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**哈尔滨电气股份有限公司**

**HARBIN ELECTRIC COMPANY LIMITED**

*(Incorporated in the People's Republic of China)*

(Stock Code: 1133)

## **INTERIM RESULTS ANNOUNCEMENT 2022**

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

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

## CONSOLIDATION BALANCE SHEET

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2022	Dec 31, 2021
<b>Current assets:</b>		–	–
Cash and bank		<b>14,670,178,086.46</b>	13,601,882,949.85
Settlement reserve			
Due from banks and other financial institutions		<b>900,000,000.00</b>	1,160,000,000.00
Transactional financial assets		<b>1,586,755.20</b>	1,586,755.20
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		<b>2,039,201,248.60</b>	2,673,559,748.96
Accounts receivable	11	<b>7,777,055,951.25</b>	7,247,643,005.32
Receivables for financing			
Prepayments		<b>3,836,838,562.86</b>	4,053,396,852.51
Premium receivable			
Reinsurance premium receivable			
Reinsurance reserve receivable			
Other receivables		<b>1,561,938,249.16</b>	1,320,694,485.73
Including: Dividend receivable		<b>83,649,184.00</b>	
Buying back the sale of financial assets		<b>710,000,000.00</b>	1,600,000,000.00
Inventories		<b>10,878,749,893.04</b>	9,277,188,524.26
Including: raw materials		<b>3,154,694,228.94</b>	2,929,891,292.03
Merchandise inventories(finished goods)		<b>309,958,748.22</b>	392,202,142.70
Contract assets		<b>9,776,011,689.60</b>	9,376,793,737.57
Held-for-sale assets			
Current portion of non-current assets		<b>523,159,258.84</b>	532,462,521.58
Other current assets		<b>455,915,168.91</b>	655,929,163.44
<b>Total current assets</b>		<b><u>53,130,634,863.92</u></b>	<b><u>51,501,137,744.42</u></b>

## CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

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

## CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2022	Dec 31, 2021
<b>Current liabilities:</b>			
Short-term borrowings		<b>5,481,930,838.65</b>	5,223,060,625.25
Borrowings from central bank		<b>89,064,831.95</b>	68,654,568.37
Placement from banks and other financial institutions		<b>200,000,000.00</b>	
Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		<b>6,984,109,580.64</b>	7,257,666,848.12
Accounts payable	12	<b>15,071,509,110.15</b>	13,875,963,319.42
Advances from customers			
Contract liabilities		<b>14,706,532,117.00</b>	15,045,611,306.96
Securities sold under agreement to repurchase		<b>294,000,000.00</b>	
Deposits and placements from other financial institutions		<b>390,590,973.00</b>	365,927,085.43
Securities brokering			
Securities underwriting			
Employee benefits payable		<b>450,658,594.45</b>	527,038,717.74
Including: salary payable		<b>116,743,992.66</b>	181,109,149.95
Welfare benefits payable		<b>17,374,396.44</b>	18,192.00
Including: Employee bonus and welfare fund			
Taxes and surcharges payable		<b>332,927,890.67</b>	354,342,491.05
Including: taxes payable excluding surcharges		<b>329,097,743.20</b>	347,839,831.60
Other payables		<b>327,560,114.21</b>	544,545,445.84
Including: Dividend payable		<b>3,782,486.16</b>	3,482,486.16
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities		<b>846,794,302.00</b>	1,188,794,302.00
Other current liabilities			463,280.00
<b>Total current liabilities</b>		<b><u>45,175,678,352.72</u></b>	<b><u>44,452,067,990.18</u></b>

## CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

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

## CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2022	Dec 31, 2021
<b>Equity:</b>			
Paid-in capital		<b>1,706,523,000.00</b>	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		<b>1,030,952,000.00</b>	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		<b>675,571,000.00</b>	675,571,000.00
Less: payback capital			
Paid-in capital -net value		<b>1,706,523,000.00</b>	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		<b>4,334,042,032.12</b>	4,338,736,992.12
Less: treasury shares			
Other comprehensive income		<b>8,348,583.34</b>	-8,899,799.96
Including: Currency translation reserve		<b>-5,605,601.31</b>	-9,378,391.12
Specialized reserve		<b>49,063,584.54</b>	43,527,398.71
Surplus reserve		<b>809,136,649.47</b>	809,136,649.47
Including: statutory surplus reserve		<b>809,136,649.47</b>	809,136,649.47
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
General risk reserve			
Retained earnings		<b>4,735,505,221.10</b>	4,679,669,917.68
<b>Equity attributable to parent company</b>		<b>11,642,619,070.57</b>	11,568,694,158.02
Minority interests		<b>660,666,630.82</b>	625,991,779.56
<b>Total owner's equity</b>		<b>12,303,285,701.39</b>	12,194,685,937.58
<b>Total liabilities and owner's equity</b>		<b>62,187,530,143.30</b>	60,610,193,220.67

Legal representative:      Chief Accounting Officer:      Accounting agency head:

## CONSOLIDATED INCOME STATEMENT

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2022	January to June 2021
<b>1. Revenue</b>		<b>11,872,287,698.97</b>	11,927,880,095.72
Including: operating revenue	3	11,741,498,025.57	11,807,328,596.35
Interest income		130,789,673.40	120,551,499.37
Premium earned			
Fees and commissions income			
<b>2. Total cost</b>		<b>11,137,510,943.50</b>	11,655,349,455.80
Including: operating cost	3	9,959,710,022.62	10,549,642,862.33
Interest expenses		4,286,691.94	4,374,788.03
Fees and commissions expenses		34,250.11	23,358.73
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges		70,756,708.15	58,749,305.79
Selling expenses		237,704,179.43	228,799,012.08
Administrative expenses	4	498,397,855.04	520,936,385.87
Research and development expenses		288,693,577.35	280,898,742.51
Financial expenses		77,927,658.86	11,925,000.46
Including: interest expenses		109,876,299.14	105,838,860.14
Interest income		7,314,239.59	14,785,582.52
Net exchange loss (“-” for net proceeds)		-35,074,876.53	-86,017,352.51
Other costs and expenses			
Add: Other income		29,915,359.46	61,800,288.02
Investment income (“-” for loss)		12,185,623.66	16,118,392.82
Including: investment income from associates and joint ventures		3,381,116.96	281,420.51
Income from derecognition of financial assets at amortised cost			
Gain on foreign exchange (“-” for loss)		16,293.31	-494.81
Net exposure hedging returns (“-” for losses)			
Gain from fair-value changes (“-” for loss)			
Credit losses (“-” for loss))	5	-521,747,927.36	-119,543,627.16
Impairment on assets (“-” for loss)	6	-152,216,384.39	-175,200,596.34
Proceeds from asset disposal (“-” for loss)		301,592.65	11,911,957.22

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2022	January to June 2021
<b>3. Operating profits (“-” for loss)</b>		<b>103,231,312.80</b>	67,616,559.67
Add: non-operating income		<b>25,355,852.87</b>	21,168,395.98
Including: Government grants		<b>423,634.53</b>	6,785,509.59
Less: non-operating expenses		<b>4,162,828.16</b>	631,368.98
<b>4. Profit before tax (“-” for loss)</b>		<b>124,424,337.51</b>	88,153,586.67
Less: income tax	10	<b>62,826,775.03</b>	43,192,584.77
<b>5. Net profit (“-” for net loss)</b>		<b>61,597,562.48</b>	44,961,001.90
(1) By ownership			
Net profit attributable to parent company		<b>51,835,303.42</b>	34,471,036.17
Profit/loss attributable to minority share-holders		<b>9,762,259.06</b>	10,489,965.73
(2) By going concern basis			
Continuous operating profit and loss		<b>61,597,562.48</b>	44,961,001.90
Termination of the business profit and loss			
<b>6. Other comprehensive income after tax</b>		<b>17,248,383.30</b>	-52,609,930.85
Other comprehensive income after tax attributable to parent company		<b>17,248,383.30</b>	-52,609,930.85
(1) Comprehensive income not to be reclassified as profit or loss		<b>13,345,453.65</b>	-19,847,328.02
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		<b>13,345,453.65</b>	-19,847,328.02
4. Fair value changes in enterprise’s own credit risk			
5. Others			

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2022	January to June 2021
<b>1. Cash flows from operating activities:</b>			
Cash received from sales and services		11,698,804,483.53	10,465,262,095.18
Net increase in deposits and placements from financial institutions		20,804,715.81	-130,499,825.05
Net increase in due to central banks		20,410,263.58	
Net increase in placement from financial institutions			300,000,000.00
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions		130,789,673.40	120,551,499.37
Net increase of placement from banks and other financial institutions		200,000,000.00	
Net increase in repurchasing		1,184,000,000.00	294,000,000.00
Net cash received from agent sales of securities			
Taxes and surcharges refunds		412,026,020.90	159,950,933.31
Other cash receipts related to operating activities		682,647,411.56	413,462,822.01
<b>Total cash inflows from operating activities</b>		<b>14,349,482,568.78</b>	<b>11,622,727,524.82</b>
Cash paid for goods and services		10,883,485,237.11	10,282,143,669.33
Net increase in loans and advances		171,755,513.33	29,706,206.41
Net increase in deposits with central banks and other financial institutions		1,354,626.71	4,745,899.21
Cash paid for claim settlements on original insurance contracts			
Net increase of due from banks and other financial institutions		-260,000,000.00	100,000,000.00
Cash paid for interest, fees and commissions		1,168,021.61	2,424,867.61
Cash paid for policy dividends			
Cash paid to and for employees		1,211,065,636.61	1,187,936,933.20
Taxes and surcharges cash payments		607,107,750.25	534,162,355.41
Other cash payments related to operating activities		908,186,712.03	758,016,429.13
<b>Total cash outflows from operating activities</b>		<b>13,524,123,497.65</b>	<b>12,899,136,360.30</b>
<b>Net cash flows from operating activities</b>		<b>825,359,071.13</b>	<b>-1,276,408,835.48</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2022	January to June 2021
<b>3. Cash flows from financing activities:</b>			
Cash received from investments by others		4,888,840.00	19,888,840.00
Including: cash received by subsidiaries from minority shareholders' investments			15,000,000.00
Cash received from borrowings		2,338,475,962.75	1,139,527,443.33
Other cash receipts related to other financing activities			
<b>Total cash inflows from financing activities</b>		<b>2,343,364,802.75</b>	<b>1,159,416,283.33</b>
Cash repayments for debts		1,470,221,670.22	1,227,636,125.90
Cash payments for distribution of dividends, profit and interest expenses		211,358,202.23	121,008,744.05
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		8,250,277.36	7,079,363.51
<b>Total cash outflows from financing activities</b>		<b>1,689,830,149.81</b>	<b>1,355,724,233.46</b>
<b>Net cash flows from financing activities</b>		<b>653,534,652.94</b>	<b>-196,307,950.13</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>11,578,038.67</b>	<b>2,966,834.93</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>1,202,775,281.46</b>	<b>-359,748,671.24</b>
Add: beginning balance of cash and cash equivalents		12,620,970,173.01	11,298,046,225.31
<b>6. Ending balance of cash and cash equivalents</b>		<b>13,823,745,454.47</b>	<b>10,938,297,554.07</b>

Legal representative:      Chief Accounting Officer:      Accounting agency head:

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Equity attributable to owners of the parent company										Total owner's equity		
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△General risk provision		Retained earnings	Subtotal
1. Ending balance of last year	1,706,523,000.00				4,338,736,992.12		-8,899,799.96	43,527,398.71	809,136,649.47	4,679,609,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58
Add: increase/decrease due to changes in accounting policies													
Increase/decrease due to corrections of errors in Prior Period													
Others													
2. Beginning balance of current year	1,706,523,000.00				4,338,736,992.12		-8,899,799.96	43,527,398.71	809,136,649.47	4,679,609,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.58
3. Increase/decrease for current year "+" for decrease													
(1) Total comprehensive income													
(2) Owner's contributions and withdrawals of capital													
1. Common stock contributed by owners													
2. Capital contributed by other equity instruments holders													
3. Share-based payment recorded in owner's equity													
4. Others													
(3) Accrual and utilization of specialized reserve													
1. Accrual of specialized reserve													
2. Utilization of specialized reserve													
(4) Profits distribution													
1. Appropriation of surplus reserve													
Including: statutory surplus reserve													
Discretionary surplus reserve													
Reserve fund													
Corporate development fund													
Return of investment													
2. Accrual of general risk reserve													
3. Distribution to owners/shareholder													
4. Others													
(5) Transfer within owner's equity													
1. Capital reserve transferred to paid-in capital													
2. Surplus reserve transferred to paid-in capital													
3. Recover of loss by surplus reserve													
4. Defined benefit plan changes carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
4. Ending balance of current year	1,706,523,000.00				4,334,042,032.12		8,348,583.34	49,063,584.54	809,136,649.47	4,735,505,221.10	11,642,619,070.57	660,666,630.82	12,303,285,701.39

Legal representative:

Chief Accounting Officer:

Accounting agency head:

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

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Equity attributable to owners of the parent company													
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
<b>1. Ending balance of last year</b>	1,706,523,000.00				4,341,412,461.31		-20,928,123.89	41,743,525.66	809,156,649.47		8,799,327,500.41	15,677,215,012.96	522,835,501.95	16,200,050,514.91
Add: increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
<b>2. Beginning balance of current year</b>	1,706,523,000.00				4,341,412,461.31		-20,928,123.89	41,743,525.66	809,156,649.47		8,799,327,500.41	15,677,215,012.96	522,835,501.95	16,200,050,514.91
<b>3. Increase/decrease for current year "+" for decrease</b>														
<b>(1) Total comprehensive income</b>														
<b>(2) Owner's contributions and withdrawals of capital</b>														
1. Common stock contributed by owners					2,002,990.51		-52,609,930.85	6,361,327.46			18,082,683.16	-26,162,929.72	69,564,812.21	43,401,882.49
2. Capital contributed by other equity instruments holders											34,471,036.17	-18,138,894.68	10,489,965.73	-7,648,928.95
3. Share-based payment recorded in owner's equity					2,002,990.51		-52,609,930.85				2,383,400.00	4,386,390.51	66,719,970.10	70,397,536.73
4. Others					2,002,990.51							2,002,990.51		2,002,990.51
<b>(3) Accrual and utilization of specialized reserve</b>														
1. Accrual of specialized reserve											2,383,400.00	2,383,400.00	66,719,970.10	68,394,546.22
2. Utilization of specialized reserve												6,361,327.46	933,378.10	7,294,705.56
<b>(4) Profits distribution</b>														
1. Appropriation of surplus reserve														
Including: statutory surplus reserve														
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owners/shareholder														
4. Others														
<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 retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
<b>4. Ending balance of current year</b>	1,706,523,000.00				4,343,415,451.82		-73,538,054.74	48,104,853.12	809,156,649.47		8,817,410,183.57	15,651,052,083.24	592,400,314.16	16,243,452,397.40

Legal representative:

Chief Accounting Officer:

Accounting agency head:

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

Harbin Electric Company Limited (the “**company**”) was initially and was formed through the restructuring of Harbin Electric Corporation (“**HE Corporation**”) and its three affiliates: Harbin Electrical Machinery Works, Harbin Boiler Works and Harbin Turbine Works. The Company was established in Harbin on 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.

## **2. MAIN ACCOUNTING POLICIES**

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

The accounting policies and calculation methods adopted in the consolidated financial statements as at 30 June 2022 are in line with the compilation of the annual financial statements of the Company for the year ended 31st December, 2021.

## **3. INCOMES AND DIVISION’S DOCUMENTS**

### **1) Basis of reporting division and accounting policy**

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

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

## 2) Financial information of divisions

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

Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	nuclear power products division	Ac/dc motors and others	Total
<b>30 June 2022</b>							
Reportable assets of divisions	39,259,682,646.13	7,978,941,271.43	6,259,577,936.18	1,178,306,421.26	4,726,756,645.36	13,113,102,337.36	72,516,367,257.72
Reportable liabilities of divisions	<u>36,932,066,305.27</u>	<u>5,001,327,581.06</u>	<u>7,947,343,505.21</u>	<u>899,951,152.40</u>	<u>3,128,488,063.76</u>	<u>9,866,537,731.18</u>	<u>63,775,714,338.88</u>
<b>January to June 2022</b>							
Revenue of divisions							
External customer	4,379,111,282.92	1,569,182,617.39	2,720,420,046.42	218,147,892.80	592,939,545.76	2,261,696,640.28	11,741,498,025.57
Internal customer	3,055,681,216.54					5,048,205.23	3,060,729,421.77
Reportable revenue of divisions	7,434,792,499.46	1,569,182,617.39	2,720,420,046.42	218,147,892.80	592,939,545.76	2,266,744,845.51	14,802,227,447.34
Reportable revenue of gross profit	<u>591,008,066.80</u>	<u>330,506,607.11</u>	<u>155,131,927.05</u>	<u>-23,333,052.79</u>	<u>166,575,772.79</u>	<u>525,353,239.88</u>	<u>1,745,242,560.84</u>
Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	nuclear power products division	Ac/dc motors and others	Total
<b>31 December 2021</b>							
Reportable assets of divisions	37,340,257,437.26	7,474,624,147.77	6,636,918,288.58	2,384,294,155.33	4,912,594,713.21	13,400,741,951.48	72,149,430,693.63
Reportable liabilities of divisions	<u>34,664,334,019.49</u>	<u>4,617,054,964.48</u>	<u>8,349,149,924.87</u>	<u>1,908,665,746.92</u>	<u>3,366,086,527.27</u>	<u>10,409,570,968.41</u>	<u>63,314,862,151.44</u>
<b>January to June 2021</b>							
Revenue of divisions							
External customer	4,436,524,143.48	1,235,517,012.18	3,073,904,425.91	407,530,947.66	605,746,556.11	2,048,105,511.01	11,807,328,596.35
Internal customer	2,270,756,745.86					10,815,307.63	2,281,572,053.49
Reportable revenue of divisions	6,707,280,889.34	1,235,517,012.18	3,073,904,425.91	407,530,947.66	605,746,556.11	2,058,920,818.64	14,088,900,649.84
Reportable revenue of gross profit	<u>498,138,708.11</u>	<u>201,156,783.17</u>	<u>-16,733,251.67</u>	<u>23,069,406.91</u>	<u>392,406,990.56</u>	<u>193,751,661.79</u>	<u>1,291,790,298.87</u>

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

<b>Items</b>	<b>30 June 2022</b>	<b>31 December 2021</b>
<b>Assets</b>		
Reportable assets of divisions	<b>72,516,367,257.72</b>	72,149,430,693.63
Offset division's accounts from related parties	<b>-25,313,405,665.24</b>	-27,046,118,311.31
Reportable net assets of divisions	<b>47,202,961,592.48</b>	45,103,312,382.32
Deferred tax assets	<b>715,765,100.19</b>	738,010,696.54
Other non-current assets		
Transactional financial assets	<b>1,586,755.20</b>	1,586,755.20
Restricted and mortgaged bank loans		
Deposit in bank	<b>10,715,230,391.41</b>	10,152,550,330.53
Deposit in central bank	<b>648,648,288.73</b>	637,921,395.25
Cash and cash equivalents	<b>48,355,946.66</b>	58,408,809.78
Unallocated assets of head office and the company	<b><u>2,854,982,068.63</u></b>	<u>3,918,402,851.05</u>
Total assets	<b><u>62,187,530,143.30</u></b>	<u>60,610,193,220.67</u>
<b>Liabilities</b>		
Reportable. liabilities of divisions	<b>63,775,714,338.88</b>	63,314,862,151.44
Offset division's accounts from related parties	<b>-15,202,262,435.08</b>	-15,691,761,499.36
Reportable net liabilities of divisions	<b>48,573,451,903.80</b>	47,623,100,652.08
Tax payable	<b>332,927,890.67</b>	354,342,491.05
Deferred income tax liabilities		
Unallocated liabilities of head office and the company	<b><u>977,864,647.44</u></b>	<u>438,064,139.96</u>
Total liabilities	<b><u>49,884,244,441.91</u></b>	<u>48,415,507,283.09</u>

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

#### 4. ADMINISTRATIVE EXPENSES

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

#### 5. CREDIT IMPAIRMENT LOSSES

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

*Note:* In the current period, the provision for impairment of accounts receivable and other receivables is RMB521,747,927.36. 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



## 9. EARNINGS PER SHARE

	January to June in 2022	January to June in 2021
Shareholders' net profit attributable to parent company	51,835,303.4	34,471,036.17
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	<u>0.03</u>	<u>0.02</u>

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

## 10. INCOME TAX

### 1) Business income taxes

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

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

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

### 2) Hong Kong profits tax

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

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

## 11. ACCOUNTS RECEIVABLE

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

### 1) Accounts receivable shown by classification

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

### (1) Accounts receivable individually accruing bad debt provision

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
China Shipbuilding Industry Corporation No.703 Research Institute	353,477,805.40	37,570,150.00	10.63	Judging by future recyclability
Harbin Guanghan Power Technology Development Co. LTD	318,166,250.00	23,923,187.49	7.52	Judging by future recyclability
National Ministry of Water and Irrigation, Republic of Sudan	265,368,130.43	265,368,130.43	100.00	Judging by future recyclability
Coastal Energy of India	128,272,441.15	128,272,441.16	100.00	Judging by future recyclability
Xinjiang Zhundong Special Transformer Energy Co. LTD	61,035,500.00	49,035,900.00	80.34	Judging by future recyclability
National Electricity Corporation of Sudan	52,347,779.33	52,347,779.33	100.00	Judging by future recyclability
Shenhua Guoneng Group Co., LTD. Beijing Materials Branch	39,747,920.00	39,747,920.00	100.00	Judging by future recyclability
Sudanese Ministry of Electric DAMS	37,263,364.14	37,263,364.14	100.00	Judging by future recyclability
Power China Shandong Electric Power Construction Co. LTD	32,500,000.00	32,500,000.00	100.00	Judging by future recyclability
Inner Mongolia Chuangyuan Metal Co. LTD	30,204,000.00	23,273,700.00	77.06	Judging by future recyclability
Shenhua Guoneng Baoqing Coal and Electric Chemical Co. LTD	28,338,652.99	25,450,123.25	89.81	Judging by future recyclability

<b>Debtor</b>	<b>Accounts receivable</b>	<b>Bad debt provision</b>	<b>Percentage (%)</b>	<b>Reason</b>
Leizhou Project Branch of Datang Environmental Industry Group Co. LTD	27,384,367.22	19,810,493.78	72.34	Judging by future recyclability
Datong Coal Mining Group Shuozhou Coal Power Co. LTD	22,718,528.00	22,718,528.00	100.00	Judging by future recyclability
Inner Mongolia Jinlian Aluminum Co. LTD	22,298,670.00	22,298,670.00	100.00	Judging by future recyclability
Xinjiang QiYal Electric Co. LTD	21,028,000.00	21,028,000.00	100.00	Judging by future recyclability
Weiming Environmental Protection Equipment Co., LTD	19,739,500.00	7,435,860.00	37.67	Judging by future recyclability
Xinjiang Changji Special Change Energy Co. LTD	19,124,880.00	19,124,880.00	100.00	Judging by future recyclability
Hongyu, Inner Mongolia	17,510,000.00	17,510,000.00	100.00	Judging by future recyclability
Shandong Electric Power Construction Third Engineering Co., LTD. (Goodloer)	16,091,909.00	16,091,909.00	100.00	Judging by future recyclability
Great Leader Thermoelectric (Pte.) LTD	15,568,750.15			Judging by future recyclability
Sudan Dam Ministry Thermal Power Company	15,280,771.22	13,150,527.76	86.06	Judging by future recyclability
China Nengjian Group Equipment Co. LTD	13,754,400.00	13,754,400.00	100.00	Judging by future recyclability
Datong Coal Mine Group Yanggao Thermoelectric Co. LTD	12,840,000.00	10,272,000.00	80.00	Judging by future recyclability
Other	111,764,137.11	81,037,339.23	72.51	Judging by future recyclability
<b>Total</b>	<b>1,681,825,756.14</b>	<b>978,985,303.57</b>		

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

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

Age	30 June, 2022			31 December, 2021		
	Carrying Amount		Bad debt Provision	Carrying Amount		Bad debt Provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within one year	4,606,069,532.53	41.37	218,519,305.38	4,525,823,090.04	44.34	222,714,727.95
One to two years	2,247,580,236.63	20.19	549,022,193.74	1,937,022,420.03	18.98	472,022,587.93
Two to three years	1,421,236,530.25	12.76	699,147,016.24	1,077,983,425.50	10.56	520,074,107.77
Three to four years	566,697,363.37	5.09	440,649,717.03	709,960,150.39	6.96	549,900,092.63
Four to five years	528,517,021.21	4.75	412,353,500.86	521,201,801.88	5.11	397,540,193.60
Over five years	1,764,045,966.64	15.84	1,740,239,418.70	1,435,785,000.03	14.05	1,406,974,619.23
Total	<u>11,134,146,650.63</u>		<u>4,059,931,151.95</u>	<u>10,207,775,887.87</u>		<u>3,569,226,329.11</u>

**12. ACCOUNTS PAYABLE**

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

## INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

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

According to the statistics from the NEA, as at the end of June 2022, the installed capacity of power generation in China was approximately 2.240 billion kilowatts, of which the installed power generation capacity of thermal power was approximately 1.3 billion kilowatts, the installed power generation capacity of hydropower was approximately 400 million kilowatts, the installed power generation capacity of nuclear power was approximately 56 million kilowatts, the installed power generation capacity of wind power was approximately 340 million kilowatts and the installed power generation capacity of solar power was approximately 340 million kilowatts, and the proportion of non-fossil energy power generation continued to increase of the total installed power generation capacity. In the first half of 2022, China's installed power generation capacity increased by 69.10 million kilowatts, representing an increase of 17.23 million kilowatts over the same period last year, of which hydropower increased by 9.41 million kilowatts, representing an increase of 1.29 million kilowatts over the same period last year, thermal power increased by 13.20 million kilowatts, representing a decrease of 4.36 million kilowatts over the same period last year, nuclear power increased by 2.28 million kilowatts, basically equivalent to that of the same period last year, wind power increased by 12.94 million kilowatts, representing an increase of 2.10 million kilowatts over the same period last year, and solar power increased by 30.88 million kilowatts, representing an increase of 17.87 million kilowatts over the same period last year. Green and low-carbon transformation effect has continued to manifest.

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

## **OPERATING RESULTS**

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

## **NEW CONTRACTS**

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

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

## **PRODUCT OUTPUT**

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

## **OPERATING REVENUE AND COST**

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

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

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

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

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

In particular, the gross profit from main thermal power equipment was RMB631.07 million and the gross profit margin was 14.41%, representing an increase of 3.71 percentage points as compared with the same period last year; the gross profit from nuclear power equipment was RMB166.58 million and the gross profit margin was 28.09%, representing a decrease of 3.89 percentage points as compared with the same period last year; the gross profit from main hydropower equipment was RMB330.51 million and the gross profit margin was 21.06%, representing an increase of 4.78 percentage points as compared with the same period last year; the gross profit from

engineering services for power stations was RMB155.13 million and the gross profit margin was 5.70%, representing an increase of 6.25 percentage points as compared with the same period last year; the gross profit from ancillary equipment and supporting products for power stations was RMB-23.33 million and the gross profit margin was -10.7%, representing a decrease of 16.36 percentage points as compared with the same period last year; and the gross profit from AC/DC motors and other products and services was RMB521.83 million and the gross profit margin was 23.07%, representing an increase of 4.44 percentage points as compared with the same period last year.

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

## **EXPENSES FOR THE PERIOD**

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

## **ASSETS AND LIABILITIES**

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

## **CAPITAL AND GEARING RATIO**

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

## **MONETARY CAPITAL AND CASH FLOWS**

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

## **FUNDING SOURCE AND BORROWING STATUS**

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

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

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

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

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

## APPLICATION OF RAISED FUNDS

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

The use of the Funds is as follows:

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

## **TAX POLICIES**

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

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

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

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

## **SCIENTIFIC AND TECHNOLOGICAL INNOVATION**

In the first half of 2022, the Company adhered to innovation driven, and actively promoted the development of new products and new industries. The world's first non-supplemental combustion compressed air energy storage power station Jintan salt cavern compressed air energy storage national test demonstration project developed by the Company and other units was successfully put into operation; the world's only safety valve trial test platform with ultra-supercritical parameters successfully passed the on-site witnessing; China's first pumped storage unit with four-branch technology in the Arakawa ditch was successfully put into operation; the unit of Huanggou Pumped Storage Power Station, China's first pumped storage unit developed by the Company using the four-branch technology was successfully put into operation; the first full-power variable speed and constant frequency water pump and energy storage unit developed by the Company was successfully put into trial operation at the Chunbanba project; the first two units of Lianghekou Hydropower Station, Yalong

River, the highest million kilowatt hydropower station in China, were officially put into operation; all three units of Yangjiang Water Pump and Energy Storage Power Station, the largest 400MW single-unit capacity and 700-meter high in China, were put into operation to generate electricity; the research and demonstration application of safe and efficient deep peak shaving power generation technology of coal-fired power generation unit passed the preliminary review; the key technology research and demonstration project of absorption and compression carbon dioxide energy storage passed the expert demonstration.

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

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

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

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

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

## **INTERIM DIVIDEND**

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

## PROSPECTS

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

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

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

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

Long positions in the shares of the Company:

<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	State-owned legal person shares	1,030,952,000	Beneficial owner	100%	60.41%

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

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

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

## **COMPLIANCE WITH THE MODEL CODE**

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

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

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

## **CONTINGENT LIABILITIES**

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

## **PLEDGE OF ASSETS**

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

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

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

## **THE AUDIT COMMITTEE**

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

## **AUDITORS**

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

## **SHAREHOLDERS' MEETING**

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

## **OTHER DISCLOSEABLE INFORMATION**

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

## **DOCUMENTS AVAILABLE FOR INSPECTION**

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

By Order of the Board

*Chairman*

**Cao Zhi-an**

Harbin, the PRC, 26 August 2022

*As at the date of this announcement, the executive Directors of the Company are Mr. Cao Zhi-an, Mr. Wu Wei-zhang and Mr. Zhang Ying-jian; and the independent non-executive Directors of the Company are Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing and Mr. Tang Zhi-hong.*