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哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

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

(Stock Code: 1133)

INTERIM RESULTS ANNOUNCEMENT 2023

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 2023, which were prepared in accordance with the Chinese Enterprises Accounting Standard. Such operating results have not been audited but have been reviewed by Da Hua Certified Public Accountants LLP.

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

CONSOLIDATION BALANCE SHEET

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2023	December 31, 2022
Current assets:		–	–
Cash and bank		18,394,608,749.44	17,300,785,271.18
△ Settlement reserve		–	–
☆ Due from banks and other financial institutions		1,586,755.20	202,376,414.36
Transactional financial assets			
Financial assets at fair value through profit and loss			
Notes receivable		1,929,871,111.52	1,542,259,070.99
Accounts receivable	11	8,545,146,921.93	7,445,375,580.96
☆ Receivables for financing		31,313,924.59	2,145,369.50
Prepayments		6,017,797,363.77	4,893,228,667.72
△ Premium receivable			
△ Reinsurance premium receivable			
△ Reinsurance reserve receivable			
Other receivables		1,332,550,590.79	2,319,174,604.73
Including: dividends receivable			
△ Buying back the sale of financial assets		1,570,000,000.00	1,170,000,000.00
Inventories		11,379,965,214.32	9,404,890,448.68
Including: raw materials		3,552,805,558.54	2,696,392,291.07
Merchandise inventories (finished goods)		276,980,547.22	261,843,643.64
☆ Contract assets		8,523,244,656.07	8,309,814,549.85
Held-for-sale assets			
Current portion of non-current assets		300,938,963.16	294,952,361.15
Other current assets		586,096,648.85	639,006,924.66
Total current assets		<u>58,613,120,899.64</u>	<u>53,524,009,263.78</u>

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2023	December 31, 2022
Non-current assets:		–	–
△ Loans and advances issued		–	–
☆ Debt investments		194,647,200.00	–
Available-for-sale financial assets			
☆ Other debt investments		–	–
Held-to-maturity investments			
Long-term receivables		504,276,573.36	398,961,054.90
Long-term equity investments		430,263,094.37	377,317,390.52
☆ Other equity instruments investments		724,043,945.01	845,123,706.24
☆ Other non-current financial assets		–	–
Investment property		168,653,549.99	172,730,282.18
Fixed assets		5,806,742,655.09	5,984,855,681.05
Including: Original value of fixed assets		16,073,738,668.00	16,029,713,555.55
Accumulated depreciation		10,219,703,176.94	9,994,028,936.15
Fixed assets depreciation reserves		47,414,895.49	51,042,555.23
Construction in progress		309,743,297.55	209,898,568.77
productive biological assets		–	–
Oil and gas assets		–	–
☆ The right-of-use assets		2,916,142.96	–
Intangible assets		984,663,543.59	889,960,351.63
Development disbursements		103,105,302.87	100,344,344.80
Goodwill		34,516,403.61	23,919,751.92
Long-term deferred expenses		2,936,721.09	2,274,060.63
Deferred tax assets		752,398,498.67	723,805,905.84
Other non-current assets		699,350,439.54	30,330,169.80
Including: authorised reserve material			
Total non-current assets		10,718,257,367.70	9,759,521,268.28
Total assets		69,331,378,267.34	63,283,530,532.06

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2023	December 31, 2022
Current liabilities:			
Short-term borrowings		4,895,002,991.77	4,812,857,850.77
△ Borrowings from central bank			
△ Placement from banks and other financial institutions			
☆ Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		7,156,311,026.42	7,048,462,096.55
Accounts payable	12	16,627,450,896.38	13,796,665,716.93
Advances from customers		3,884,205.90	1,422,059.69
☆ Contract liabilities		21,551,456,959.87	17,428,435,136.82
△ Securities sold under agreement to repurchase			
△ Deposits and placements from other financial institutions		413,172,898.47	639,643,187.93
△ Securities brokering			
△ Securities underwriting			
Employee benefits payable		426,673,930.92	574,937,056.92
Including: salary payable		117,049,204.15	224,166,512.70
Welfare benefits payable		11,676,605.56	–
#Employee bonus and welfare fund		–	–
Taxes and surcharges payable		454,455,428.51	656,162,164.88
Including: taxes payable excluding surcharges		296,518,899.99	641,262,128.67
Other payables		450,382,979.60	462,738,498.12
Including: dividends payable		2,817,286.30	3,482,983.73
△ Fees and commissions payable			
△ Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities		940,927,480.32	402,060,308.88
Other current liabilities		21,273,635.74	35,452,401.56
Total current liabilities		<u>52,940,992,433.90</u>	<u>45,858,836,479.05</u>

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2023	December 31, 2022
Non-current liabilities:		–	–
△ Reserve of insurance contract			
Long-term borrowings		1,737,409,537.24	2,391,903,973.83
Bonds payable			
including: preferred stocks			
perpetual debts			
☆ Lease liabilities		2,946,437.71	88,421,052.65
Long-term payable		71,803,222.19	22,101,896.71
Long-term employee benefits payable		340,805,730.03	345,492,088.56
Provisions		1,558,534,484.88	1,949,943,875.77
Deferred income		232,223,541.04	236,321,218.22
Deferred tax liabilities		17,178,884.10	10,224,586.23
Other non-current liabilities		194,737,242.55	6,423,408.10
Including: authorized reserve fund			
Total non-current liabilities		4,155,639,079.74	5,050,832,100.07
Total liabilities		57,096,631,513.64	50,909,668,579.12

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2023	December 31, 2022
Equity:		–	–
Paid-in capital		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 (share capital)-net value		1,706,523,000.00	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		4,338,736,992.12	4,338,736,992.12
Less: treasury shares			
Other comprehensive income		-245,666,599.31	49,765,047.57
Including: Currency translation			
reserve		-5,873,257.48	-2,714,672.67
Specialized reserve		53,281,654.36	45,479,801.06
Surplus reserve		888,849,702.10	888,849,702.10
Including: statutory surplus reserve		888,849,702.10	888,849,702.10
Other surplus reserve			
#Reserve fund			
#Corporate development			
fund			
#Return of investment			
△ General risk reserve			
Retained earnings		4,783,485,263.76	4,698,595,292.71
Equity attributable to parent company		11,525,210,013.03	11,727,949,835.56
Minority interests		709,536,740.67	645,912,117.38
Total owner's equity		12,234,746,753.70	12,373,861,952.94
Total liabilities and owner's equity		69,331,378,267.34	63,283,530,532.06

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATION INCOME STATEMENTS

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	Current Period	Prior Period
1. Revenue		13,763,822,101.53	11,872,287,698.97
Including: operating revenue	3	13,570,864,838.58	11,741,498,025.57
△Interest income		192,957,262.95	130,789,673.40
△Premium earned			
△Fees and commissions income			
2. Total cost		13,535,960,537.64	11,137,510,943.50
Including: operating cost		12,116,654,139.57	9,959,710,022.62
△Interest expenses		3,204,427.14	4,286,691.94
△Fees and commissions expenses		46,177.91	34,250.11
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges		78,784,600.20	70,756,708.15
Selling expenses		267,460,253.16	237,704,179.43
Administrative expenses	4	627,753,050.19	498,397,855.04
Research and development expenses		350,755,734.82	288,693,577.35
Financial expenses		91,302,154.65	77,927,658.86
Including: interest expenses		120,303,704.46	109,876,299.14
Interest income		8,095,881.87	7,314,239.59
Net exchange loss (“-” for net proceeds)		-48,440,643.75	-35,074,876.53
Other costs and expenses		-	-
Add: Other income		60,068,677.92	29,915,359.46
Investment income (“-” for loss)		9,404,350.59	12,185,623.66
Including: investment income from associates and joint ventures		4,012,231.44	3,381,116.96
☆Income from derecognition of financial assets at amortised cost			
△Gain on foreign exchange (“-” for loss)		7,305.15	16,293.31
☆Net exposure hedging returns (“-” for losses)			
Gain from fair-value changes (“-” for loss)		-	
☆Credit losses (“-” for loss)	5	29,824,106.66	-521,747,927.36
Impairment on assets (“-” for loss)	6	-222,034,440.89	-152,216,384.39
Proceeds from asset disposal (“-” for loss)		215,411.63	301,592.65

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	Current Period	Prior Period
3. Operating profits (“-” for loss)		105,346,974.95	103,231,312.80
Add: non-operating income		74,503,689.18	25,355,852.87
Including: Government grants		5,194.39	423,634.53
Less: non-operating expenses		7,035,126.99	4,162,828.16
4. Profit before tax (“-” for loss)		172,815,537.14	124,424,337.51
Less: income tax	10	68,415,130.06	62,826,775.03
5. Net profit (“-” for net loss)		104,400,407.08	61,597,562.48
(1) By ownership			
Net profit attributable to parent company		84,889,971.05	51,835,303.42
Profit/loss attributable to minority share-holders		19,510,436.03	9,762,259.06
(2) By going concern basis			
Continuous operating profit and loss		104,400,407.08	61,597,562.48
Termination of the business profit and loss			
6. Other comprehensive income after tax		-295,431,646.88	17,248,383.30
Other comprehensive income after tax attributable to parent company		-295,431,646.88	17,248,383.30
(1) Comprehensive income not to be reclassified as profit or loss		-134,357,761.23	13,345,453.65
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		-134,357,761.23	13,345,453.65
☆4. Fair value changes in enterprise’s own credit risk			
5. Others			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	Current Period	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss		-161,073,885.65	3,902,929.65
1. Share of other comprehensive income of an associate			
☆2. Net gain on debt instruments at fair value through other comprehensive income			
3. Gain or loss from fair value changes of available-for-sale financial assets			
☆4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
☆6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve		-157,915,300.84	130,139.84
8. Currency translation reserve		-3,158,584.81	3,772,789.81
9. Other profit or loss to be reclassified			
Other comprehensive income after tax attributable to minority share-holders			
7. Total comprehensive income		-191,031,239.80	78,845,945.78
Total comprehensive income attributable to parent company		-210,541,675.83	69,083,686.72
* Total consolidated income attributable to minority shareholders		19,510,436.03	9,762,259.06
8. Earnings per share:			
Basic earnings per share	9	0.05	0.03
Diluted earnings per share	9	0.05	0.03

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATION CASH FLOW STATEMENT

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	Current Period	Prior Period
1. Cash flows from operating activities:			
Cash received from sales and services		17,460,424,872.49	11,698,804,483.53
△Net increase in deposits and placements from financial institutions		-226,470,289.46	20,804,715.81
△Net increase in due to central banks			20,410,263.58
△Net increase in placement from financial institutions		-	-
△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		143,464,367.52	130,789,673.40
△Net increase of placement from banks and other financial institutions			200,000,000.00
△Net increase in repurchasing securities		-400,000,000.00	1,184,000,000.00
Taxes and surcharges refunds		63,556,039.23	412,026,020.90
Other cash receipts related to operating activities		605,554,205.26	682,647,411.56
Total cash inflows from operating activities		17,646,529,195.04	14,349,482,568.78
Cash paid for goods and services		13,338,955,050.96	10,883,485,237.11
△Net increase in loans and advances		-377,781,081.22	171,755,513.33
△Net increase in deposits with central banks and other financial institutions		66,385,578.28	1,354,626.71
△Cash paid for claim settlements on original insurance contracts			
△Net increase of due from banks and other financial institutions		-	-260,000,000.00
△Cash paid for interest, fees and commissions		2,281,487.46	1,168,021.61
△Cash paid for policy dividends		-	-
Cash paid to and for employees		1,302,683,475.43	1,211,065,636.61
Taxes and surcharges cash payments		780,663,854.53	607,107,750.25
Other cash payments related to operating activities		1,211,166,192.14	908,186,712.03
Total cash outflows from operating activities		16,324,354,557.58	13,524,123,497.65
Net cash flows from operating activities		1,322,174,637.46	825,359,071.13

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	Current Period	Prior Period
2. Cash flows from investing activities:		–	–
Cash received from withdraw of investments		585,669,693.39	–
Cash received from investment income		2,349,267.69	292,649.85
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		2,970,905.76	1,307.00
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts related to investing activities		3,853,540.97	8,165,561.97
Total cash inflows from investing activities		594,843,407.81	8,459,518.82
Cash paid for fixed assets,intangible assets and other long-term assets		425,654,336.40	202,334,500.10
Cash payments for investments		400,407,200.00	93,821,500.00
△Net increase in pledged loans		–	–
Net cash paid for acquiring subsidiaries and other business units		87,673,612.00	–
Other cash payments related to investing activities		–	–
Total cash outflows from investing activities		913,735,148.40	296,156,000.10
Net cash flows from investing activities		-318,891,740.59	-287,696,481.28

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	Current Period	Prior Period
3. Cash flows from financing activities:		–	–
Cash received from investments by others		14,666,520.00	4,888,840.00
Including: cash received by subsidiaries from minority shareholders' investments		–	–
Cash received from borrowings		1,130,464,608.16	2,338,475,962.75
Other cash receipts related to other financing activities		–	–
Total cash inflows from financing activities		<u>1,145,131,128.16</u>	<u>2,343,364,802.75</u>
Cash repayments for debts		1,057,424,723.53	1,470,221,670.22
Cash payments for distribution of dividends, profit and interest expenses		117,917,596.69	211,358,202.23
Including: dividends or profit paid by subsidiaries to minority shareholders		3,230,729.26	–
Other cash payments related to financing activities		8,638,419.31	8,250,277.36
Total cash outflows from financing activities		<u>1,183,980,739.53</u>	<u>1,689,830,149.81</u>
Net cash flows from financing activities		<u><u>-38,849,611.37</u></u>	<u><u>653,534,652.94</u></u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		12,228,747.81	11,578,038.67
5. Net increase in cash and cash equivalents		976,662,033.31	1,202,775,281.46
Add: beginning balance of cash and cash equivalents		16,291,936,468.18	12,620,970,173.01
6. Ending balance of cash and cash equivalents		17,268,598,501.49	13,823,745,454.47

Corporate representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Current period											Total owner's equity		
	Equity attributable to parent company													
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△General risk provision	Retained earnings		Subtotal	Minority interests
1. Ending balance of last year	1,706,523,000.00	-	-	-	4,338,736,992.12	-	49,765,047.57	45,479,801.06	888,849,702.10	-	4,698,595,292.71	11,727,949,835.56	645,912,117.38	12,373,861,952.94
Add: increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in Prior Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Beginning balance of current year	1,706,523,000.00	-	-	-	4,338,736,992.12	-	49,765,047.57	45,479,801.06	888,849,702.10	-	4,698,595,292.71	11,727,949,835.56	645,912,117.38	12,373,861,952.94
3. Increase/decrease for current year * 2 for decrease	-	-	-	-	-	-	-295,431,646.88	7,801,853.30	-	-	84,889,971.05	-202,739,822.53	63,624,623.29	-139,115,199.24
(1) Total comprehensive income	-	-	-	-	-	-	-295,431,646.88	-	-	-	84,889,971.05	-210,541,675.83	19,510,436.03	-191,031,239.80
(2) Owner's contributions and withdrawals of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Common stock contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recorded in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Accrual and utilization of specialized reserve	-	-	-	-	-	-	-	7,801,853.30	-	-	-	7,801,853.30	46,039,507.85	46,039,507.85
1. Accrual of specialized reserve	-	-	-	-	-	-	-	17,160,396.07	-	-	-	17,160,396.07	1,661,053.76	18,821,449.83
2. Utilization of specialized reserve	-	-	-	-	-	-	-	-9,358,542.77	-	-	-	-9,358,542.77	-355,645.09	-9,714,187.86
(4) Profits distribution	-	-	-	-	-	-	-	-	-	-	-	-	-3,230,729.26	-3,230,729.26
1. Appropriation of surplus reserve including: statutory surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate development fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Return of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Accrual of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owner/shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-3,230,729.26	-3,230,729.26
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recover of loss by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Defined benefit plan changes carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
*5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Ending balance of current year	1,706,523,000.00	-	-	-	4,338,736,992.12	-	245,666,599.31	53,281,654.36	888,849,702.10	-	4,783,485,263.76	11,555,210,013.03	709,556,740.67	12,234,746,753.70

Corporate representative :

Chief Accountant :

Accounting Supervisor:

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Equity attributable to parent company										Total owner's equity				
	Paid-in capital	Preferred stock	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△ General risk provision		Retained earnings	Subtotal	Minority interests	
			Perpetual bonds	Others											
1. Ending balance of last year	1,706,523,000.00	-	-	-	-	4,338,736,992.12	-	-	809,136,649.47	43,527,398.71	809,136,649.47	4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.38
Add: increase/decrease due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase/decrease due to corrections of errors in Prior Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Beginning balance of current year	1,706,523,000.00	-	-	-	-	4,338,736,992.12	-	-	809,136,649.47	43,527,398.71	809,136,649.47	4,679,669,917.68	11,568,694,158.02	625,991,779.56	12,194,685,937.38
3. Increase/decrease for current year "±" for decrease															
(1) Total comprehensive income	-	-	-	-	-	-4,694,960.00	17,248,383.30	17,248,383.30	5,536,185.83	5,536,185.83	4,000,000.00	55,835,303.42	73,924,912.55	34,674,851.26	108,599,763.81
(2) Owner's contributions and withdrawals of capital	-	-	-	-	-	-	-	-	-	-	-	51,835,303.42	69,083,686.72	9,762,259.06	78,845,945.78
1. Common stock contributed by owners	-	-	-	-	-	-	-	-	-	-	-	4,000,000.00	-694,960.00	30,468,469.29	29,773,509.29
2. Capital contributed by other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recorded in owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-4,694,960.00	-	-	-	-	-	4,000,000.00	-694,960.00	30,468,469.29	29,773,509.29
(3) Accrual and utilization of specialized reserve	-	-	-	-	-	-	-	-	5,536,185.83	5,536,185.83	4,000,000.00	4,000,000.00	-694,960.00	30,468,469.29	29,773,509.29
1. Accrual of specialized reserve	-	-	-	-	-	-	-	-	5,536,185.83	5,536,185.83	4,000,000.00	4,000,000.00	-694,960.00	30,468,469.29	29,773,509.29
2. Utilization of specialized reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Profits distribution	-	-	-	-	-	-	-	-	13,175,803.46	13,175,803.46	-	55,835,303.42	73,924,912.55	34,674,851.26	108,599,763.81
1. Appropriation of surplus reserve including: statutory surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate development fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Return of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Accrual of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owner/shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-7,639,617.63	-7,639,617.63	-	4,000,000.00	-694,960.00	30,468,469.29	29,773,509.29
(5) Transfer within owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserve transferred to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Recover of loss by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Defined benefit plan changes carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Ending balance of current year	1,706,523,000.00	-	-	-	-	4,334,042,032.12	-	8,348,583.34	49,063,584.54	49,063,584.54	809,136,649.47	4,735,505,221.10	11,642,619,070.57	660,666,630.82	12,303,285,701.39

Corporate representative : Chief Accountant : Accounting Supervisor :

1. INFORMATION ABOUT THE COMPANY

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

The parent company of the company is Harbin Electric Corporation.

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

2. MAIN ACCOUNTING POLICIES

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

The accounting policies and calculation methods adopted in the consolidated financial statements as at 30 June 2023 are in line with the compilation of the annual financial statements of the Company for the year ended 31st December, 2022.

3. INCOMES AND DIVISION'S DOCUMENTS

1) Basis of reporting division and accounting policy

Based on internal organizational structure, management requirements and internal reporting system, the company divides its main business into three business systems: new power system with new energy as the main body, clean and efficient industrial system and green and low-carbon driving system. On the basis of these three systems, each system is further divided into three business types: equipment manufacturer, system integrator and operation and maintenance service provider. The individual report of the company offers the different products and services, or operating activities in different area. Due to different divisions need different technique and market strategy, the company's managements report the operating activities of every division respectively and evaluate the operating outcomes regularly to decide how to allocate the resources and evaluate its performance.

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

2) Report Division Financial Information

(1) Divisional financial information in January 1, 2023 to June 30, 2023

Items	New power system with new energy as the main body	Green and low-carbon drive system	Clean and efficient industrial system	Others	Offsetting	Total
(I) Operating income	10,473,181,551.04	494,350,081.09	1,887,141,988.86	4,950,480,697.76	-4,041,332,217.21	13,763,822,101.53
Including: external transaction income	6,702,033,488.35	493,385,479.30	1,811,101,325.64	4,757,301,808.25		13,763,822,101.53
Segments transaction income	3,771,148,062.69	964,601.79	76,040,663.22	193,178,889.51	-4,041,332,217.21	
(II) Income on investment in joint ventures and joint ventures	3,225,736.53	152,259.67	581,239.12	1,524,746.45	-1,471,750.33	4,012,231.44
(III) Impairment on assets	-130,603,024.74	-6,164,661.19	-23,533,102.21	-61,733,652.75		-222,034,440.89
(IV) Credit losses	23,392,334.22	1,104,153.72	4,215,018.70	11,057,127.05	-9,944,527.03	29,824,106.66
(V) Depreciation and amortization charges	232,914,067.25	10,993,897.84	41,968,327.77	110,094,204.76	-3,471,287.94	392,499,209.68
(VI) Total profit	146,920,717.90	6,934,881.10	26,473,355.25	69,446,726.81	-76,960,143.92	172,815,537.14
(VII) Income tax expense	40,239,835.76	1,899,381.38	7,250,736.88	19,020,631.82	4,544.22	68,415,130.06
(VIII) Net profit	106,680,882.13	5,035,499.72	19,222,618.37	50,426,095.00	-76,964,688.14	104,400,407.08
(IX) Total assets	64,570,379,761.55	3,047,820,026.38	11,634,809,755.82	30,521,233,409.24	-40,442,864,685.64	69,331,378,267.34
(X) Total liabilities	51,092,760,708.55	2,411,655,930.56	9,206,304,081.51	24,150,610,246.79	-29,764,699,453.77	57,096,631,513.64

(2) Divisional financial information in January 1, 2022 to June 30, 2022

Items	New power system with new energy as the main body	Green and low-carbon drive system	Clean and efficient industrial system	Others	Offsetting	Total
(I) Operating income	8,164,215,276.85	687,725,140.28	1,756,463,670.87	4,319,564,827.51	-3,055,681,216.54	11,872,287,698.97
Including: external transaction income	5,391,592,768.94	676,802,573.88	1,600,999,006.09	4,202,893,350.06		11,872,287,698.97
Segments transaction income	2,772,622,507.91	10,922,566.40	155,464,664.78	116,671,477.45	-3,055,681,216.54	
(II) Income on investment in joint ventures and joint ventures	4,073,071.38	343,101.39	876,287.76	2,155,001.46	-4,066,345.03	3,381,116.96
(III) Impairment on assets	-88,151,455.10	-7,425,572.42	-18,965,059.49	-46,639,623.29	8,965,325.92	-152,216,384.39
(IV) Credit losses	-286,865,670.42	-24,164,567.78	-61,716,786.17	-151,776,357.94	2,775,454.97	-521,747,927.36
(V) Depreciation and amortization charges	197,368,637.96	16,625,648.59	42,462,236.80	104,424,809.70		360,881,333.05
(VI) Total profit	101,322,180.11	8,535,028.56	21,798,632.49	53,608,057.92	-60,839,561.58	124,424,337.51
(VII) Income tax expense	34,366,715.83	2,894,932.78	7,393,715.84	18,182,918.00	-11,507.44	62,826,775.03
(VIII) Net profit	66,955,464.28	5,640,095.77	14,404,916.65	35,425,139.92	-60,828,054.14	61,597,562.48
(IX) Total assets	54,226,219,196.31	4,567,828,375.30	11,666,324,416.63	28,690,285,744.10	-36,963,127,589.04	62,187,530,143.30
(X) Total liabilities	42,494,268,727.28	3,579,569,613.31	9,142,291,905.42	22,483,085,310.80	-27,814,971,114.90	49,884,244,441.91

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, the amount of management expenses was RMB627,753,050.19 (for the six months ended June 30, 2022, the amount of management expenses was RMB498,397,855.04). Mainly for labor costs, depreciation and amortization expenses, etc.

5. CREDIT IMPAIRMENT LOSSES

Items	January to June in 2023	January to June in 2022
Bad debt loss	29,824,106.66	-521,747,927.36
Total	29,824,106.66	-521,747,927.36

6. IMPAIRMENT ON ASSETS

Items	January to June in 2023	January to June in 2022
Inventory price loss	-20,048,274.85	-32,964,102.37
Impairment loss of Contract asset	-201,975,817.49	-118,769,361.88
Fixed asset impairment loss	-10,348.55	-482,920.14
Total	<u>-222,034,440.89</u>	<u>-152,216,384.39</u>

7. PROFIT BEFORE TAX AND AMORTIZATION DEPRECIATION

Items	January to June in 2023
Net profit	104,400,407.08
Income tax expenses	68,415,130.06
Withdrawing depreciation of fixed assets	345,293,185.92
Withdrawing amortization intangible assets	45,338,932.78
Withdrawing amortization of long-term deferred expenses	1,867,090.98
Interests and investment income	17,500,232.46
Interests income of finance company	192,957,262.95
Interests expenses	120,303,704.46
Interests expenses of finance company	3,204,427.14
Profit before tax and amortization depreciation	<u>899,280,373.83</u>

8. DIVIDEND

Items	January to June in 2023	January to June in 2022
Dividend of per share RMB0.006 at the 2022		
Dividend of per share RMB0.000 at the 2021		
	<u></u>	<u></u>

9. EARNINGS PER SHARE

Items	January to June in 2023	January to June in 2022
Net profit attributable to common shareholders of the Company	84,889,971.05	51,835,303.42
Weighted average number of ordinary shares outstanding during the period	1,706,523,000.00	1,706,523,000.00
Earnings per share	<u>0.05</u>	<u>0.03</u>

10. INCOME TAX

1) Corporate Income Tax

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

On 7 August, 2020, the Company obtained the High and New Technology Enterprise certificate (Number: GR202023000278) jointly issued by the Heilongjiang Science and Technology Bureau, Heilongjiang Finance Bureau, Heilongjiang State Tax Bureau and Heilongjiang Local Tax Bureau, for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

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

2) Hong Kong profits tax

The Group did not earn any income subject to Hong Kong Profits Tax from January to June 2023. Therefore, no provision for Hong Kong Profits Tax has been made.

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

11. ACCOUNTS RECEIVABLE

(1) Accounts receivable shown by classification

Type	30 June, 2023				31 December, 2022			
	Carrying Amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable individually accruing bad debt provision	1,833,582,388.88	13.56	1,221,509,657.69	66.62	2,033,882,106.57	16.30	1,332,648,801.67	65.52
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	11,689,621,822.67	86.44	3,756,547,631.93	32.14	10,446,461,339.77	83.70	3,702,319,063.71	35.44
Total	13,523,204,211.55	-	4,978,057,289.62	-	12,480,343,446.34	-	5,034,967,865.38	-

(2) Accounts receivable individually accruing bad debt provision

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
Harbin Guanghan Power Technology Development Co., Ltd.	350,582,500.00	31,055,125.00	8.86	Judging by future recyclability
Huasheng Jiangquan Group Co., Ltd	340,410,000.00	340,410,000.00	100.00	Judging by future recyclability
No. 703 Research Institute of China Shipbuilding Industry Corporation	286,369,055.40	44,614,150.00	15.58	Judging by future recyclability
Ministry of National Water Resources and Irrigation of the Republic of Sudan	285,707,458.48	285,707,458.48	100.00	Judging by future recyclability
Indian coast energy co.	138,103,973.14	138,103,973.14	100.00	Judging by future recyclability
Sudan Electricity and Dam Department	39,994,803.00	39,994,803.00	100.00	Judging by future recyclability
Yunnan Huadian town Xiong power generation Co., Ltd	34,000,000.00	34,000,000.00	100.00	Judging by future recyclability
Datong Coal Mine Group Shuozhou Coal and Electricity Co., Ltd.	33,560,000.00	33,560,000.00	100.00	Judging by future recyclability
China Power Construction Group Shandong Electric Power Construction Co., Ltd.	32,500,000.00	32,500,000.00	100.00	Judging by future recyclability
Sudan National Electric Power Company	56,360,011.90	56,360,011.91	100.00	Judging by future recyclability
Datang Environmental Industry Group Co., Ltd. Leizhou Project Branch	27,384,367.22	21,907,493.78	80.00	Judging by future recyclability
Inner Mongolia Chuangyuan Metal Co., Ltd.	26,904,000.00	23,950,400.00	89.02	Judging by future recyclability

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
Inner Mongolia Hongyu	17,503,787.91	17,503,787.91	100.00	Judging by future recyclability
Great Leader Thermoelectric (Private) Limited	17,091,249.84			Judging by future recyclability
Inner Mongolia Jinlian Aluminum Co., Ltd.	16,604,910.00	16,604,910.00	100.00	Judging by future recyclability
Sudan Dam Department Thermal Power Company	16,451,976.74	16,451,976.74	100.00	Judging by future recyclability
Xinjiang Zhundong TBEA Energy Co., Ltd.	14,916,499.74	13,919,381.79	93.32	Judging by future recyclability
Other	99,137,795.51	74,866,185.94		Judging by future recyclability
Total	<u>1,833,582,388.88</u>	<u>1,221,509,657.69</u>		

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

Accounts receivables accruing bad debt provision by applying aging analysis:

Age	30 June, 2023			31 December, 2022		
	Amount	Bad debt Provision	Percentage (%)	Amount	Bad debt Provision	Percentage (%)
Within one year	5,939,459,175.20	287,994,963.95	50.81	4,744,697,091.82	232,940,665.70	45.42
One to two years	1,776,239,859.84	440,437,286.82	15.20	1,873,273,275.37	466,335,346.94	17.93
Two to three years	1,199,479,136.82	594,193,260.85	10.26	1,039,823,998.94	516,153,561.04	9.95
Over three years	<u>2,774,443,650.81</u>	<u>2,433,922,120.31</u>	<u>23.73</u>	<u>2,788,666,973.64</u>	<u>2,486,889,490.03</u>	<u>26.69</u>
Total	<u>11,689,621,822.67</u>	<u>3,756,547,631.93</u>	-	<u>10,446,461,339.77</u>	<u>3,702,319,063.71</u>	-

12. ACCOUNTS PAYABLE

Items	30 June, 2023	31 December, 2022
Within 1 year	14,240,921,903.72	11,288,408,105.28
1–2 years	1,019,049,517.82	1,194,304,241.76
2–3 years	401,083,429.23	334,659,482.02
Over 3 years	966,396,045.61	979,293,887.87
Total	<u>16,627,450,896.38</u>	<u>13,796,665,716.93</u>

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

Since 2023, China has adhered to the general tone of seeking progress while maintaining stability with the synergy of macroeconomic policies, presenting a recovery and upward trend in economic operation. In terms of the power industry, the recovery and positive trend in national economy has boosted the growth rate of power consumption year on year, and accelerated the green and low-carbon transformation of energy. The “Blue Book of New Power System Development” released by National Energy Administration initially clarified the overall framework and key tasks of building a new type of power system to accelerate the construction of a new type of power system.

In the first half of 2023, China’s installed power generation capacity reached 140 million kilowatts, representing a year-on-year increase of 71.86 million kilowatts, of which installed renewable energy power generation increased by 109 million kilowatts (hydropower, wind power, solar power and biomass power increased by 5.36 million kilowatts, 22.99 million kilowatts, 78.42 million kilowatts and 1.76 million kilowatts, respectively), accounting for 77% of the newly installed capacity in China. As of the end of June 2023, the total installed capacity of power generation on a consolidated basis in China was 2.71 billion kilowatts, of which conventional hydropower was 370 million kilowatts and pumped storage was 48.79 million kilowatts, nuclear power was 56.76 million kilowatts, grid-connected wind power was 390 million kilowatts, grid-connected solar power was 470 million kilowatts, coal power was 1.14 billion kilowatts, and steam power was 120 million kilowatts. The installed non-fossil energy power generation capacity reached 1.39 billion kilowatts, representing a year-on-year increase of 18.6%, accounting for 51.5% of the total installed capacity, up 3.4 percentage points year-on-year, continuing the trend of green and low-carbon transformation in power industry.

In the first half of 2023, with the joint efforts of all staff and closely focusing on the annual work arrangement, the Company made new progress and achieved new results in all aspects of its work in a comprehensive manner, with operating revenue and profit better than that of the same period last year, and the amount of formal contract signed increased significantly, maintaining a beneficial momentum in its operation and development, presenting a good trend of realizing the second step of the “Three-step”-“achieving results”.

OPERATING RESULTS

For the six months ended 30 June 2023, the Company recorded an operating revenue of RMB13,570.86 million, representing an increase of 15.58% as compared with the same period last year. The Company recorded a net profit attributable to owners of the parent company of RMB84.89 million, representing an increase of 63.78% as compared with the same period last year. Earnings per share were RMB0.05, representing an increase of RMB0.02 as compared with the same period last year. The Company's total equity attributable to the owners of the parent company at the end of the period was RMB11,525.21 million, representing a decrease of RMB202.74 million over the beginning of the year; and net assets per share were RMB6.75, representing a decrease of RMB0.12 over the beginning of the year. The decrease in the Company's equity attributable to the owners during the current period was primarily due to fluctuations in the fair value of other equity instruments and floating loss on forward exchange settlement.

NEW CONTRACTS

For the six months ended 30 June 2023, the amount of formal contracts signed of the Company realized RMB32.585 billion, representing a year-on-year increase of 109.45%, of which new-type power equipment amounted to RMB18.928 billion, representing a year-on-year increase of 187.79% (including RMB11.631 billion and a year-on-year increase of 437.97% for coal power equipment, RMB3.820 billion and a year-on-year increase of 78.67% for hydropower equipment, RMB2.548 billion and a year-on-year increase of 1,830.30% for nuclear power equipment, RMB399 million and a year-on-year decrease of 80.33% for steam power equipment); green and low carbon driven equipment amounted to RMB1.318 billion, representing a year-on-year increase of 56.72%; clean and efficient industrial system amounted to RMB3.530 billion, representing a year-on-year increase of 12.74%; EPC and trading amounted to RMB5.794 billion, representing a year-on-year increase of 118.64%; and modern manufacturing and service industry amounted to RMB3.016 billion, representing a year-on-year increase of 27.85%.

The value of export contracts by the Company amounted to RMB7.361 billion, representing an increase of 156.84% from the same period last year.

PRODUCT OUTPUT

The capacity of the Company's power equipment produced during the six months ended 30 June 2023 was 12,830 MW, representing an increase of 49.9% as compared with the same period last year, and among which water turbine generators sets generated a total of 2,300 MW, representing an increase of 48.9% as compared with the same period last year; steam turbine generators generated a total of 10,530 MW, representing an increase of 50.1% as compared with the same period last year; utility boilers for power stations generated a total of 7,350 MW, representing an increase of 31.4% as compared with the same period last year, and steam turbines for power stations generated a total of 6,850 MW, representing an increase of 23.2% as compared with the same period last year.

OPERATING REVENUE AND COST

For the six months ended 30 June 2023, the Company recorded an operating revenue of RMB13,570.86 million, representing a year-on-year increase of 15.58% as compared with the same period last year. In particular, new-type power equipment was RMB6,702.03 million, representing a year-on-year increase of 24.31% (including RMB4,057.59 million and a year-on-year increase of 25.43% for coal power equipment, RMB1,175.41 million and a year-on-year decrease of 26.40% for hydropower equipment, RMB1,277.40 million and a year-on-year increase of 236.63% for nuclear power equipment); green and low carbon driven equipment was RMB493.39 million, representing a year-on-year decrease of 27.10%; clean and efficient industrial system was RMB1,811.10 million, representing a year-on-year increase of 13.12%; EPC and trading was RMB2,936.44 million, representing a year-on-year increase of 9.75%; and modern manufacturing and service industry was RMB1,504.03 million, representing a year-on-year increase of 14.19%.

The Company recorded an export turnover of RMB2,451.16 million, accounting for 18.06% of the operating revenue. The exports were mainly to Asia, accounting for 15.08% of the operating revenue and 83.53% of the export turnover.

The operating cost of the Company was RMB12,116.65 million, representing an increase of 21.66% as compared with the same period last year, which was mainly attributable to the higher increase in cost than the increase in income as a result of the year-on-year increase in operating revenue during the current period and lower historical contract prices for some of the projects in progress.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2023, the Company realized a gross profit from operating business of RMB1,454.21 million, representing a decrease of 18.38% as compared with the same period last year. The gross profit margin was 10.72%, representing a decrease of 4.46 percentage points as compared with the same period last year. In particular, the gross profit from new-type power equipment was RMB512.30 million and the gross profit margin was 7.64%, representing a year-on-year decrease of 9.82 percentage points (including RMB490.49 million, 12.09% and a year-on-year decrease of 2.01 percentage points for coal power equipment, RMB104.06 million, 8.85% and a year-on-year decrease of 14.23 percentage points for hydropower equipment, RMB-45.17 million, -3.54% and a year-on-year decrease of 39.98 percentage points for nuclear power equipment); the gross profit from green and low carbon driven equipment was RMB69.56 million and the gross profit margin was 14.10%, representing a year-on-year decrease of 2.57 percentage points; the gross profit from clean and efficient industrial system was RMB62.39 million and the gross profit margin was 3.44%, representing a year-on-year increase of 4.45 percentage points; the gross profit from EPC and trading was RMB122.02 million and the gross profit margin was 4.16%, representing a year-on-year decrease of 2.86 percentage points; the gross profit from modern manufacturing and service industry was RMB681.90 million and the gross profit margin was 45.34%, representing a year-on-year decrease of 2.36 percentage points.

The slight decrease in the Company's gross profit margin was mainly due to the year-on-year decrease in gross profit margin as a result of the higher gross profit margins for certain key hydropower projects in the same period last year and lower contract prices for nuclear power projects in progress during the current period.

EXPENSES FOR THE PERIOD

For the six months ended 30 June 2023, the Company incurred expenses for the current period of RMB1,337.27 million. In particular, distribution expenses incurred amounted to RMB267.46 million, representing an increase of RMB29.76 million as compared with the same period last year; administrative expenses incurred amounted to RMB627.75 million, representing an increase of RMB129.36 million as compared with the same period last year; R&D expenses incurred amounted to RMB350.76 million, representing an increase of RMB62.06 million as compared with the same period last year; financial costs incurred amounted to RMB91.30 million, representing an increase of RMB13.37 million as compared with the same period last year.

The significant increase in the Company's administrative expenses was mainly due to the significant increase in the Company's order volume, delivery volume, operating revenues and economic benefits resulting in a year-on-year increase in performance-based compensation for the year 2022 realized and repair and maintenance expenses during the period.

ASSETS AND LIABILITIES

As at 30 June 2023, the total assets of the Company amounted to RMB69,331.38 million, representing an increase of RMB6,047.85 million or 9.56% over the beginning of the period, among which the current assets were RMB58,613.12 million, accounting for 84.54% of the total assets, and the non-current assets were RMB10,718.26 million, accounting for 14.46% of the total assets. The total liabilities of the Company amounted to RMB57,096.63 million, representing an increase of RMB6,186.96 million or 12.15% over the beginning of the period, which was mainly due to the increase in contract liabilities (advances from customers), among which the current liabilities were RMB52,940.99 million, accounting for 92.72% of the total liabilities, and the non-current liabilities were RMB4,155.64 million, accounting for 7.28% of the total liabilities. As at 30 June 2023, the gearing ratio of the Company was 82.35% as compared to 80.45% at the beginning of the period.

CAPITAL AND GEARING RATIO

As at 30 June 2023, the gearing ratio of the Company (calculated as non-current liabilities over total shareholders' equity) was 0.36:1 as compared to 0.43:1 at the beginning of the period.

MONETARY CAPITAL AND CASH FLOWS

As at 30 June 2023, the monetary capital of the Company was RMB18,394.61 million, representing an increase of RMB1,093.82 million or 6.32% as compared to the beginning of the period. During the period, the net cash flow generated from operating activities of the Company was RMB1,322.17 million, while investing activities generated net cash flow of RMB-318.89 million and financing activities generated net cash flow of RMB-38.85 million.

FUNDING SOURCE AND BORROWING STATUS

The Company currently has four funding sources for operation and development, namely shareholder's funds, trade receivables from customers, bank borrowings and entrusted loan of national funds. The Company arranges borrowings based on each specific project. Except for some exceptions, loans will be raised individually by the Company's subsidiaries. However, prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 30 June 2023, the Company's total borrowings amounted to RMB7,573.34 million, all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR. Among those borrowings, the amount repayable within one year amounted to RMB5,835.93 million, representing an increase of RMB621.01 million as compared with the beginning of the year; the borrowings repayable after one year amounted to RMB1,737.41 million, representing a decrease of RMB654.49 million as compared to the beginning of the year. As at 30 June 2023, the Company's contracted liabilities were RMB21,551.46 million, representing an increase of RMB4,123.02 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 2023, the Company had made fixed assets investments of RMB467.2804 million, which were mainly utilized for investment in technical measures and technical transformation for maintaining the normal production and operation of nuclear power infrastructure enhancement project, pumped storage capacity enhancement project (Phase I) and state-level power generation equipment research centre R&D base construction project and subsidiaries. There is no significant change in the 2023 investment plan of the Company.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The export business and the businesses settled in foreign currencies and all deposits denominated in foreign currencies of the Company are exposed to exchange risk. As at 30 June 2023, the Company's deposits denominated in foreign currencies were equivalent to approximately RMB656.82 million. To avoid the risk of exchange rate fluctuation in the foreign exchange market, the Company has signed contracts of Forward FX sales and purchase with banks for some future foreign currency receivables of overseas projects.

APPLICATION OF RAISED FUNDS

As of 30 June 2023, the funds raised by the Company's domestic share subscription in 2017 (the "Funds") remained unused at RMB96 million. All the funds raised from the issuance of shares and bonds in the previous years had been fully used. During the reporting period, the Company had no raised funds.

The use of the Funds is as follows:

The planned use of the Funds	Planned use amount of the Funds <i>(RMB'00 million)</i>	The used amount of the Funds <i>(RMB'00 million)</i>	The balance of the Funds <i>(RMB'00 million)</i>	Planned use time
Gas turbine joint venture project	1.8	1.8	0	
Nuclear power technology upgrade project	4.86	3.9	0.96	before 31 December 2023
Purchase of raw materials for production and operation of nuclear power industry	3	3	0	
Purchase of raw materials for production and operation of gas turbine industry	1.47	1.47	0	
Implementation of financial leasing business	1.54	1.54	0	
	<hr/>	<hr/>	<hr/>	
Total	<u>12.67</u>	<u>11.71</u>	<u>0.96</u>	

TAX POLICIES

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

Under the Opinions of Central Committee of the Communist Party of China and the State Council on the Comprehensive Revitalization of Historical Industrial Bases of the Northeast Regions 《(中共中央國務院關於全面振興東北地區等老工業基地的若干意見》) in 2016, the Company will continue to enjoy the relevant favourable policies in supporting such revitalization for historical industrial bases of the northeast regions.

In accordance with regulations of the State Administration of Taxation, the rate for tax rebate applicable to the Company's new export products contracts is mainly 13% effective from 1 April 2019.

In accordance with the relevant requirements of the Announcement of the General Administration of Taxation of the Ministry of Finance on the Expansion of the Scope of the Policy on the Refund of Value Added Tax Credits (財政部稅務總局關於擴大全額退還增值稅留抵稅額政策行業範圍的公告) in 2022, the Company is entitled to a refund of the newly-added credits and a one-time refund of the existing tax credits.

SCIENTIFIC AND TECHNOLOGICAL INNOVATION

In 2023, the Company has insisted on putting more emphasis on the innovation, strengthening industrial development and serving national strategies with new breakthroughs in science and technology innovation. By giving full play to the role of scientific and technological innovation as the first driving force, the Company has actively integrated into the national scientific and technological innovation system, profoundly participated in the construction of national-level innovation platforms; continuously increased the investment in scientific research, with an investment intensity of 4% in the first half of the year, continued to increase investment in key core technology research and development, infrastructure reengineering and digital transformation to fully enhance the capability of independent innovation. By paying close attention to the key core technology research and development and deeply carrying out the program of science and technology leadership initiative, the Company has systematically implemented 9 key core technology research and development project tasks, 4 innovation consortium research and development tasks, 16 major scientific and technological projects, striving to create an “effective weapon” of technological leadership in the fields of ultra-high-head large-capacity hydroelectric generating units and large-scale variable-speed pumped storage units; constantly increased external cooperation including the joint establishment of a green and low-carbon energy innovation institute with Harbin Institute of Technology, the inclusion of the Heilongjiang Carbon Neutral Industry Technology Innovation Alliance (黑龍江碳中和產業技術創新聯盟) and Digital Power Grid Technology and Equipment Modern Industry Chain Innovation Alliance (數字電網技術裝備現代產業鏈創新聯盟) and the establishment of six external innovation consortiums with Tsinghua University and Harbin Institute of Technology, promoting the in-depth integration of industry, academia and research, and assisting the Company’s scientific and technological innovation to develop at a high speed.

In the first half of 2023, the Company’s “Innovative Platform for Research and Application of Key Technology of Digital Twin in the Power Generation Industry (發電行業數字孿生關鍵技術研究與應用創新平台)” was successfully approved by the National Energy Administration as one of the first batch of “Sai Ma Zheng Xian (賽馬爭先)” innovation platforms in the 14th Five-Year Plan, and the “Digital Transformation Facilitation Center for Power Generation Equipment Industry (發電裝備行業數字化轉型促進中心)” was successfully approved by the Ministry of Industry and Information Technology as a pilot demonstration of the Industrial Internet in 2022. The Company’s self-developed “Hualong No. 1 (華龍一號)” nuclear power unit steam check valve research and development project has completed sample manufacturing and in-factory testing, and passed third-party witness tests and sample validation. The Company won the bid for the air turbine equipment for the 60MW/600MWh liquid compressed air storage demonstration project in Golmud, Qinghai, boasting the largest capacity in the world, the complete set of equipment for the compression-side and expansion-side heat exchange system for the world’s first 300MW-class non-compensated compressed air energy storage power station in Yingcheng, Hubei,

the 500MW impact hydroelectric unit in Zala, with the largest single-machine capacity in the world, the 400MW variable-speed pumped storage unit in Zhongdong, Huizhou, with the largest single-machine capacity in the world. The Company's new high-efficiency and flexible coal-fired power generating units, large-scale air-bedding gasification full heat recovery technology and key equipment were shortlisted in the third batch of the National Energy Administration's list of the first (sets) of major technological equipment in the energy field.

EMPLOYEES, REMUNERATION, STOCK OPTION PLAN AND TRAINING

As at 30 June 2023, the Company has a total of 11,746 employees, and the total remuneration amounted to RMB777.94 million.

In order to incentivize key employees, the Company has implemented the share appreciation rights incentive plan.

In the first half of 2023, there was no significant change in the Company's remuneration policy.

In the first half of 2023, the Company organized 432 classes in total for training and trained 27,391 persons.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

PROSPECTS

According to the forecast of China Electricity Council (CEC), driven by the rapid development of new energy, China's newly installed capacity in 2023 is expected to initially exceed 300 million kilowatts in history, among which, the newly installed non-fossil energy power generation capacity will exceed 230 million kilowatts. At the end of 2023, China's installed power generation capacity is expected to reach 2.86 billion kilowatts, representing a year-on-year increase of about 11.5%. The installed capacity of non-fossil energy generating power will total to 1.51 billion kilowatts, accounting for about 53% of the total installed capacity, representing a year-on-year increase of 3 percentage points. In particular, hydropower will be 420 million kilowatts, grid-connected wind power will be 430 million kilowatts, grid-connected solar power will be 530 million kilowatts, nuclear power will be 58.46 million kilowatts, biomass power generation will be about 45.00 million kilowatts. At the end of 2023, the total installed capacity of grid-connected wind power and solar power will reach 960 million kilowatts, accounting for one-third of the total installed capacity, representing a year-on-year increase of about 4 percentage points.

In the second half of 2023, the Company will unswervingly adhere to its annual business objectives, seize market opportunities, be fully committed to increasing its market share, expanding the scale of orders and improving the quality of contracts with utmost efforts, with further efforts to reduce trade receivables and inventories as well as the cost, effectively increasing the gross profit margin of its products and enhancing the efficiency and effectiveness of the Company. The Company will further strengthen its core competitiveness by means of earnestly putting the improvement of the operation about in-depth reform into effect, profoundly promoting the construction of world-class enterprises, improving the "four-in-one" risk management system of law, compliance, risk and internal control with the establishment of a lean management system as well as the improvement of the market-oriented operation and management mechanism. The Company will be dedicated to leading and advancing the high-end, intelligent and green development of the equipment manufacturing industry, give a greater weight to scientific and technological innovation, accelerate the promotion of national important scientific and technological projects and key core technology research and development, the digitalization of production, the intelligentization of equipment, and the informatization of management, establish and improve the green and low-carbon technology system, green manufacturing support system and green and intelligent manufacturing system and actively explore new fields and new tracks in terms of renewable energy, marine equipment, hydrogen energy, energy storage and comprehensive utilization to endeavor to provide the society with more safe and reliable, green and low-carbon, energy-saving and environmentally friendly products and services. The Company will accelerate the construction of a world-class equipment manufacturing enterprise with greater determination, greater responsibility and more practical measures, and strive to speed up high-quality development with better results in return for shareholders.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 June 2023, the total number of share capital of the Company was 1,706,523,000 shares, of which included 1,030,952,000 state-owned legal person shares and 675,571,000 overseas H shares. The interests and short positions of shareholders holding 5% or more of the issued share capital of relevant class of share of the Company, which were required to be recorded under the register of interests and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”), are set out as follows:

Long positions in the shares of the Company:

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

Save as disclosed above, as at 30 June 2023, 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 2023, 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 2023, 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 2023, 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 2023, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB1,157.15 million in aggregate. There was no external guarantee of the Company.

PLEDGE OF ASSETS

As at 30 June 2023, the Company pledged its assets of RMB88.79 million (as at 30 June 2022: RMB91.04 million) to secure loans for liquidity.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the accounting period ended 30 June 2023, the Company had been in compliance with the rules set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, and, where appropriate, has adopted the recommended best practices as specified therein. Mr. Wu Wei-zhang has resigned from the position of the executive Director on 8 May 2023 due to attainment of the statutory retirement age. The number of the Board members has fallen below the quorum as required under the Articles of Association of the Company, and the Company appointed Mr. Huang Wei as the executive Director on 25 May 2023.

THE AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and approved the interim report of the Company for the six months ended 30 June 2023.

AUDITORS

Dahua Certified Public Accountants LLP, the Company's auditor, has carried out a review of the unaudited interim report of the Company for the six months ended 30 June 2023 in accordance with the requirements of "China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statement".

SHAREHOLDERS' MEETING

On 12 April 2023, the extraordinary general meeting and the H shares class meeting of the Company were convened in Harbin, the PRC. On 25 May 2023, the annual general meeting, the H shares class meeting and the domestic shares class meeting of the Company were convened in Harbin, the PRC. The results of relevant meetings had been published on the websites of the Hong Kong Stock Exchange and the Company.

OTHER DISCLOSEABLE INFORMATION

As at 30 June 2023, 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 2023 are available for inspection at the head office of the Company at 1399 Chuangxinyi Road, Songbei District, Harbin, the PRC.

By Order of the Board
Chairman
Cao Zhi-an

Harbin, the PRC, 25 August 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Cao Zhi-an, Mr. Huang Wei and Mr. Zhang Ying-jian; and the independent non-executive Directors of the Company are Mr. He Yu, Mr. Hu Jian-min, Mr. Tang Zhi-hong and Mr. Pan Qi-long.