1, 2017, and mortgage contract with land as collateral, contract number 150319582E14061201-1 on June 1, 2017. Expiry; Because the relevant obligations have not been lifted, the mortgage contract is still effective.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVI) Profit before tax and amortization depreciation

Items	January to June in 2022
Net profit	61,597,562.48
Income tax expenses	62,826,775.03
Withdrawing depreciation of fixed assets	311,546,287.88
Withdrawing amortization intangible assets	42,151,067.58
Withdrawing amortization of long-term deferred expenses	1,448,608.80
Interests and investment income	19,499,863.25
Interests income of finance company	130,789,673.40
Interests expenses	109,876,299.14
Interests expenses of finance company	4,286,691.94
Profit before tax and amortization depreciation	443,443,756.20

(XVII) Dividend

Items	January to June in 2022	January to June in 2021
Dividend of per share RMB0.000 at the 2021		
Dividend of per share RMB0.000 at the 2020		
Total		

The Board does not recommend any interim dividend for the six months ended 30 June 2022 (Six months ended 30 June 2021: RMB0.00).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)*

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Earnings per share

Items	January to June in 2022	January to June in 2021
Net profit attributable to common shareholders of the company	51,835,303.4	34,471,036.17
Weighted average number of ordinary shares outstanding during the period	1,706,523,000.00	1,706,523,000.00
Earnings per share	0.03	0.02

Note: There were no dilutive ordinary shares outstanding for the six months ended June 30, 2022 and 2021, and diluted earnings per share were the same as basic earnings per share.

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party

The transaction price of the transaction between the company and the related party is the price agreed between the parties and is consistent with the transaction price of the non-related party.

- For subsidiaries that have a control relationship and have been included in the scope of the company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction*

The “Continuing Connected Transactions- management entrustment agreement” announcement issued by the Company on July 23, 2019, the “Continuing Connected Transaction – Product and Services Framework Agreement”, “Continuing Connected Transaction – Financial Services Framework Agreement” announcement issued by the Company on December 24, 2019. the Company and Harbin Electric Group Co., Ltd. signed the “Management entrustment agreement”, “Product and Services Framework Agreement”, “Financial Services Framework Agreement” and its supplementary agreement, the validity of the above agreement respective From March 23,2019 to March 22,2022, December 31, 2019 to December 30, 2022, and January 1 2020 to December 31 2022.

The Company released the “EPC Framework Agreement” concluded with Harbin Electric Group Company on February 14, 2020. The agreement will be valid from April 9, 2020 to December 31, 2022.

The “Continuing Connected Transactions-Technology Development Framework Agreement” issued by the company on April 24, 2021. The company and the National Engineering Research Center for Harbin Electric Power Generation Equipment Co., Ltd. entered into the “Technology Development Framework Agreement”. The agreement is valid from April 27,2020 to December 31, 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction (Continued)*

(1) Transaction information for products and services

Related party	January to June in 2022	January to June in 2021
Sales of goods		
– Company under the same control	6,461,736.43	4,019,879.11
– Associates		
Purchase		
– Company under the same control	546,192.2	1,749,448.50
– Associates		
Service revenue		
– Company under the same control		1,886.79
Service expense		
– Company under the same control	14,301,809.56	10,970,370.24

The transactions with the Company under the same control in the above transaction (1) is a transaction under the “Continuing Connected Transaction – Product and Services Framework Agreement” and is a continuing connected transaction under the requirements of Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction (Continued)*

(2) Interests to be paid for absorbing deposits

Related party	January to June in 2022	January to June in 2021
Holding company	1,956,431.71	2,657,552.98
Company under the same control	548,752.49	373,357.50
Total	2,505,184.20	3,030,910.48

(3) Interest income from discounted bills

Related party	January to June in 2022	January to June in 2021
Holding company		
Company under the same control		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction (Continued)*

(4) Service charge and commission fee

Related party	January to June in 2022	January to June in 2021
Holding company Company under the same control		
Total		

(5) Entrusted loan interest income

Related party	January to June in 2022	January to June in 2021
Company under the same control	2,905,660.38	2,905,660.38
Total	2,905,660.38	2,905,660.38

Among the above transactions (2) to (5), the transactions with companies under the same control are transactions under the “Continuing Connected Transactions – Financial Services Framework Agreement”, which are continuing connected transactions under Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction (Continued)*

(6) Entrusted management fee

Related party	January to June in 2022	January to June in 2021
Harbin Electric Group Co., Ltd.	1,640,000.00	1,640,000.00
Total	1,640,000.00	1,640,000.00

The above-mentioned transaction (6) is a transaction under the “Continuing Connected Transaction – Entrusted Management Contract”, which is a continuing connected transaction under Chapter 14A of the Listing Rules. The “Entrusted Management Contract” renewed on July 23, 2019 “is a continuing connected transaction exempted by Rule 14A.33 of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction (Continued)*

(7) Remuneration of key management

Items	January to June in 2022	January to June in 2021
Remuneration of key management	2,469,186.00	4,114,074.80

The above transaction (7) is a continuing connected transaction waived under Rule 14A.33 of the Listing Rules.

(8) Revenue from EPC services

Related party	Content of related party	January to June in 2022	January to June in 2021
Company under the same control	Revenue from EPC services	4,706,935.20	20,669,377.81
Total		4,706,935.20	20,669,377.81

The above transaction (8) is a transaction under the EPC Framework Agreement and is a continuing connected transaction under Chapter 14A.33 of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

2. *Continuing Connected Transaction and Connected Transaction (Continued)*

(9) Service fee for technology development

Related party	Content of related party	January to June in 2022	January to June in 2021
Company under the same control	Service fee for technology development	22,238,207.60	23,428,190.56
Total		22,238,207.60	23,428,190.56

The above transaction (9) is a transaction under the Framework Agreement for Technology Development and is a continuing connected transaction under Chapter 14A.33 of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

3. Accounts receivable and payable for related party

(1) Accounts receivable

Items	Related party	30 June, 2022		30 December, 2021	
		Carrying Amount	Bad debt allowance	Carrying Amount	Bad debt allowance
Account receivables	Company under the same control	417,993.15		730,254.06	
Payment in advanced	Company under the same control	168,586.06		395,577.21	
Other receivables	Holding company	1,640,000.00			
	Company under the same control	29,849,829.69		1,267,053.86	
Other current assets	Company under the same control	150,000,000.00		150,000,000.00	
Contract assets	Company under the same control	19,510,280.19		6,022,976.89	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

3. Accounts receivable and payable for related party (Continued)

(2) Account payable Items

Items	Related party	30 June, 2022	30 December, 2021
Deposit taking	Holding company	304,816,418.00	278,132,618.16
	Company under the same control	85,758,262.06	87,778,205.99
Account payables	Company under the same control	6,719,047.77	5,806,820.60
	Company under the same control	6,350,000.00	
Contract liabilities	Company under the same control	210,000.00	
	Company under the same control	7,473,504.60	7,473,504.60
Notes payable	Company under the same control	471,719.21	1,700,000.00
	Company under the same control	1,000,000.00	1,000,000.00
Other Payables	Holding company		
	Company under the same control		
Long-term payables	Holding company		
	Company under the same control		

(II) Commitments of related parties

None

(III) Guarantee of related parties

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

VIII SHARE-BASED PAYMENT

None.

IX CONTINGENCIES

(I) Contingent liabilities

1. Contingent liabilities formed by providing debt guarantee for other companies

As of June 30, 2022, the companies provided loan guarantee are as follows :

No.	Guarantee company	Name	Guaranteed		Category	Anti-guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
			Nature	Method							
						1,710,704,337.53	206,000,000.00				
1	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility	Performance guarantee	No counter guarantee	170,593,015.67		Normal operation	None	None
2	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	20,471,161.91		Normal operation	None	None
3	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	546,171,200.13		Normal operation	None	None
4	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	9,931,060.70		Normal operation	None	None
5	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	7,386,765.53		Normal operation	None	None
6	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	134,300,680.59		Normal operation	None	None
7	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Loan guarantee	No counter guarantee	569,991,453.00		Normal operation	None	None
8	Harbin Electric Co., Ltd.	HE Group Shanxi Environmental Protection Engineering Co., Ltd.	State-controlled	joint responsibility guarantee	Loan guarantee	No counter guarantee	22,980,090.00		Normal operation	None	None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022

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

IX CONTINGENCIES (CONTINUED)

(I) Contingent liabilities (Continued)

1. Contingent liabilities formed by providing debt guarantee for other companies (Continued)

No.	Guarantee company	Name	Nature	Method	Category	Anti-guarantee method	Amount	Guaranteed			
								Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
9	Harbin Boiler Factory Co., Ltd.	HE Group Shanxi Environmental Protection Engineering Co., Ltd.	State-owned	joint responsibility guarantee	Loan	No counter guarantee	22,078,910.00		Normal operation	None	None
10	Harbin Electric Machinery Co., Ltd.	Harbin Electric Machinery (Zhenjiang) Co., Ltd.	State-owned	joint responsibility guarantee	Performance	No counter guarantee	190,000,000.00	190,000,000.00	Normal operation	None	None
11	Harbin Electric Machinery Co., Ltd.	Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd.	State-owned	joint responsibility guarantee	Performance	No counter guarantee	10,000,000.00	10,000,000.00	Normal operation	None	None
12	Harbin Electric Machinery Co., Ltd.	Harbin Electric Machinery Research Institute Co., Ltd.	State-owned	joint responsibility guarantee	Performance	No counter guarantee	6,000,000.00	6,000,000.00	Normal operation	None	None
13	Harbin Steam Turbine Plant Co., Ltd.	Harbin Boiler Factory Co., Ltd.	State-owned	guarantee	Performance	No counter guarantee	800,000.00		Normal operation	None	None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended on 30 June 2022
(Unless otherwise stated, all amounts are denominated in CNY)

IX CONTINGENCIES (CONTINUED)

(I) Contingent liabilities (Continued)

2. *Has signed a contract but has not made a commitment to purchase and build assets*

As of June 30, 2022, the company still has a large contractual expenditure of CNY 34,384,507.79 that has been signed but has not incurred purchase and construction assets. The details are as follows:

Company	Unpaid contract amount	Expected investment period
Harbin Electric Co., Ltd. (Headquarters)	8,619,380.48	2023
Harbin Steam Turbine Plant Co., Ltd.	25,765,127.31	2023
Total	34,384,507.79	

(II) Contingent asset

As of June 30, 2022, the company has no contingent assets that need to be stated.

X. EVENTS AFTER THE BALANCE SHEET DATA

As of the approval date of the financial report, the company has no undisclosed balance sheet events that need be disclosed.

Harbin Electric Co., Ltd

August 26 2022

INFORMATION ON THE COMPANY

REGISTERED NAME OF THE COMPANY

哈爾濱電氣股份有限公司

ENGLISH NAME OF THE COMPANY

Harbin Electric Company Limited

REGISTERED ADDRESS OF THE COMPANY

1399 Chuangxinyi Road
Songbei District
Harbin
Heilongjiang Province
People's Republic of China
Taxpayer's Identification Number:
91230100127575573H

OFFICE ADDRESS OF THE COMPANY

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Mr. Cao Zhi-an

AUTHORISED REPRESENTATIVES

Mr. Wu Wei-zhang
Mr. Ai Li-song

COMPANY SECRETARY

Mr. Ai Li-song

JOINT COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael

AUDITORS

Dahua

Certified Public Accountants LLP

LEGAL ADVISORS

as to PRC Law

Haiwen Partners

LISTING INFORMATION

H Shares

The Stock Exchange of Hong Kong Limited

Stock Code: 1133

DEPOSITARY

The Bank of New York

SHARE REGISTER AND TRANSFER OFFICE

Hong Kong Registrars Limited