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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 2021

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 2021, 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, 2021	Dec 31, 2020
Current assets:			
Cash and bank		11,794,301,196.09	12,248,710,271.39
△ Settlement reserve			
△ Due from banks and other financial institutions		776,000,000.00	676,000,000.00
☆ Transactional financial assets		1,586,755.20	201,804,166.47
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		1,942,419,597.52	3,449,736,818.53
Accounts receivable	11	7,656,130,365.10	6,150,804,226.22
☆ Receivables for financing			
Prepayments		4,063,506,300.06	2,943,908,354.75
△ Premium receivable			
△ Reinsurance premium receivable			
△ Reinsurance reserve receivable			
Other receivables		1,094,169,673.85	1,121,689,573.11
Including: Dividend receivable			
△ Buying back the sale of financial assets		800,000,000.00	1,500,000,000.00
Inventories		8,989,283,813.46	8,245,995,247.86
Including: raw materials		3,162,459,054.62	2,876,563,564.28
Merchandise inventories (finished goods)		519,847,972.20	339,640,064.19
☆ Contract assets		12,823,832,750.47	11,230,143,320.48
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		548,461,418.10	909,520,855.73
Total current assets		50,489,691,869.85	48,678,312,834.54

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2021	Dec 31, 2020
Non-current assets:			
△ Loans and advances issued		24,439,435.18	24,593,595.00
☆ Debt investments			
Available-for-sale financial assets			
☆ Other debt investments		299,978,100.00	299,978,100.00
Held-to-maturity investments			
Long-term receivables		488,258,740.92	294,242,908.47
Long-term equity investments		452,879,010.29	394,669,474.11
☆ Other equity instruments investments		550,775,209.92	571,317,537.94
☆ Other non-current financial assets		130,023,146.93	167,567,126.04
Investment property		197,920,147.35	202,575,484.38
Fixed assets		5,372,642,770.69	5,645,998,218.56
Including: Cost		14,640,271,696.62	14,643,182,941.70
Accumulated depreciation		9,220,370,618.81	8,950,135,400.59
Impairment		46,782,786.12	47,049,322.55
Construction in progress		319,101,060.95	114,308,312.64
productive biological assets			
Oil and gas assets			
☆ The right-of-use assets			
Intangible assets		985,378,569.63	968,448,496.00
Development disbursements		103,200,528.98	53,460,949.36
Goodwill		25,004,298.58	
Long-term deferred expenses		6,486,664.95	7,733,999.22
Deferred tax assets		538,944,961.17	538,049,449.57
Other non-current assets			
Including: authorised reserve material			
Total non-current assets		9,495,032,645.54	9,282,943,651.29
Total assets		59,984,724,515.39	57,961,256,485.83

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2021	Dec 31, 2020
Current liabilities:			
Short-term borrowings		5,122,034,857.56	5,140,606,340.72
△ Borrowings from central bank			106,625,035.00
△ Placement from banks and other financial institutions		300,000,000.00	
☆ Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		6,083,185,034.74	6,275,459,425.43
Accounts payable	12	13,612,258,800.50	12,979,384,960.79
Advances from customers			
☆ Contract liabilities		13,175,225,231.43	12,017,553,327.95
△ Securities sold under agreement to repurchase		294,000,000.00	
△ Deposits and placements from other financial institutions		337,491,919.62	467,991,744.67
△ Securities brokering			
△ Securities underwriting			
Employee benefits payable		437,731,250.23	538,332,153.08
Including: salary payable		167,467,659.56	243,839,270.44
Welfare benefits payable		18,209,208.20	16,968.18
Including: Employee bonus and welfare fund			
Taxes and surcharges payable		236,590,255.19	450,081,285.12
Including: taxes payable excluding surcharges		225,507,288.60	434,074,977.60
Other payables		459,865,832.26	429,757,945.73
Including: Dividend payable		14,823,345.49	3,482,873.50
△ Fees and commissions payable			
△ Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities		1,126,655.00	428,655.00
Total Current Liabilities		<u>40,059,509,836.53</u>	<u>38,406,220,873.49</u>

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2021	Dec 31, 2020
Non-current liabilities:			
△ Reserve of insurance contract			
Long-term borrowings		2,202,340,012.07	1,884,779,453.00
Bonds payable			
including: preferred stocks			
perpetual debts			
☆ Lease liabilities			
Long-term payable		42,839,794.29	42,881,194.29
Long-term employee benefits payable		152,433,979.11	152,433,979.11
Provisions		1,000,955,589.84	1,009,074,468.47
Deferred income		283,192,906.15	265,816,002.56
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
		<hr/>	<hr/>
Total Non-Current Liabilities		<u>3,681,762,281.46</u>	<u>3,354,985,097.43</u>
Total Liabilities		<u>43,741,272,117.99</u>	<u>41,761,205,970.92</u>
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			

CONSOLIDATION BALANCE SHEET (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2021	Dec 31, 2020
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		4,343,415,451.82	4,341,412,461.31
Less: treasury shares			–
Other comprehensive income		-73,538,054.74	-20,928,123.89
Including: Currency translation reserve		-6,180,484.63	-5,330,264.04
Specialized reserve		48,104,853.12	41,743,525.66
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		8,817,410,183.57	8,799,327,500.41
Equity attributable to parent company		15,651,052,083.24	15,677,215,012.96
Minority interests		<u>592,400,314.16</u>	<u>522,835,501.95</u>
Total Owner's Equity		<u>16,243,452,397.40</u>	<u>16,200,050,514.91</u>
Total Liabilities And Owner's Equity		<u>59,984,724,515.39</u>	<u>57,961,256,485.83</u>

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 2021	January to June 2020
1. Revenue		11,927,880,095.72	9,752,979,454.42
Including: operating revenue	3	11,807,328,596.35	9,613,910,376.04
△ Interest income		120,551,499.37	139,069,078.38
△ Premium earned			
△ Fees and commissions income			
2. Total cost		11,655,349,455.80	9,434,914,935.20
Including: operating cost	3	10,549,642,862.33	8,346,863,922.95
△ Interest expenses		4,374,788.03	4,757,160.01
△ Fees and commissions expenses		23,358.73	25,786.58
△ Cash surrender amount			
△ Net expenses of claim settlement			
△ Net provisions for insurance reserves			
△ Policy dividend expenses			
△ Reinsurance expenses			
Taxes and surcharges		58,749,305.79	58,791,893.15
Selling expenses		228,799,012.08	202,154,042.22
Administrative expenses	4	520,936,385.87	442,071,143.43
Research and development expenses		280,898,742.51	280,818,214.06
Financial expenses		11,925,000.46	99,432,772.80
Including: interest expenses		105,838,860.14	108,968,875.55
Interest income		14,785,582.52	21,731,010.27
Net exchange loss (“-” for net proceeds)		-86,017,352.51	-6,430,589.52
Other costs and expenses			
Add: Other income		61,800,288.02	44,157,319.65
Investment income (“-” for loss)		16,118,392.82	15,197,404.96
Including: investment income from associates and joint ventures		281,420.51	3,172,857.02
☆ Income from derecognition of financial assets at amortised cost			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2021	January to June 2020
△ Gain on foreign exchange (“-” for loss)		-494.81	-1,333.94
☆ Net exposure hedging returns (“-” for losses)			
Gain from fair-value changes (“-” for loss)			2,629,597.94
☆ Credit losses (“-” for loss)	5	-119,543,627.16	-420,797,482.88
Impairment on assets (“-” for loss)	6	-175,200,596.34	138,822,219.37
Proceeds from asset disposal (“-” for loss)		11,911,957.22	-215,573.48
3. Operating profits (“-” for loss)		67,616,559.67	97,856,670.84
Add: non-operating income		21,168,395.98	32,750,912.72
Including: Government grants		6,785,509.59	1,404,250.91
Less: non-operating expenses		631,368.98	31,719,231.64
4. Profit before tax (“-” for loss)		88,153,586.67	98,888,351.92
Less: income tax	10	43,192,584.77	61,720,557.65
5. Net profit (“-” for net loss)		44,961,001.90	37,167,794.27
(1) By ownership			
Net profit attributable to parent company		34,471,036.17	29,166,140.92
Profit/loss attributable to minority share-holders		10,489,965.73	8,001,653.35
(2) By going concern basis			
Continuous operating profit and loss		44,961,001.90	37,167,794.27
Termination of the business profit and loss			
6. Other comprehensive income after tax		-52,609,930.85	-104,885,491.18
Other comprehensive income after tax attributable to parent company		-52,609,930.85	-104,885,491.18
(1) Comprehensive income not to be reclassified as profit or loss		-19,847,328.02	-103,816,792.72
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		-19,847,328.02	-103,816,792.72
☆ 4. Fair value changes in enterprise’s own credit risk			
5. Others			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2021	January to June 2020
(2) Other comprehensive income to be reclassified as profit or loss		-32,762,602.83	-1,068,698.46
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		-31,912,382.24	-2,431,850.00
8. Currency translation reserve		-850,220.59	1,363,151.54
9. Other profit or loss to be reclassified			
Other comprehensive income after tax attributable to minority shareholders			
7. Total comprehensive income		-7,648,928.95	-67,717,696.91
Total comprehensive income attributable to parent company		-18,138,894.68	-75,719,350.26
Total consolidated income attributable to minority share-holders		10,489,965.73	8,001,653.35
8. Earnings per share:			
Basic earnings per share	9	0.02	0.02
Diluted earnings per share	9	0.02	0.02

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CASH FLOWS

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2021	January to June 2020
1. Cash flows from operating activities:			
Cash received from sales and services		10,465,262,095.18	7,753,725,152.48
△ Net increase in deposits and placements from financial institutions		-130,499,825.05	-5,819,678.64
△ Net increase in due to central banks			
△ Net increase in placement from financial institutions		300,000,000.00	
△ Cash received from premiums of original insurance contracts			
△ Net amount of reinsurance business			
△ Net increase in insured's deposits and investments			
△ Net increase in disposal of financial assets at fair value through profit and loss			
△ Cash received from interests, fees and commissions		120,551,499.37	162,059,103.37
△ Net increase of placement from banks and other financial institutions			
△ Net increase in repurchasing		294,000,000.00	
△ Net cash received from agent sales of securities			
Taxes and surcharges refunds		159,950,933.31	73,215,074.29
Other cash receipts related to operating activities		413,462,822.01	271,264,888.21
Total cash inflows from operating activities		11,622,727,524.82	8,254,444,539.71
Cash paid for goods and services		10,282,143,669.33	7,969,167,383.77
△ Net increase in loans and advances		29,706,206.41	75,312,256.04
△ Net increase in deposits with central banks and other financial institutions		4,745,899.21	-10,524,150.20
△ Cash paid for claim settlements on original insurance contracts			
△ Net increase of due from banks and other financial institutions		100,000,000.00	
△ Cash paid for interest, fees and commissions		2,424,867.61	2,111,685.47
△ Cash paid for policy dividends			
Cash paid to and for employees		1,187,936,933.20	1,114,839,054.00
Taxes and surcharges cash payments		534,162,355.41	493,446,599.19
Other cash payments related to operating activities		758,016,429.13	627,593,313.92
Total cash outflows from operating activities		12,899,136,360.30	10,271,946,142.19
Net cash flows from operating activities		-1,276,408,835.48	-2,017,501,602.48

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2021	January to June 2020
2. Cash flows from investing activities:			
Cash received from withdraw of investments		3,000,000,000.00	580,891,624.00
Cash received from investment income		29,193,700.83	11,714,107.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,268,341.66	1,530,000.00
Net cash received from disposal of subsidiaries and other business units		2,738,423.00	
Other cash receipts related to investing activities		8,361,858.10	708,372.95
Total cash inflows from investing activities		3,053,562,323.59	594,844,104.55
Cash paid for fixed assets, intangible assets and other long-term assets		135,647,703.18	92,531,411.52
Cash payments for investments		1,807,802,980.72	873,429,000.00
△ 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		110,360.25	750,455.74
Total cash outflows from investing activities		1,943,561,044.15	970,830,647.26
Net cash flows from investing activities		1,110,001,279.44	-375,986,542.71

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2021	January to June 2020
3. Cash flows from financing activities:			
Cash received from investments by others		19,888,840.00	34,000,000.00
Including: cash received by subsidiaries from minority shareholders' investments		15,000,000.00	34,000,000.00
Cash received from borrowings		1,139,527,443.33	1,304,964,033.12
Other cash receipts related to other financing activities			39,030.91
Total cash inflows from financing activities		1,159,416,283.33	1,339,003,064.03
Cash repayments for debts		1,227,636,125.90	1,154,541,200.99
Cash payments for distribution of dividends, profit and interest expenses		121,008,744.05	132,341,472.04
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities		7,079,363.51	2,011,642.16
Total cash outflows from financing activities		1,355,724,233.46	1,288,894,315.19
Net cash flows from financing activities		-196,307,950.13	50,108,748.84
4. Effect of foreign exchange rate changes on cash and cash equivalents		2,966,834.93	7,040,296.80
5. Net increase in cash and cash equivalents		-359,748,671.24	-2,336,339,099.55
Add: beginning balance of cash and cash equivalents		11,298,046,225.31	9,197,222,711.30
6. Ending balance of cash and cash equivalents		10,938,297,554.07	6,860,883,611.75

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Equity attributable to owners of the parent company										Total owner's equity			
	Paid-in capital	Preferred stock	Perpetual bonds	Other equity instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve		△ General risk	Retained earnings	Subtotal
1. Ending balance of last year	1,706,523,000.00					4,341,412,461.31		-20,928,123.89	41,743,525.66	809,136,649.47	8,799,327,500.41	15,677,215,012.96	522,835,501.95	16,200,050,514.91
Add: increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
2. Beginning balance of current year	1,706,523,000.00					4,341,412,461.31		-20,928,123.89	41,743,525.66	809,136,649.47	8,799,327,500.41	15,677,215,012.96	522,835,501.95	16,200,050,514.91
3. Increase/decrease for current year "·" for decrease														
(1) Total comprehensive income						2,002,990.51	-52,609,930.85	6,361,327.46			18,082,683.16	-26,162,929.72	69,564,812.21	43,401,882.49
(2) Owner's contributions and withdrawals of capital						2,002,990.51	-52,609,930.85				34,471,056.17	-18,138,894.68	10,489,965.73	-7,648,928.95
1. Common stock contributed by owners						2,002,990.51					2,383,400.00	4,386,390.51	66,719,970.10	70,397,536.73
2. Capital contributed by other equity instruments holders												2,002,990.51	2,002,990.51	2,002,990.51
3. Share-based payment recorded in owner's equity														
4. Others														
(3) Accrual and utilization of specialized reserve														
1. Accrual of specialized reserve									6,361,327.46		2,383,400.00	2,383,400.00	66,719,970.10	68,394,546.22
2. Utilization of specialized reserve									13,552,428.60			6,361,327.46	933,378.10	7,294,705.56
(4) Profits distribution														
1. Appropriation of surplus reserve														
Including: statutory surplus reserve														
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owner/shareholder														
4. Others														
(5) Transfer within owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. Recover of loss by surplus reserve														
4. Defined benefit plan changes carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
4. Ending balance of current year	1,706,523,000.00					4,343,415,451.82	-73,538,054.74	48,104,853.12	809,136,649.47	8,817,410,183.57	15,651,052,083.24	592,400,314.16	16,243,452,397.40	

Legal representative :

Chief Accounting Officer :

Accounting agency head :

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	January to June 2020													
	Equity attributable to owners of the parent company													
	Other equity instruments			Other										
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income	Specialized reserve	Surplus reserve	△ General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
1. Ending balance of last year	1,706,523,000.00				4,249,144,205.66		-30,906,514.62	41,541,755.49	809,136,649.47		8,804,199,937.94	15,279,638,633.94	276,525,530.73	15,856,164,184.67
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				4,249,144,205.66		-30,906,514.62	41,541,755.49	809,136,649.47		8,804,199,937.94	15,279,638,633.94	276,525,530.73	15,856,164,184.67
3. Increase/decrease for current year "+" for decrease														
(1) Total comprehensive income					-18,807,567.60		-104,885,491.18	13,470,921.43			29,166,140.92	-81,053,996.43	-49,913,251.70	-130,969,248.13
(2) Owner's contributions and withdrawals of capital					-18,807,567.60		-104,885,491.18				29,166,140.92	-75,719,350.26	8,001,633.35	-67,717,696.91
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					-18,807,567.60			3,568,205.11				-15,239,362.49	-50,421,997.78	-65,661,360.27
(3) Accrual and utilization of specialized reserve														
1. Accrual of specialized reserve					-18,807,567.60			3,568,205.11				-15,239,362.49	-50,421,997.78	-65,661,360.27
2. Utilization of specialized reserve														
(4) Profits distribution														
1. Appropriation of surplus reserve														
Including: statutory surplus reserve														
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owners/shareholder														
4. Others														
(5) Transfer within owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. Recover of loss by surplus reserve														
4. Defined benefit plan changes carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
4. Ending balance of current year	1,706,523,000.00				4,230,336,638.06		-135,792,405.80	55,012,676.92	809,136,649.47		8,833,366,078.86	15,498,582,637.51	226,612,299.03	15,725,194,936.54

Legal representative :

Chief Accounting Officer :

Accounting agency head:

1. BASIC INFORMATION ABOUT THE COMPANY

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

Parent and ultimate controller of the Company: Harbin Electric Corporation

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

2. MAIN ACCOUNTING POLICIES

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

The accounting policies and calculation methods adopted in the consolidated financial statements as at 30 June 2021 are in line with the compilation of the annual financial statements of the Company for the year ended 31st December, 2020.

3. INCOMES AND DIVISION’S DOCUMENTS

1) Basis of reporting division and accounting policy

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

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

2) Financial information of divisions

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

Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	nuclear power products division	Ac/dc motors and others	Total
30 June 2021							
Reportable assets of divisions	35,964,658,828.91	6,282,952,178.48	8,860,906,431.78	1,991,214,049.01	5,358,273,715.00	11,953,825,687.46	70,411,830,890.64
Reportable liabilities of divisions	<u>31,820,936,824.15</u>	<u>3,706,806,289.98</u>	<u>8,541,922,223.77</u>	<u>1,435,790,843.26</u>	<u>3,557,293,355.01</u>	<u>8,863,557,880.51</u>	<u>57,926,307,416.68</u>
January to June 2021							
Revenue of divisions							
External customer	4,436,524,143.48	1,235,517,012.18	3,073,904,425.91	407,530,947.66	605,746,556.11	2,048,105,511.01	11,807,328,596.35
Internal customer	2,270,756,745.86					10,815,307.63	2,281,572,053.49
Reportable revenue of divisions	6,707,280,889.34	1,235,517,012.18	3,073,904,425.91	407,530,947.66	605,746,556.11	2,058,920,818.64	14,088,900,649.84
Reportable revenue of gross profit	<u>498,138,708.11</u>	<u>201,156,783.17</u>	<u>-16,733,251.67</u>	<u>23,069,406.91</u>	<u>392,406,990.56</u>	<u>193,751,661.79</u>	<u>1,291,790,298.87</u>
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 2020							
Reportable assets of divisions	34,113,369,738.82	6,720,545,053.66	8,017,840,757.43	2,333,693,744.35	5,635,409,069.49	10,821,647,967.39	67,642,506,331.14
Reportable liabilities of divisions	<u>30,029,661,562.54</u>	<u>3,978,405,220.96</u>	<u>7,724,304,472.24</u>	<u>1,652,492,888.77</u>	<u>3,812,446,254.89</u>	<u>7,461,914,481.08</u>	<u>54,659,224,880.48</u>
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	<u>501,590,032.92</u>	<u>241,827,173.47</u>	<u>105,049,319.51</u>	<u>59,068,895.29</u>	<u>130,401,050.93</u>	<u>301,940,284.69</u>	<u>1,339,876,756.81</u>

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

Items	30 June 2021	31 December 2020
Assets		
Reportable assets of divisions	70,411,830,890.64	67,642,506,331.14
Offset division's accounts from related parties	-23,061,315,200.68	-24,085,995,845.81
Reportable net assets of divisions	47,350,515,689.96	43,556,510,485.33
Deferred tax assets	538,944,961.17	538,049,449.57
Other non-current assets		
Transactional financial assets	1,586,755.20	201,804,166.47
Restricted and mortgaged bank loans		
Deposit in bank	8,148,051,726.26	9,119,340,973.69
Deposit in central bank	669,746,341.35	701,491,386.38
Cash and cash equivalents	43,863,991.78	7,358,706.92
Unallocated assets of head office and the company	3,232,015,049.67	3,836,701,317.47
Total assets	59,984,724,515.39	57,961,256,485.83
Liabilities		
Reportable liabilities of divisions	57,926,307,416.68	54,659,224,880.48
Offset division's accounts from related parties	-15,367,940,818.99	-13,926,199,847.85
Reportable net liabilities of divisions	42,558,366,597.69	40,733,025,032.63
Tax payable	236,590,255.19	450,081,285.12
Deferred income tax liabilities		
Unallocated liabilities of head office and the company	946,315,265.11	578,099,653.17
Total liabilities	43,741,272,117.99	41,761,205,970.92

Items	January to June in 2021	January to June in 2020
Revenue		
External revenue	11,807,328,596.35	9,613,910,376.04
Internal revenue	2,281,572,053.49	2,650,565,653.48
Reportable revenue of divisions	14,088,900,649.84	12,264,476,029.52
Reportable gross profit of divisions	1,291,790,298.87	1,339,876,756.81
Offset losses between divisions	34,104,564.85	72,830,303.72
External customers' reportable gross profit	1,257,685,734.02	1,267,046,453.09
Long-term equity investment account by equity method	281,420.51	3,172,857.02
Interests income	135,337,081.89	160,800,088.65
Chinese government grants	68,585,797.61	45,561,570.56
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	110,213,648.17	113,726,035.56
Impairment losses for long-term assets such as fixed assets and intangible assets		
Undistributed other revenue and net revenue	42,131,321.11	43,154,302.33
Undistributed expenses of head office and the company	1,305,654,120.30	1,309,750,482.11
Total profit	<u>88,153,586.67</u>	<u>98,888,351.92</u>

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2021, the amount of management expenses was RMB 520,936,385.87 (for the six months ended June 30, 2020, the amount of management expenses was RMB 442,071,143.43). Mainly for labor costs, depreciation and amortization expenses, etc.

5. CREDIT IMPAIRMENT LOSSES

Items	January to June in 2021	January to June in 2020
Bad debt loss	-119,543,627.16	-420,797,482.88
Others		
Total	<u>-119,543,627.16</u>	<u>-420,797,482.88</u>

Note: In the current period, the provision for impairment of accounts receivable and other receivables is RMB 119,543,627.16. This amount of impairment will be directly provided if the amount is less likely to be recovered by the Group. The impairment preparation will be directly used to write off the accounts receivable and other receivables

6. IMPAIRMENT ON ASSETS

Items	January to June in 2021	January to June in 2020
Inventory price loss	-16,502,346.65	-2,747,679.54
Impairment loss of Contract asset	-158,698,249.69	141,569,898.91
Total	-175,200,596.34	138,822,219.37

7. PROFIT BEFORE TAX AND AMORTIZATION DEPRECIATION

Items	January to June in 2021
Net profit	44,961,001.90
Income tax expenses	43,192,584.77
Withdrawing depreciation of fixed assets	262,870,685.00
Withdrawing amortization intangible assets	46,567,672.66
Withdrawing amortization of long-term deferred expenses	1,247,334.27
Interests and investment income	30,903,975.34
Interests income of finance company	120,551,499.37
Interests expenses	105,838,860.14
Interests expenses of finance company	4,374,788.03
Profit before tax and amortization depreciation	357,597,452.06

8. DIVIDEND

Items	January to June in 2021	January to June in 2020
Dividend of per share RMB 0.000 at the year 2020		
Dividend of per share RMB 0.000 at the year 2019		
Total		

The Directors do not recommend any interim dividend for the six months ended 30 June 2021 (Six months ended 30 June 2020: RMB 0.00).

9. EARNINGS PER SHARE

	January to June in 2021	January to June in 2020
Shareholders' net profit attributable to parent company	34,471,036.17	29,166,140.92
During the period of the weighted average number of shares of common shares outstanding	1,706,523,000.00	1,706,523,000.00
Earnings per share	<u>0.02</u>	<u>0.02</u>

Note: There were no dilutive ordinary shares outstanding for the six months ended June 30, 2021 and 2020, and diluted earnings per share were the same as basic earnings per share.

10. INCOME TAX

1) Business income taxes

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

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

Except for certain subsidiaries enjoying a corporate income tax rate of 15% (six months ended June 30, 2021: 15%), other subsidiaries located in China should be subject to a corporate income tax rate of 25% (the six months ended June 30, 2021: 25%) Chinese corporate income tax is paid.

2) Hong Kong profits tax

The Company did not earn any income subject to Hong Kong Profits Tax from January to June 2021. Therefore, no provision for Hong Kong Profits Tax has been made.

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

11. ACCOUNTS RECEIVABLE

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

1) Accounts receivable shown by classification

Type	30 June, 2021				31 December, 2020			
	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	780,910,668.00	6.48	536,767,261.45	68.74	1,062,411,205.14	10.19	710,416,506.08	66.87
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	11,266,317,152.44	93.52	3,854,330,193.89	34.21	9,367,324,992.77	89.81	3,568,515,465.61	38.10
Total	12,047,227,820.44		4,391,097,455.34		10,429,736,197.91		4,278,931,971.69	

(1) Accounts receivable individually accruing bad debt provision

Debtor	Accounts receivable	Bad debt provision	Percentage (%)	Reason
Ministry of Water Conservancy and Irrigation of the Republic of Sudan	780,910,668.00	536,767,261.45	68.74	Judging by future recyclability
Total	780,910,668.00	536,767,261.45		

(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, 2021			31 December, 2020		
	Carrying Amount	Bad debt Provision	Percentage (%)	Carrying Amount	Bad debt Provision	Percentage (%)
Within one year	5,625,282,061.64	301,827,580.65	5.37	3,932,434,365.59	191,293,494.09	4.86
One to two years	1,738,919,981.54	466,314,385.71	26.82	1,499,582,420.45	365,896,165.14	24.40
Two to three years	1,016,028,492.78	512,810,154.91	50.47	1,159,300,828.72	595,000,497.40	51.32
Three to four years	785,548,777.50	581,402,421.06	74.01	795,171,695.52	488,540,764.08	61.44
Four to five years	500,819,816.58	392,257,629.16	78.32	300,232,810.36	247,181,672.77	82.33
Over five years	1,599,718,022.40	1,599,718,022.40	100.00	1,680,602,872.13	1,680,602,872.13	100.00
Total	11,266,317,152.44	3,854,330,193.89		9,367,324,992.77	3,568,515,465.61	

12. ACCOUNTS PAYABLE

Items	30 June 2021	31 December 2020
Within one year	8,184,176,692.21	9,459,879,114.35
One to two years	3,320,941,299.77	2,318,199,262.55
Two to three years	936,079,438.89	524,058,113.93
Over three years	1,171,061,369.63	677,248,469.96
Total	13,612,258,800.50	12,979,384,960.79

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

In the first half of 2021, in the face of the complex and ever-changing domestic and foreign environment, China's economy continued to stabilize and recover with steadily increasing momentum. The transformation to clean and low-carbon energy has been accelerated, and the renewable energy installed capacity has been steadily expanding. As of the end of June 2021, the total installed capacity of power generation in China was 2.257 billion kilowatts, representing a year-on-year increase of 9.5%, of which the installed power generation capacity of hydropower power, nuclear power, wind power and solar power accounted for 43.9% of the total electricity installed capacity, representing an increase of 2.9 percentage points over the same period of last year. In the first half of 2021, China's installed power generation capacity increased by 51.87 million kilowatts, representing an increase of 14.92 million kilowatts over the same period of last year, of which hydropower increased by 8.12 million kilowatts, representing an increase of 4.0 million kilowatts over the same period of last year, thermal power increased by 17.57 million kilowatts, representing an increase of 1.25 million kilowatts over the same period of last year, nuclear power increased by 2.27 million kilowatts, representing an increase of 2.27 million kilowatts over the same period of last year, wind power increased by 10.84 million kilowatts, representing an increase of 4.52 million kilowatts over the same period of last year, and solar power increased by 13.01 million kilowatts, representing an increase of 2.86 million kilowatts over the same period of last year.

In the first half of 2021, the Company, with joint efforts of all staff members, took reform and innovation as the driving force to promote high-quality development 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 2021, the Company recorded an operating revenue of RMB11,807.33 million, representing an increase of 22.82% as compared with the same period last year. The Company recorded a net profit attributable to owners of the parent company of RMB34.47 million, representing an increase of 18.19% as compared with the same period last year. Earnings per share were RMB0.02, basically equivalent to that of 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 RMB15,651.05 million, representing a decrease of RMB26.16 million over the beginning of the year; and net assets per share were RMB9.17, representing a decrease of RMB0.02 over the beginning of the year. The decrease in net assets per share was due to the change in the fair value of other equity instruments and change in cash-flow hedges reserve.

NEW CONTRACTS

For the six months ended 30 June 2021, the value of formal contracts secured by the Company amounted to RMB8.953 billion, representing an increase of 1.58% from the same period last year, and to which the coal power equipment contributed RMB3.849 billion, accounting for 43.00% of the total amount, representing a year-on-year decrease of 31.98%; the formal contract amount for hydropower equipment amounted to RMB1.688 billion, accounting for 18.85% of the total amount, representing a year-on-year increase of 234.69%; the formal contract amount for nuclear power equipment amounted to RMB0.119 billion, accounting for 1.33% of the total amount, representing a year-on-year decrease of 67.67%; the formal contract amount for power station service amounted to RMB1.540 billion, accounting for 17.20% of the total amount, representing a year-on-year increase of 28.93%; and the formal contract amount for other products amounted to RMB1.757 billion, accounting for 19.62% of the total amount, representing a year-on-year increase of 61.42%.

In the first half of 2021, the value of export contracts secured by the Company amounted to RMB0.436 billion, representing a decrease of 12.81% from the same period last year.

PRODUCT OUTPUT

The capacity of the Company's power equipment produced during the six months ended 30 June 2021 was 10,635 MW, representing an increase of 5.2% as compared with the same period last year, and among which water turbine generators sets generated a total of 4,900 MW, representing an increase of 20.6% as compared with the same period last year; steam turbine generators generated a total of 5,735 MW, representing a decrease of 5.0% as compared with the same period last year; utility boilers for power stations generated a total of 8,696 MW, representing an increase of 35.2% as compared with the same period last year, and steam turbines for power stations generated a total of 2,090 MW, representing a decrease of 65.3% as compared with the same period last year.

OPERATING REVENUE AND COST

For the six months ended 30 June 2021, the Company recorded an operating revenue of RMB11,807.33 million, representing an increase of 22.82% as compared with the same period last year. In particular, operating revenue of main thermal power equipment was RMB4,436.52 million, representing an increase of 36.72% as compared with the same period last year. Operating revenue of nuclear power equipment was RMB605.75 million, representing a decrease of 24.36% as compared with the same period last year. Operating revenue of main hydropower equipment was RMB1,235.52 million, representing an increase of 16.00% as compared with the same period last year. Operating revenue of engineering services for power stations was RMB3,073.90 million, representing an increase of 13.16% as compared with the same period last

year. Operating revenue of ancillary equipment and supporting products for power stations was RMB407.53 million, representing an increase of 17.82% as compared with the same period last year. Operating revenue of AC/DC motors and other products and services was RMB2,048.11 million, representing an increase of 42.16% as compared with the same period last year. During the period, the increase in the operating revenue of the Company was mainly attributable to the change of production schedule structure in the first half of the year.

During the period, the Company recorded an export turnover of RMB2,919.58 million, accounting for 24.73% of the operating revenue. The exports were mainly to Asia, accounting for 24.36% of the operating revenue and 98.69% of the export turnover.

During the period, the operating cost of the Company was RMB10,549.64 million, representing an increase of 26.39% as compared with the same period last year, which was mainly attributable to the increase in the scale of operating revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2021, the Company realized a gross profit from operating business of RMB1,257.69 million, representing a decrease of 0.74% as compared with the same period last year. The gross profit margin was 10.65%, representing a decrease of 2.53 percentage points as compared with the same period last year.

In particular, the gross profit from main thermal power equipment was RMB474.76 million and the gross profit margin was 10.70%, representing a decrease of 2.67 percentage points as compared with the same period last year; the gross profit from nuclear power equipment was RMB193.75 million and the gross profit margin was 31.99%, representing an increase of 15.70 percentage points as compared with the same period last year; the gross profit from main hydropower equipment was RMB201.16 million and the gross profit margin was 16.28%, representing a decrease of 6.42 percentage points as compared with the same period last year; the gross profit from engineering services for power stations was RMB-16.73 million and the gross profit margin was -0.54%, representing a decrease of 4.41 percentage points as compared with the same period last year; the gross profit from ancillary equipment and supporting products for power stations was RMB23.07 million and the gross profit margin was 5.66%, representing a decrease of 11.42 percentage points as compared with the same period last year; and the gross profit from AC/DC motors and other products and services was RMB381.68 million and the gross profit margin was 18.64%, representing a decrease of 1.96 percentage points as compared with the same period last year.

The Company's gross profit margin slightly decreased, mainly due to the decrease in the gross profit of the thermal power segment arising from the fluctuation of exchange rate.

EXPENSES FOR THE PERIOD

For the six months ended 30 June 2021, the Company incurred expenses for the current period of RMB1,042.56 million, representing an increase of RMB18.08 million or 1.77% as compared with the same period last year. In particular, distribution expenses amounted to RMB228.80 million, representing an increase of 26.64 million or 13.18% as compared with the same period last year; administrative expenses incurred amounted to RMB520.94 million, representing an increase of RMB78.87 million or 17.84% as compared with the same period last year; R&D expenses incurred amounted to RMB280.90 million, representing an increase of RMB80,000 or 0.03% as compared with the same period last year; financial costs incurred amounted to RMB11.93 million, representing a decrease of RMB87.51 million or 88.01% as compared with the same period last year.

The increase in expenses for the period was mainly attributable to the increase in administrative expenses as compared with the same period last year arising from the cancellation of relevant preferential policies during the pandemic with the control of the pandemic situation in 2021.

ASSETS AND LIABILITIES

As at 30 June 2021, the total assets of the Company amounted to RMB59,984.72 million, representing an increase of RMB2,023.47 million or 3.49% over the beginning of the period, among which the current assets were RMB50,489.69 million, accounting for 84.71% of the total assets, and the non-current assets were RMB9,495.03 million, accounting for 15.83% of the total assets. The total liabilities of the Company amounted to RMB43,741.27 million, representing an increase of RMB1,980.07 million or 4.74% over the beginning of the period, among which the current liabilities were RMB40,059.51 million, accounting for 91.58% of the total liabilities, and the non-current liabilities were RMB3,681.76 million, accounting for 8.42% of the total liabilities. As at 30 June 2021, the gearing ratio of the Company was 72.92% as compared to 72.05% at the beginning of the period.

CAPITAL AND GEARING RATIO

As at 30 June 2021, the gearing ratio of the Company (calculated as non-current liabilities over total shareholders' equity) was 0.24:1 as compared to 0.21:1 at the beginning of the period.

MONETARY CAPITAL AND CASH FLOWS

As at 30 June 2021, the monetary capital of the Company was RMB11,794.30 million, representing a decrease of RMB454.41 million or 3.71% as compared to the beginning of the period, primarily attributable to relatively high expenses on purchasing arising from the measures such as bundled bidding and centralized procurement taken to

control risks under the background of continuous increasing of raw material prices in the first half of the year. During the period, the negative net cash flow generated from operating activities of the Company was RMB-1,276.41 million, while investing activities generated net cash flow of RMB1,110 million and financing activities generated negative net cash flow of RMB-196.31 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 2021, the Company's total borrowings amounted to RMB7,324.37 million, all of which were made by various commercial banks, the state's policy banks at loan prime rate and entrusted loan of national funds. Among the borrowings, the amount due within one year was RMB5,122.03 million, representing a decrease of RMB18.57 million over the beginning of the period; the amount due after one year was RMB2,202.34 million, representing an increase of RMB317.56 million over the beginning of the period. As of 30 June 2021, the Company's contracted liabilities were RMB13,175.23 million, representing an increase of RMB1,157.67 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 2021, the Group had made fixed assets investments of RMB174.45 million, which were mainly utilized for investment in technical measures and technical transformation for maintaining the normal production and operation of Dehui biomass electricity and heat cogeneration project, Wangkui biomass electricity and heat cogeneration project and the affiliated enterprises.

On 9 April 2021, Boiler Company, a wholly-owned subsidiary of the Company, entered into the Investment Agreement of Zesheng Environmental Protection Company, pursuant to which Boiler Company agreed to provide capital of RMB120 million to Zesheng Environmental Protection Company by way of cash. Boiler Company holds 50.42% equity interests in Zesheng Environmental Protection Company. Zesheng Environmental Protection Company becomes a subsidiary of Boiler Company.

There is no significant change in the 2021 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 2021, the Company's deposits denominated in foreign currencies were equivalent to approximately RMB1,165.49 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 2021, the funds raised by the Company's domestic share subscription in 2017 (the "Funds") remained unused at RMB185 million. All the funds raised from the issuance of shares and bonds in the previous years had been fully used. During the reporting period, the Company had no raised funds.

The use of the Funds is as follows:

The planned use of the Funds	Planned use amount of the Funds (RMB '00 million)	The used amount of the Funds (RMB '00 million)	The balance of the Funds (RMB '00 million)	Planned use time
Gas turbine joint venture project	1.8	0.91	0.89	before 24 October 2026
Technology transformation project of nuclear power	4.86	3.9	0.96	before 31 December 2023
Purchase of raw materials for production and operation of nuclear power industry	3	3	0	
Purchase of raw materials for production and operation of gas turbine industry	1.47	1.47	0	
Implement financial leasing business	1.54	1.54	0	
Total	<u>12.67</u>	<u>10.82</u>	<u>1.85</u>	

TAX POLICIES

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

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

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

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

NEW PRODUCTS AND NEW INDUSTRIES

In the first half of 2020, the Company actively promoted the development of new products and new industries, completed trial production and no-load testing of the first wheel hub motor prototype and completed the manufacture of the first prototype of the heavy-duty mining truck electric wheel; the first 50-trillion distributed compensator passed the model test; completed the manufacture of Hualong No.1 vertical MSR pilot safety valve; completed the manufacture of seven hairpin oil and gas heat exchangers under the national demonstration project of salt cave compressed air energy storage; and successfully completed the grid connection of steam turbine generator set of 80MW biomass electricity and heat cogeneration project with the largest unit capacity in the world for one time; put into operation Baihetan Hydropower Station, the world's first 1,000,000 kW hydropower unit designed and manufactured by the Company, for which a congratulatory letter was issued by Xi Jinping, the General Secretary of the Central Committee of the Communist Party of China, the PRC President and the Chairman of the Central Military Commission, and instruction was given by Li Keqiang, Member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee and Premier of the State Council.

EMPLOYEES, REMUNERATION, STOCK OPTION PLAN AND TRAINING

As at 30 June 2021, at the Company has a total of 12,063 employees, and the total remuneration amounted to RMB743.66 million.

In order to motivate key employees, the Company formulated the share appreciation rights incentive plan. On 29 January 2021, the share appreciation rights incentive plan and scheme were approved by the general meeting of the Company. On the same date, the Board announced that the conditions for granting the share appreciation rights incentive plan and scheme were satisfied, and formally granted 48.32 million share appreciation rights to 281 incentive targets.

In the first half of 2021, 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 2021, the Company organized 442 classes in total for training and trained 21,125 persons.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

PROSPECTS

According to the forecast of China Electricity Council (CEC), in 2021 the new installed power generation capacity of national infrastructure will be around 180 million kilowatts, of which about 140 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 2.37 billion kilowatts, up by 7.7% over the same period last year. In particular, the installed power generation capacity of coal-fired power will be 1.1 billion kilowatts, hydropower 390 million kilowatts, grid-connected wind energy 330 million kilowatts, grid-connected solar power 310 million kilowatts, nuclear power 54.41 million kilowatts, biomass power generation approximately 35 million kilowatts. The installed capacity of non-fossil energy generating power will reach 1.12 billion kilowatts, and the proportion of total installed capacity will rise to 47.3%, representing an increase of 2.5 percentage points over the end of 2020. The installed scale and proportion of non-fossil energy generating power are expected to exceed that of coal-fired power for the first time.

In the second half of 2021, the Company will continue to adhere to the transformation and development as the main line, as well as completely, accurately and comprehensively implement the new development concept with the highlight in innovation driven and capital driven, while paying close attention to implementation, strengthening technological innovation, grasping capital operation, striving to seize

the market, improving operation quality and quality brand, building digital Harbin Electric, enhancing team construction and comprehensively deepen reform. The Company will actively respond to the energy development situation of “carbon peak and carbon neutralization”, formulate and implement the special action plan, as well as accelerate the green transformation to build a “Green Harbin Electric” while seizing the development opportunities of pumped storage and consolidating the advantages of hydropower industry to further improve the market share. Highlighting the core position of innovation, the Company will accelerate the optimization and serialization of new energy vehicle power, the R&D and optimization of marine equipment, the technological development and upgrading of environmental protection products, and the research on key technologies of new energy and the development of new industries and new products with every effort to make up for the adverse impact of the decline of traditional industries, and complete all objectives and tasks of the whole year with high quality.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARE CAPITAL

As at 30 June 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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 2021, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB2,185.11 million in aggregate. There was no external guarantee of the Company.

PLEDGE OF ASSETS

As at 30 June 2021, the Company pledged its assets of RMB96.61 million (as at 30 June 2020: RMB100.51 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 2021. The members of Audit Committee of the Company include Tang Zhi-hong, He Yu, Hu Jian-min, Chen Guo-qing.

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 2021 in accordance with the requirements of "China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statement".

SHAREHOLDERS' MEETING

On 29 January 2021, the Company held special general meeting of shareholders in Harbin, the PRC. The results of relevant meetings had been published on the websites of the Hong Kong Stock Exchange and the Company.

On 26 May 2021, the 2020 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 2021, 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 2021 are available for inspection at the head office of the Company at 1399 Chuangxinyi Road, Songbei District, Harbin, the PRC.

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

Harbin, PRC, 27 August 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Si Ze-fu, Mr. Wu Wei-zhang and d Mr. Sun Zhi-yong; and the independent non-executive Directors of the Company are Mr. He Yu, Mr. Hu Jian-min, Mr. Chen Guo-qing and Mr. Tang Zhi-hong.