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**哈尔滨电气股份有限公司**

**HARBIN ELECTRIC COMPANY LIMITED**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1133)**

## **INTERIM RESULTS ANNOUNCEMENT 2020**

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 2020, which were prepared in accordance with the Chinese Enterprises Accounting Standard. Such operating results have not been audited but have been reviewed by Dahua Certified Public Accountants LLP.

Unless otherwise specified, the currency mentioned in this announcement was Renminbi.

## CONSOLIDATION BALANCE SHEET

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30,2020	Dec 31,2019
<b>Current assets:</b>			
Cash and bank		<b>7,534,993,345.52</b>	10,072,252,977.07
△ Settlement reserve			
△ Due from banks and other financial institutions		<b>888,000,000.00</b>	888,000,000.00
☆ Transactional financial assets		<b>552,629,597.94</b>	
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		<b>2,429,113,280.84</b>	3,301,953,735.63
Accounts receivable	11	<b>6,933,806,556.37</b>	5,818,842,820.85
☆ Receivables for financing			
Prepayments		<b>2,829,854,611.58</b>	2,901,225,990.61
△ Premium receivable			
△ Reinsurance premium receivable			
△ Reinsurance reserve receivable			
Other receivables		<b>1,163,382,442.56</b>	854,708,274.51
△ Buying back the sale of financial assets			
Inventories		<b>9,492,437,138.96</b>	9,287,668,696.47
Including: raw materials		<b>3,150,761,971.23</b>	3,167,750,924.22
Merchandise inventories (finished goods)		<b>419,549,939.56</b>	286,364,638.84
☆ Contract assets		<b>11,469,704,660.09</b>	10,267,289,497.11
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		<b>1,678,763,889.23</b>	2,333,811,211.04
<b>Total current assets</b>		<b><u><u>44,972,685,523.09</u></u></b>	<b><u><u>45,725,753,203.29</u></u></b>

## CONSOLIDATION BALANCE SHEET(CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30,2020	Dec 31,2019
<b>Non-current assets :</b>			
△ Loans and advances issued		<b>22,610,062.66</b>	34,089,231.04
☆ Debt investments		<b>200,000,000.00</b>	
Available-for-sale financial assets			
☆ Other debt investments		<b>300,623,400.00</b>	300,623,400.00
Held-to-maturity investments			
Long-term receivables		<b>62,048,445.94</b>	1,540,730.47
Long-term equity investments		<b>220,451,132.93</b>	214,823,131.64
☆ Other equity instruments investments		<b>692,760,225.12</b>	597,549,193.66
☆ Other non-current financial assets		<b>42,649,641.64</b>	45,510,641.64
Investment property		<b>196,207,741.73</b>	196,499,452.03
Fixed assets		<b>5,710,930,222.58</b>	5,917,633,439.86
Construction in progress		<b>225,325,682.68</b>	247,408,962.85
productive biological assets			
Oil and gas assets			
☆ The right-of-use assets			
Intangible assets		<b>943,397,957.09</b>	982,044,801.27
Development disbursements		<b>365,372,919.49</b>	288,801,839.77
Goodwill			
Long-term deferred expenses		<b>8,165,596.52</b>	14,748,667.37
Deferred tax assets		<b>514,699,730.85</b>	515,639,833.88
Other non-current assets			
Including: authorised reserve material			
<b>Total non-current assets</b>		<b><u>9,505,242,759.23</u></b>	<u>9,356,913,325.48</u>
<b>Total assets</b>		<b><u>54,477,928,282.32</u></b>	<b><u>55,082,666,528.77</u></b>

## CONSOLIDATION BALANCE SHEET(CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30,2020	Dec 31,2019
<b>Current liabilities:</b>			
Short-term borrowings		<b>5,606,429,518.30</b>	5,334,276,168.70
△ Borrowings from central bank		<b>5,600,000.00</b>	
△ Placement from banks and other financial institutions			
☆ Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		<b>4,131,979,933.31</b>	5,571,474,750.27
Accounts payable	12	<b>12,667,311,237.19</b>	11,855,193,376.96
Advances from customers			
☆ Contract liabilities		<b>12,329,108,400.31</b>	12,251,816,737.12
△ Securities sold under agreement to repurchase			
△ Deposits and placements from other financial institutions		<b>566,478,656.38</b>	572,298,335.02
△ Securities brokering			
△ Securities underwriting			
Employee benefits payable		<b>479,946,352.10</b>	539,090,012.63
Including: salary payable		<b>205,044,968.35</b>	261,228,346.84
Welfare benefits payable		<b>17,220,688.58</b>	
Including: Employee bonus and welfare fund			
Taxes and surcharges payable		<b>75,080,458.47</b>	330,384,742.00
Including: taxes payable excluding surcharges		<b>81,425,836.75</b>	319,673,777.48
Other payables		<b>361,996,855.11</b>	144,169,679.46
△ Fees and commissions payable			
△ Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			300,000,000.00
Other current liabilities		<b>1,118,188.67</b>	495,272.00
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>36,225,049,599.84</u></b>	<b><u>36,899,199,074.16</u></b>

## CONSOLIDATION BALANCE SHEET(CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30,2020	Dec 31,2019
<b>Non-current liabilities:</b>			
△ Reserve of insurance contract			
Long-term borrowings		<b>905,371,105.00</b>	565,600,000.00
Bonds payable			
including: preferred stocks			
perpetual debts			
☆ Lease liabilities			
Long-term payable		<b>510,862,094.29</b>	510,862,094.29
Long-term employee benefits payable		<b>176,288,338.42</b>	176,288,338.42
Provisions		<b>777,263,946.90</b>	940,402,644.61
Deferred income		<b>157,898,261.33</b>	134,150,192.62
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>2,527,683,745.94</u></b>	<b><u>2,327,303,269.94</u></b>
<b>TOTAL LIABILITIES</b>		<b><u><u>38,752,733,345.78</u></u></b>	<b><u><u>39,226,502,344.10</u></u></b>
<b>Equity :</b>			
Paid-in capital		<b>1,706,523,000.00</b>	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		<b>1,030,952,000.00</b>	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		<b>675,571,000.00</b>	675,571,000.00
Less: payback capital			

## CONSOLIDATION BALANCE SHEET(CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30,2020	Dec 31,2019
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		4,230,336,638.06	4,249,144,205.66
Less: treasury shares			
Other comprehensive income		-135,792,405.80	-30,906,914.62
Including: Currency translation reserve		5,392,226.56	4,029,075.02
Specialized reserve		55,012,676.92	41,541,755.49
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		8,833,366,078.86	8,804,199,937.94
<b>Equity attributable to parent company</b>		<b>15,498,582,637.51</b>	15,579,638,633.94
Minority interests		<u>226,612,299.03</u>	<u>276,525,550.73</u>
<b>TOTAL OWNER'S EQUITY</b>		<b><u>15,725,194,936.54</u></b>	<b><u>15,856,164,184.67</u></b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b><u>54,477,928,282.32</u></b>	<b><u>55,082,666,528.77</u></b>

Legal representative:

Chief Accounting Officer:

Accounting agency head:

## CONSOLIDATED INCOME STATEMENT

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2020	January to June 2019
<b>1. Revenue</b>		<b>9,752,979,454.42</b>	10,136,137,430.56
Including: Operating revenue	3	<b>9,613,910,376.04</b>	9,962,005,905.26
△ Interest income		<b>139,069,078.38</b>	174,131,525.30
△ Premium earned			
△ Fees and commissions income			
<b>2. Total cost</b>		<b>9,434,914,935.20</b>	9,714,351,726.80
Including: Operating cost	3	<b>8,346,863,922.95</b>	8,596,803,298.79
△ Interest expenses		<b>4,757,160.01</b>	8,052,819.15
△ Fees and commissions expenses		<b>25,786.58</b>	25,258.79
△ Cash surrender amount			
△ Net expenses of claim settlement			
△ Net provisions for insurance reserves			
△ Policy dividend expenses			
△ Reinsurance expenses			
Taxes and surcharges		<b>58,791,893.15</b>	47,774,726.84
Selling expenses		<b>202,154,042.22</b>	228,090,017.13
Administrative expenses	4	<b>442,071,143.43</b>	536,286,170.38
Research and development expenses		<b>280,818,214.06</b>	266,208,113.27
Financial expenses		<b>99,432,772.80</b>	31,111,322.45
Including: interest expenses		<b>108,968,875.55</b>	44,948,122.39
Interest income		<b>21,731,010.27</b>	25,810,877.44
Net exchange loss			
(“-” for net proceeds)		<b>-6,430,589.52</b>	-1,967,635.29
Other costs and expenses			
Add: Other income		<b>44,157,319.65</b>	28,832,255.12
Investment income(“-” for loss)		<b>15,197,404.96</b>	16,472,527.40
Including: investment income from associates			
and joint ventures		<b>3,172,857.02</b>	8,714,624.64
☆ Income from derecognition of financial			
assets at amortised cost			
△ Gain on foreign exchange(“-” for loss)		<b>-1,333.94</b>	-142.79
☆ Net exposure hedging returns(“-” for losses)			
Gain from fair-value changes(“-” for loss)		<b>2,629,597.94</b>	
☆ Credit losses(“-” for loss))	5	<b>-279,227,583.97</b>	-345,313,779.01
Impairment on assets(“-” for loss)	6	<b>-2,747,679.54</b>	2,444,416.73
Proceeds from asset disposal(“-” for loss)		<b>-215,573.48</b>	611,030.22

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2020	January to June 2019
<b>3. Operating profits("-" for loss)</b>		<b>97,856,670.84</b>	124,832,011.43
Add: non-operating income		<b>32,750,912.72</b>	13,515,363.35
Including: Government grants		<b>1,404,250.91</b>	1,160,400.00
Less: non-operating expenses		<b>31,719,231.64</b>	1,219,733.35
<b>4. Profit before tax("-" for loss)</b>		<b>98,888,351.92</b>	137,127,641.43
Less: income tax	10	<b>61,720,557.65</b>	83,053,485.39
<b>5. Net profit("-" for net loss)</b>		<b>37,167,794.27</b>	54,074,156.04
(1) By ownership			
Net profit attributable to parent company		<b>29,166,140.92</b>	31,460,564.60
Profit/loss attributable to minority share-holders		<b>8,001,653.35</b>	22,613,591.44
(2) By going concern basis			
Continuous operating profit and loss		<b>37,167,794.27</b>	54,074,156.04
Termination of the business profit and loss			
<b>6. Other comprehensive income after tax</b>		<b>-104,885,491.18</b>	-87,520,686.75
Other comprehensive income after tax attributable to parent company		<b>-104,885,491.18</b>	-87,525,105.22
(1) Comprehensive income not to be reclassified as profit or loss		<b>-103,816,792.72</b>	-87,786,258.55
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		<b>-103,816,792.72</b>	-87,786,258.55
☆ 4. Fair value changes in enterprise's own credit risk			
5. Others			
(2) Other comprehensive income to be reclassified as profit or loss		<b>-1,068,698.46</b>	261,153.33
1. Share of other comprehensive income of an associate			
☆ 2. Net gain on debt instruments at fair value through other comprehensive income			29,331.53
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			



## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2020	January to June 2019
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		-2,431,850.00	
8. Currency translation reserve		1,363,151.54	231,821.80
9. Other profit or loss to be reclassified			
Other comprehensive income after tax attributable to minority share-holders			4,418.47
<b>7. Total comprehensive income</b>		<b>-67,717,696.91</b>	<b>-33,446,530.71</b>
Total comprehensive income attributable to parent company		-75,719,350.26	-56,064,540.62
Total consolidated income attributable to minority share-holders		8,001,653.35	22,618,009.91
<b>8. Earnings per share:</b>			
Basic earnings per share	9	0.02	0.02
Diluted earnings per share	9	0.02	0.02

*Legal representative:*

*Chief Accounting Officer:*

*Accounting agency head:*

## CONSOLIDATED STATEMENT OF CASH FLOWS

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2020	January to June 2019
<b>1. Cash flows from operating activities:</b>			
Cash received from sales and services		7,753,725,152.48	8,205,936,623.42
△ Net increase in deposits and placements from financial institutions		-5,819,678.64	-909,514,433.79
△ Net increase in due to central banks			
△ Net increase in placement from financial institutions			-100,000,000.00
△ 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		162,059,103.37	173,201,615.07
△ Net increase of placement from banks and other financial institutions			
△ Net increase in repurchasing			
△ Net cash received from agent sales of securities			
Taxes and surcharges refunds		73,215,074.29	203,418,224.59
Other cash receipts related to operating activities		271,264,888.21	278,758,896.08
<b>Total cash inflows from operating activities</b>		<b>8,254,444,539.71</b>	<b>7,851,800,925.37</b>
Cash paid for goods and services		7,969,167,383.77	9,505,598,880.84
△ Net increase in loans and advances		75,312,256.04	49,259,273.24
△ Net increase in deposits with central banks and other financial institutions		-10,524,150.20	-169,465,716.61
△ Cash paid for claim settlements on original insurance contracts			
△ Net increase of due from banks and other financial institutions			
△ Cash paid for interest, fees and commissions		2,111,685.47	7,062,341.93
△ Cash paid for policy dividends			
Cash paid to and for employees		1,114,839,054.00	1,091,798,279.88
Taxes and surcharges cash payments		493,446,599.19	625,556,300.86
Other cash payments related to operating activities		627,593,313.92	805,879,399.88
<b>Total cash outflows from operating activities</b>		<b>10,271,946,142.19</b>	<b>11,915,688,760.02</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-2,017,501,602.48</b>	<b>-4,063,887,834.65</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2020	January to June 2019
<b>2. Cash flows from investing activities:</b>			
Cash received from withdraw of investments		580,891,624.00	91,347,423.10
Cash received from investment income		11,714,107.60	30,194,634.51
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		1,530,000.00	890,167.92
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities		708,372.95	8,632,945.91
<b>Total cash inflows from investing activities</b>		<b>594,844,104.55</b>	131,065,171.44
Cash paid for fixed assets,intangible assets and other long-term assets		92,531,411.52	243,639,556.97
Cash payments for investments		873,429,000.00	33,200,000.00
△ Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		4,119,780.00	
Other cash payments related to investing activities		750,455.74	
<b>Total cash outflows from investing activities</b>		<b>970,830,647.26</b>	276,839,556.97
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-375,986,542.71</b>	-145,774,385.53

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2020	January to June 2019
<b>3. Cash flows from financing activities:</b>			
Cash received from investments by others		34,000,000.00	
Including: cash received by subsidiaries from minority shareholders' investments		34,000,000.00	
Cash received from borrowings		1,304,964,033.12	2,342,668,798.62
△ Cash received from bond issues			
Other cash receipts related to other financing activities		39,030.91	3,697,191.03
<b>Total cash inflows from financing activities</b>		<b>1,339,003,064.03</b>	<b>2,346,365,989.65</b>
Cash repayments for debts		1,154,541,200.99	414,850,263.57
Cash payments for distribution of dividends, profit and interest expenses		132,341,472.04	57,557,115.23
Including: Dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		2,011,642.16	70,002.71
<b>Total cash outflows from financing activities</b>		<b>1,288,894,315.19</b>	<b>472,477,381.51</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>50,108,748.84</b>	<b>1,873,888,608.14</b>
<b>4. Effect of foreign exchange rate changes on cash     and cash equivalents</b>		<b>7,040,296.80</b>	<b>6,550,740.75</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>-2,336,339,099.55</b>	<b>-2,329,222,871.29</b>
Add: beginning balance of cash and cash equivalents		9,197,222,711.30	11,705,681,448.94
<b>6. Ending balance of cash and cash equivalents</b>		<b>6,860,883,611.75</b>	<b>9,376,458,577.65</b>

Legal representative:

Chief Accounting Officer:

Accounting agency head:

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	January to June 2020																
	Equity attributable to owners of the parent company																
	Other equity instruments		Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares <sup>1)</sup>	Comprehensive income	Other comprehensive income	Specialized reserve	Surplus reserve	△ General risk provision	Retained earnings	Subtotal	Minority interests <sup>2)</sup>	Total owner's equity
1. Ending balance of last year	1,706,523,000.00																
Add: increase/decrease due to changes in accounting policies																	
Increase/decrease due to corrections of errors in Prior Period																	
Others																	
2. Beginning balance of current year	1,706,523,000.00		1,706,523,000.00			4,249,144,205.66		-30,906,914.62	41,541,755.49	809,136,649.47	8,804,199,937.94	15,579,638,633.94	276,525,550.73	15,856,164,184.67			
3. Increase/decrease for current year <sup>3)</sup> for decrease																	
(1) Total comprehensive income																	
(2) Owner's contributions and withdrawals of capital																	
1. Common stock contributed by owners																	
2. Capital contributed by other equity instruments holders																	
3. Share-based payment recorded in owner's equity																	
4. Others																	
(3) Accrual and utilization of specialized reserve																	
1. Accrual of specialized reserve																	
2. Utilization of specialized reserve																	
(4) Profits distribution																	
1. Appropriation of surplus reserve																	
Including: statutory surplus reserve																	
Discretionary surplus reserve																	
Reserve fund																	
Corporate development fund																	
Return of investment																	
2. Accrual of general risk reserve																	
3. Distribution to owner/shareholder																	
4. Others																	
(5) Transfer within owner's equity																	
1. Capital reserve transferred to paid-in capital																	
2. Surplus reserve transferred to paid-in capital																	
3. Recover of loss by surplus reserve																	
4. Defined benefit plan changes carried forward to retained earnings																	
5. Other comprehensive income carried forward to retained earnings																	
6. Others																	
4. Ending balance of current year	1,706,523,000.00		1,706,523,000.00			4,230,336,638.06		-135,792,405.80	55,012,676.92	809,136,649.47	8,833,366,073.86	15,498,582,637.51	226,612,299.03	15,725,194,936.54			

Legal representative :

Chief Accounting Officer :

Accounting agency head:

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	January to June 2019										
	Equity attributable to owners of the parent company										
	Other equity instruments			Other			Subtotal	Retained earnings	Minority interests	Total owner's equity	
	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income					Specialized reserve
<b>1. Ending balance of last year</b>	1,706,523,000.00			3,715,737,494.12		66,045,215.97	30,812,983.78	809,156,649.47	8,698,026,738.58	1,282,748,516.51	16,309,030,598.43
Add: Increase/decrease due to changes in accounting policies											
Increase/decrease due to corrections of errors in Prior Period											
Others											
<b>2. Beginning balance of current year</b>	1,706,523,000.00			3,715,737,494.12		66,045,215.97	30,812,983.78	809,156,649.47	8,698,026,738.58	1,282,748,516.51	16,309,030,598.43
<b>3. Increase/decrease for current year** for decrease</b>											
(1) Total comprehensive income						-87,525,105.22	8,181,141.98		31,460,564.60	207,533,434.09	277,129,964.55
(2) Owner's contributions and withdrawals of capital						-87,525,105.22			31,460,564.60	22,618,009.91	-33,446,530.71
1. Common stock contributed by owners											
2. Capital contributed by other equity instruments holders											
3. Share-based payment recorded in owner's equity											
4. Others											
(3) Accrual and utilization of specialized reserve											
1. Accrual of specialized reserve											
2. Utilization of specialized reserve											
(4) Profits distribution											
1. Appropriation of surplus reserve											
Including: statutory surplus reserve											
Discretionary surplus reserve											
Reserve fund											
Corporate development fund											
Return of investment											
2. Accrual of general risk reserve											
3. Distribution to owners/shareholder											
4. Others											
(5) Transfer within owner's equity											
1. Capital reserve transferred to paid-in capital											
2. Surplus reserve transferred to paid-in capital											
3. Recover of loss by surplus reserve											
4. Defined benefit plan changes carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
<b>4. Ending balance of current year</b>	1,706,523,000.00			3,715,737,494.12		-21,479,889.25	38,994,125.76	809,156,649.47	8,729,487,303.18	1,303,501,950.60	16,281,900,633.88

Legal representative :

Chief Accounting Officer :

Accounting agency head:

## **1. BASIC INFORMATION ABOUT THE COMPANY**

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 Company was established in Harbin on 6 October 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 5 November 1994.

Parent and ultimate controller of the Company: 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.

## **2. MAIN ACCOUNTING POLICIES**

Unless the financial instruments are measured at fair value, the consolidated financial statements are measured by historical cost method.

The accounting policies and calculation methods adopted in the consolidated financial statements as at 30 June 2020 are in line with the compilation of the annual financial statements of the Company for the year ended 31st December, 2019.

## **3. 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.

## 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
<b>30 June 2020</b>							
Reportable assets of divisions	34,298,682,231.08	6,056,438,037.71	7,552,673,387.46	2,172,931,628.16	6,287,464,461.77	7,894,878,723.21	64,263,068,469.39
Reportable liabilities of divisions	<u>29,661,930,041.74</u>	<u>3,437,796,914.81</u>	<u>6,928,420,210.79</u>	<u>1,575,590,647.73</u>	<u>4,395,315,007.00</u>	<u>5,938,641,054.92</u>	<u>51,937,693,876.99</u>
<b>January to June 2020</b>							
Revenue of divisions							
External customer	3,244,913,719.45	1,065,140,157.49	2,716,397,945.18	345,899,662.18	800,811,213.76	1,440,747,677.98	9,613,910,376.04
Internal customer	2,640,866,594.47					9,699,059.01	2,650,565,653.48
Reportable revenue of divisions	5,885,780,313.92	1,065,140,157.49	2,716,397,945.18	345,899,662.18	800,811,213.76	1,450,446,736.99	12,264,476,029.52
Reportable revenue of gross profit	<u>501,590,032.92</u>	<u>241,827,173.47</u>	<u>105,049,319.51</u>	<u>59,068,895.29</u>	<u>130,401,050.93</u>	<u>301,940,284.69</u>	<u>1,339,876,756.81</u>
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
<b>31 December 2019</b>							
Reportable assets of divisions	31,358,808,053.07	7,808,856,434.46	6,793,551,768.38	2,824,191,297.17	5,684,045,055.07	9,614,667,379.77	64,084,119,987.92
Reportable liabilities of divisions	<u>27,506,084,273.07</u>	<u>4,373,987,492.35</u>	<u>6,146,541,709.58</u>	<u>1,903,458,884.35</u>	<u>3,953,037,581.90</u>	<u>7,274,868,826.59</u>	<u>51,157,978,767.84</u>
<b>January to June 2019</b>							
Revenue of divisions							
External customer	4,425,471,557.44	420,755,692.42	2,834,253,296.09	473,810,736.39	783,958,912.64	1,023,755,710.28	9,962,005,905.26
Internal customer	1,848,552,176.34					7,549,620.35	1,856,101,796.69
Reportable revenue of divisions	6,274,023,733.78	420,755,692.42	2,834,253,296.09	473,810,736.39	783,958,912.64	1,031,305,330.63	11,818,107,701.95
Reportable revenue of gross profit	<u>857,638,488.76</u>	<u>67,918,723.94</u>	<u>59,276,183.23</u>	<u>41,725,444.97</u>	<u>117,179,041.12</u>	<u>261,985,223.50</u>	<u>1,405,723,105.52</u>



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

<b>Items</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Reportable assets of divisions	<b>64,263,068,469.39</b>	64,084,119,987.92
Offset division's accounts from related parties	<b>-19,131,596,918.51</b>	-20,159,484,964.02
Reportable net assets of divisions	<b>45,131,471,550.88</b>	43,924,635,023.90
Deferred tax assets	<b>514,699,730.85</b>	515,639,833.88
Other non-current assets		
Transactional financial assets	<b>552,629,597.94</b>	
Restricted and mortgaged bank loans		
Deposit in bank	<b>5,149,481,581.19</b>	7,812,918,293.40
Deposit in central bank	<b>501,425,769.15</b>	497,983,048.37
Cash and cash equivalents	<b>37,295,487.48</b>	51,260,451.60
Unallocated assets of head office and the company	<b>2,590,924,564.83</b>	2,280,229,877.62
Total assets	<b>54,477,928,282.32</b>	55,082,666,528.77
<b>Liabilities</b>		
Reportable liabilities of divisions	<b>51,937,693,876.99</b>	51,157,978,767.84
Offset division's accounts from related parties	<b>-13,835,602,519.57</b>	-12,837,672,374.26
Reportable net liabilities of divisions	<b>38,102,091,357.42</b>	38,320,306,393.58
Tax payable	<b>75,080,458.47</b>	330,384,742.00
Deferred income tax liabilities		
Unallocated liabilities of head office and the company	<b>575,561,529.89</b>	575,811,208.52
Total liabilities	<b>38,752,733,345.78</b>	39,226,502,344.10

<b>Items</b>	<b>January to June in 2020</b>	January to June in 2019
<b>Revenue</b>		
External revenue	<b>9,613,910,376.04</b>	9,962,005,905.26
Internal revenue	<b>2,650,565,653.48</b>	1,856,101,796.69
Reportable revenue of divisions	<b>12,264,476,029.52</b>	11,818,107,701.95
Reportable gross profit of divisions	<b>1,339,876,756.81</b>	1,405,723,105.52
Offset losses between divisions	<b>72,830,303.72</b>	40,520,499.05
External customers' reportable gross profit	<b>1,267,046,453.09</b>	1,365,202,606.47
Long-term equity investment account by equity method	<b>3,172,857.02</b>	8,714,624.64
Interests income	<b>160,800,088.65</b>	199,942,402.74
Chinese government grants	<b>45,561,570.56</b>	29,992,655.12
The profit and loss of financial assets measured at fair value and recorded into the current profit and loss	<b>2,629,597.94</b>	
Profit and loss of trading financial assets		
Interest expenses	<b>113,726,035.56</b>	53,000,941.54
Impairment losses for long-term assets such as fixed assets and intangible assets		
Undistributed other revenue and net revenue	<b>43,154,302.33</b>	22,691,531.62
Undistributed expenses of head office and the company	<b>1,309,750,482.11</b>	1,436,415,237.62
Total profit	<b><u>98,888,351.92</u></b>	<b><u>137,127,641.43</u></b>

#### 4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2020, the amount of management expenses was RMB 442,071,143.43 (for the six months ended 30 June 2019, the amount of management expenses was RMB 536,286,170.38). Mainly for labor costs, depreciation and amortization expenses, etc.

## 5. CREDIT IMPAIRMENT LOSSES

Items	January to June in 2020	January to June in 2019
Bad debt loss	-420,797,482.88	-200,230,110.10
Impairment loss of Contract asset	141,569,898.91	-144,300,764.61
Others		-782,904.30
Total	<u>-279,227,583.97</u>	<u>-345,313,779.01</u>

*Note:* In the current period, the provision for impairment of accounts receivable and other receivables is RMB420,797,482.88. 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

## 6. IMPAIRMENT ON ASSETS

Items	January to June in 2020	January to June in 2019
Inventory price loss	<u>-2,747,679.54</u>	<u>2,444,416.73</u>
Total	<u>-2,747,679.54</u>	<u>2,444,416.73</u>

## 7. PROFIT BEFORE TAX AND AMORTIZATION DEPRECIATION

Items	January to June in 2020
Net profit	37,167,794.27
Income tax expenses	61,720,557.65
Withdrawing depreciation of fixed assets	314,722,042.18
Withdrawing amortization intangible assets	44,326,012.53
Withdrawing amortization of long-term deferred expenses	6,583,070.85
Interests and investment income	36,928,415.23
Interests income of finance company	139,069,078.38
Interests expenses	108,968,875.55
Interests expenses of finance company	4,757,160.01
Profit before tax and amortization depreciation	<u>402,248,019.43</u>

## 8. DIVIDEND

Items	January to June in 2020	January to June in 2019
Dividend of per share RMB 0.000 at the 2019 30 June 2020		
Dividend of per share RMB 0.015 at the 2018 30 June 2020		
<b>Total</b>	<b>=====</b>	<b>=====</b>

The Directors do not recommend any interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: RMB 0.00).

## 9. EARNINGS PER SHARE

	January to June in 2020	January to June in 2019
Shareholders' net profit attributable to parent company	<b>29,166,140.92</b>	31,460,564.60
During the period of the weighted average number of shares of common shares outstanding	<b>1,706,523,000.00</b>	1,706,523,000.00
Earnings per share	<b>0.02</b>	0.02

*Note:* There were no dilutive ordinary shares outstanding for the six months ended June 30, 2020 and 2019, and diluted earnings per share were the same as basic earnings per share.

## 10. INCOME TAX

### 1) Business income taxes

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 28 August 2017, the company obtained the "High-tech Enterprise Certificate" jointly issued by Heilongjiang Provincial Science and Technology Department, Heilongjiang Provincial Finance Department, Heilongjiang Provincial State Taxation Bureau and Heilongjiang Provincial Local Taxation Bureau (Certificate No.: GR201723000191), valid period For three years, the enterprise income tax will be levied at the rate of 15% during the validity period.

Except for certain subsidiaries enjoying a corporate income tax rate of 15% (six months ended 30 June 2020: 15%), other subsidiaries located in China should be subject to a Chinese corporate income tax rate of 25% (six months ended 30 June 2020: 25%).

### 2) Hong Kong profits tax

The Company did not earn any income subject to Hong Kong Profits Tax from January to June 2020. Therefore, no provision for Hong Kong Profits Tax has been made.

- 3) 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.

## 11. ACCOUNTS RECEIVABLE

The credit period for which the customer is authorized is different, generally depending on the financial strength of individual customers. For the effective management of the credit risk associated with accounts receivable, the Group conducts an assessment of customer credit on a regular basis.

### 1) Accounts receivable shown by classification

Type	30 June 2020				31 December 2019			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individual significance and accruing bad debt provision individually	942,395,425.73	7.92	571,538,395.75	60.65	953,088,700.38	9.20	582,071,790.25	61.07
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	10,632,581,671.98	89.38	4,175,986,700.48	39.53	9,075,673,935.26	87.63	3,721,459,793.27	41.00
Accounts receivable with individual insignificance but individually accruing bad debt provision	320,490,844.03	2.69	214,136,289.14	66.82	328,159,419.43	3.17	234,547,650.70	71.47
<b>Total</b>	<b>11,895,467,941.74</b>		<b>4,961,661,385.37</b>		<b>10,356,922,055.07</b>		<b>4,538,079,234.22</b>	

### (1) Accounts receivable with individual significance and individually accruing bad debt provision at the end of year :

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
National water conservancy department (merowe project) of the republic of Sudan and other companies	942,395,425.73	571,538,395.75	60.65	Judging by future recyclability
<b>Total</b>	<b>942,395,425.73</b>	<b>571,538,395.75</b>	<b>60.65</b>	

**(2) Accounts receivable accruing bad debt provision in credit risk characteristic portfolio**

In a portfolio, accounts receivables accruing bad debt provision by applying aging analysis :

Age	30 June 2020		Bad debt Provision	31 December 2019		
	Carrying Amount			Carrying Amount		
	Amount	Percentage (%)		Amount	Percentage (%)	Bad debt Provision
Within one year	4,499,115,427.62	42.31	147,002,932.21	3,136,897,488.08	34.56	156,837,525.43
One to two years	1,595,221,968.69	15.00	366,998,059.75	1,817,407,456.93	20.03	446,861,895.03
Two to three years	1,224,661,097.47	11.52	612,509,851.24	1,264,621,045.26	13.93	578,277,403.97
Three to four years	769,294,457.89	7.24	614,885,490.77	505,283,967.88	5.57	367,137,949.01
Four to five years	548,491,769.07	5.16	438,793,415.30	476,490,642.61	5.25	329,138,298.39
Over five years	1,995,796,951.24	18.77	1,995,796,951.21	1,874,973,334.50	20.66	1,843,206,721.44
Total	<u>10,632,581,671.98</u>	<u></u>	<u>4,175,986,700.48</u>	<u>9,075,673,935.26</u>	<u></u>	<u>3,721,459,793.27</u>

**(3) Accounts receivable with insignificant single amount but with separate provision for bad debts**

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
Sudan National Power Company and other units	320,490,844.03	214,136,289.14	66.82	Judging by future recyclability
Total	<u>320,490,844.03</u>	<u>214,136,289.14</u>	<u>66.82</u>	

**12. ACCOUNTS PAYABLE**

Items	30 June 2020	31 December 2019
Within one year	7,940,906,161.83	8,589,643,182.01
One to two years	3,668,368,455.95	2,407,899,286.84
Two to three years	290,890,208.45	447,468,888.11
Over three years	767,146,410.96	410,182,020.00
Total	<u>12,667,311,237.19</u>	<u>11,855,193,376.96</u>

## **INDUSTRY DEVELOPMENT AND BUSINESS REVIEW**

In 2020, the sudden outbreak of the COVID-19 epidemic has intensified the downward risk of the world economy, and significantly increased the factors of instability and uncertainty. In the first half of the year, the power generation capacity of power plants above national scale was 3.36 trillion KWh, representing a year-on-year decrease of 1.4%; the power consumption of the whole society was 3.35 trillion KWh, representing a year-on-year decrease of 1.3%; and the power consumption of manufacturing industry decreased by 3.0% year on year. As of the end of June, the total installed capacity of power generation in China was 2.05 billion kilowatts, representing a year-on-year increase of 5.5%. In the first half of 2020, China's infrastructure increased by 36.95 million kilowatts of power generation capacity, representing a decrease of 3.78 million kilowatts over the same period of the previous year, of which hydropower increased by 4.12 million kilowatts, representing an increase of 2.3 million kilowatts over the same period of last year, and thermal power increased by 16.32 million kilowatts (including coal-fired power 10.25 million kilowatts of electricity and 3.46 million kilowatts of gas power), representing a decrease of 620,000 kilowatts as compared with the same period of last year; newly added wind power amounted to 6.32 million kilowatts, representing a decrease of 2.77 million kilowatts as compared with the same period of last year; newly added solar power amounted to 10.15 million kilowatts, representing a decrease of 1.5 million kilowatts as compared with the same period of last year. On the whole, in the first half of 2020, the newly installed capacity decreased year on year, and the proportion of non-fossil energy power generation continued to increase. The national installed capacity of non-fossil energy power generation accounted for 42.4% of the total installed power generation capacity, which was 0.4% higher than that at the end of last year.

In the first half of 2020, the Company, with joint efforts of all staff members, overcame the impacts of COVID-19 epidemic and dealt with difficulties of resumption of work and production with all efforts. We made positive progress in various tasks, and the economy operated steadily and main economic index meet expected by and large.

## **OPERATING RESULTS**

For the six months ended 30 June 2020, the Company recorded an operating revenue of RMB9,613.91 million, representing a decrease of 3.49% as compared with the same period last year. The Company recorded a net profit attributable to owners of the parent company of RMB29.17 million, representing a decrease of 7.29% as compared with the same period last year. Earnings per share were RMB0.02, representing a decrease of RMB 0.001 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 RMB15,498.58 million, representing a decrease of RMB81.06 million over the beginning of the year; and net assets per share were RMB9.08, representing a decrease of RMB0.05 over the beginning of the year. The decrease in the Company's profit was mainly due to the decrease in the scale of operating revenue.

## **NEW CONTRACTS**

For the six months ended 30 June 2020, the value of formal contracts secured by the Company amounted to RMB8.814 billion, representing an increase of 43.72% from the same period last year, and to which the coal power equipment contributed RMB5.629 billion, accounting for 64.21% of the total contracts; the formal contract amount for hydropower equipment amounted to RMB0.504 billion, accounting for approximately 5.72% of the total amount; the formal contract amount for nuclear power equipment amounted to RMB0.367 billion, accounting for 4.17%; the formal contract amount for power station service amounted to RMB1.195 billion, accounting for approximately 13.55% of the total amount; and the formal contract amount for other products amounted to RMB1.089 billion, accounting for approximately 12.35% of the total amount.

In the first half of 2020, the value of export contracts secured by the Company amounted to RMB0.5 billion, representing an increase of 47.30% from the same period last year.

## **PRODUCT OUTPUT**

The capacity of the Company's power equipment produced during the six months ended 30 June 2020 was 10,105 MW, representing an increase of 70.26% as compared with the same period last year, and among which water turbine generators generated a total of 4,065 MW, representing an increase of 1,706.67% as compared with the same period last year; steam turbine generators generated a total of 6,040 MW, representing an increase of 5.78% as compared with the same period last year; utility boilers for power stations generated a total of 6,434 MW, representing a decrease of 7.07% as compared with the same period last year; and steam turbines for power stations generated a total of 6,022 MW, representing an increase of 24.81% as compared with the same period last year.

## **OPERATING REVENUE AND COST**

For the six months ended 30 June 2020, the Company recorded an operating revenue of RMB9,613.91 million, representing a decrease of 3.49% as compared with the same period last year. In particular, operating revenue of main thermal power equipment was RMB3,244.91 million, representing a decrease of 26.68% as compared with the same period last year. Operating revenue of nuclear power equipment was RMB800.81 million, representing an increase of 2.5% as compared with the same period last year. Operating revenue of main hydropower equipment was RMB1,065.14 million, representing an increase of 153.15% as compared with the same period last year. Operating revenue of engineering services for power stations was RMB2,716.40 million, representing a decrease of 4.16% as compared with the same period last year. Operating revenue of ancillary equipment and supporting products for power stations was RMB345.90 million, representing a decrease of 27.00% as compared with the



same period last year. Operating revenue of AC/DC motors and other products and services was RMB1,440.75 million, representing an increase of 40.73% as compared with the same period last year. During the period, the decrease in the operating revenue of the Company was mainly attributable to the change of production schedule structure of thermal power projects in the first half of the year.

During the period, the Company recorded an export turnover of RMB2,635.13 million, accounting for 27.41% of the operating revenue. The exports were mainly to Asia, accounting for 26.73% of the operating revenue and 97.52% of the export turnover.

During the period, the operating cost of the Company was RMB8,346.86 million, representing a decrease of 2.91% as compared with the same period last year, which was mainly attributable to the decrease in the scale of operating revenue.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

For the six months ended 30 June 2020, the Company realized a gross profit from operating business of RMB1,267.05 million, representing a decrease of 7.19% as compared with the same period last year. The gross profit margin was 13.18%, representing a decrease of 0.52 percentage points as compared with the same period last year.

In particular, the gross profit from main thermal power equipment was RMB433.91 million and the gross profit margin was 13.37%, representing a decrease of 5.26 percentage points as compared with the same period last year; the gross profit from nuclear power equipment was RMB130.40 million and the gross profit margin was 16.28%, representing an increase of 1.34 percentage points as compared with the same period last year; the gross profit from main hydropower equipment was RMB241.83 million and the gross profit margin was 22.70%, representing an increase of 6.56 percentage points as compared with the same period last year; the gross profit from engineering services for power stations was RMB105.05 million and the gross profit margin was 3.87%, representing an increase of 1.78 percentage points as compared with the same period last year; the gross profit from ancillary equipment and supporting products for power stations was RMB59.07 million and the gross profit margin was 17.08%, representing an increase of 8.27 percentage points as compared with the same period last year; and the gross profit from AC/DC motors and other products and services was RMB296.79 million and the gross profit margin was 20.60%, representing a decrease of 4.26 percentage points as compared with the same period last year.

The Company's gross profit margin slightly decreased, mainly due to changes in the product sales structure of the thermal power segment.

## **EXPENSES FOR THE PERIOD**

For the six months ended 30 June 2020, the Company incurred expenses for the current period amounted to RMB1,024.48 million, representing a decrease of RMB37.22 million or 3.51% as compared with the same period last year. In particular, distribution expenses amounted to RMB202.15 million, representing a decrease of RMB25.94 million or 11.37% as compared with the same period last year; administrative expenses incurred amounted to RMB442.07 million, representing a decrease of RMB94.22 million or 17.57% as compared with the same period last year; R&D expenses incurred amounted to RMB280.82 million, representing an increase of RMB14.61 million or 5.49% as compared with the same period last year; financial costs incurred amounted to RMB99.43 million, representing an increase of RMB68.32 million or 219.60% as compared with the same period last year.

The decrease in expenses for the period was mainly attributable to significant reduce in the non-production expense and a decrease variable costs affected by COVID-19 epidemic.

## **ASSETS AND LIABILITIES**

As at 30 June 2020, the total assets of the Company amounted to RMB54,477.93 million, representing a decrease of RMB604.74 million or 1.10% over the beginning of the period, and among which the current assets were RMB44,972.69 million, accounting for 82.55% of the total assets, and the non-current assets were RMB9,505.24 million, accounting for 17.45% of the total assets. The total liabilities of the Company amounted to RMB38,752.73 million, representing a decrease of RMB473.77 million or 1.21% over the beginning of the period, and among which the current liabilities were RMB36,225.05 million, accounting for 93.48% of the total liabilities, and the non-current liabilities were RMB2,527.68 million, accounting for 6.52% of the total liabilities. As at 30 June 2020, the gearing ratio of the Company was 71.13% as compared to 71.21% at the beginning of the period.

## **CAPITAL AND GEARING RATIO**

As at 30 June 2020, the gearing ratio of the Company (calculated as non-current liabilities over total shareholders' equity) was 0.16:1 as compared to 0.15:1 at the beginning of the period.

## **MONETARY CAPITAL AND CASH FLOWS**

As at 30 June 2020, the monetary capital of the Company was RMB7,534.99 million, representing a decrease of RMB2,537.26 million or 25.19% as compared to the beginning of the period, primarily attributable to (1) the payment of acceptance bills increased when they were due; and (2) the situation associated with increasing

difficulty in recovery of trade receivables from customers, and the proportion of monetary funds in the structure of payment collection decreased. During the period, the negative net cash flow generated from operating activities of the Company was RMB2,017.50 million, while investing activities generated negative net cash flow of RMB375.99 million and financing activities generated net cash flow of RMB50.11 million.

## **FUNDING AND BORROWINGS**

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 for each specific project. Except for some special situations, 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 2020, the Company's total borrowings amounted to RMB6,511.80 million, all of which were made by various commercial banks, the state's policy banks at interest rates stipulated by the state and entrusted loan of national funds. Among the borrowings, the amount due within one year was RMB5,606.43 million, representing an increase of RMB272.15 million over the beginning of the period; the amount due after one year was RMB905.37 million, representing an increase of RMB339.77 million over the beginning of the period. As of 30 June 2020, the Company's contracted liabilities were RMB12,329.11 million, representing an increase of RMB77.29 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 2020, the Group had made fixed assets investments of RMB49.89 million, which were mainly utilized for Investment in technical measures and technical transformation for maintain the normal production and operation of the affiliated enterprises.

There is no significant change in the 2020 investment plan.

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 2020, the Company's deposits denominated in foreign currencies were equivalent to approximately RMB402.36 million. As at 30 June 2019, the Group did not enter into any new forward exchange contract. 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 of 30 June 2020, the funds raised by the Company's domestic share subscription in 2017 (the "Funds") remained unused at RMB 233 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 (RMB '00 million)	The used amount of the Funds (RMB '00 million)	The balance of the Funds (RMB '00 million)	Planned use time
Gas turbine joint venture project	1.8	0.43	1.37	before 24 October 2026
Technology transformation project of nuclear power	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 gas turbine industry	1.47	1.47	0	
Implement financial leasing business	1.54	1.54	0	
Total	<u>12.67</u>	<u>10.34</u>	<u>2.33</u>	

## **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.

## **NEW PRODUCTS AND NEW INDUSTRIES**

In the first half of 2020, the Company actively promoted the development of new products and new industries, and made important progress in the R&D and design of new industries, such as large-scale water pumps and electric wheels of heavy vehicles; completed the acceptance of “new mode of intelligent remote operation and maintenance of hydropower equipment” with good application effect; the key technology research of multi-energy-complementary new energy-Seawater desalination integrated system passed the appraisal of scientific and technological achievements; ultra-low temperature gate valves and cut-off valves were applied successfully.

## **EMPLOYEES, REMUNERATION, STOCK OPTION PLAN AND TRAINING**

As at 30 June 2020, the Company has a total of 12,649 employees, and the total remuneration amounted to RMB682.93 million.

In the first half of 2020, there was no significant change in the Company's remuneration policy. The Company currently has no stock option scheme in place.

In the first half of 2020, the Company organized 18 classes in total for training and trained 3,070 persons.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

## **PROSPECTS**

According to the forecast of China Electricity Council (CEC), in 2020, China's power supply and demand are expected to be balanced, and the growth rate of power consumption in the second half of the year will be significantly higher than that in the first half of the year. It is estimated that the total electricity consumption in the second half of the year will increase by approximately 6% over the same period of the previous year. It is estimated that the new installed power generation capacity of national infrastructure will be about 130 million kilowatts, of which about 86 million kilowatts for installed capacity of non-fossil energy power generation will be put into operation. By the end of the year, the installed capacity of the country will reach 2.13 billion kilowatts, up by 6% over the same period last year. The installed capacity of non-fossil energy generating power will reach 930 million kilowatts, and the proportion of total installed capacity will rise to 43.6%, representing an increase of a 1.6 percentage point over the end of 2019.

In the second half of 2020, the Company will strive to cultivate new opportunities in the crisis and start a new situation in the face of changes. It will continue to adhere to the goal of building a world-class equipment manufacturing enterprise with global competitiveness, take the strategy for enterprise development as the guidance, and focus on the transformation and development, and spare no effort in various key tasks and accelerate the high-quality development.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL**

As at 30 June 2020, 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 Co., Ltd.	State-owned legal person shares	1,030,952,000	Beneficial owner	100%	60.41%

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020, 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 2020, 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 2020, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB2,256.53 million in aggregate. There was no external guarantee of the Company.

## **PLEDGE OF ASSETS**

As at 30 June 2020, the Company pledged its assets of RMB100.51 million (as at 30 June 2019: RMB111.92 million) to secure loans for liquidity.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is currently and had been at all times during the accounting period in compliance with the rules set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules, and, where appropriate, has adopted the recommended best practices as specified therein.

## **THE AUDIT COMMITTEE**

The Audit Committee has reviewed and approved the interim report of the Company for the six months ended 30 June 2020. The members of Audit Committee of the Company include Tian Min, Zhu Hong-jie and Yu Wen-xing.

## **AUDITORS**

Dahua Certified Public Accountants LLP, the Company's auditor, has carried out a review of the unaudited interim report for the six months ended 30 June 2020 in accordance with the requirements of "China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statement".

## **SHAREHOLDERS' MEETING**

On 9 April 2020, the Company held special general meeting of shareholders in Harbin, the PRC, and H Share class meeting and Domestic shares class meeting were held thereafter. The results of relevant meetings had been published on the websites of the Hong Kong Stock Exchange and the Company.

On 12 June 2020, the 2019 annual general meeting of the Company was held in Harbin, the PRC, and H Share class meeting and Domestic shares class meeting were held thereafter. 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 2020, 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 2020 are available for inspection at the head office of the Company at 1399 Chuangxinyi Road, Songbei District, Harbin, the PRC.

By Order of the Board  
**Harbin Electric Company Limited**  
**Ai Li-song**  
*Company Secretary*

Harbin, PRC, 24 August 2020

*As at the date of this announcement, the executive Directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang, and Mr. Zhang Ying-jian; and the independent non-executive Directors of the Company are Mr. Zhu Hong-jie, Mr. Yu Wen-xing, Mr. Hu Jian-min and Mr. Tian Min.*