



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

Stock Code: 1133

2020

INTERIM REPORT



# Contents

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|  |           |
|--|-----------|
| 2020 INTERIM REPORT OF THE DIRECTORS                   | <b>2</b>  |
| REVIEW REPORT  | <b>16</b> |
| CONSOLIDATED BALANCE SHEET                             | <b>17</b> |
| CONSOLIDATED INCOME STATEMENT                          | <b>22</b> |
| CONSOLIDATED STATEMENT OF CASH FLOWS                   | <b>26</b> |
| CONSOLIDATED STATEMENT OF CHANGES<br>IN OWNERS' EQUITY | <b>31</b> |
| NOTES TO THE FINANCIAL STATEMENTS                      | <b>35</b> |
| INFORMATION ON THE COMPANY                             | <b>88</b> |



## 2020 INTERIM REPORT OF THE DIRECTORS

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 Da Hua Certified Public Accountants LLP.

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

### 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<br>amount of<br>the Funds<br><i>(RMB '00<br/>million)</i> | The used<br>amount of<br>the Funds<br><i>(RMB '00<br/>million)</i> | The balance of<br>the Funds<br><i>(RMB '00<br/>million)</i> | Planned<br>use time           |
|--|---|--|---|-------------------------------|
| Gas turbine joint venture project  | 1.8   | 0.43   | 1.37  | before<br>24 October<br>2026  |
| Technology transformation<br>project of nuclear power                                  | 4.86  | 3.9  | 0.96  | before<br>31 December<br>2023 |
| Purchase of raw materials for<br>production and operation of<br>nuclear power industry | 3   | 3  | 0   |                               |
| Purchase of raw materials for<br>production and operation of<br>gas turbine industry   | 1.47  | 1.47   | 0   |                               |
| Implement financial leasing<br>business  | 1.54  | 1.54   | 0   |                               |
| <b>Total</b>   | <b>12.67</b>  | <b>10.34</b>   | <b>2.33</b>   |                               |

## 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, at 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:

| <b>Name of shareholders</b>           | <b>Class of shares</b>          | <b>Number of shares</b> | <b>Capacity</b>  | <b>Percentage to underlying share capital</b> | <b>Percentage to total share capital</b> |
|---------------------------------------|---------------------------------|-------------------------|------------------|---|--|
| 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. As at the end of the reporting period, the major pending litigations is set out in NOTES IX(I).

## **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.

# REVIEW REPORT

D.H.S.Z [2020] NO.006777

## **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, 2020, the consolidated income statement from January 1, 2020 to June 30, 2020, 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**

**China Certified Public Accountant:  
Fei Qiang**

Beijing • China

August 24, 2020

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

## CONSOLIDATION BALANCE SHEET (CONTINUED)

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

## CONSOLIDATION BALANCE SHEET (CONTINUED)

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

## CONSOLIDATION BALANCE SHEET (CONTINUED)

| Items                                | Notes | June 30,2020             | Dec 31,2019              |
|--------------------------------------|-------|--------------------------|--------------------------|
| <b>Non-current liabilities:</b>      |       |                          |                          |
| Reserve of insurance contract        |       |                          |                          |
| Long-term borrowings                 |       | 905,371,105.00           | 565,600,000.00           |
| Bonds payable                        |       |                          |                          |
| including: preferred stocks          |       |                          |                          |
| perpetual debts                      |       |                          |                          |
| Lease liabilities                    |       |                          |                          |
| Long-term payable                    |       | 510,862,094.29           | 510,862,094.29           |
| Long-term employee benefits payable  |       | 176,288,338.42           | 176,288,338.42           |
| Provisions                           |       | 777,263,946.90           | 940,402,644.61           |
| Deferred income                      |       | 157,898,261.33           | 134,150,192.62           |
| Deferred tax liabilities             |       |                          |                          |
| Other non-current liabilities        |       |                          |                          |
| Including: authorized reserve fund   |       |                          |                          |
| <b>Total non-current liabilities</b> |       | <b>2,527,683,745.94</b>  | <b>2,327,303,269.94</b>  |
| <b>Total liabilities</b>             |       | <b>38,752,733,345.78</b> | <b>39,226,502,344.10</b> |

## CONSOLIDATION BALANCE SHEET (CONTINUED)

| Items  | Notes | June 30,2020             | Dec 31,2019       |
|--|-------|--------------------------|-------------------|
| <b>Equity:</b>                               |       |                          |                   |
| Paid-in capital                              | V/(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                              |       | 4,230,336,638.06         | 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                           |       | 226,612,299.03           | 276,525,550.73    |
| <b>Total owner's equity</b>                  |       | <b>15,725,194,936.54</b> | 15,856,164,184.67 |
| <b>Total liabilities and owner's equity</b>  |       | <b>54,477,928,282.32</b> | 55,082,666,528.77 |

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<br>June 2020 | January to<br>June 2019 |
|---------------------------------------|---------|-------------------------|-------------------------|
| <b>1. Revenue</b>                     |         | <b>9,752,979,454.42</b> | 10,136,137,430.56       |
| Including: operating revenue          | VI(XI)  | 9,613,910,376.04        | 9,962,005,905.26        |
| Interest income                       |         | 139,069,078.38          | 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             | VI(XI)  | 8,346,863,922.95        | 8,596,803,298.79        |
| Interest expenses                     |         | 4,757,160.01            | 8,052,819.15            |
| Fees and commissions expenses         |         | 25,786.58               | 25,258.79               |
| Cash surrender amount                 |         |                         |                         |
| Net expenses of claim settlement      |         |                         |                         |
| Net provisions for insurance reserves |         |                         |                         |
| Policy dividend expenses              |         |                         |                         |
| Reinsurance expenses                  |         |                         |                         |
| Taxes and surcharges                  |         | 58,791,893.15           | 47,774,726.84           |
| Selling expenses                      |         | 202,154,042.22          | 228,090,017.13          |
| Administrative expenses               | VI(XII) | 442,071,143.43          | 536,286,170.38          |
| Research and development expenses     |         | 280,818,214.06          | 266,208,113.27          |
| Financial expenses                    |         | 99,432,772.80           | 31,111,322.45           |
| Including: interest expenses          |         | 108,968,875.55          | 44,948,122.39           |
| Interest income                       |         | 21,731,010.27           | 25,810,877.44           |
| Net exchange loss                     |         |                         |                         |
| ("-" for net proceeds)                |         | -6,430,589.52           | -1,967,635.29           |
| Other costs and expenses              |         |                         |                         |

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

| Item   | Notes    | January to<br>June 2020 | January to<br>June 2019 |
|--|----------|-------------------------|-------------------------|
| Add: Other income  |          | 44,157,319.65           | 28,832,255.12           |
| Investment income ("-" for loss)   |          | 15,197,404.96           | 16,472,527.40           |
| Including: investment income from<br>associates and joint<br>ventures    |          | 3,172,857.02            | 8,714,624.64            |
| Income from<br>derecognition of<br>financial assets at<br>amortised cost |          |                         |                         |
| Gain on foreign exchange<br>("-" for loss)                               |          | -1,333.94               | -142.79                 |
| Net exposure hedging returns<br>("-" for losses)                         |          |                         |                         |
| Gain from fair-value changes<br>("-" for loss)                           |          | 2,629,597.94            |                         |
| Credit losses ("-" for loss))  | VI(XIII) | -279,227,583.97         | -345,313,779.01         |
| Impairment on assets ("-" for loss)                                      | VI(XIV)  | -2,747,679.54           | 2,444,416.73            |
| Proceeds from asset disposal<br>("-" for loss)                           |          | -215,573.48             | 611,030.22              |
| <b>3. Operating profits("-" for loss)</b>                                |          | <b>97,856,670.84</b>    | <b>124,832,011.43</b>   |
| Add: non-operating income  |          | 32,750,912.72           | 13,515,363.35           |
| Including: Government grants   |          | 1,404,250.91            | 1,160,400.00            |
| Less: non-operating expenses   |          | 31,719,231.64           | 1,219,733.35            |
| <b>4. Profit before tax("-" for loss)</b>                                |          | <b>98,888,351.92</b>    | <b>137,127,641.43</b>   |
| Less: income tax   |          | 61,720,557.65           | 83,053,485.39           |

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

| Item   | Notes | January to<br>June 2020 | January to<br>June 2019 |
|--|-------|-------------------------|-------------------------|
| <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  |       | 29,166,140.92           | 31,460,564.60           |
| Profit/loss attributable to minority<br>share-holders  |       | 8,001,653.35            | 22,613,591.44           |
| (2) By going concern basis   |       |                         |                         |
| Continuous operating profit and loss   |       | 37,167,794.27           | 54,074,156.04           |
| Termination of the business profit and<br>loss   |       |                         |                         |
| <b>6. Other comprehensive income after tax</b>   |       | <b>-104,885,491.18</b>  | -87,520,686.75          |
| Other comprehensive income after tax<br>attributable to parent company   |       | -104,885,491.18         | -87,525,105.22          |
| (1) Comprehensive income not to be<br>reclassified as profit or loss   |       | -103,816,792.72         | -87,786,258.55          |
| 1. Remeasure the change in net liabilities<br>or net assets of defined beneficiary<br>plans                                      |       |                         |                         |
| 2. Shares in other comprehensive income<br>that the investee cannot reclassify<br>into profit or loss under the equity<br>method |       |                         |                         |
| 3. Net gain on equity instruments at fair<br>value through other comprehensive<br>income   |       | -103,816,792.72         | -87,786,258.55          |
| 4. Fair value changes in enterprise's own<br>credit risk   |       |                         |                         |
| 5. Others  |       |                         |                         |

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

| Item   | Notes     | January to<br>June 2020 | January to<br>June 2019 |
|--|-----------|-------------------------|-------------------------|
| (2) Other comprehensive income to be reclassified as profit or loss  |           | -1,068,698.46           | 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                               |           |                         |                         |
| 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  |           | <b>-75,719,350.26</b>   | <b>-56,064,540.62</b>   |
| Total consolidated income attributable to minority share-holders   |           | <b>8,001,653.35</b>     | <b>22,618,009.91</b>    |
| <b>8. Earnings per share:</b>  |           |                         |                         |
| Basic earnings per share   | VI(XVIII) | 0.02                    | 0.02                    |
| Diluted earnings per share   | VI(XVIII) | 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<br>June 2020 | January to<br>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> |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| Item  | <i>Notes</i> | January to<br>June 2020  | January to<br>June 2019 |
|---|--------------|--------------------------|-------------------------|
| 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<br>other financial institutions |              | -10,524,150.20           | -169,465,716.61         |
| Cash paid for claim settlements on original<br>insurance contracts              |              |                          |                         |
| Net increase of due from banks and other<br>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<br>activities                          |              | 627,593,313.92           | 805,879,399.88          |
| <b>Total cash outflows from operating activities</b>                            |              | <b>10,271,946,142.19</b> | 11,915,688,760.02       |
| <b>Net cash flows from operating activities</b>                                 |              | <b>-2,017,501,602.48</b> | -4,063,887,834.65       |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| Item  | <i>Notes</i> | January to<br>June 2020 | January to<br>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>   | <b>131,065,171.44</b>   |
| 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>   | <b>276,839,556.97</b>   |
| <b>Net cash flows from investing activities</b>   |              | <b>-375,986,542.71</b>  | <b>-145,774,385.53</b>  |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| Item  | <i>Notes</i> | January to<br>June 2020 | January to<br>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<br>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<br>activities                        |              | 39,030.91               | 3,697,191.03            |
| <b>Total cash inflows from financing activities</b>                                 |              | <b>1,339,003,064.03</b> | 2,346,365,989.65        |
| Cash repayments for debts   |              | 1,154,541,200.99        | 414,850,263.57          |
| Cash payments for distribution of dividends,<br>profit and interest expenses        |              | 132,341,472.04          | 57,557,115.23           |
| Including: dividends or profit paid by<br>subsidiaries to minority<br>shareholders  |              |                         |                         |
| Other cash payments related to financing<br>activities                              |              | 2,011,642.16            | 70,002.71               |
| <b>Total cash outflows from financing activities</b>                                |              | <b>1,288,894,315.19</b> | 472,477,381.51          |
| <b>Net cash flows from financing activities</b>                                     |              | <b>50,108,748.84</b>    | 1,873,888,608.14        |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| Item   | <i>Notes</i> | January to<br>June 2020 | January to<br>June 2019 |
|--|--------------|-------------------------|-------------------------|
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b> |              | 7,040,296.80            | 6,550,740.75            |
| <b>5. Net increase in cash and cash equivalents</b>                            |              | -2,336,339,099.55       | -2,329,222,871.29       |
| 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>                          |              | 6,860,883,611.75        | 9,376,458,577.65        |

Legal representative:

Chief Accounting Officer:

Accounting agency head:

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Monetary unit: RMB YUAN

Made by: Harbin Electric Company Limited.

| Item  | January to June 2020                                |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
|---|---|---------------|-----------------|-------------------------|------------------|-----------------------|----------------------------|------------------|------------------|-------------------------|-------------------|-------------------|--------------------|----------------------|
|   | Equity attributable to owners of the parent company |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
|   | Plug-in capital                                     | Paid-up stock | Preferred stock | Other equity instrument | Capital reserves | Less: treasury shares | Other comprehensive income | Special reserves | Surplus reserves | ΔGeneral risk provision | Retained earnings | Subtotal          | Minority interests | Total owners' equity |
| <b>1. Ending balance of last year</b>                                   | 1,705,523,000.00                                    |               |                 |                         | 4,248,144,255.55 |                       | -3,036,514.52              | 41,541,753.49    | 808,138,645.47   |                         | 8,804,493,937.94  | 15,979,639,633.94 | 276,525,530.73     | 15,956,196,144.67    |
| Add: Increase/decrease due to changes in accounting prices              |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| Increase/decrease due to corrections of errors in prior period          |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| Others  |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| <b>2. Beginning balance of current year</b>                             | 1,705,523,000.00                                    |               |                 |                         | 4,248,144,255.55 |                       | -3,036,514.52              | 41,541,753.49    | 808,138,645.47   |                         | 8,804,493,937.94  | 15,979,639,633.94 | 276,525,530.73     | 15,956,196,144.67    |
| <b>3. Increase/decrease for current year ** for decrease</b>            |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| (1) Total comprehensive income  |   |               |                 |                         |                  |                       | -14,435,561.18             | 13,733,261.43    |                  |                         | 28,158,143.92     | -61,655,995.43    | 4,813,251.70       | -139,859,248.13      |
| (2) Owner's contributions and withdrawals of capital                    |   |               |                 |                         |                  |                       | -114,028,491.18            |                  |                  |                         | 28,158,143.92     | -75,718,350.25    | 8,001,633.35       | -97,571,689.91       |
| 1. Common stock contributed by owners                                   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| 2. Capital contributed by other equity instrument holders               |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| 3. Share-based payment recorded in owner's equity                       |   |               |                 |                         |                  |                       |                            | 3,558,203.11     |                  |                         | -15,239,392.49    | -12,229,392.49    | -10,421,197.78     | -65,591,583.27       |
| 4. Others   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| (3) Accrual and utilization of specialized reserve                      |   |               |                 |                         |                  |                       |                            | 3,558,203.11     |                  |                         |                   | -15,239,392.49    | -10,421,197.78     | -65,591,583.27       |
| 1. Accrual of specialized reserve                                       |   |               |                 |                         |                  |                       |                            | 3,558,203.11     |                  |                         |                   |                   |                    |                      |
| 2. Utilization of specialized reserve                                   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| (4) Profits distribution  |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| 1. Appropriation of surplus reserve including statutory surplus reserve |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| Discretionary surplus reserve   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| Reserve fund  |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| Contract development fund   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| Return of investment  |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| 2. Accrual of general risk reserve                                      |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| 3. Distribution to owner/shareholder                                    |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
| 4. Others   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    |                      |
|   |   |               |                 |                         |                  |                       |                            | 4,731,143.65     |                  |                         | -4,731,143.65     |                   | -7,162,307.27      | -7,162,307.27        |
|   |   |               |                 |                         |                  |                       |                            | 9,927,716.32     |                  |                         | 8,937,716.32      |                   |                    | 9,927,716.32         |
|   |   |               |                 |                         |                  |                       |                            | 14,533,862.17    |                  |                         | 14,533,862.17     |                   |                    | 14,533,862.17        |
|   |   |               |                 |                         |                  |                       |                            | 4,731,143.65     |                  |                         | -4,731,143.65     |                   |                    | 4,731,143.65         |
|   |   |               |                 |                         |                  |                       |                            |                  |                  |                         |                   |                   |                    | -7,162,307.27        |

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

| Item   | January to June 2020                                |                 |                  |        |                 |                      |                        |                   |                   |                    |                      |
|--|---|-----------------|------------------|--------|-----------------|----------------------|------------------------|-------------------|-------------------|--------------------|----------------------|
|  | Equity attributable to owners of the parent company |                 |                  |        |                 |                      |                        |                   |                   |                    |                      |
|  | Other equity instrument                             |                 | Less:            |        | Other           |                      | General risk provision | Retained earnings | Subtotal          | Minority interests | Total owners' equity |
|  | Preferred stock                                     | Perpetual bonds | Capital reserves | Others | treasury shares | comprehensive income |                        |                   |                   |                    |                      |
| (5) <b>Transfer within owner's equity</b>                            |   |                 |                  |        |                 |                      |                        |                   |                   |                    |                      |
| 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 charges carried forward to retained earnings |   |                 |                  |        |                 |                      |                        |                   |                   |                    |                      |
| 5. Other comprehensive income carried forward to retained earnings   |   |                 |                  |        |                 |                      |                        |                   |                   |                    |                      |
| 6. Others  |   |                 |                  |        |                 |                      |                        |                   |                   |                    |                      |
| <b>4. Ending balance of current year</b>                             | 1,706,520,000.00                                    |                 | 4,230,356,533.95 |        | -115,792,405.80 | 55,072,676.92        | 8,091,136,446.47       | 8,333,363,073.36  | 15,498,430,437.51 | 226,612,249.03     | 15,725,041,615.54    |

Legal representative:

Chief Accounting Officer:

Accounting agency head:



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

| Item  | January to June 2019                                |                 |                         |                  |                 |                      |                  |                  |                        |                   |                    |                      |
|---|---|-----------------|-------------------------|------------------|-----------------|----------------------|------------------|------------------|------------------------|-------------------|--------------------|----------------------|
|   | Equity attributable to owners of the parent company |                 |                         |                  |                 |                      |                  |                  |                        |                   |                    |                      |
|   | Pach-in capital                                     |                 | Other equity instrument |                  | Less:           |                      | Other            |                  | General risk provision | Subtotal          | Minority interests | Total owners' equity |
|   | Preferred stocks                                    | Perpetual bonds | Others                  | Capital reserves | treasury shares | comprehensive income | Special reserves | Surplus reserves |                        |                   |                    |                      |
| <b>(5) Transfer within owner's equity</b>                           |   |                 |                         |                  |                 |                      |                  |                  |                        |                   |                    |                      |
| 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 related earnings |   |                 |                         |                  |                 |                      |                  |                  |                        |                   |                    |                      |
| 5. Other comprehensive income carried forward to related earnings   |   |                 |                         |                  |                 |                      |                  |                  |                        |                   |                    |                      |
| 6. Others   |   |                 |                         |                  |                 |                      |                  |                  |                        |                   |                    |                      |
| <b>4. Ending balance of current year</b>                            | 1,716,593,010.00                                    |                 | 3,715,727,494.12        |                  | -21,479,889.25  | 39,994,125.76        | 809,136,649.47   |                  | 8,729,487,303.18       | 14,978,998,683.28 | 1,303,501,950.00   | 16,281,900,633.88    |

Legal representative:

Chief Accounting Officer:

Accounting agency head:

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended on 30 June 2020*

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

## **I. BASIC 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 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

## I. BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

( ) Scope of consolidated financial statements

As of June 30, 2020, the company scope of consolidated financial statements had the company are as follows:

### Name of subsidiaries

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Harbin Turbine Co., Ltd.  
Harbin Power Technology & Trade Inc.  
Harbin Electric International Co., Ltd.  
Harbin Electric Machinery Co., Ltd.  
Harbin Power Equipment National Engineering Research Centre Co., Ltd  
Harbin Power Group Harbin Power Station Valve Co., Ltd.  
Harbin Boiler Company Limited  
Harbin Electric Power Equipment Co., Ltd.  
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited  
Harbin Electric Corporation Finance Company Limited  
Harbin Electric (H.E) Corporation  
Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd.  
Chengdu Sanliya Technology Company  
Harbin Electric Leasing (Tianjin) Co., Ltd.  
Hadian Group Biomass power Generation (Wangkui) Co. Ltd  
Hadian Group Biomass power Generation (Dehui) Co. Ltd

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# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

## I. BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

### ( ) Scope of consolidated financial statements (Continued)

Compared with the previous period, the number of subjects included in the consolidated financial statements in this period increased by 2 and decreased by 0, among which:

1. *Newly incorporated subsidiaries in the current period:*

| <b>Name</b>   | <b>Reasons for change</b> |
|---|---------------------------|
| Hadian Group Biomass power Generation (Wangkui) Co. Ltd | Invested                  |
| Hadian Group Biomass power Generation (Dehui) Co. Ltd   | Invested                  |

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

*For the year ended on 30 June 2020*

*(In addition to the special note, the unit of amount is 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.

#### **( ) 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 year ended on 30 June 2020*

*(In addition to the special note, the unit of amount is 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.

- ( ) 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.

- ( ) 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 year ended on 30 June 2020*

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

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

( ) Reporting currency

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

( ) 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.

( ) 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.

Enterprises involved in the provision of bad debts for the applicable credit loss model within the scope of the merger include: Harbin Electric Co., Ltd. and all its subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

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

#### ( ) 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 there from is included into the current profit and loss as an impairment loss or gain.

The Company combines the accounts receivable according to similar credit risk characteristics (aging) and estimates the proportion of the provision for bad debts of the accounts receivable based on all reasonable and evidenced information, including forward-looking information.

| <b>Aging</b>                     | <b>Accounts<br/>receivable<br/>accrual ratio<br/>(%)</b> |
|----------------------------------|--|
| 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  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

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

#### ( ) Accounts receivable (Continued)

##### (1) *Accounts receivable (Continued)*

If there is objective evidence that a receivable has been credit impaired, the Company makes provision for bad debts and confirms the expected credit losses for the accounts receivable.

The Company's accounts receivable with provision for bad debts and confirmation of expected credit losses are disclosed separately according to the significant amount of individual items or the insignificant amount of individual items.

#### I) The standard of receivables with a single significant amount:

The Company recognizes accounts receivable with an amount of CNY 30 million (including CNY 30 million) as receivables with significant single amount.

#### II) The accrual method of single insignificant amount with separate provision for bad debts:

The Company conducts impairment test separately for receivables that are not significant in terms of individual amounts but have the following characteristics. If there is objective evidence that it has been impaired, the impairment loss is recognized and the provision for bad debts is made based on the difference between the present value of its future cash flows and its carrying amount;

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

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

( ) Accounts receivable (Continued)

(1) *Accounts receivable (Continued)*

III) The scope of amounts receivable are not accrued for bad debts.

Account Receivables between related parties;

Others receivables to the relevant national industry authorities and industry associations, etc, which belong to the nature of deposits, deposits and the internal receivables of the enterprise or the in-service employees for the business operations, temporary borrowings, reserve funds and other receivables. Impairment provisions may not be made except where there is conclusive evidence of impairment.

(2) *Other receivables*

The measurement of impairment loss for other receivables is treated in accordance with the measurement method of impairment loss of the aforementioned financial assets (excluding receivables).The standard of receivables with a single significant amount: Other receivables with an amount of CNY 10 million (including CNY 10 million) are recognized as receivables with significant single amount.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the year ended on 30 June 2020*

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

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

### ( ) 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 year ended on 30 June 2020

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

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

#### ( ) 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 year ended on 30 June 2020

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

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

#### ( ) 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 year ended on 30 June 2020*

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

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

#### ( ) 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 year ended on 30 June 2020*

*(In addition to the special note, the unit of amount is 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.

( ) Change in accounting estimates

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

( ) 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 year ended on 30 June 2020

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

### V. TAXATION

#### (I) Main tax types and tax rates

| <b>Tax Type</b>                          | <b>Tax basis</b>   | <b>Tax rate</b>              | <b>Note</b> |
|--|--|------------------------------|-------------|
| Value-added Tax<br>("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%、<br>9%、10%、<br>13%、16% |             |
| City maintenance and<br>construction tax | Actual paid turnover tax   | 7%                           |             |
| Business income<br>taxes                 | Calculated according to<br>taxable income  | 15%、25%                      |             |

#### (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 August 28, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### V. TAXATION (CONTINUED)

#### (II) Tax incentives (Continued)

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

#### ( ) 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.

#### ( ) 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 year ended on 30 June 2020

(In addition to the special note, the unit of amount is 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 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          |
| Total   | 11,895,467,941.74 |                | 4,961,661,385.37   |                | 10,356,922,055.07 |                | 4,538,079,234.22   |                |

- 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 |
| Total   | 942,395,425.73      | 571,538,395.75     | 60.65          |                                 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

##### 1. Accounts receivable shown by classification (Continued)

##### 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             |                |                         | 31 December 2019        |                |                         |
|---------------------|--------------------------|----------------|-------------------------|-------------------------|----------------|-------------------------|
|                     | Carrying Amount          |                | Bad debt Provision      | 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        |
| <b>Total</b>        | <b>10,632,581,671.98</b> |                | <b>4,175,986,700.48</b> | <b>9,075,673,935.26</b> |                | <b>3,721,459,793.27</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

1. Accounts receivable shown by classification (Continued)

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  | 320,490,844.03      | 214,136,289.14     | 66.82          |                                 |

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

Net value of provision, transfer and recovery of bad debts in the period was 392,696,034.24 yuan.

3. Accounts receivable actually written off in the current period

The amount of accounts receivable actually written off from January 1, 2020 to June 30, 2020 was 1,054,003.96 yuan.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

#### (II) Prepayments

| Age                | 30 June 2020            |                |                     | 31 December 2019        |                |                     |
|--------------------|-------------------------|----------------|---------------------|-------------------------|----------------|---------------------|
|                    | Carrying Amount         |                | Bad debt Provision  | Carrying Amount         |                | Bad debt Provision  |
|                    | Amount                  | Percentage (%) |                     | Amount                  | Percentage (%) |                     |
| Within one year    | 1,511,716,797.31        | 53.27          |                     | 2,017,713,106.66        | 69.35          |                     |
| One to two years   | 475,944,502.13          | 16.77          |                     | 415,797,814.57          | 14.29          |                     |
| Two to three years | 472,006,675.99          | 16.63          |                     | 216,128,777.00          | 7.43           |                     |
| Over three years   | 378,314,480.68          | 13.33          | 8,127,844.53        | 259,714,136.91          | 8.93           | 8,127,844.53        |
| <b>Total</b>       | <b>2,837,982,456.11</b> |                | <b>8,127,844.53</b> | <b>2,909,353,835.14</b> |                | <b>8,127,844.53</b> |

#### (III) Other receivables

| Items               | 30 June 2020            | 31 December 2019      |
|---------------------|-------------------------|-----------------------|
| Interest receivable | 38,947,705.04           | 10,325,008.20         |
| Dividend receivable | 42,360.76               | 3,134,827.61          |
| Other receivables   | 1,124,392,376.76        | 841,248,438.70        |
| <b>Total</b>        | <b>1,163,382,442.56</b> | <b>854,708,274.51</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

( ) Other receivables (Continued)

#### 1. Classification of Interest receivable

| Items           | 30 June 2020         | 31 December 2019     |
|-----------------|----------------------|----------------------|
| Term deposits   | 10,084,173.08        | 7,025,008.20         |
| Bond investment | 28,863,531.96        | 3,300,000.00         |
| <b>Total</b>    | <b>38,947,705.04</b> | <b>10,325,008.20</b> |

#### 2. Details of Dividend receivable

| Items   | 30 June 2020     | 31 December 2019    | Reasons for uncollected amounts | Whether the amount is impaired |
|---|------------------|---------------------|---------------------------------|--------------------------------|
| <b>Within one year:</b>   | <b>42,360.76</b> | <b>3,134,827.61</b> |                                 |                                |
| 1. Harbin Xin Run embellish precision casting industry co., Ltd | 42,360.76        | 42,360.76           | Unsettled                       | No                             |
| 2. Harbin electric gas station Co., Ltd                         |                  | 70,000.00           | Unsettled                       | No                             |
| 4. Harbin Huitong Power Engineering Company Limited             |                  | 3,022,466.85        | Unsettled                       | No                             |
| <b>over one years:</b>  |                  |                     |                                 |                                |
| <b>Total</b>  | <b>42,360.76</b> | <b>3,134,827.61</b> |                                 |                                |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

( ) Other receivables (Continued)

#### 3. Details of other receivables

##### 1) Other receivables shown by classification

| Type  | 30 June, 2020    |                |                    |                | 31 December, 2019 |                |                    |                |
|---|------------------|----------------|--------------------|----------------|-------------------|----------------|--------------------|----------------|
|   | Carrying Amount  |                | Bad debt provision |                | Carrying Amount   |                | Bad debt provision |                |
|   | Amount           | proportion (%) | Amount             | proportion (%) | Amount            | proportion (%) | Amount             | proportion (%) |
| Other receivables with individual significance and individually accruing bad debt provision       | 737,458,745.55   | 48.53          | 58,620,326.71      | 7.95           | 726,259,308.51    | 60.10          | 58,563,810.29      | 8.06           |
| Other receivables accruing provision for bad debts based on credit risk characteristics portfolio | 386,170,823.21   | 25.41          | 285,789,374.29     | 74.01          | 359,968,469.95    | 29.79          | 263,872,633.88     | 73.30          |
| Other receivables without individual significance but individually accruing bad debt provision    | 396,056,901.57   | 26.06          | 50,884,392.57      | 12.85          | 122,213,305.17    | 10.11          | 44,756,200.76      | 36.62          |
| Total   | 1,519,686,470.33 |                | 395,294,093.57     |                | 1,208,441,083.63  |                | 367,192,644.93     |                |

i. Other receivables with individual significance and individually accruing bad debt provision :

| Debtor  | Other receivables | Bad debt provision | Proportion (%) | Reason                       |
|---|-------------------|--------------------|----------------|------------------------------|
| Harbin Electric Group Co., Ltd.                             | 162,095,125.59    |                    |                | Related parties don't accrue |
| Ecuador's state-owned power holding company and other units | 575,363,619.96    | 58,620,326.71      | 10.19          | Based on recoverability      |
| Total   | 737,458,745.55    | 58,620,326.71      | 7.95           |                              |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

( ) Other receivables (Continued)

3. Details of other receivables (Continued)

1) Other receivables shown by classification (Continued)

ii. Accounts other receivables accruing bad debt provision in credit risk characteristic portfolio

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

| Age                 | 30 June 2020    |                   |                       | 31 December 2019 |                   |                       |
|---------------------|-----------------|-------------------|-----------------------|------------------|-------------------|-----------------------|
|                     | Carrying Amount |                   | Bad debt<br>Provision | Carrying Amount  |                   | Bad debt<br>Provision |
|                     | Amount          | proportion<br>(%) |                       | Amount           | proportion<br>(%) |                       |
| Within one year     | 64,626,839.80   | 16.74             | 3,182,433.48          | 70,137,610.86    | 19.48             | 3,552,624.14          |
| One to two years    | 12,587,477.03   | 3.26              | 3,222,144.26          | 5,649,662.75     | 1.57              | 1,693,827.48          |
| Two to three years  | 3,051,435.63    | 0.79              | 1,525,817.82          | 4,539,335.50     | 1.26              | 2,269,667.76          |
| Three to four years | 98,844,076.92   | 25.60             | 79,075,261.56         | 82,616,190.31    | 22.95             | 66,048,178.56         |
| Four to five years  | 41,386,383.29   | 10.72             | 33,109,106.63         | 33,589,872.93    | 9.33              | 26,872,538.34         |
| Over five years     | 165,674,610.54  | 42.90             | 165,674,610.54        | 163,435,797.60   | 45.40             | 163,435,797.60        |
| Total               | 386,170,823.21  |                   | 285,789,374.29        | 359,968,469.95   |                   | 263,872,633.88        |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

( ) Other receivables (Continued)

3. Details of other receivables (Continued)

1) Other receivables shown by classification (Continued)

iii. Other receivables with individual insignificance but individually accruing bad debt :

| Debtor             | Carrying Amount | Bad debt provision | Proportion (%) | Reason  |
|--------------------|-----------------|--------------------|----------------|---|
| Reserve fund, etc. | 396,056,901.57  | 50,884,392.57      | 12.85          | According to the future recyclability of judgment |
| Total              | 396,056,901.57  | 50,884,392.57      | 12.85          |   |

2) Bad debt provision situation of withdrawing, turn back or recovery

Net value of provision, return and recovery of bad debts in this period is 28,101,448.64 yuan.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

( ) Other current assets

| Items                               | 30 June 2020     | 31 December 2019 |
|-------------------------------------|------------------|------------------|
| Bank financial products             | 1,400,000,000.00 | 1,979,629,800.00 |
| Entrust loans                       | 150,000,000.00   | 150,000,000.00   |
| Deductible input tax and prepay VAT | 128,763,889.23   | 204,181,411.04   |
| Total                               | 1,678,763,889.23 | 2,333,811,211.04 |

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

For the six months ended June 30, 2020, The Company has disposed of certain plant and machinery equipment with a carrying amount of RMB4,728,058.47 (six months ended 30 June 2019: RMB279,137.70) in exchange for proceeds of RMB4,512,484.99 (Six months ended June 30, 2019: RMB890,167.92), and the proceeds from the disposal were approximately RMB215,573.48 (six months ended 30 June 2019: income of RMB611,030.22).

For the six months ended June 30, 2020, the Company spent approximately RMB222,342,081.94 (six months ended 30 June 2019: RMB243,639,556.97), which was mainly used for construction in progress, machinery and equipment, transportation equipment, etc. and increased production capacity.

As for 30 June, 2020, the Company's net book value of the Group's plant and machinery was RMB0.00 (as at 30 June 2019: RMB0.00).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

#### ( ) Short-term borrowings

| Items           | 30 June 2020     | 31 December 2019 |
|-----------------|------------------|------------------|
| Pledged loan    |                  |                  |
| Mortgage loan   | 15,600,000.00    | 15,600,000.00    |
| Guaranteed loan |                  | 361,643,296.20   |
| Credit loan     | 5,590,829,518.30 | 4,957,032,872.50 |
| Total           | 5,606,429,518.30 | 5,334,276,168.70 |

#### ( ) 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              | 12,667,311,237.19 | 11,855,193,376.96 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

( ) Non-current liabilities within 1 year

| Items                                   | 30 June 2020 | 31 December 2019 |
|---|--------------|------------------|
| Long-term loan within 1 year            |              | 300,000,000.00   |
| Long-term account payable within 1 year |              |                  |
| Total                                   |              | 300,000,000.00   |

( ) Other current liabilities

| Items                            | 30 June 2020 | 31 December 2019 |
|----------------------------------|--------------|------------------|
| Financing lease accounts payable | 1,118,188.67 | 495,272.00       |
| Total                            | 1,118,188.67 | 495,272.00       |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

(X) Share capital

| Shareholder's name          | 31 December 2019  |                | Increase during the period | Decrease during the period | 30 June 2020      |                |
|-----------------------------|-------------------|----------------|----------------------------|----------------------------|-------------------|----------------|
|                             | 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 year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (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 year ended on 30 June 2020

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

## VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (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             |
|-------------------------------------|----------------------------|------------------------------------|----------------------------|---|---------------------------------|-------------------------|-------------------|
| <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 | 29,661,930,041.74          | 3,437,796,914.81                   | 6,928,420,210.79           | 1,575,590,647.73                              | 4,395,315,007.00                | 5,938,641,054.92        | 51,937,693,876.99 |
| <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  | 501,590,032.92             | 241,827,173.47                     | 105,049,319.51             | 59,068,895.29                                 | 130,401,050.93                  | 301,940,284.69          | 1,339,876,756.81  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (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             |
|-------------------------------------|----------------------------|------------------------------------|----------------------------|---|---------------------------------|-------------------------|-------------------|
| <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 | 27,506,084,273.07          | 4,373,987,492.35                   | 6,146,541,709.58           | 1,903,458,884.35                              | 3,953,037,581.90                | 7,274,868,826.59        | 51,157,978,767.84 |
| <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  | 857,638,488.76             | 67,918,723.94                      | 59,276,183.23              | 41,725,444.97                                 | 117,179,041.12                  | 261,985,223.50          | 1,405,723,105.52  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

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

2. Financial information of divisions (Continued)

3) Regional information

| Items                          | Revenue from external customers |                            |
|--------------------------------|---------------------------------|----------------------------|
|                                | January to<br>June in 2020      | January to<br>June in 2019 |
| 1. Domestic (China)            | 6,978,782,363.22                | 7,166,927,522.19           |
| 2. Overseas :                  |                                 |                            |
| – Pakistan Islamic Community   | 1,093,948,421.84                | 171,398,186.86             |
| – Republic of Turkey           | 48,695,213.33                   | 51,032,863.65              |
| – The United Arab Emirates     | 1,301,301,503.01                | 2,448,567,713.84           |
| – Republic of Ecuador          | 54,523,215.17                   | 43,548,437.46              |
| – Bangladesh People's Republic | 12,382,870.99                   | 24,497,810.60              |
| – Republic of Indonesia        | 2,604,760.03                    | 16,221,047.70              |
| – Republic of Iraq             | 99,238,093.71                   |                            |
| – Other countries              | 22,433,934.74                   | 39,812,322.96              |
| Overseas subtotals             | 2,635,128,012.82                | 2,795,078,383.07           |
| Total                          | 9,613,910,376.04                | 9,962,005,905.26           |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

#### (XII) Administrative expenses

For the six months ended 30 June 2020, the amount of management expenses was RMB442,071,143.43 (for the six months ended June 30, 2019, the amount of management expenses was RMB536,286,170.38). Mainly for labor costs, depreciation and amortization expenses, etc.

#### (XIII) Credit impairment losses

| Items                             | January to<br>June in 2020 | January to<br>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                             | -279,227,583.97            | -345,313,779.01            |

*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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

#### (XIV) Impairment on assets

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

#### (XV) Assets with limited ownership or use rights

| Items             | Closing book value | Reason  |
|-------------------|--------------------|---|
| Monetary funds    | 692,637,107.88     | Acceptance of money received, deposit of reserve deposits of the Central Bank, etc. |
| Fixed assets      | 75,841,541.70      | Note 1  |
| Intangible assets | 24,673,423.43      | 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 housing and buildings as collateral contract number: 150319582E14061201-2, the contract amount of 54,967,600.00 yuan the maximum amount of mortgage contract; 2) the mortgage contract with the land contract number: 150319582E14061201-1 and the maximum contract amount of CNY 21,991,830.00. 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 year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

(XVI) Profit before tax and amortization depreciation

| Items   | January to<br>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         | 402,248,019.43             |

(XVII) Dividend

| Items   | January to<br>June in 2020 | January to<br>June in 2019 |
|---|----------------------------|----------------------------|
| Dividend of per share RMB0.000 at the 2019 30 June 2020 |                            |                            |
| Dividend of per share RMB0.015 at the 2018 30 June 2020 |                            |                            |

The Directors do not recommend any interim dividend for the six months ended 30 June 2020 (Six months ended 30 June 2019: RMB0.00).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (IN ADDITION TO THE SPECIAL NOTE, THE UNIT OF AMOUNT IS CNY) (CONTINUED)

(XVIII) Earnings per share

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VII RELATED PARTY AND TRANSACTION

(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.

1. *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.*
2. *Continuing Connected Transaction and Connected Transaction*

Reference to the “Continuing Connected Transaction – Financial Services Framework Agreement” and the “Continuing Connected Transaction – Product and Services Framework Agreement” on December 24, 2019, the “EPC Framework Agreement” on February 20, 2020, and the “Technological Development Framework Agreement” on April 27, 2020, 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, and “EPC Framework Agreement”. the validity of the above agreement respective From March 23, 2019 to March 22, 2022, December 31, 2019 to December 30, 2022, January 1, 2020 to December 30, 2022, February 20, 2020 to December 31, 2022. the Company and Engineering Research Centre signed the “Technological Development Framework Agreement”, the validity of the agreement respective From April 27, 2020 to December 31, 2022.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

| <b>Related party</b>                                   | <b>January to<br/>June in 2020</b> | January to<br>June in 2019 |
|--|------------------------------------|----------------------------|
| Sales of goods<br>– Company under the<br>same control  | <b>75,017.69</b>                   |                            |
| Purchase<br>– Company under the<br>same control        | <b>606,915.94</b>                  | 3,645,223.18               |
| Service revenue<br>– Company under the<br>same control |                                    |                            |
| Service expense<br>– Company under the<br>same control | <b>17,253,865.95</b>               | 9,579,153.16               |

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 year ended on 30 June 2020

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

| <b>Related party</b>              | <b>January to<br/>June in 2020</b> | January to<br>June in 2019 |
|-----------------------------------|------------------------------------|----------------------------|
| Holding company                   | <b>2,889,256.50</b>                | 6,793,876.92               |
| Company under the same<br>control | <b>754,329.13</b>                  | 811,573.89                 |
| <b>Total</b>                      | <b>3,643,585.63</b>                | 7,605,450.81               |

3) Interest income from discounted Notes

| <b>Related party</b>              | <b>January to<br/>June in 2020</b> | January to<br>June in 2019 |
|-----------------------------------|------------------------------------|----------------------------|
| Company under the same<br>control |                                    | 15,907.13                  |
| <b>Total</b>                      |                                    | 15,907.13                  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

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

4) Fee and commission income

| <b>Related party</b>           | <b>January to<br/>June in 2020</b> | January to<br>June in 2019 |
|--------------------------------|------------------------------------|----------------------------|
| Company under the same control |                                    |                            |
| <b>Total</b>                   |                                    |                            |

5) Entrusted loan interest income

| <b>Related party</b>           | <b>January to<br/>June in 2020</b> | January to<br>June in 2019 |
|--------------------------------|------------------------------------|----------------------------|
| Company under the same control | <b>3,010,733.50</b>                | 3,529,245.00               |
| <b>Total</b>                   | <b>3,010,733.50</b>                | 3,529,245.00               |

The transactions with companies under the same control in the above transactions 2) to 5) are transactions under the “Continuing Connected Transaction – Financial Services Framework Agreement”, and belong to the continuing connected transactions under Chapter 14A of the Listing Rules.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

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

6) Consignment management fees

| <b>Related party</b>            | <b>Content of related party</b> | <b>January to June in 2020</b> | <b>January to June in 2019</b> |
|---------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Harbin Electric Group Co., Ltd. | Commissioned agency fees        | 1,640,000.00                   | 1,640,000.00                   |
| Total                           |                                 | 1,640,000.00                   | 1,640,000.00                   |

The transactions with the Company under the same control in the above transaction 6) is a transaction under the “Management entrustment 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 year ended on 30 June 2020

(In addition to the special note, the unit of amount is 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                          | Amount for this period | Amount for previous period |
|--------------------------------|------------------------|----------------------------|
| Remuneration of key management | 2,603,009.05           | 3,372,018.90               |

The above transaction 7) is a continuing connected transaction exempted from Article 14A.33 of the Listing Rules.

8) EPC service revenue

| Related party                  | Content of related party | January to June in 2020 | January to June in 2019 |
|--------------------------------|--------------------------|-------------------------|-------------------------|
| Company under the same control | EPC service revenue      | 80,298,495.28           |                         |
| Total                          |                          | 80,298,495.28           |                         |

Company under the same control EPC service The transactions with the Company under the same control in the above transaction 8) is a transaction under the “EPC 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 year ended on 30 June 2020

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

### VII RELATED PARTY AND TRANSACTION (CONTINUED)

(I) Transaction information for related party (Continued)

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

9) Technical development service fees

| <b>Related party</b>           | <b>Content of related party</b>    | <b>January to June in 2020</b> | <b>January to June in 2019</b> |
|--------------------------------|------------------------------------|--------------------------------|--------------------------------|
| Company under the same control | Technical development service fees | 24,661,320.80                  |                                |
| Total                          |                                    | 24,661,320.80                  |                                |

The transactions with the Company under the same control in the above transaction 9) is a transaction under the “Technological Development 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 year ended on 30 June 2020

(In addition to the special note, the unit of amount is 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 name           | Related parties                | 30 June 2020    |                    | 31 December 2019 |                    |
|----------------------|--------------------------------|-----------------|--------------------|------------------|--------------------|
|                      |                                | Carrying Amount | Bad debt allowance | Carrying Amount  | Bad debt allowance |
| Account receivables  | Company under the same control | 161,970.20      |                    | 77,200.20        |                    |
| Payment in advanced  | Company under the same control | 37,730,000.00   |                    | 5,000,000.00     |                    |
| Other receivables    | Holding company                | 162,095,125.59  |                    | 162,112,511.57   |                    |
|                      | Company under the same control | 5,100,000.00    |                    | 23,152,509.31    |                    |
| Interests receivable | Company under the same control | 3,010,733.50    |                    |                  |                    |
| Other current assets | Company under the same control | 150,000,000.00  |                    | 150,000,000.00   |                    |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

(In addition to the special note, the unit of amount is 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 2020   | 31 December 2019 |
|----------------------|--------------------------------|----------------|------------------|
| Deposit taking       | Holding company                | 453,617,596.22 | 454,272,039.38   |
|                      | Company under the same control | 112,861,060.16 | 48,294,302.98    |
| Account payables     | Company under the same control | 13,846,014.34  | 19,140,305.46    |
|                      | Company under the same control | 7,500,000.00   | 300,000.00       |
| Contract liabilities | Company under the same control |                | 770,000.00       |
|                      | Company under the same control | 478,000.00     | 3,978,000.00     |
| Notes payable        | Holding company                |                | 2,595,900.00     |
|                      | Company under the same control |                |                  |
| Other Payables       | Holding company                |                |                  |
|                      | Company under the same control |                |                  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### VII RELATED PARTY AND TRANSACTION (CONTINUED)

( ) Commitments of related parties

None

( ) Guarantee of related parties

None

### VIII SHARE-BASED PAYMENT

None

### IX CONTINGENCIES

(I) Contingent liabilities

1. *Contingent liabilities arising from unresolved litigation or arbitration*

As of June 30, 2020, the major outstanding litigation matters of the company are as follows:

In February 2019, Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, received a civil response notice from Shenyang Intermediate People's Court. North Heavy Industry Group Co., Ltd. filed a lawsuit over the dispute of the Turkish Su Ma project supply contract guarantee letter and payment of the contract price. The lawsuit claimed that Harbin Electric International Engineering Co., Ltd. should return the guarantee claim and pay the unpaid amount under the contract. The amount of the lawsuit is CNY 71,170,945.60 and interest.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### IX CONTINGENCIES (CONTINUED)

#### (I) Contingent liabilities (Continued)

##### 1. *Contingent liabilities arising from unresolved litigation or arbitration (Continued)*

On December 12, 2019, the Su Ma project litigation was held in the Shenyang Intermediate Court for the first time. Harbin International and North Heavy Industry conducted the proof of evidence. On June 28, 2020, Shenyang Intermediate Court made the first instance judgement, ruling that Harbin Electric International should pay the unpaid amount of the purchase contract to North Heavy Industries RMB23,713,390.30 and the interest up to the actual payment date and bear the legal costs of RMB131,823. Harbin Electric International is preparing an appeal, requesting the liaoning high court to correct the errors in the determination of the shenyang middle court in terms of the outstanding contract payment, penalty deduction and quality guarantee deposit, and rejecting all the litigation claims of northern heavy industry. The case is still unresolved.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

## IX CONTINGENCIES (CONTINUED)

### (I) Contingent liabilities (Continued)

#### 2. Contingent liabilities formed by providing debt guarantee for other companies

As of June 30, 2020, the companies provided loan guarantee are as follows :

| NO. | Guarantee company                   | Name   | Guaranteed                            | Method                | Category              | Anti-                | Amount           | Increasing in this year | Situation of Guaranteed | Overdue situation | Sued situation |      |
|-----|-------------------------------------|--|---------------------------------------|-----------------------|-----------------------|----------------------|------------------|-------------------------|-------------------------|-------------------|----------------|------|
|     |                                     |  | Nature                                | Ways of guarantee     | Kinds of guarantee    | guarantee method     |                  |                         |                         |                   |                |      |
|     |                                     | Total  |                                       |                       |                       |                      | 2,256,529,272.48 | 4,371,105.00            |                         |                   |                |      |
| 1   | Harbin Electric Machinery Co., Ltd. | Harbin Turbine Co., Ltd  | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 600,000,000.00   |                         | Normal operation        | None              | None           | None |
| 2   | Harbin Electric Machinery Co., Ltd. | Harbin Electric Machinery (Zhenjiang) Co., Ltd                                       | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 190,000,000.00   |                         | Normal operation        | None              | None           | None |
| 3   | Harbin Electric Machinery Co., Ltd. | Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 10,000,000.00    |                         | Normal operation        | None              | None           | None |
| 4   | Harbin Turbine Co., Ltd.            | Harbin Boiler Company Limited  | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 1,490,000.00     |                         | Normal operation        | None              | None           | None |
| 5   | Harbin Boiler Company Limited       | Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd.          | State-controlled joint responsibility | loan guarantee        | loan guarantee        | No counter guarantee | 89,180,000.00    |                         | Normal operation        | None              | None           | None |
| 6   | Harbin Electric Co., Ltd.           | Harbin Electric International Co. Ltd.   | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 159,330,000.00   |                         | Normal operation        | None              | None           | None |
| 7   | Harbin Electric Co., Ltd.           | Harbin Electric International Co. Ltd.   | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 179,504,591.12   |                         | Normal operation        | None              | None           | None |
| 8   | Harbin Electric Co., Ltd.           | Harbin Electric International Co. Ltd.   | State-controlled joint responsibility | Other guarantee       | Other guarantee       | No counter guarantee | 21,540,550.97    |                         | Normal operation        | None              | None           | None |
| 9   | Harbin Electric Co., Ltd.           | Harbin Electric International Co. Ltd.   | State-controlled joint responsibility | Other guarantee       | Other guarantee       | No counter guarantee | 25,462,280.06    |                         | Normal operation        | None              | None           | None |
| 10  | Harbin Electric Co., Ltd.           | Harbin Electric International Co. Ltd.   | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 571,072,454.18   |                         | Normal operation        | None              | None           | None |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

## IX CONTINGENCIES (CONTINUED)

### (I) Contingent liabilities (Continued)

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

As of June 30, 2020, the companies provided loan guarantee are as follows: (Continued)

| NO. | Guarantee company                    | Guaranteed  |                                       | Method                | Category              | Anti-                | Amount         | Increasing in this year | Situation of Guaranteed | Overdue Sued situation | Sued situation |
|-----|--------------------------------------|---|---------------------------------------|-----------------------|-----------------------|----------------------|----------------|-------------------------|-------------------------|------------------------|----------------|
|     |                                      | Name  | Nature                                | Ways of guarantee     | Kinds of guarantee    | guarantee method     |                |                         |                         |                        |                |
| 11  | Harbin Electric Co., Ltd.            | Harbin Electric International Co., Ltd.                                     | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 10,396,467.01  |                         | Normal operation        | None                   | None           |
| 12  | Harbin Electric Co., Ltd.            | Harbin Electric International Co., Ltd.                                     | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 7,734,962.43   |                         | Normal operation        | None                   | None           |
| 13  | Harbin Electric Co., Ltd.            | Harbin Electric International Co., Ltd.                                     | State-controlled joint responsibility | Other guarantee       | Other guarantee       | No counter guarantee | 334,388,268.71 |                         | Normal operation        | None                   | None           |
| 14  | Harbin Electric Co., Ltd.            | Harbin Electric International Co., Ltd.                                     | State-controlled joint responsibility | loan guarantee        | loan guarantee        | No counter guarantee | 4,371,105.00   | 4,371,105.00            | Normal operation        | None                   | None           |
| 15  | Harbin Electric Co., Ltd.            | Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd. | State-controlled joint responsibility | loan guarantee        | loan guarantee        | No counter guarantee | 41,820,000.00  |                         | Normal operation        | None                   | None           |
| 16  | HE Harbin Power Plant Valve Co., Ltd | Harbin Electric Power Equipment Co., Ltd.                                   | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 4,290,000.00   |                         | Normal operation        | None                   | None           |
| 17  | HE Harbin Power Plant Valve Co., Ltd | Harbin Electric Power Equipment Co., Ltd.                                   | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 5,220,852.00   |                         | Normal operation        | None                   | None           |
| 18  | HE Harbin Power Plant Valve Co., Ltd | Harbin Electric Power Equipment Co., Ltd.                                   | State-controlled joint responsibility | Performance guarantee | Performance guarantee | No counter guarantee | 727,741.00     |                         | Normal operation        | None                   | None           |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2020

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

### IX CONTINGENCIES (CONTINUED)

(I) Contingent liabilities (Continued)

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

As of June 30, 2020, the company still has a large contractual expenditure of CNY 21,856,347.72 that has been signed but has not incurred purchase and construction assets. The details are as follows:

| <b>Company</b>                              | <b>Unpaid<br/>contract amount</b> | Expected<br>investment period |
|---|-----------------------------------|-------------------------------|
| Harbin Electric Co., Ltd.<br>(headquarters) | 1,867,800.00                      | 2020                          |
| Harbin Steam Turbine Works Co.,<br>Ltd.     | 19,988,547.72                     | 2020                          |
| <b>Total</b>                                | <b>21,856,347.72</b>              |                               |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the year ended on 30 June 2020*

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

### **IX CONTINGENCIES (CONTINUED)**

( ) Contingent asset

As of June 30, 2020, the company has no contingent assets that need to be stated.

### **X EVENTS AFTER THE BALANCE SHEET DATA**

Risk Assessment of the impact of COVID-19.

Since the outbreak of the new corona virus in china from January 2020, The Company has actively followed the requirements of the party and governments around the country to do all the prevention and control measures for COVID-19, and has actively organized the company's production bases to resume work and production, so as to ensure the stable operation of production and operation.

**Harbin Electric Co., Ltd**

August 24, 2020

## 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

1399 Chuangxinyi Road  
Songbei District  
Harbin  
Heilongjiang Province  
People's Republic of China  
Postcode: 150028  
Tel: 86-451-82135727 or 58590070  
Fax: 86-451-82162088

### PLACE OF BUSINESS IN HONG KONG

Room 1601, 16th Floor  
LHT Tower  
31 Queen's Road Central  
Hong Kong

### WEBSITE

[www.hpec.com](http://www.hpec.com)

### LEGAL REPRESENTATIVE

Mr. Si Ze-fu

### 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**