



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

Stock Code: 1133

2020

INTERIM REPORT



Contents

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



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

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:

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

Save as disclosed above, as at 30 June 2020, the Company did not receive any notification about the interests or short positions in shares or underlying shares of the Company, which are required to be entered in the register pursuant to Section 336 of the SFO.

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

As at 30 June 2020, none of the Directors, Supervisors and senior management of the Company and their associates had any interest and short position in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

COMPLIANCE WITH THE MODEL CODE

As at 30 June 2020, the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made enquiry to the Directors, confirms that all Directors have complied with the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers throughout the period.

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

As at 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

As at 30 June 2020, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB2,256.53 million in aggregate. There was no external guarantee of the Company. 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
Current assets :			
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
Total current assets		44,972,685,523.09	45,725,753,203.29

CONSOLIDATION BALANCE SHEET (CONTINUED)

Items	Notes	June 30,2020	Dec 31,2019
Non-current assets :			
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			
Total non-current assets		9,505,242,759.23	9,356,913,325.48
Total assets		54,477,928,282.32	55,082,666,528.77

CONSOLIDATION BALANCE SHEET (CONTINUED)

Items	Notes	June 30,2020	Dec 31,2019
Current liabilities:			
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
Total current liabilities		36,225,049,599.84	36,899,199,074.16

CONSOLIDATION BALANCE SHEET (CONTINUED)

Items	<i>Notes</i>	June 30,2020	Dec 31,2019
Non-current liabilities:			
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			
Total non-current liabilities		2,527,683,745.94	2,327,303,269.94
Total liabilities		38,752,733,345.78	39,226,502,344.10

CONSOLIDATION BALANCE SHEET (CONTINUED)

Items	Notes	June 30,2020	Dec 31,2019
Equity:			
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
Equity attributable to parent company		15,498,582,637.51	15,579,638,633.94
Minority interests		226,612,299.03	276,525,550.73
Total owner's equity		15,725,194,936.54	15,856,164,184.67
Total liabilities and owner's equity		54,477,928,282.32	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 June 2020	January to June 2019
1. Revenue		9,752,979,454.42	10,136,137,430.56
Including: operating revenue	<i>VI(XI)</i>	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			
2. Total cost		9,434,914,935.20	9,714,351,726.80
Including: operating cost	<i>VI(XI)</i>	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	<i>VI(XII)</i>	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 June 2020	January to 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 associates and joint ventures		3,172,857.02	8,714,624.64
Income from derecognition of financial assets at amortised cost			
Gain on foreign exchange ("-" for loss)		-1,333.94	-142.79
Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" 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 ("-" for loss)		-215,573.48	611,030.22
3. Operating profits("-" for loss)		97,856,670.84	124,832,011.43
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
4. Profit before tax("-" for loss)		98,888,351.92	137,127,641.43
Less: income tax		61,720,557.65	83,053,485.39

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Item	Notes	January to June 2020	January to June 2019
5. Net profit("-" for net loss)		37,167,794.27	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 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 loss			
6. Other comprehensive income after tax		-104,885,491.18	-87,520,686.75
Other comprehensive income after tax attributable to parent company		-104,885,491.18	-87,525,105.22
(1) Comprehensive income not to be reclassified as profit or loss		-103,816,792.72	-87,786,258.55
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		-103,816,792.72	-87,786,258.55
4. Fair value changes in enterprise's own credit risk			
5. Others			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Item	Notes	January to June 2020	January to 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
7. Total comprehensive income		-67,717,696.91	-33,446,530.71
Total comprehensive income attributable to parent company		-75,719,350.26	-56,064,540.62
Total consolidated income attributable to minority share-holders		8,001,653.35	22,618,009.91
8. Earnings per share:			
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 June 2020	January to June 2019
1. Cash flows from operating activities:			
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
Total cash inflows from operating activities		8,254,444,539.71	7,851,800,925.37

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2020	January to 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 other financial institutions		-10,524,150.20	-169,465,716.61
Cash paid for claim settlements on original insurance contracts			
Net increase of due from banks and other financial institutions			
Cash paid for interest, fees and commissions		2,111,685.47	7,062,341.93
Cash paid for policy dividends			
Cash paid to and for employees		1,114,839,054.00	1,091,798,279.88
Taxes and surcharges cash payments		493,446,599.19	625,556,300.86
Other cash payments related to operating activities		627,593,313.92	805,879,399.88
Total cash outflows from operating activities		10,271,946,142.19	11,915,688,760.02
Net cash flows from operating activities		-2,017,501,602.48	-4,063,887,834.65

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2020	January to June 2019
2. Cash flows from investing activities:			
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
Total cash inflows from investing activities		594,844,104.55	131,065,171.44
Cash paid for fixed assets, intangible assets and other long-term assets		92,531,411.52	243,639,556.97
Cash payments for investments		873,429,000.00	33,200,000.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		4,119,780.00	
Other cash payments related to investing activities		750,455.74	
Total cash outflows from investing activities		970,830,647.26	276,839,556.97
Net cash flows from investing activities		-375,986,542.71	-145,774,385.53

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2020	January to June 2019
3. Cash flows from financing activities:			
Cash received from investments by others		34,000,000.00	
Including: cash received by subsidiaries from minority shareholders' investments		34,000,000.00	
Cash received from borrowings		1,304,964,033.12	2,342,668,798.62
Cash received from bond issues			
Other cash receipts related to other financing activities		39,030.91	3,697,191.03
Total cash inflows from financing activities		1,339,003,064.03	2,346,365,989.65
Cash repayments for debts		1,154,541,200.99	414,850,263.57
Cash payments for distribution of dividends, profit and interest expenses		132,341,472.04	57,557,115.23
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		2,011,642.16	70,002.71
Total cash outflows from financing activities		1,288,894,315.19	472,477,381.51
Net cash flows from financing activities		50,108,748.84	1,873,888,608.14

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2020	January to June 2019
4. Effect of foreign exchange rate changes on cash and cash equivalents		7,040,296.80	6,550,740.75
5. Net increase in cash and cash equivalents		-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
6. Ending balance of cash and cash equivalents		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

Item	January to June 2020												
	Equity attributable to owners of the parent company												
	Paid-in capital	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
1. Ending balance of last year Add: Intra-period adjustments in accounting prices Increase/decrease due to accounts of errors in prior period Others	1,706,520,000.00			4,248,144,255.55	-3,036,514.62	4,541,753.49	808,135,645.47	6,804,493,937.94	15,979,030,603.94	276,525,530.73	15,965,061,144.67		15,965,061,144.67
2. Beginning balance of current year	1,706,520,000.00			4,248,144,255.55	-3,036,514.62	4,541,753.49	808,135,645.47	6,804,493,937.94	15,979,030,603.94	276,525,530.73	15,965,061,144.67		15,965,061,144.67
3. Increase/decrease for current year ** for decrease (1) Total comprehensive income (2) Owner's contributions and withdrawals of capital				-18,807,557.50	-114,035,611.18	19,793,261.43		28,158,110.92	-61,055,995.43	493,029,170	-139,395,244.13		-139,395,244.13
1. Common stock contributed by owners 2. Capital contributed by other equity instrument holders 3. Share-based payment recognized in owners' equity 4. Others				-18,807,557.50	-114,035,611.18	19,793,261.43		28,158,110.92	-78,719,350.25	8,007,633.35	-97,177,698.91		-97,177,698.91
(3) Accrual and utilization of specialized reserve 1. Accrual of specialized reserve 2. Utilization of specialized reserve (4) Profits distribution						3,558,203.11			-15,239,392.49	-50,421,197.78	-65,991,383.27		-65,991,383.27
1. Appropriation of surplus reserve including statutory surplus reserve discretionary surplus reserve Reserve fund Reserve fund Corporate development fund Return of investment 2. Accrual of general risk reserve 3. Distribution to owner/shareholder 4. Others				-18,807,557.50		3,558,203.11			-15,239,392.49	-50,421,197.78	-65,991,383.27		-65,991,383.27
					9,927,716.32	14,533,892.17	4,731,143.65		8,937,716.32	14,533,892.17	4,731,143.65		4,731,143.65
												-7,192,007.27	-7,192,007.27
												-7,192,007.27	-7,192,007.27

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	Others	Capital reserves	treasury shares	comprehensive income						Special reserves
(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	1,706,520,000.00			4,230,356,838.85		-115,792,405.80	55,072,676.92	8,091,136,646.47	8,333,363,073.36	15,498,430,437.51	226,612,249.03	15,725,194,634.54

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Item	January 01, June 2019												
	Equity attributable to owners of the parent company												
	Paid-in capital		Other equity instrument		Less:		Other		General risk provision	Retained earnings	Subtotal	Minority interests	Total owners' equity
	Preferred stocks	Perpetual bonds	Others	Capital reserves	Treasury shares	Comprehensive income	Special reserves	Surplus reserves					
(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	3,715,737,494.12	-21,479,889.25	38,994,125.76	801,364,947.47	8,729,487,303.18	14,978,398,683.28	1,303,501,950.60	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

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

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:*

Name	Reasons for change
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.

Aging	Accounts receivable accrual ratio (%)
Within 1 year (including 1 year)	0-5
1 - 2 years	5-25
2 - 3 years	50
3 - 4 years	80
4 - 5 years	80
Over 5 years	100

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

Tax Type	Tax basis	Tax rate	Note
Value-added Tax ("VAT")	The output tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference is partly due to the value-added tax.	3%、6%、 9%、10%、 13%、16%	
City maintenance and construction tax	Actual paid turnover tax	7%	
Business income taxes	Calculated according to 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
Total	10,632,581,671.98		4,175,986,700.48	9,075,673,935.26		3,721,459,793.27

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
Total	2,837,982,456.11		8,127,844.53	2,909,353,835.14		8,127,844.53

(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
Total	1,163,382,442.56	854,708,274.51

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
Total	38,947,705.04	10,325,008.20

2. Details of Dividend receivable

Items	30 June 2020	31 December 2019	Reasons for uncollected amounts	Whether the amount is impaired
Within one year:	42,360.76	3,134,827.61		
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
over one years:				
Total	42,360.76	3,134,827.61		

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 Provision	Carrying Amount		Bad debt Provision
	Amount	proportion (%)		Amount	proportion (%)	
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
30 June 2020							
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
January to June 2020							
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
31 December 2019							
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
January to June 2019							
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
Assets		
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
Total assets	54,477,928,282.32	55,082,666,528.77
Liabilities		
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
Total liabilities	38,752,733,345.78	39,226,502,344.10

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 June in 2020	January to June in 2019
Revenue		
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
Total profit	98,888,351.92	137,127,641.43

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 June in 2020	January to 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 June in 2020	January to June in 2019
Bad debt loss	-420,797,482.88	-200,230,110.10
Impairment loss of Contract asset	141,569,898.91	-144,300,764.61
Others		-782,904.30
Total	-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 June in 2020	January to 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 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 June in 2020	January to 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 June in 2020	January to 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

Related party	January to June in 2020	January to June in 2019
Sales of goods – Company under the same control	75,017.69	
Purchase – Company under the same control	606,915.94	3,645,223.18
Service revenue – Company under the same control		
Service expense – Company under the same control	17,253,865.95	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

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

3) Interest income from discounted Notes

Related party	January to June in 2020	January to June in 2019
Company under the same control		15,907.13
Total		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

Related party	January to June in 2020	January to June in 2019
Company under the same control		
Total		

5) Entrusted loan interest income

Related party	January to June in 2020	January to June in 2019
Company under the same control	3,010,733.50	3,529,245.00
Total	3,010,733.50	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

Related party	Content of related party	January to June in 2020	January to June in 2019
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

Related party	Content of related party	January to June in 2020	January to June in 2019
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	Guaranteed Name	Method Ways of guarantee	Category Kinds of guarantee	Anti- guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue Sued situation situation
		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	No counter guarantee	600,000,000.00		Normal operation	None None
2	Harbin Electric Machinery Co., Ltd.	Harbin Electric Machinery (Zhenjiang) Co., Ltd	State-controlled joint responsibility	Performance guarantee	No counter guarantee	190,000,000.00		Normal operation	None None
3	Harbin Electric Machinery Co., Ltd.	Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd	State-controlled joint responsibility	Performance guarantee	No counter guarantee	10,000,000.00		Normal operation	None None
4	Harbin Turbine Co., Ltd.	Harbin Boiler Company Limited	State-controlled joint responsibility	Performance guarantee	No counter guarantee	1,490,000.00		Normal operation	None None
5	Harbin Boiler Company Limited	Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd.	State-controlled joint responsibility	loan guarantee	No counter guarantee	89,180,000.00		Normal operation	None None
6	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled joint responsibility	Performance guarantee	No counter guarantee	159,330,000.00		Normal operation	None None
7	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled joint responsibility	Performance guarantee	No counter guarantee	179,504,591.12		Normal operation	None None
8	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled joint responsibility	Other guarantee	No counter guarantee	21,540,550.97		Normal operation	None None
9	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled joint responsibility	Other guarantee	No counter guarantee	25,462,280.06		Normal operation	None None
10	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled joint responsibility	Performance guarantee	No counter guarantee	571,072,454.18		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)

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-guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
		Name	Nature								
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:

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

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
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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