

Contents

2019 INTERIM REPORT OF THE DIRECTORS	2
REVIEW REPORT	16
CONSOLIDATED BALANCE SHEET	17
CONSOLIDATED INCOME STATEMENT	22
CONSOLIDATED STATEMENT OF CASH FLOWS	26
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY	31
NOTES TO THE FINANCIAL STATEMENTS	35
INFORMATION ON THE COMPANY	84

2019 INTERIM REPORT OF THE DIRECTORS

The Board of Directors (the “**Board**”) of Harbin Electric Company Limited (the “**Company**”) hereby announces the operating results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019, which were prepared in accordance with the Chinese Enterprises Accounting Standard. Such operating results have not been audited but have been reviewed by BDO China Shu Lun Pan Certified Public Accountants LLP.

The currency mentioned in this report was Renminbi.

INDUSTRY DEVELOPMENT AND BUSINESS REVIEW

In the first half of 2019, national clean and low-carbon energy transformation further proceeded, and the proportion of power generation from non-fossil energy continued to increase. As of the end of June 2019, national aggregate additional installed capacity of power generating units amounted to 40,740 MW, representing a year-on-year decrease of 11,940 MW, including 1,820 MW for hydropower, 16,930 MW for thermal power, 9,090 MW for wind power, 11,400 MW for photovoltaic power, and 1,250 MW for nuclear power. Installed capacity of non-fossil energy power generating units accounted for 58.4% of the increment. Among power generating units of 6 MW and above, installed capacity of non-fossil energy power generating units accounted for 37.2%, representing an increase of 1.2 percentage points as compared with the same period last year.

In the first half of 2019, the Group, by focusing on its development strategy and driven by reform and innovation, made every effort to promote high quality development. With the joint efforts of all staff members, we made positive progress in various tasks, and the economy operated steadily as expected by and large.

OPERATING RESULTS

For the six months ended 30 June 2019, the Group recorded an operating revenue of RMB9,962.01 million, representing a decrease of 21.76% as compared with the same period last year. The Group recorded a net profit attributable to owners of the parent company of RMB31.46 million, representing an increase of 2.24% as compared with the same period last year. Earnings per share were RMB0.02, remaining stable as compared with the same period last year. The Group's total equity attributable to the owners of the parent company at the end of the period was RMB14,978.40 million, representing a decrease of RMB47.88 million over the beginning of the year; and net assets per share were RMB8.78, representing a decrease of RMB0.03 over the beginning of the period.

NEW CONTRACTS

For the six months ended 30 June 2019, the value of new contracts secured by the Group amounted to RMB6.133 billion, representing a decrease of 29.10% from the same period last year, and to which the export contracts contributed RMB0.340 billion, representing an increase of 39.92% from the same period last year.

Among the contracts in the first half of the year, the new contract amount for thermal power amounted to RMB2.295 billion, accounting for 37.42% of the new contracts; the new contract amount for hydropower amounted to RMB0.913 billion, accounting for 14.89%; the new contract amount for nuclear power amounted to RMB0.009 billion, accounting for 0.15%; the new contract amount for gas power amounted to RMB0.714 billion, accounting for 11.64%; the new contract amount for power station service amounted to RMB0.898 billion, accounting for 14.64%; and the new contract amount for other products amounted to RMB1.304 billion, accounting for 21.26%.

PRODUCT OUTPUT

The capacity of the Group's power equipment produced during the six months ended 30 June 2019 was 5,940 MW, representing a decrease of 21.72% as compared with the same period last year, and among which water turbine generators generated a total of 230 MW, representing a decrease of 77.86% as compared with the same period last year; steam turbine generators generated a total of 5,710 MW, representing a decrease of 14.14% as compared with the same period last year; utility boilers for power stations generated a total of 6,920 MW, representing an increase of 7.45% as compared with the same period last year; and steam turbines for power stations generated a total of 4,830 MW, representing an increase of 53.24% as compared with the same period last year.

OPERATING REVENUE AND COST

For the six months ended 30 June 2019, the Group recorded an operating revenue of RMB9,962.01 million, representing a decrease of 21.76% as compared with the same period last year. In particular, operating revenue of main thermal power equipment was RMB4,425.47 million, representing a decrease of 29.16% as compared with the same period last year. Operating revenue of nuclear power equipment was RMB783.96 million, representing an increase of 36.35% as compared with the same period last year. Operating revenue of main hydropower equipment was RMB420.76 million, representing a decrease of 45.49% as compared with the same period last year. Operating revenue of engineering services for power stations was RMB2,834.25 million, representing a decrease of 25.66% as compared with the same period last year. Operating revenue of ancillary equipment and supporting products for power stations was RMB473.81 million, representing an increase of 78.67% as compared with the same period last year. Operating revenue of AC/DC motors and other products and services was RMB1,023.76 million, representing a decrease of 3.45% as compared with the same period last year. During the period, the decrease in the operating revenue of the Group was mainly attributable to a decrease in the production volume of power generation equipment and less revenue recognition from the newly contracted projects of power station engineering service segment in the early stage of construction.

During the period, the Group recorded an export turnover of RMB2,795.08 million, accounting for 28.06% of the operating revenue. The exports were mainly to Asia, accounting for 27.41% of the operating revenue and 97.68% of the export turnover.

During the period, the operating cost of the Group was RMB8,596.80 million, representing a decrease of 23.35% as compared with the same period last year, which was mainly attributable to the decrease in the scale of operating revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2019, the Group realized a gross profit from operating business of RMB1,365.21 million, representing a decrease of 9.92% as compared with the same period last year. The gross profit margin was 13.70%, representing an increase of 1.8 percentage points as compared with the same period last year.

In particular, the gross profit from main thermal power equipment was RMB824.58 million and the gross profit margin was 18.63%, representing an increase of 3.45 percentage points as compared with the same period last year; the gross profit from nuclear power equipment was RMB117.18 million and the gross profit margin was 14.95%, representing a decrease of 2.94 percentage points as compared with the same period last year; the gross profit from main hydropower equipment was RMB67.92 million and the gross profit margin was 16.14%, representing an increase of 5.79 percentage points as compared with the same period last year; the gross profit from engineering services for power stations was RMB59.27 million and the gross profit margin was 2.09%, representing an increase of 1.61 percentage points as compared with the same period last year; the gross profit from ancillary equipment and supporting products for power stations was RMB41.72 million and the gross profit margin was 8.81%, representing a decrease of 9.93 percentage points as compared with the same period last year; and the gross profit from AC/DC motors and other products and services was RMB254.53 million and the gross profit margin was 24.86%, representing a decrease of 4.97 percentage points as compared with the same period last year.

The Group's gross profit margin increased, due to (1) changes in the product sales structure of the thermal power segment, (2) the enhanced profitability of individual products in the hydropower segments, and (3) the increase in the gross profit margin of power station engineering service segment, affected by the fluctuations in exchange rates.

EXPENSES FOR THE PERIOD

For the six months ended 30 June 2019, the Group incurred expenses for the current period amounted to RMB1,061.70 million, representing a decrease of RMB136.45 million or 11.39% as compared with the same period last year. In particular, distribution expenses amounted to RMB228.09 million, representing a decrease of RMB9.27 million or 3.91% as compared with the same period last year; administrative expenses incurred amounted to RMB536.29 million, representing a decrease of RMB127.44 million or 19.20% as compared with the same period last year; R&D expenses incurred amounted to RMB266.21 million, representing an increase of RMB34.37 million or 14.82% as compared with the same period last year; financial costs incurred amounted to RMB31.11 million, representing a decrease of RMB34.11 million or 52.30% as compared with the same period last year.

The decrease in expenses for the period was mainly attributable to significant control effect in the non-production expense and a decrease in interest expense for the current period.

ASSETS AND LIABILITIES

As at 30 June 2019, the total assets of the Group amounted to RMB54,810.49 million, representing a decrease of RMB1,731.49 million or 3.06% over the beginning of the period, and among which the current assets were RMB45,805.64 million, accounting for 83.57% of the total assets, and the non-current assets were RMB9,004.85 million, accounting for 16.43% of the total assets. The total liabilities of the Group amounted to RMB38,528.59 million, representing a decrease of RMB1,704.36 million or 4.24% over the beginning of the period, and among which the current liabilities were RMB36,830.87 million, accounting for 95.59% of the total liabilities, and the non-current liabilities were RMB1,697.72 million, accounting for 4.41% of the total liabilities. As at 30 June 2019, the gearing ratio of the Group was 70.29% as compared to 71.16% at the beginning of the period.

CAPITAL AND GEARING RATIO

As at 30 June 2019, the gearing ratio of the Group (calculated as non-current liabilities over total shareholders' equity) was 0.11:1 as compared to 0.12:1 at the beginning of the period.

MONETARY CAPITAL AND CASH FLOWS

As at 30 June 2019, the monetary capital of the Group was RMB10,252.54 million, representing a decrease of RMB2,290.71 million or 18.26% as compared to the beginning of the period, primarily attributable to the decrease in contract liabilities. During the period, the negative net cash flow generated from operating activities of the Group was RMB4,063.89 million, while investing activities generated negative net cash flow of RMB145.77 million and financing activities generated net cash flow of RMB1,873.89 million.

FUNDING AND BORROWINGS

The Group currently has three funding sources for operation and development, namely shareholder's funds, trade receivables from customers and bank borrowings. The Group arranges borrowings for each specific project. Except for some special situations, loans will be raised individually by the Group's subsidiaries. However, prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 30 June 2019, the Group's total borrowings amounted to RMB4,003.62 million, all of which were made by various commercial banks and the state's policy banks at interest rates stipulated by the state. Among the borrowings, the amount due within one year was RMB3,703.62 million, representing an increase of RMB1,930.71 million over the beginning of the period; the amount due after one year was RMB300.00 million, representing a decrease of RMB200.00 million over the beginning of the period, which was attributable to the reclassification of long-term borrowings to non-current liabilities due within one year. As of 30 June 2019, the Group's contracted liabilities were RMB13,086.88 million, representing a decrease of RMB1,509.84 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 2019, the Group had made fixed assets investments of RMB234.27 million, including RMB143.14 million for major projects and RMB91.13 million for other projects, which were mainly utilized for the manufacturing base improvement project for main nuclear pump motor units of Harbin Electric Power Equipment Company Limited. Such project was a technological transformation project designed for nuclear power products, which could satisfy the needs of the Group's nuclear power technology development, improve the core manufacturing capacity of nuclear power products and break through the bottleneck of manufacturing main equipment and key components of nuclear power conventional islands; at present, the project construction has been completed substantially.

There is no significant change in the 2019 fixed assets investment plan of the Group as compared to those disclosed in the 2018 annual report.

Save as disclosed above, the Group 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 Group are exposed to exchange risk. As at 30 June 2019, the Group's deposits denominated in foreign currencies were equivalent to approximately RMB542.47 million. As at 30 June 2019, the Group did not enter into any new forward exchange contract.

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 Group'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 Group 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 Group 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 2019, the Group continued to increase its efforts in the development and research on key technologies for seawater desalination and water treatment, solar thermal power generation, biomass coupled power generation and medium and small gas turbines, and in tackling topics including the research and development on large Variable Speed Pumped Storage Units and new small air cooling units, and the upgrading and renovation of ultra-low energy consumption, and accelerated the research and development of new products such as Ultra-supercritical Two-stage Reheating Circulating Fluidized Bed Boiler, Ultra-supercritical W Flame Boiler, medium and small steam turbines, and therefore advanced the process of the development of new industries.

EMPLOYEES, REMUNERATION, STOCK OPTION PLAN AND TRAINING

As at 30 June 2019, the employees of the Group totaled at 13,658 and the total remuneration amounted to RMB627.95 million.

In the first half of 2019, there was no significant change in the Group's remuneration policy from those disclosed in the 2018 annual report. The Group has no long-term incentive scheme in place.

In the first half of 2019, the Group organized 539 classes in total for training and trained 17,176 persons.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

PROSPECTS

In 2019, with increasingly intensified market competition and growing concern about the replacement of thermal power generation with clean and renewable power generation, power generation equipment manufacturers are operating in an environment with more and more challenges. In the second half of 2019, the Group will continue to take measures to develop markets, decrease the “account receivables and inventory”, reduce costs and expenses, and respond to tough market condition. The Group will accelerate transformation and upgrading, develop new pillar industry, cultivate new growth drivers, identify strategic partners and continue to promote industrial restructuring. The Group will further deepen reform, and drive and support corporate development, in order to repay Shareholders with more outstanding results.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30 June 2019, 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 2019, 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 2019, 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).

DISCLOSURE OF SIGNIFICANT EVENTS

On 24 December 2018, the board of directors of Harbin Electric Corporation Co., Ltd. ("**HE**"), the Controlling Shareholder of the Company, and the board of directors of the Company jointly announced that Citigroup Global Markets Asia Limited, on behalf of HE, firmly intended to make a voluntary conditional cash offer to acquire all the issued H Shares of the Company, which would be made on a basis of HK\$4.56 in cash for each H Share. The closing of the H Share Offer is subject to minimum valid acceptances of the H Share Offer being received by 4:00 p.m. on the Closing Date amounting to at least 90% of the H Shares in issue.

As of 4:00 p.m. on the Closing Date (i.e. Friday, 19 July 2019), HE received valid acceptances of 596,660,566 H Shares, representing approximately 88.32% of H Shares in issue.

The H Share Offer failed to become unconditional and lapsed on 19 July 2019 as the acceptance condition failed to be satisfied. The Company made announcement on relevant situation on 19 July 2019.

COMPLIANCE WITH THE MODEL CODE

As at 30 June 2019, 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

For the six months ended 30 June 2019, 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 2019, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB2,073.05 million in aggregate. There was no external guarantee of the Group. In addition, as at the end of the current interim period, the Group had no major pending litigations.

PLEDGE OF ASSETS

As at 30 June 2019, the Group pledged its assets of RMB111.92 million (as at 30 June 2018: RMB119.49 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 2019. The members of Audit Committee of the Company include Tian Min, Zhu Hong-jie and Yu Wen-xing.

AUDITORS

BDO China Shu Lun Pan 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 2019 in accordance with the requirements of "China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statement".

SHAREHOLDERS' MEETING

The 2018 annual general meeting of the Company was held in Harbin, the PRC on 7 May 2019, and extraordinary general meeting and H Share 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 2019, 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 2019 are available for inspection at the head office of the Company at 1399 Chuangxinyi Road, Songbei District, Harbin, the PRC.

REVIEW REPORT

PCPAR [2019] NO. ZE10699

To the Shareholders of Harbin Electric Company Limited:

We have reviewed the accompanying financial statements of Harbin Electric Company Limited (Hereafter refer to as “HEC”), which comprise the consolidated balance sheet as of June 30, 2019, the consolidated income statement from January 1, 2019 to June 30, 2019, the consolidated cash flow statement, the consolidated statement of changes in owner’s equity, and the notes to the financial statements. The preparation of these financial statements is the responsibility of managements of HEC. Our responsibility is to issue review report based on the implementation of review work.

We conducted our review in accordance with Chinese Certified Public Accountants reviewing Standards No. 2101. Those standards require that we plan and perform the review to obtain limited assurance whether the financial statements are free from material misstatements. The review is mainly limited to asking the relevant personnel of the company and implementing the analysis procedures for financial data, and the level of assurance provided is lower than the audit. We did not perform audit, and therefore do not express an audit opinion.

Based on our review, we did not notice any matter which causes us to believe that the financial statements are not prepared in accordance with International Accounting Standards, and fail to fairly reflect the financial situation, the results of operations and cash flow of the reviewed units in all material respects.

BDO China Shu Lun Pan **Certified Public Accountant of China:**
Certified Public Accountants LLP. YONGBO CHEN

Certified Public Accountant of China:
QINGSONG CHEN

Shanghai, China

Date: August 23, 2019

CONSOLIDATION BALANCE SHEET

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Items	Notes	June 30, 2019	December 31, 2018
Current assets:			
Cash and cash equivalents		10,252,535,894.38	12,543,251,700.19
Provision of settlement fund			
Funds lent		400,000,000.00	600,000,000.00
Financial assets held for trading			
Financial derivative			
Notes receivables		1,664,337,085.77	3,112,281,635.68
Account receivables	V(I)	6,926,528,653.05	6,674,746,317.19
Receivable financing			
Advances to suppliers	V(II)	4,029,038,571.97	3,592,286,216.57
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Other receivables	V(III)	1,119,128,393.36	1,270,159,303.49
Recoursable financial assets acquired			
Inventories		11,008,639,340.68	10,454,912,311.25
including: raw materials		3,359,877,502.38	3,212,257,379.48
Stock goods (finished goods)		363,299,098.48	344,585,898.98
Contractual assets		9,905,724,518.35	8,233,457,249.78
Assets classified as held for sale			
Non-current assets due within one year			49,955,000.00
Other current assets	V(IV)	499,709,436.29	781,645,718.79
Total current assets		45,805,641,893.85	47,312,695,452.94

CONSOLIDATION BALANCE SHEET (CONTINUED)

Items	<i>Notes</i>	June 30, 2019	December 31, 2018
Non-current assets:			
Loans and advances		30,533,267.79	
Debt investments			
Other debt investments			
Long-term receivables		2,946,987.63	3,358,126.45
Long-term equity investment		202,088,275.45	182,173,650.81
Other equity instruments investment		629,167,513.71	716,953,772.26
Other non-current financial assets			
Investment property	<i>V(V)</i>	191,181,509.29	233,173,255.85
Fixed Assets original costs	<i>V(V)</i>	14,187,878,938.20	13,874,960,800.37
Less: Accumulated depreciation		8,236,148,547.51	7,957,808,438.89
Net value of fixed assets		5,951,730,390.69	5,917,152,361.48
Less: impairment of fixed assets		49,133,404.86	48,442,947.49
Net book value of fixed assets		5,902,596,985.83	5,868,709,413.99
Construction in progress		502,870,453.89	664,086,992.85
Bearer biological assets			
Oil and gas assets			
Right to use assets			
Intangible assets	<i>V(V)</i>	742,913,628.01	767,164,480.73
Development expenditures		290,105,270.15	274,062,234.32
Goodwill			
Long-term prepaid expenses		22,045,558.60	29,463,079.46
Deferred tax assets		488,401,865.78	490,142,216.40
Other non-current assets			
Including: special reserve materials			
Total non-current assets		9,004,851,316.13	9,229,287,223.12
Total assets		54,810,493,209.98	56,541,982,676.06

CONSOLIDATION BALANCE SHEET (CONTINUED)

Monetary unit: RMB YUAN

Liabilities and shareholders' equity	Notes	June 30, 2019	December 31, 2018
Current liabilities :			
Short-term borrowing	V(VI)	3,503,617,069.24	1,572,908,534.19
Borrowings from central bank			
Unloading funds			300,000,000.00
Transactional financial liabilities			
Derivative financial liabilities			
Notes payables		5,512,430,377.89	5,836,028,015.25
Account payables	V(VII)	12,844,301,477.76	13,215,819,754.05
Advance receipts			
Financial assets sold for repurchase			
Absorption of deposits and interbank deposit		766,741,304.80	1,701,564,614.29
Agent trading securities			
Agent underwriting securities			
Employee benefits payable		255,074,802.71	296,206,737.79
Including: Accrued payroll		20,696,893.51	47,549,236.28
Welfare benefits payable		6,627,172.59	20,641.00
Including: Staff and workers' bonus and welfare			
Taxes payables		70,538,753.50	374,043,503.79
Including: Taxes payable		68,670,523.98	359,389,161.53
Other payables		589,947,332.49	282,211,997.43
Cession insurance and premiums payable			
Coping with reinsurance			
Contractual liabilities		13,086,883,226.98	14,596,720,387.12
Holding for sale liabilities			
Non-current liabilities maturing within one year	V(IX)	200,000,000.00	200,000,000.00
Other current liabilities	V(VIII)	1,338,548.80	188,548.80
TOTAL CURRENT LIABILITIES		36,830,872,894.17	38,375,692,092.71

CONSOLIDATION BALANCE SHEET (CONTINUED)

Liabilities and shareholders' equity	<i>Notes</i>	June 30, 2019	December 31, 2018
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings		300,000,000.00	300,000,000.00
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities			
Long-term payables		480,043,694.29	484,843,694.29
Long-term employee compensation payable		142,308,359.65	142,308,359.65
Estimated liabilities		623,286,396.66	785,172,986.49
Deferred income		152,081,231.33	144,934,944.49
Deferred income tax liabilities			
Other non-current liabilities			
including: special reserve fund			
TOTAL NON-CURRENT LIABILITIES		1,697,719,681.93	1,857,259,984.92
TOTAL LIABILITIES		38,528,592,576.10	40,232,952,077.63

CONSOLIDATION BALANCE SHEET (CONTINUED)

Liabilities and shareholders' equity	Notes	June 30, 2019	December 31, 2018
Owners' (Shareholders') equity:			
Paid-in capital (or share capital)	<i>V(XI)</i>	1,706,523,000.00	1,706,523,000.00
National capital		1,030,952,000.00	1,030,952,000.00
Including: State-owned legal person's capital		1,030,952,000.00	1,030,952,000.00
Collective capital			
Non-governmental capital			
including: individual capital			
Foreign capital		675,571,000.00	675,571,000.00
# Less: Capital redemption			
Net balance of paid-in capital		1,706,523,000.00	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debts			
Capital reserve		3,715,737,494.12	3,715,737,494.12
Less: Treasury stock			
Other comprehensive income		-21,479,889.25	66,045,215.97
Including: Converted difference in foreign			
currency statements		2,948,083.99	2,716,262.19
Special reserve		38,994,125.76	30,812,983.78
Surplus reserve		809,136,649.47	809,136,649.47
including: statutory reserves		809,136,649.47	809,136,649.47
arbitrary provident fund			
reserve funds			
enterprise expansion funds			
profits capitalized on return of			
investments			
Provision for normal risks			
Undistributed profits		8,729,487,303.18	8,698,026,738.58
Total equity attributable to owners of the			
 parent company		14,978,398,683.28	15,026,282,081.92
Minority equity		1,303,501,950.60	1,282,748,516.51
TOTAL OWNERS' (SHAREHOLDERS') EQUITY		16,281,900,633.88	16,309,030,598.43
TOTAL LIABILITIES AND OWNERS'			
 (SHAREHOLDERS') EQUITY		54,810,493,209.98	56,541,982,676.06

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 2019	January to June 2018
I. Total operating income		10,136,137,430.56	12,978,747,387.39
Including: Operating income	V(XII)	9,962,005,905.26	12,731,936,330.66
Interest income		174,131,525.30	246,772,517.95
Earned premiums			
Income from handling charges and commissions			38,538.78
II. Total operating cost		9,714,351,726.80	12,521,974,833.86
Including: Operating cost	V(XII)	8,596,803,298.79	11,216,343,737.26
Interest expenses		8,052,819.15	6,230,313.71
Handling charges and commissions expenses		25,258.79	10,337.62
Refund of insurance premiums			
Net payments for insurance claims			
Net amount withdrawn for insurance contract reserves			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges		47,774,726.84	101,237,278.86
Selling expenses		228,090,017.13	237,364,912.58
General and administrative expenses	V(XIII)	536,286,170.38	663,730,018.27
including: Party construction work funds		11,906,829.19	20,746.83
Research and development expenses		266,208,113.27	231,835,495.99
Financial expenses		31,111,322.45	65,222,739.57
Including: interest expense		44,948,122.39	86,412,707.43
Interest income		25,810,877.44	29,402,604.12
Gain or loss on foreign exchange transactions ("-" for gains)		-1,967,635.29	3,959,921.87

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Item	Notes	January to June 2019	January to June 2018
Plus: Other income		28,832,255.12	4,061,461.07
Investment income ("-" for losses)		16,472,527.40	42,539,960.96
Including: Income from investment in associates and joint ventures		8,714,624.64	429,708.77
Derecognition gains on financial assets measured at amortised cost			
Gains from foreign exchange ("-" for losses)		-142.79	-1,003.45
Net exposure hedging returns ("-" for losses)			
Gains from the changes in fair value ("-" for losses)			
Credit impairment loss ("-" for losses)	V(XV)	-345,313,779.01	-320,252,270.86
Asset impairment loss ("-" for losses)	V(XIV)	2,444,416.73	
Asset disposal income ("-" for losses)		611,030.22	317,323.85
III. Operating profits ("-" for losses)		124,832,011.43	183,438,025.10
Plus: Non-operating income		13,515,363.35	22,413,873.87
including: Gains from disposal of non- current assets			2,088,940.04
Gains from exchange of non- monetary assets			
Government grant income		1,160,400.00	4,534,605.91
Gains from debt restructuring			
Less: Non-operating expenses		1,219,733.35	61,084,827.05
Including: Losses from disposal of non- current assets			1,336,090.76
Losses from exchange of non- monetary assets			
Losses from debt restructuring			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Item	Notes	January to June 2019	January to June 2018
IV. Total profits ("-" for total losses)		137,127,641.43	144,767,071.92
Less: Income tax expenses		83,053,485.39	78,533,914.49
V. Net profit ("-" for net losses)		54,074,156.04	66,233,157.43
(1) Classification according to the continuity of operation			
1. Net profit for continuing operations ("-" for losses)		54,074,156.04	66,233,157.43
2. Termination of operating net profit ("-" for losses)			
(2) Classification by ownership			
1. Net profit attributable to shareholders of the parent company		31,460,564.60	30,768,718.70
2. Minority shareholder gains and losses		22,613,591.44	35,464,438.73
VI. Other comprehensive income, net of tax		-87,520,686.75	839,834.09
Net after-tax of other comprehensive income attributable to the parent company owner		-87,525,105.22	839,834.09
(1) Other comprehensive income that cannot be reclassified into profit or loss		-87,786,258.55	
1. Re-measure the change in the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment		-87,786,258.55	
4. Changes in the fair value of the company's own credit risk			

CONSOLIDATED INCOME STATEMENT (CONTINUED)

Item	Notes	January to June 2019	January to June 2018
(2) Other comprehensive income that will be reclassified into profit or loss		261,153.33	839,834.09
1. Other comprehensive income of convertible profits and losses under the equity method			
2. Gains and losses from changes in fair value of available-for-sale financial assets		29,331.53	
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provisions			
5. Cash flow hedge reserve			
6. Foreign currency financial statement translation difference		231,821.80	839,834.09
7. Others			
Net after-tax of other comprehensive income attributable to minority shareholders		4,418.47	
VII. Total comprehensive income		-33,446,530.71	67,072,991.52
Total comprehensive income attributable to owners of the parent company		-56,064,540.62	31,608,552.79
Total comprehensive income attributable to minority shareholders		22,618,009.91	35,464,438.73
VIII. Earnings per share :			
Basic earnings per share (<i>yuan per share</i>)	V(XVIII)	0.02	0.02
Diluted earnings per share (<i>yuan per share</i>)	V(XVIII)	0.02	0.02

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CASH FLOWS

Made by: Harbin Electric Company Limited.

Monetary unit: RMB YUAN

Item	Notes	January to June 2019	January to June 2018
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods and rendering of services		8,205,936,623.42	9,886,201,809.98
Net increase in deposits from customers and due from banks and other financial institutions		-909,514,433.79	760,140,116.11
Net increase in borrowings from the central bank			
Net increase in loans from other financial institutions		-100,000,000.00	100,000,000.00
Cash received from receiving insurance premium of original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Net increase received from disposal of financial assets measured at fair value through current profit and loss			
Cash received from interests, handling charges and commissions		173,201,615.07	246,110,704.83
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		203,418,224.59	59,445,903.94
Cash received from other operating activities		278,758,896.08	279,014,827.25
Sub-total of cash inflows from operating activities		7,851,800,925.37	11,330,913,362.11

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2019	January to June 2018
Cash paid for goods purchased and services received		9,505,598,880.84	9,840,832,278.46
Net increase in customers' loans and advances		49,259,273.24	10,284,237.89
Net increase in deposits with central bank and with banks and other financial institutions		-169,465,716.61	-199,541,263.36
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and commissions		7,062,341.93	55,502,317.56
Cash paid for policy dividends			
Cash payments to and on behalf of employees		1,091,798,279.88	1,266,060,927.14
Cash paid for taxes and surcharges		625,556,300.86	835,815,084.80
Cash paid for other operating activities		805,879,399.88	847,648,531.15
Sub-total of cash outflows from operating activities		11,915,688,760.02	12,656,602,113.64
NET CASH FLOWS FROM OPERATING ACTIVITIES		-4,063,887,834.65	-1,325,688,751.53

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2019	January to June 2018
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investments		91,347,423.10	1,017,000,000.00
Cash received from returns on investments		30,194,634.51	34,579,376.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		890,167.92	2,840,930.08
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		8,632,945.91	
Subtotal of cash inflows from investment activities		131,065,171.44	1,054,420,306.78
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		243,639,556.97	195,609,400.55
Cash paid for investments		33,200,000.00	1,148,000,000.00
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			32,621,665.76
Sub-total of cash outflows from investing activities		276,839,556.97	1,376,231,066.31
NET CASH FLOWS FROM INVESTING ACTIVITIES		-145,774,385.53	-321,810,759.53

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2019	January to June 2018
III. CASH FLOWS FROM FINANCING			
ACTIVITIES:			
Cash received from absorption of investment			
Including: Cash received by subsidiaries			
from investments by minority			
shareholders			
Cash received from borrowings		2,342,668,798.62	769,550,061.55
Cash received from bonds issue			
Cash received from other financing activities		3,697,191.03	3,336.38
Sub-total of cash inflows from financing activities		2,346,365,989.65	769,553,397.93
Cash paid for debts repayments			
Cash paid for distribution of dividends and profits or payment of interests		414,850,263.57	4,972,711,610.28
Including: Dividends and profits paid to minority shareholders by subsidiaries		57,557,115.23	269,162,279.19
Cash paid for other financing activities		70,002.71	158,443,661.88
Sub-total of cash outflows from financing activities		472,477,381.51	5,400,317,551.35
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,873,888,608.14	-4,630,764,153.42

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Item	<i>Notes</i>	January to June 2019	January to June 2018
IV. EFFECT OF FLUCTUATION IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		6,550,740.75	-12,895,939.19
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		-2,329,222,871.29	-6,291,159,603.67
Plus: Beginning balance of cash and cash equivalents		11,705,681,448.94	15,206,290,892.00
VI. ENDING BALANCE OF CASH AND CASH EQUIVALENTS		9,376,458,577.65	8,915,131,288.33

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Monetary unit: RMB YUAN

Made by: Harbin Electric Company Limited.

Item	January to June 2019										Minority equity	Total owners' equity
	Equity attributable to owners of the parent company											
	Paid-in capital (or share capital)	Preferred stocks	Other equity instrument	Capital reserves	Treasury stock	Less: Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal
I. Balance at the end of the last year	1,706,523,000.00		3,712,337,494.12	66,045,215.97	30,975,963.70	8,091,516,495.47	8,693,024,733.53	15,026,262,861.92				16,309,003,598.43
Plus: Adjustments or changes in accounting policies												
Correction of accounting errors in prior periods												
Business combination under the same control												
Others												
II. Balance at the beginning of the year	1,706,523,000.00		3,712,337,494.12	66,045,215.97	30,975,963.70	8,091,516,495.47	8,693,024,733.53	15,026,262,861.92				16,309,003,598.43
III. Increases/decreases in the current period												
(*) For increases												
(1) Total comprehensive income				47,255,105.22	8,101,141.98		31,440,544.60					20,753,434.09
(2) Capital contributed or reduced by owners				-47,255,105.22			31,440,544.60					-20,753,434.09
1. Common shares contributed by owners												
2. Capital contributed by the holders of other equity instruments												
3. Amounts of share-based payments recognized in owners' equity												
4. Others												
(3) Special reserves												
1. Extraction of special reserves				8,101,141.98								8,101,141.98
2. Use of special reserves				17,255,865.67								17,255,865.67
				-3,574,712.69								-3,574,712.69
												1,269,996.01
												1,846,010.04
												-33,446,530.71
												4,159,527.02

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Item	January to June 2019												
	Equity attributable to owners of the parent company												
	Paid-in capital (or share capital)	Preferred stocks	Other equity instrument	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal	Minority equity	Total owners' equity
(4) Profit distribution													
1. Withdrawal of surplus reserves including Statutory reserves													
2. Withdrawal of general risk reserves													
3. Profits distributed to owners (or shareholders)													
4. Others													
(5) Internal carry-forward of owners'													
1. Conversion of capital reserves into paid-in capital (or share capital)													
2. Conversion of surplus reserves into paid-in capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Transfer reinsurance changes (net liabilities or net assets of defined benefit plans)													
5. Other comprehensive income carry-over related earnings													
6. Others													
(6) others													
IV. Balances at the end of the current period	1,706,523,000.00			3,715,379,641.12	-2,179,889.25	38,941,125.76	8,011,346,449.47	8,729,487,803.18	14,978,398,483.28	1,303,501,950.40	16,281,900,833.88		

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

		January to June 2018												
		Equity attributable to owners of the parent company												
Item	Balance at the end of the last year	Other equity instrument						Equity attributable to owners of the parent company					Minority equity	Total owners' equity
		Paid-in capital (or share capital)	Preferred stocks	Perpetual capital securities	Other comprehensive income	Treasury stock	Less: Treasury stock	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves		
I.	1,706,523,000.00			3,601,197,200.17	18,514,289.22	19,377,426.96	786,529,945.86	8,649,609,089.09		14,800,730,901.30	1,271,400,773.32	16,102,151,678.62		16,102,151,678.62
	Plus: Adjustments or changes in accounting policies													
	Correction of accounting errors in prior periods													
	Business combination under the same control													
	Others													
II.	Balance at the beginning of the year	1,706,523,000.00		3,601,197,200.17	18,514,289.22	19,377,426.96	786,529,945.86	8,649,609,089.09		14,800,730,901.30	1,271,400,773.32	16,102,151,678.62		16,102,151,678.62
III.	Increase/decrease in the current period (- / or decrease)													
(1)	Total comprehensive income			14,290,263.95	-48,704,660.25	6,738,070.31		31,230,199.49		33,553,073.50	14,082,153.85	47,636,007.35		47,636,007.35
(2)	Capital contributed or reduced by owners			14,290,263.95	839,884.09			30,768,718.70		31,668,592.79	35,484,439.73	67,024,944.52		67,024,944.52
	1. Common shares contributed by owners			14,290,263.95										
	2. Capital contributed by the holders of other equity instruments				839,884.09									
	3. Amounts of share-based payments recognized in owners' equity													
	4. Others													
(3)	Special reserves			14,290,263.95						14,290,263.95	5,625,000.00	19,915,263.95		19,915,263.95
	1. Extraction of special reserves					6,738,070.31				6,738,070.31	546,591.13	7,284,661.44		7,284,661.44
	2. Use of special reserves													
					10,676,571.17	-3,938,300.86				10,676,571.17	1,378,044.95	12,054,631.12		12,054,631.12
					-3,938,300.86					-3,938,300.86	329,603.22	-4,768,195.68		-4,768,195.68

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

		January to June 2018								
		Equity attributable to owners of the parent company								
Item	Other equity instrument	Less:		Other			Subtotal	Minority equity	Total owners' equity	
		Preferred stocks	Capital reserves	Treasury stock	comprehensive income	Special reserves				Surplus reserves
(4) Profit distribution										
1. Withdrawal of surplus reserves										
Including: Statutory reserves										
Discretionary fund										
Reserve fund										
Expansion fund of enterprise										
Profits capitalized on return of investment										
2. Withdrawal of general risk reserves										
3. Profits distributed to owners (or shareholders)										
4. Others										
(5) Initial carry-forward of owners' reserves										
1. Conversion of capital reserves into paid-in capital (or share capital)										
2. Conversion of surplus reserves into paid-in capital (or share capital)										
3. Surplus reserves offsetting losses										
4. Transfer/remeasurement changes in net liabilities or net assets of defined benefit plans										
5. Other comprehensive income carry-over related earnings										
6. Others										
(6) Others										
IV Balance at the end of the current period	1,706,523,000.00	3,704,487,494.12		-190,451.03	-26,115,497.27	786,529,945.86	8,680,839,288.58	14,904,304,774.80	1,285,482,931.17	16,189,787,705.97

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

I. BASIC INFORMATION OF COMPANY

i. Company profile

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

Parent and ultimate controller of the Company: Harbin Electric Corporation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

i. Basic of preparation

Based on going concern and actual transactions and events, the Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, and relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting(revised in 2014) issued by the China Securities Regulatory Commission, and Hong Kong Stock Exchange's Rules Governing the Listing of Securities and the Hong Kong Companies Ordinance.

ii. Going concern

For the reporting period and at least 12 months since the end of the reporting period, the Company's production and operation was stable with reasonable asset and liability structure, therefore it is capable of continuing as a going concern and there's no significant risk affecting its ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation.

Among them, the accounting policy for bad debts of trade receivables is:

Receivables include accounts receivable, other receivables, etc. The accounts receivable formed by the Company's external sales of goods or provision of labor services shall be deemed as the initial recognition amount based on the fair value of the contract or agreement receivable from the purchaser. The receivables are presented using the effective interest method and the amortized cost less the provision for bad debts.

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

(1) Accounts receivable

For accounts receivable, whether it contains significant financing components, the company always measures its loss reserves in accordance with the amount of expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Accounts receivable (Continued)

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

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

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

1) The standard of receivables with a single significant amount:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Accounts receivable (Continued)

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

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

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

Account Receivables between related parties;

Others receivables to the relevant national industry authorities and industry associations, etc, which belong to the nature of deposits, deposits and the internal receivables of the enterprise or the in-service employees for the business operations, temporary borrowings, reserve funds and other receivables. Except there is evidence showing impairment, no impairment provision is made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables

The measurement of impairment loss for other receivables is treated in accordance with the measurement method of impairment loss of the aforementioned receivables.

The standard of receivables with a single significant amount:

Other receivables with an amount of CNY 10 million (including CNY 10 million) are recognized as receivables with significant single amount.

i. Statement of compliance with corporate accounting standards

The financial statements prepared by the company follow the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the financial status, operating results, cash flow and other relevant information of the company during the reporting period.

ii. Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

iii. Operating Cycle

The company's operating cycle is 12 months.

iv. Reporting currency

The company uses RMB as the bookkeeping base currency.

v. Principle of measurement

The consolidated financial statements are measured using the historical cost method, except that certain financial instruments are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

vi. *Changes in important accounting policies and accounting estimates*

1. Changes in important policies

- 1) Implementation of “Accounting Standards for Business Enterprises No. 21 – lease” (Revised in 2018).

The Ministry of Finance revised the “Accounting Standards for Business Enterprises No. 21 – Leases” in 2018. The revised guidelines will be implemented as of January 1, 2019. According to the guidelines, the leases that existed before the first implementation date should be retrospectively adjusted. If the data relating to the prior period comparison financial statements are inconsistent with the revised guidelines, no adjustment is required. The implementation of the above standards by the Company has no significant impact during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

vi. *Changes in important accounting policies and accounting estimates (Continued)*

1. Changes in important policies (Continued)

- 2) Implementation of "Accounting Standards for Business Enterprises No. 7 – exchange of non-monetary financial assets" (Revised in 2019).

On May 9, 2019, the Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets" (2019 Revision) (Accounting [2019] No. 8). The revised guidelines were from June 10, 2019. From time to time, the exchange of non-monetary assets between January 1, 2019 and the date of implementation of this Code shall be adjusted in accordance with this Code. For the exchange of non-monetary assets that occurred before January 1, 2019, retrospective adjustments are not required in accordance with the provisions of this Code. The implementation of the above standards by the Company has no significant impact during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

vi. *Changes in important accounting policies and accounting estimates (Continued)*

1. Changes in important policies (Continued)

3) Implementation of "Accounting Standards for Business Enterprises No. 12 – reorganization of debt" (Revised in 2019)

On May 16, 2019, the Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 12 – Debt Restructuring" (2019 Amendment) (Accounting [2019] No. 9). The revised guidelines were implemented on June 17, 2019. Debt restructuring between January 1, 2019 and the date of implementation of this Code shall be adjusted in accordance with this Code. For debt restructuring occurring before January 1, 2019, retrospective adjustments are not required in accordance with the provisions of this Code. The implementation of the above standards by the Company has no significant impact during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

vi. *Changes in important accounting policies and accounting estimates (Continued)*

1. Changes in important policies (Continued)

4) Implementation of “Notice of the Ministry of Finance on Revising the Format of the 2019 Annual General Enterprise Financial Statements”

On April 30, 2019, the Ministry of Finance issued the Notice on Amending the 2019 Annual Financial Statements of General Enterprises (Financial Accounting (2019) No. 6), and revised the financial statement format of general enterprises. The main impacts of the Company’s implementation of the above provisions are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

vi. *Changes in important accounting policies and accounting estimates (Continued)*

1. Changes in important policies (Continued)

4) (Continued)

Content and reason of changes

in accounting policies

Affected report items and amounts

(1) "Note receivables and account receivables" in financial statement should be split into "Note receivables" and "account receivables" respectively; "Note payables and account payables" should be split into "Note receivables" and "account receivables" respectively; the comparison data is adjusted accordingly.	(2) "Note receivables and account receivables" in financial statement should be split into "Note receivables" and "account receivables" respectively, the closing balance of note receivables is RMB1,664,337,085.77, the opening balance is RMB3,112,281,635.68; the closing balance of account receivables is RMB6,926,528,653.05, the opening balance is RMB6,674,746,317.19;
	(3) "Note payables and account payables" should be split into "Note receivables" and "account receivables" respectively, the closing balance of note payables is RMB5,512,430,377.89, the opening balance is RMB5,836,028,015.25; the closing balance of account payables is RMB12,844,301,477.76, the opening balance is RMB13,215,819,754.05;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Other receivables (Continued)

vi. *Changes in important accounting policies and accounting estimates (Continued)*

2. Changes in significant account estimates

None

IV. TAXATION

i. Main tax types and tax rates

<u>Tax type</u>	<u>Tax basis</u>	<u>Tax rates</u>
Value-added Tax	The output tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference is partly due to the value-added tax.	3%, 6%, 9%, 10%, 13%, 16%
City maintenance and construction tax	According to the actual business tax, value-added tax and consumption tax	7%
Enterprise income tax	Calculated according to taxable income	15%, 25%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

IV. TAXATION (CONTINUED)

i. Main tax types and tax rates (Continued)

According to the announcement of the General Administration of Taxation, Ministry of Finance and the General Administration of Customs on deepening the policies related to the reform of value-added tax (The General Administration of Customs and Ministry of Finance and Taxation, No. 39 of 2019), from April 1, 2019, the general taxpayer of value-added tax (hereinafter referred to as The taxpayer shall be subject to VAT taxable sales or imported goods. If the original 16% tax rate is applied, the tax rate shall be adjusted to 13%; if the original 10% tax rate is applied, the tax rate shall be adjusted to 9%.

ii. Tax incentives

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

On August 28, 2017, the company obtained the "High-tech Enterprise Certificate" jointly issued by Heilongjiang Provincial Science and Technology Department, Heilongjiang Provincial Finance Department, Heilongjiang Provincial State Taxation Bureau and Heilongjiang Provincial Local Taxation Bureau (Certificate No.: GR201723000191), valid period For three years, the enterprise income tax will be levied at the rate of 15% during the validity period.

Except for certain subsidiaries enjoying a corporate income tax rate of 15% (six months ended June 30, 2018: 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, 2018: 25%) Chinese corporate income tax is paid.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

IV. TAXATION (CONTINUED)

iii. Hong Kong profits tax

The Group did not earn any income subject to Hong Kong Profits Tax from January to June 2019. Therefore, no provision for Hong Kong Profits Tax has been made.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

i. Account receivables

1. Classified by types of account receivable

Type	30 June, 2019					31 December, 2018				
	Remaining carrying amount		Provision for bad debt			Remaining carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	Provided Ratio (%)	Carrying Value	Amount	Ratio (%)	Amount	Provided Ratio (%)	Carrying Value
Provision for bad debts on a single basis	690,022,102.05	5.89	522,908,683.72	75.78	167,113,418.33	737,339,835.29	6.56	608,957,674.73	82.59	128,382,160.56
Including: Accounts receivable which are individually significant and provided for bad debt separately	557,384,786.63	4.76	436,419,149.25	78.20	120,965,637.38	553,412,455.91	4.92	486,347,205.91	87.88	67,065,250.00
Accounts receivable which are individually not significant but provided for bad debt separately	132,637,315.42	1.13	86,489,534.47	65.21	46,147,780.95	183,927,379.38	1.64	122,610,468.82	66.66	61,316,910.56
Provision for bad debts by portfolio	11,013,166,528.56	94.11	4,253,751,293.84	38.62	6,759,415,234.72	10,500,832,091.75	93.44	3,954,467,935.12	37.66	6,546,364,156.63
Including: Accounts receivable provided for bad debt by credit risk characteristics	11,013,166,528.56	94.11	4,253,751,293.84	38.62	6,759,415,234.72	10,500,832,091.75	93.44	3,954,467,935.12	37.66	6,546,364,156.63
Total	11,703,188,630.61	/	4,776,659,977.56	/	6,926,528,653.05	11,238,171,927.04	/	4,563,425,609.85	/	6,674,746,317.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

i. Account receivables (Continued)

1. Classified by types of account receivable (Continued)

1) Provision for bad debts on a single basis:

Accounts receivable which are individually significant and provided for bad debt separately

Account receivable (by units)	30 June, 2019			
	Account receivables	Provision for bad debt	Provision rate (%)	Provision reason
State Nuclear Power Engineering Corp., Ltd. and other units	557,384,786.63	436,419,149.25	78.30	/
Total	557,384,786.63	436,419,149.25	78.30	/

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

i. Account receivables (Continued)

1. Classified by types of account receivable (Continued)

1) Provision for bad debts on a single basis: (Continued)

Accounts receivable with insignificant single amount but with separate provision for bad debts:

Account receivables (by units)	30 June, 2019			
	Account receivables	Provision for bad debt	Provision rate (%)	Provision reason
China Zhongyuan Foreign Engineering Co., Ltd. and other units	132,637,315.42	86,489,534.47	65.21	/
Total	132,637,315.42	86,489,534.47	65.21	/

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

i. Account receivables (Continued)

1. Classified by types of account receivable (Continued)

2) Provision for bad debts by portfolio:

In a portfolio, accounts receivable are provided for a bad debt based on aging analysis:

Age	30 June, 2019			31 December, 2018		
	Account receivables	Provision for bad debt	Provision rate (%)	Account receivables	Provision for bad debt	Provision rate (%)
Within 1 year	4,433,541,661.11	219,050,229.70	4.94	4,164,547,707.60	197,754,132.56	4.75
1-2 years	2,089,009,465.89	510,129,344.01	24.42	2,091,223,697.23	512,422,687.69	24.50
2-3 years	1,169,666,782.74	566,342,741.79	48.42	1,011,291,538.11	484,229,103.95	47.88
3-4 years	760,437,346.03	542,446,557.15	71.33	802,848,457.94	525,640,567.92	65.47
4-5 years	584,636,750.37	479,892,337.26	82.08	593,043,790.37	423,225,754.91	71.37
Over 5 years	1,975,874,522.42	1,935,890,083.93	97.98	1,837,876,900.50	1,811,195,688.09	98.55
Total	11,013,166,528.56	4,253,751,293.84	/	10,500,832,091.75	3,954,467,935.12	/

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

Net value of provision, transfer and recovery of bad debts in the period was 218,863,055.67 yuan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

i. Account receivables (Continued)

3. Accounts receivable actually written off in the current period

The amount of accounts receivable actually written off from January 1, 2019 to June 30, 2019 was 10,041,566.14 yuan.

ii. Advances to suppliers

Advances to suppliers are listed by age

Age	30 June, 2019			31 December, 2018		
	Book balance	Ratio (%)	Bad debt provision	Book balance	Ratio (%)	Bad debt provision
Within 1 year	2,517,647,633.49	62.36		2,381,280,356.71	66.14	
1-2 years	623,677,479.99	15.45		563,658,004.90	15.66	
2-3 years	524,477,731.40	12.99		315,869,144.06	8.77	279,869.02
Over 3 years	371,363,571.62	9.20	8,127,844.53	339,606,555.43	9.43	7,847,975.51
Total	4,037,166,416.50	100.00	8,127,844.53	3,600,414,061.10	100.00	8,127,844.53

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

iii. Other receivables

Items	30 June, 2019	31 December, 2018
Interest receivables	3,543,911.08	1,378,322.24
Dividend receivables	144,453.39	28,606,172.42
Other receivables	1,115,440,028.89	1,240,174,808.83
Total	1,119,128,393.36	1,270,159,303.49

1. Interest receivables

Items	30 June, 2019	31 December, 2018
Fixed deposit	3,543,911.08	197,637.31
Bond investment		1,180,684.93
Total	3,543,911.08	1,378,322.24

2. Dividend receivables

Items	30 June, 2019	31 December, 2018
Harbin Dongli Real Estate Development Co., Ltd.	144,453.39	144,453.39
Harbin Xinrun Industrial Co., Ltd.		38,388.88
General Electric-Ha Power Energy Service (Qinhuangdao) Co., Ltd		28,423,330.15
Total	144,453.39	28,606,172.42

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

iii. Other receivables (Continued)

3. Other receivables

(1) Other receivable are classified and disclosed according to the method of drawing bad debts:

Type	30 June, 2019					31 December, 2018				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Provided ratio (%)	Carrying Value	Amount	Ratio (%)	Amount	Provided ratio (%)	Carrying Value
Provision for bad debts on a single basis	1,081,217,077.57	79.75	45,204,183.06	4.18	1,036,012,894.51	1,205,004,843.91	80.31	42,254,182.32	3.51	1,162,750,661.59
Other receivables which are individually significant and provided for bad debt separately	730,233,959.67	53.86	24,181,170.11	3.31	706,052,789.56	786,652,979.71	52.43	24,510,676.92	3.12	762,142,302.79
Other receivables which are individually not significant but provided for bad debt separately	350,983,117.90	25.89	21,023,012.95	5.99	329,960,104.95	418,351,864.20	27.88	17,743,505.40	4.24	400,608,358.80
Provision for bad debts by portfolio	274,520,373.36	20.25	195,093,238.98	71.07	79,427,134.38	295,444,167.53	19.69	218,020,020.29	73.79	77,424,147.24
Other receivables provided for bad debt by credit risk characteristics	274,520,373.36	20.25	195,093,238.98	71.07	79,427,134.38	295,444,167.53	19.69	218,020,020.29	73.79	77,424,147.24
Total	1,355,737,450.93	/	240,297,422.04	/	1,115,440,028.89	1,500,449,011.44	/	260,274,202.61	/	1,240,174,808.83

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

iii. Other receivables (Continued)

3. *Other receivables (Continued)*

(1) Other receivable are classified and disclosed according to the method of drawing bad debts: (Continued)

1) Provision for bad debts on a single basis:

Other receivables with significant single amount and separate provision for bad debts at the end of the period

Other receivables (by units)	2019.6.30			
	Other receivables	Bad debt provision	Provision rate (%)	Provision reason
Harbin Electric Corporation	162,095,125.59			Related parties
ACWA Power Harbin Holdings Limited and other units	568,138,834.08	24,181,170.11	4.26	/
Total	730,233,959.67	24,181,170.11	3.31	/

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

iii. Other receivables (Continued)

3. *Other receivables (Continued)*

(1) Other receivable are classified and disclosed according to the method of drawing bad debts: (Continued)

1) Provision for bad debts on a single basis: (Continued)

Other receivables with insignificant single amount but with separate provision for bad debts:

Other receivables (by units)	2019.6.30			Provision reason
	Other receivables	Bad debt provision	Provision rate (%)	
Reserve fund, etc.	350,983,117.90	21,023,012.95	5.99	/
Total	350,983,117.90	21,023,012.95	5.99	/

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

iii. Other receivables (Continued)

3. Other receivables (Continued)

(1) Other receivable are classified and disclosed according to the method of drawing bad debts: (Continued)

2) Provision for bad debts by portfolio

In a portfolio, other receivable are provided for a bad debt based on aging analysis:

Age	30 June, 2019			31 December, 2018		
	Other receivables	Bad debt provision	Provision rate (%)	Other receivables	Bad debt provision	Provision rate (%)
Within 1 year	75,366,492.71	3,661,756.33	4.86	63,476,369.59	3,670,209.91	5.78
1-2 years	2,703,333.34	670,273.49	24.79	5,856,051.88	1,464,012.97	25.00
2-3 years	4,568,101.77	2,284,050.89	50.00	544,508.39	272,254.20	50.00
3-4 years	9,084,566.35	7,267,653.08	80.00	49,888,513.58	39,910,810.87	80.00
4-5 years	7,941,869.97	6,353,495.97	80.00	14,879,958.77	11,903,967.02	80.00
Over 5 years	174,856,009.22	174,856,009.22	100.00	160,798,765.32	160,798,765.32	100.00
Total	274,520,373.36	195,093,238.98	/	295,444,167.53	218,020,020.29	/

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

iii. Other receivables (Continued)

3. Other receivables (Continued)

- (2) Provision, return and recovery of bad debts in this period

Net value of provision, return and recovery of bad debts in this period is -18,632,945.57 yuan.

- (3) Receivables written off in the current period

The amount of other receivables actually written off in the current period was 1,343,835.00 yuan.

iv. Other current assets

Items	30 June, 2019	31 December, 2018
Bank wealth management products		
Entrusted Loan	186,000,000.00	190,000,000.00
Deductible input tax and prepaid tax	313,709,436.29	591,645,718.79
Others		
Total	499,709,436.29	781,645,718.79

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

- v. Changes in investment real estate, fixed assets, intangible assets and other long term assets.

For the six months ended June 30, 2019, The Group has disposed of certain plant and machinery equipment with a carrying amount of RMB279,137.70 (six months ended 30 June 2018: RMB2,523,606.23) in exchange for proceeds of RMB890,167.92 (Six months ended June 30, 2018: RMB2,840,930.08), and the proceeds from the disposal were approximately RMB611,030.22 (six months ended 30 June 2018: income of RMB317,323.85).

For the six months ended June 30, 2019, the Group spent approximately RMB243,639,556.97 (six months ended 30 June 2018: RMB251,823,389.65), which was mainly used for construction in progress, machinery and equipment, transportation equipment, etc. and increased production capacity.

As for 30 June, 2019, the Group's net book value of the Group's plant and machinery was RMB0.00 (as at 30 June 2018: RMB0.00).

- vi. Short-term loan

1. *Classified of short-term loan*

Items	30 June, 2019	31 December, 2018
Mortgage loan	15,600,000.00	15,900,000.00
Guaranteed loan	283,407,954.00	
Credit loan	3,204,609,115.24	1,557,008,534.19
Total	3,503,617,069.24	1,572,908,534.19

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

vi. Short-term loan (Continued)

2. Mortgage loan

Creditor	30 June, 2019	31 December, 2018
Chengdu Rural Commercial Bank Co., Ltd	15,600,000.00	15,900,000.00
Total	15,600,000.00	15,900,000.00

vii. Account payables

Items	30 June, 2019	31 December, 2018
With 1 year	9,696,733,389.49	10,003,805,732.84
1-2 years	1,428,115,685.70	1,811,999,790.23
2-3 years	833,895,321.59	597,497,973.67
Over 3 years	885,557,080.98	802,516,257.31
Total	12,844,301,477.76	13,215,819,754.05

viii. Other current liabilities

Items	30 June, 2019	31 December, 2018
Others	1,338,548.80	188,548.80
Total	1,338,548.80	188,548.80

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

ix. Non-current liabilities within 1 year

1. *Details of non-current liabilities within 1 year*

Items	30 June, 2019	31 December, 2018
Long-term loan within 1 year	200,000,000.00	200,000,000.00
Bond payable within 1 year		
Long-term account payable within 1 year		
Total	200,000,000.00	200,000,000.00

x. Financial leasing

1. *Fixed assets leased through finance leasing*

None

2. *Financial lease payable*

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xi. Share capital

Name of shareholders	31 December 2018	Changes during the period (increase(+), decrease (-))				Sub-total	30 June 2019
		Capital increase	Bonus share	Conversion of the accumulation funds into shares	Conversion of the undistributed profit into shares		
Harbin Electric Corporation	1,030,952,000.00						1,030,952,000.00
Overseas-listed shares	675,571,000.00						675,571,000.00
Total	1,706,523,000.00						1,706,523,000.00

xii. 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 other six divisions. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xii. Incomes and division's documents (Continued)

1. *Basis of reporting division and accounting policy (Continued)*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xii. Incomes and division's documents (Continued)

2. Financial information of divisions

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

Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	nuclear power products division	Ac/dc motors and others	Total
30 June 2019							
Reportable assets of divisions	36,673,477,800.38	5,089,554,616.46	6,883,793,059.68	2,104,087,825.48	6,421,305,151.41	6,256,281,097.51	63,428,499,550.92
Reportable liabilities of divisions	29,824,024,507.66	3,021,806,464.24	6,321,924,233.19	1,422,502,593.31	4,650,313,666.14	5,149,461,254.09	50,390,032,718.63
January to June 2019							
Revenue of divisions							
External customer	4,425,471,557.44	420,755,692.42	2,834,253,296.09	473,810,736.39	783,958,912.64	1,023,755,710.28	9,962,005,905.26
Internal customer	1,848,552,176.34					7,549,620.35	1,856,101,796.69
Reportable revenue of divisions	6,274,023,733.78	420,755,692.42	2,834,253,296.09	473,810,736.39	783,958,912.64	1,031,305,330.63	11,818,107,701.95
Reportable revenue of gross profit	857,638,488.76	67,918,723.94	59,276,183.23	41,725,444.97	117,179,041.12	261,985,223.50	1,405,723,105.52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xii. Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

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

Items	Thermal power host devices	Water and electricity host devices	Plant engineering services	Power plant auxiliary and supporting products	nuclear power products division	Ac/dc motors and others	Total
31 December 2018							
Reportable assets of divisions	38,060,046,043.09	4,981,546,381.13	5,900,713,218.18	2,224,798,407.05	5,918,287,179.76	6,783,336,804.67	63,868,728,033.88
Reportable liabilities of divisions	30,909,471,437.62	2,886,382,078.26	5,424,335,500.65	1,612,693,371.77	4,168,102,585.60	5,536,702,477.71	50,537,687,451.61
January to June 2018							
Revenue of divisions							
External customer	6,246,772,675.10	771,881,980.30	3,812,798,546.75	265,191,255.73	574,953,516.03	1,060,338,356.75	12,731,936,330.66
Internal customer	1,297,613,442.97					25,451,274.79	1,323,064,717.76
Reportable revenue of divisions							
	7,544,386,118.07	771,881,980.30	3,812,798,546.75	265,191,255.73	574,953,516.03	1,085,789,631.54	14,055,001,048.42
Reportable revenue of gross profit							
	975,575,428.03	79,900,909.81	18,213,361.36	49,683,585.68	102,838,375.32	329,171,139.67	1,555,382,799.87

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xii. Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

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

Items	30 June, 2019	31 December, 2018
Assets		
Reportable assets of divisions	63,428,499,550.92	63,868,728,033.88
Offset division's accounts from related parties	-18,806,893,797.14	-19,044,229,265.34
Reportable net assets of divisions	44,621,605,753.78	44,824,498,768.54
Deferred tax assets	488,401,865.78	490,142,216.40
Financial assets held for trading		
Deposit in bank	7,679,484,804.06	8,730,639,860.30
Deposit in central bank	516,679,842.11	635,145,558.72
Cash and cash equivalents	51,205,924.62	50,694,420.76
Unallocated assets of head office and the company	1,453,115,019.63	1,810,861,851.34
Total assets	54,810,493,209.98	56,541,982,676.06
Liabilities		
Reportable liabilities of divisions	50,390,032,718.63	50,537,687,451.61
Offset division's accounts from related parties	-12,702,263,204.77	-12,683,916,496.00
Reportable net liabilities of divisions	37,687,769,513.86	37,853,770,955.61
Tax payable	70,538,753.50	374,043,503.79
Deferred income tax liabilities		
Unallocated liabilities of head office and the company	770,284,308.74	2,005,137,618.23
Total liabilities	38,528,592,576.10	40,232,952,077.63

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xii. Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

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

Items	January to June in 2019	January to June in 2018
Revenue		
External revenue	9,962,005,905.26	12,731,936,330.66
Internal revenue	1,856,101,796.69	1,323,064,717.76
Reportable revenue of divisions	11,818,107,701.95	14,055,001,048.42
Reportable gross profit of divisions	1,405,723,105.52	1,555,382,799.87
Offset losses between divisions	40,520,499.05	39,790,206.47
External customers' reportable gross profit	1,365,202,606.47	1,515,592,593.40
Long-term equity investment account by equity method	8,714,624.64	429,708.77
Interests income	199,942,402.74	276,175,122.07
Chinese government grants	29,992,655.12	8,596,066.98
Profit and loss of trading financial assets		
Interest expenses	53,000,941.54	92,643,021.14
Impairment losses for long-term assets such as fixed assets and intangible assets		282,731.43
Undistributed other revenue and net revenue	22,691,531.62	30,941,775.20
Undistributed expenses of head office and the company	1,436,415,237.62	1,594,042,441.94
Total profit	137,127,641.43	144,767,071.92

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xii. Incomes and division's documents (Continued)

2. Financial information of divisions (Continued)

3) Regional information

Items	Revenue from external customers	
	January to June in 2019	January to June in 2018
1. Domestic (China)	7,166,927,522.19	8,926,611,980.71
2. Overseas:		
- Pakistan Islamic Community	171,398,186.86	629,817,786.83
- Republic of Turkey	51,032,863.65	273,777,633.69
- The United Arab Emirates	2,448,567,713.84	2,372,658,716.02
- Republic of Ecuador	43,548,437.46	278,157,171.20
- Bangladesh People's Republic	24,497,810.60	77,787,500.17
- Republic of Indonesia	16,221,047.70	85,710,911.82
- Other countries	39,812,322.96	87,414,630.22
Overseas subtotals	2,795,078,383.07	3,805,324,349.95
Total	9,962,005,905.26	12,731,936,330.66

xiii. Administrative expenses

For the six months ended 30 June 2019, the amount of management expenses was RMB536,286,170.38 (for the six months ended June 30, 2018, the amount of management expenses was RMB663,730,018.27). Mainly for labor costs, depreciation and amortization expenses, etc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xiv. Assets impairment loss

Items	January to June in 2019	January to June in 2018
Loss on inventory valuation	2,444,416.73	
Total	2,444,416.73	

xv. Credit impairment loss

Items	January to June in 2019	January to June in 2018
Bad debt loss	-200,230,110.10	-321,724,211.70
Contract asset impairment loss	-144,300,764.61	1,736,378.11
Loan impairment loss	-782,904.30	-264,437.27
Total	-345,313,779.01	-320,252,270.86

Note: In the current period, the provision for impairment of accounts receivable and other receivables is RMB200,230,110.10. This amount of impairment will be directly provided if the amount is less likely to be recovered by the Group. The impairment preparation will be directly used to write off the accounts receivable and other receivables

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xvi. Profit before tax and amortization depreciation

Items	January to June in 2019
Net profit	54,074,156.04
Income tax expenses	83,053,485.39
Withdrawing depreciation of fixed assets	333,392,188.74
Withdrawing amortization intangible assets	28,226,729.37
Withdrawing amortization of long-term deferred expenses	7,349,716.57
Interests and investment income	42,283,404.84
Interests income of finance company	174,131,525.30
Interests expenses	44,948,122.39
Interests expenses of finance company	8,052,819.15
Profit before tax and amortization depreciation	342,682,287.51

xvii. Dividend

Items	January to June in 2019	January to June in 2018
Dividend of per share RMB0.000 at the 2018 closing balance		
Dividend of per share RMB0.015 at the 2017 closing balance		25,597,845.00
Total		25,597,845.00

The Directors do not recommend any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB0.00).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xviii. Earnings per share

	January to June in 2019	January to June in 2018
Shareholders' net profit attributable to parent company	31,460,564.60	30,768,718.70
During the period of the weighted average number of shares of common shares outstanding	1,706,523,000.00	1,706,523,000.00
Earnings per share	0.02	0.02

Note: There were no dilutive ordinary shares outstanding for the six months ended June 30, 2019 and 2018, and diluted earnings per share were the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

V. NOTE TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT (CONTINUED)

xix. Assets with restricted ownership or use rights

Restricted assets of ownership category	31 December,		Decrease amount	30 June, 2019
	2018	Increase amount		
I. Assets for collateral				
1. Fixed assets (buildings and plants)	84,885,716.64		1,766,055.06	83,119,661.58
2. Intangible assets (land right to use)	29,148,360.58		348,775.86	28,799,584.72
3. Fixed assets(machinery equipments)				
II. Restricted assets of ownership or use caused by other reasons				
Including: monetary funds	837,570,251.25	38,471,958.63		876,042,209.88
Total	951,604,328.47	38,471,958.63	2,114,830.92	987,961,456.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. RELATED PARTIES AND RELATED PARTIES TRANSACTION

- i. The information of related parties transaction

The transaction price between the Company and related parties is the agreed price of the parties, the price is consistent with transaction prices with a non-related party.

1. *Continuing connected transactions*

The Continuing Connected Transactions – Products and Services Framework Agreement, the Continuing Connected Transactions – Financial Services Framework Agreement Announcement and the Continuing Connected Transactions – Finance issued on February 22, 2017, issued on December 9, 2016 The Supplementary Announcement of the Service Framework Agreement Announcement and the Supplementary Agreement of the Financial Services Framework Agreement, the Company and Harbin Electric Group Co., Ltd. signed the Product and Service Framework Agreement, which is valid from January 1, 2017 to December 31, 2019. day. The Company and Harbin Electric Group Co., Ltd. signed the Financial Services Framework Agreement, which is valid from December 31, 2016 to December 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

i. The information of related parties transaction (Continued)

1. Continuing connected transactions (Continued)

1) The information of production and service transaction

Related parties	January to June in 2019	January to June in 2018
Sales of goods – company under common control		
Procurement of goods – company under common control	3,645,223.18	8,333,907.74
Service fee income – holding company		
Service fee expenses – company under common control	9,579,153.16	25,176,674.43

2) Interests to be paid for absorbing deposits

Related parties	January to June in 2019	January to June in 2018
Holding company	6,793,876.92	4,904,567.51
Company under common control	811,573.89	567,390.32
Total	7,605,450.81	5,471,957.83

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

i. The information of related parties transaction (Continued)

1. Continuing connected transactions (Continued)

3) Interest income from loans and discounted bills

Related parties	January to June in 2019	January to June in 2018
Company under common control	15,907.13	13,719.83
Total	15,907.13	13,719.83

4) Fee and commission income

Related parties	January to June in 2019	January to June in 2018
Company under common control		5,106.75
Total		5,106.75

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

i. The information of related parties transaction (Continued)

1. Continuing connected transactions (Continued)

5) Entrusted loan interest income

Items	January to June in 2019	January to June in 2018
Company under common control	3,529,245.00	3,900,210.00
Total	3,529,245.00	3,900,210.00

6) Consignment management fees

Items	Related parties transaction content	January to June in 2019	January to June in 2018
Harbin Electric Group Co., Ltd.	Commissioned agency fees	1,640,000.00	1,640,000.00
Total		1,640,000.00	1,640,000.00

7) Remuneration of key management

Items	January to June in 2019	January to June in 2018
Remuneration of key management	3,372,018.90	2,307,118.48

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

ii. Account receivables and payables of related parties

1. Receivable items

Items name	Related parties	30 June, 2019		31 December, 2018	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivables	Company under common control	132,174.00			
Prepayments	Company under common control	54,760,000.00		57,611,606.65	
Other receivables	Holding company	163,735,125.59		162,095,125.59	
	Company under common control	5,441,261.60		31,909,479.54	
Interests receivable	Company under common control	3,529,245.00			
Other current assets	Company under common control	186,000,000.00		190,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VI. RELATED PARTIES AND RELATED PARTIES TRANSACTION (CONTINUED)

- ii. Account receivables and payables of related parties
(Continued)

2. Payables items

Items name	Related parties	Remaining carrying amount	
		30 June 2019	31 December 2018
Absorbed deposits	Holding company	637,493,073.74	1,549,328,422.43
	Company under common control	129,248,232.06	149,415,773.41
	Joint venture		2,820,418.45
Accounts payable	Company under common control	23,697,745.39	21,795,385.49
	Joint venture	88,495.58	
Other payables	Holding company	1,044,700.00	478,000.00
	Company under common control	2,449,341.75	2,449,341.75
	Joint venture	600,000.00	600,000.00
Long-term payables	Holding company	3,500,000.00	3,500,000.00

- iii. Commitments of related parties

None

- iv. Guarantee of related parties

None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VII. SHARE-BASED PAYMENT

None

VIII. COMMITMENTS AND CONTINGENCIES

i. Important commitments

1. *Capital commitments*

	30 June, 2019	31 December, 2018
Having been signed but not yet recognized in the financial statements – Commitment to purchase long-term assets	5,754.24	24,615.01

2. *As of June 30, 2019, the company did not have other commitments that need to be disclosed.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

ii. Contingencies

1. Guarantees within and outside the group

NO.	Guarantee company	Company guaranteed		Ways of guarantee	Kinds of guarantee	Ways of counter-guarantee	Amounts of actual guarantee	Including: Current amounts added of company this year	Current condition of company guaranteed	Whether being overdue	Whether sued
		Name	Nature of company								
		Total (to the company within the group)					2,073,050,646.99	70,000,000.00			
1	Harbin Electric Machinery Co., Ltd	Harbin Steam Turbine Works Co., Ltd	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	330,000,000.00		Normal operation	None	None
2	Harbin Electric Machinery Co., Ltd	Harbin Electric Machinery Factory (Zhenjiang) Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	190,000,000.00	60,000,000.00	Normal operation	None	None
3	Harbin Electric Machinery Co., Ltd	Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	10,000,000.00	10,000,000.00	Normal operation	None	None
4	Harbin Electric Co., Ltd.	Harbin Boiler Factory Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	160,154,600.00		Normal operation	None	None
5	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	155,799,880.00		Normal operation	None	None
6	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	175,527,482.30		Normal operation	None	None
7	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	21,063,297.91		Normal operation	None	None
8	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Other guarantee	No counter guarantee	30,272,906.63		Normal operation	None	None
9	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Other guarantee	No counter guarantee	7,568,226.59		Normal operation	None	None
10	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Other guarantee	No counter guarantee	63,229,567.33		Normal operation	None	None
11	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Other guarantee	No counter guarantee	574,093,656.63		Normal operation	None	None
12	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	10,396,607.99		Normal operation	None	None

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended on 30 June 2019

(Unless otherwise stated, all amounts are denominated in Renminbi)

VIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

ii. Contingencies (Continued)

1. Guarantees within and outside the group (Continued)

NO.	Guarantee company	Name	Company guaranteed			Ways of counter-guarantee	Amounts of actual guarantee	Including: Current amounts added of company guaranteed this year	Current condition of company guaranteed	Whether being overdue	Whther sued
			Nature of company	Ways of guarantee	Kinds of guarantee						
13	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	7,726,275.87	Normal operation	None	None	
14	Harbin Electric Co., Ltd.	Harbin Electric International Engineering Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	326,979,552.74	Normal operation	None	None	
15	Harbin Power Group Harbin Power Station Valve Co., Ltd	Harbin Electric Power Equipment Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	4,290,000.00	Normal operation	None	None	
16	Harbin Power Group Harbin Power Station Valve Co., Ltd	Harbin Electric Power Equipment Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	5,220,852.00	Normal operation	None	None	
17	Harbin Power Group Harbin Power Station Valve Co., Ltd	Harbin Electric Power Equipment Co., Ltd.	State-owned holding	Joint liability guarantee	Performance guarantee	No counter guarantee	727,741.00	Normal operation	None	None	

2. Significant pending litigation

None

3. As of June 30, 2019, the company has no other major contingent issues that need to be disclosed.

IX. MATTERS AFTER THE BALANCE SHEET DATA

None

Harbin Electric Company Limited

23 August 2019

INFORMATION ON THE COMPANY

REGISTERED NAME OF THE COMPANY

哈爾濱電氣股份有限公司

ENGLISH NAME OF THE COMPANY

Harbin Electric Company Limited

REGISTERED ADDRESS OF THE COMPANY

Block 3

Nangang District High Technology
Production Base

Harbin

Heilongjiang Province

People's Republic of China

Taxpayer's Identification Number:

91230100127575573H

OFFICE ADDRESS OF THE COMPANY

1399 Chuangxinyi Road

Songbei District

Harbin

Heilongjiang Province

People's Republic of China

Postcode: 150028

Tel: 86-451-82135727 or 58590070

Fax: 86-451-82162088

PLACE OF BUSINESS IN HONG KONG

Room 1601, 16th Floor

LHT Tower

31 Queen's Road Central

Hong Kong

WEBSITE

www.hpec.com

LEGAL REPRESENTATIVE

Mr. Si Ze-fu

AUTHORISED REPRESENTATIVES

Mr. Wu Wei-zhang

Mr. Ai Li-song

COMPANY SECRETARY

Mr. Ai Li-song

JOINT COMPANY SECRETARY

Mr. Tung Tat Chiu, Michael

AUDITORS

BDO China Shu Lun Pan

Certified Public Accountants LLP

LEGAL ADVISORS

as to PRC Law

Haiwen Partners

LISTING INFORMATION

H Shares

The Stock Exchange of Hong Kong Limited

Stock Code: 1133

DEPOSITARY

The Bank of New York

SHARE REGISTER AND TRANSFER OFFICE

Hong Kong Registrars Limited