

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

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

(Stock Code: 1133)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Board of Directors (the “**Board**”) of Harbin Electric Company Limited (the “**Company**”) hereby announces audited operating results of the Company and its subsidiaries for the year ended 31 December 2023, which were prepared in accordance with the China Accounting Standards for Business Enterprises.

CONSOLIDATION BALANCE SHEET

(Apart from special notes: the unit of amount is RMB)

Items	Notes	December 31, 2023	December 31, 2022
Current assets:			
Cash and bank		18,677,316,557.23	17,300,785,271.18
Settlement reserve			
Due from banks and other financial institutions			
Transactional financial assets		603,149,819.44	202,376,414.36
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		975,331,805.68	1,542,259,070.99
Accounts receivable	2	7,161,224,594.18	7,445,375,580.96
Receivables for financing		10,194,291.30	2,145,369.50
Prepayments		8,015,031,909.43	4,893,228,667.72
Premium receivable			
Reinsurance premium receivable			
Reinsurance reserve receivable			
Other receivables		1,333,103,510.85	2,319,174,604.73
Including: Dividend receivable		260,014.64	
Buying back the sale of financial assets		1,755,000,000.00	1,170,000,000.00
Inventories		10,976,748,415.55	9,404,890,448.68
Including: raw materials		3,645,603,552.75	2,696,393,901.07
Merchandise inventories (finished goods)		137,250,395.45	261,843,643.64
Contract assets	3	7,736,963,131.45	8,309,814,549.85
Held-for-sale assets			
Current portion of non-current assets		337,633,475.40	294,952,361.15
Other current assets		3,044,888,178.25	639,006,924.66
Total current assets		60,626,585,688.76	53,524,009,263.78

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	Notes	December 31, 2023	December 31, 2022
Non-current assets:			
Loans and advances issued			
Debt investments			
Available-for-sale financial assets			
Other debt investments		299,639,400.00	
Held-to-maturity investments			
Long-term receivables		554,310,723.29	398,961,054.90
Long-term equity investments		856,602,278.38	377,317,390.52
Other equity instruments investments		677,013,691.76	845,123,706.24
Other non-current financial assets			
Investment property		161,372,063.62	172,730,282.18
Fixed assets		4,995,478,509.62	5,984,855,681.05
Including: Cost		14,373,767,739.57	16,029,713,555.55
Accumulated depreciation		9,330,672,843.67	9,994,028,936.15
Impairment		47,708,685.42	51,042,555.23
Construction in progress		652,740,245.51	209,898,568.77
productive biological assets			
Oil and gas assets			
The right-of-use assets		12,392,431.86	
Intangible assets		937,852,963.06	889,960,351.63
Development disbursements		132,539,393.71	100,344,344.80
Goodwill		34,516,403.61	23,919,751.92
Long-term deferred expenses		4,444,917.10	2,274,060.63
Deferred tax assets		625,356,125.13	723,805,905.84
Other non-current assets		726,109,437.30	30,330,169.80
Including: authorised reserve material			
Total non-current assets		10,670,368,583.95	9,759,521,268.28
Total assets		71,296,954,272.71	63,283,530,532.06

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	Notes	December 31, 2023	December 31, 2022
Current liabilities:			
Short-term borrowings		3,285,133,158.88	4,812,857,850.77
Borrowings from central bank			
Placement from banks and other financial institutions			
Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable		6,146,285,172.11	7,048,462,096.55
Accounts payable	4	16,202,261,315.59	13,796,665,716.93
Advances from customers		5,828,487.77	1,422,059.69
Contract liabilities	3	23,127,922,261.64	17,428,435,136.82
Securities sold under agreement to repurchase			
Deposits and placements from other financial institutions		1,149,795,320.33	639,643,187.93
Securities brokering			
Securities underwriting			
Employee benefits payable		803,131,335.59	574,937,056.92
Including: salary payable		435,130,258.92	224,166,512.70
Welfare benefits payable			
Including: Employee bonus and welfare fund			
Taxes and surcharges payable		522,750,044.00	656,162,164.88
Including: taxes payable excluding surcharges		495,440,387.78	641,262,128.67
Other payables		499,208,747.36	462,738,498.12
Including: Dividend payable		2,773,165.24	3,482,983.73
Fees and commissions payable			
Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities		1,114,672,500.76	402,060,308.88
Other current liabilities		12,381,749.42	35,452,401.56
Total current liabilities		<u>52,869,370,093.45</u>	<u>45,858,836,479.05</u>

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	<i>Notes</i>	December 31, 2023	December 31, 2022
Non-current liabilities:			
Reserve of insurance contract			
Long-term borrowings		1,747,981,728.52	2,391,903,973.83
Bonds payable			
including: preferred stocks			
perpetual debts			
Lease liabilities		11,007,012.24	88,421,052.65
Long-term payable		51,708,704.04	22,101,896.71
Long-term employee benefits payable		319,894,911.90	345,492,088.56
Provisions		1,436,167,546.71	1,949,943,875.77
Deferred income		179,966,632.50	236,321,218.22
Deferred tax liabilities		6,576,303.68	10,224,586.23
Other non-current liabilities		86,485,747.09	6,423,408.10
Including: authorized reserve fund			
		<hr/>	<hr/>
Total non-current liabilities		3,839,788,586.68	5,050,832,100.07
		<hr/>	<hr/>
Total liabilities		56,709,158,680.13	50,909,668,579.12
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATION BALANCE SHEET (CONTINUED)*(Apart from special notes: the unit of amount is RMB)*

Items	Notes	December 31, 2023	December 31, 2022
Equity:			
Paid-in capital		2,236,276,000.00	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		1,560,705,000.00	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		675,571,000.00	675,571,000.00
Less: payback capital			
Paid-in capital -net value		2,236,276,000.00	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		5,496,802,270.69	4,338,736,992.12
Less: treasury shares			
Other comprehensive income		-128,370,784.80	49,765,047.57
Including: Currency translation reserve		-6,581,764.03	-2,714,672.67
Specialized reserve		47,489,368.36	45,479,801.06
Surplus reserve		956,816,359.27	888,849,702.10
Including: statutory surplus reserve		898,564,197.51	888,849,702.10
Other surplus reserve		58,252,161.76	
# Reserve fund			
# Corporate development fund			
# Return of investment			
General risk reserve			
Retained earnings	5	5,255,688,935.55	4,698,595,292.71
Equity attributable to parent company		13,864,702,149.07	11,727,949,835.56
Minority interests		723,093,443.51	645,912,117.38
Total owner's equity		14,587,795,592.58	12,373,861,952.94
Total liabilities and owner's equity		71,296,954,272.71	63,283,530,532.06

Legal representative: Chief Accounting Officer: Accounting agency head:

CONSOLIDATION INCOME STATEMENTS

(Apart from special notes: the unit of amount is RMB)

Item	Notes	January to December 2023	January to December 2022
1. Revenue		29,250,349,896.53	24,984,261,415.23
Including: operating revenue	6	28,840,864,267.52	24,643,794,215.80
Interest income		409,448,104.81	340,467,199.43
Premium earned			
Fees and commissions income		37,524.20	
2. Total cost		29,414,396,382.95	24,746,152,616.39
Including: operating cost	6	25,721,083,239.21	21,780,363,716.94
Interest expenses		15,755,333.62	15,449,717.68
Fees and commissions expenses		200,036.62	77,557.00
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance reserves			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges		195,880,694.39	169,280,840.08
Selling expenses		622,165,587.64	623,905,440.69
Administrative expenses		1,561,035,135.21	1,295,326,666.40
Research and development expenses		998,625,593.36	726,641,980.52
Financial expenses		299,650,762.90	135,106,697.08
Including: interest expenses		200,366,923.11	243,366,883.60
Interest income		28,172,075.43	39,853,821.40
Net exchange loss			
("-" for net proceeds)		72,767,678.05	-91,282,588.56
Other costs and expenses			
Add: Other income		231,352,604.79	148,370,309.20
Investment income("-" for loss)		262,098,236.48	39,180,200.28
Including: investment income from			
associates and joint ventures		53,259,974.55	10,692,995.08
Income from derecognition of			
financial assets at amortised			
cost			
Gain on foreign exchange("-" for loss)		3,302.09	57,521.53
Net exposure hedging returns("-" for losses)			
Gain from fair-value changes("-" for loss)		3,149,819.44	789,659.16
Credit losses ("-" for loss))		551,637,364.56	-331,571,253.69
Impairment on assets ("-" for loss)		-43,301,135.02	57,980,876.51
Proceeds from asset disposal ("-" for loss)		2,908,649.88	2,785,668.86

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

(Apart from special notes: the unit of amount is RMB)

Item	Notes	January to December 2023	January to December 2022
3. Operating profits (“-” for loss)		843,802,355.80	155,701,780.69
Add: non-operating income		90,831,415.41	56,170,684.16
Including: Government grants		5,495,376.15	9,590,163.94
Less: non-operating expenses		165,627,024.85	6,095,779.97
4. Profit before tax (“-” for loss)		769,006,746.36	205,776,684.88
Less: income tax	7	153,623,394.73	76,348,414.01
5. Net profit (“-” for net loss)		615,383,351.63	129,428,270.87
(1) By ownership			
Net profit attributable to parent company		574,760,038.85	98,638,427.66
Profit/loss attributable to minority shareholders		40,623,312.78	30,789,843.21
(2) By going concern basis			
Continuous operating profit and loss		631,737,479.00	129,428,270.87
Termination of the business profit and loss		-16,354,127.37	
6. Other comprehensive income after tax		-173,536,642.24	58,617,543.53
Other comprehensive income after tax attributable to parent company		-178,135,832.37	58,664,847.53
(1) Comprehensive income not to be reclassified as profit or loss		-152,718,675.23	57,939,321.96
1. Remeasure the change in net liabilities or net assets of defined beneficiary plans			
2. Shares in other comprehensive income that the investee cannot reclassify into profit or loss under the equity method			
3. Net gain on equity instruments at fair value through other comprehensive income		-152,718,675.23	57,939,321.96
4. Fair value changes in enterprise’s own credit risk			
5. Others			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

(Apart from special notes: the unit of amount is RMB)

Item	Notes	January to December 2023	January to December 2022
(2) Other comprehensive income to be reclassified as profit or loss		-25,417,157.14	725,525.57
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income		2,171,169.00	-478,296.00
3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Other debt investment credit impairment provision		44,331,753.37	
7. Cash flow hedging reserve		-68,052,988.15	-5,459,896.88
8. Currency translation reserve		-3,867,091.36	6,663,718.45
9. Other profit or loss to be reclassified			
Other comprehensive income after tax attributable to minority share-holders		4,599,190.13	-47,304.00
7. Total comprehensive income		441,846,709.39	188,045,814.40
Total comprehensive income attributable to parent company		396,624,206.48	157,303,275.19
Total consolidated income attributable to minority share-holders		45,222,502.91	30,742,539.21
8. Earnings per share:			
Basic earnings per share	8	0.31	0.06
Diluted earnings per share	8	0.31	0.06

Legal representative: Chief Accounting Officer: Accounting agency head:

CONSOLIDATED STATEMENT OF CASH FLOWS

(Apart from special notes: the unit of amount is RMB)

Item	Notes	January to December 2023	January to December 2022
1. Cash flows from operating activities:			
Cash received from sales and services		39,887,533,756.72	30,821,412,822.45
Net increase in deposits and placements from financial institutions		510,152,132.40	281,301,610.77
Net increase in due to central banks			-68,654,568.37
Net increase in placement from financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions		296,867,012.64	215,869,310.14
Net increase of placement from banks and other financial institutions			
Net increase in repurchasing		-600,000,000.00	400,000,000.00
Net cash received from agent sales of securities			
Taxes and surcharges refunds		161,639,194.50	540,970,202.27
Other cash receipts related to operating activities		1,648,565,774.61	978,684,382.48
Total cash inflows from operating activities		41,904,757,870.87	33,169,583,759.74
Cash paid for goods and services		31,189,623,929.69	23,057,949,076.85
Net increase in loans and advances		-518,889,051.05	39,606,983.18
Net increase in deposits with central banks and other financial institutions		2,771,953,496.64	79,626,544.47
Cash paid for claim settlements on original insurance contracts			
Net increase of due from banks and other financial institutions			-1,310,000,000.00
Cash paid for interest, fees and commissions		11,367,222.29	-1,691,463.83
Cash paid for policy dividends			
Cash paid to and for employees		2,619,079,320.43	2,581,619,169.14
Taxes and surcharges cash payments		1,420,323,792.14	1,526,195,293.70
Other cash payments related to operating activities		2,127,096,645.92	2,449,206,351.03
Total cash outflows from operating activities		39,620,555,356.06	28,422,511,954.54
Net cash flows from operating activities		2,284,202,514.81	4,747,071,805.20

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Apart from special notes: the unit of amount is RMB)

Item	Notes	January to December 2023	January to December 2022
2. Cash flows from investing activities:			
Cash received from withdraw of investments		1,750,644,843.75	687,857,857.43
Cash received from investment income		28,514,768.84	95,223,211.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,995,530.76	8,936,012.83
Net cash received from disposal of subsidiaries and other business units		20,368.02	
Other cash receipts related to investing activities		23,481,613.50	25,850,274.96
Total cash inflows from investing activities		<u>1,811,657,124.87</u>	<u>817,867,357.15</u>
Cash paid for fixed assets, intangible assets and other long-term assets		1,090,422,015.22	372,921,086.20
Cash payments for investments		2,072,671,969.74	1,095,544,615.57
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		95,260,751.50	
Other cash payments related to investing activities		261,845,172.88	9,827,900.02
Total cash outflows from investing activities		<u>3,520,199,909.34</u>	<u>1,478,293,601.79</u>
Net cash flows from investing activities		<u>-1,708,542,784.47</u>	<u>-660,426,244.64</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Apart from special notes: the unit of amount is RMB)

Item	Notes	January to December 2023	January to December 2022
3. Cash flows from financing activities:			
Cash received from investments by others		1,714,666,520.00	4,888,840.00
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		2,161,647,038.55	4,175,095,724.38
Other cash receipts related to other financing activities		574,980,550.00	397,850,000.00
Total cash inflows from financing activities		4,451,294,108.55	4,577,834,564.38
Cash repayments for debts		3,684,700,015.64	4,745,699,765.52
Cash payments for distribution of dividends, profit and interest expenses		226,831,302.94	282,026,116.29
Including: dividends or profit paid by subsidiaries to minority shareholders		1,500,000.00	300,000.00
Other cash payments related to financing activities		17,884,358.43	14,178,193.42
Total cash outflows from financing activities		3,929,415,677.01	5,041,904,075.23
Net cash flows from financing activities		521,878,431.54	-464,069,510.85
4. Effect of foreign exchange rate changes on cash and cash equivalents		-9,860,239.46	33,007,963.21
5. Net increase in cash and cash equivalents		1,087,677,922.42	3,655,584,012.92
Add: beginning balance of cash and cash equivalents		16,276,554,185.93	12,620,970,173.01
6. Ending balance of cash and cash equivalents		17,364,232,108.35	16,276,554,185.93

Legal representative: Chief Accounting Officer: Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

(Apart from special notes: the unit of amount is RMB)

January to December 2023

Item	Equity attributable to owners of the parent company										Total owner's equity			
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision		Retained earnings	Subtotal	Minority interests
1. Ending balance of last year	1,706,523,000.00			49,765,047.57	45,479,801.06	888,849,702.10	4,698,365,292.71	11,727,949,835.56	645,912,117.38	12,373,861,932.94				
Add: increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
2. Beginning balance of current year	1,706,523,000.00			49,765,047.57	45,479,801.06	888,849,702.10	4,698,365,292.71	11,727,949,835.56	645,912,117.38	12,373,861,932.94				
3. Increase/decrease for current year** for decrease	529,753,000.00			-178,135,832.37	1,158,065,278.57	67,966,657.17	557,093,642.84	2,136,759,313.51	77,181,326.13	2,213,933,639.64				
(1) Total comprehensive income				-178,135,832.37			574,760,038.85	396,624,206.48	45,222,502.91	441,946,709.39				
(2) Owner's contributions and withdrawals of capital	529,753,000.00				1,158,065,278.57									
1. Common stock contributed by owners														
2. Capital contributed by other equity instruments holders														
3. Share-based payment recorded in owner's equity														
4. Others														
(3) Accrual and utilization of specialized reserve					-7,450,975.85									
1. Accrual of specialized reserve														
2. Utilization of specialized reserve														
(4) Profits distribution														
1. Appropriation of surplus reserve														
Including: statutory surplus reserve														
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owner/shareholder														
4. Others														
(5) Transfer within owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. Recover of loss by surplus reserve														
4. Defined benefit plan changes carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
4. Ending balance of current year	2,236,276,000.00			-128,370,784.80	5,496,802,270.69	956,816,359.27	5,255,888,935.55	13,864,706,149.07	723,093,443.51	14,587,793,592.58				

Legal representative:

Chief Accounting Officer:

Accounting agency head:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)
(Apart from special notes: the unit of amount is RMB)

Item	January to December 2022													
	Equity attributable to owners of the parent company													
	Other equity instruments													
	Paid-in capital	Preferred stock	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Subtotal	Minority interests	Total owner's equity
1. Ending balance of last year	1,706,523,000.00				4,341,412,461.31		-8,889,798.96	43,527,398.71	809,136,649.47		4,679,669,917.68	11,571,369,627.21	625,991,779.56	12,197,361,406.77
Add: increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
2. Beginning balance of current year	1,706,523,000.00				4,341,412,461.31		-8,889,798.96	43,527,398.71	809,136,649.47		4,679,669,917.68	11,571,369,627.21	625,991,779.56	12,197,361,406.77
3. Increase/decrease for current year** for decrease														
(1) Total comprehensive income							58,664,847.53	1,952,402.35	79,713,052.63		18,925,375.03	156,580,208.35	19,820,337.82	176,500,546.17
(2) Owner's contributions and withdrawals of capital							58,664,847.53				98,638,427.66	157,303,275.19	30,742,539.21	188,045,814.40
1. Common stock contributed by owners														
2. Capital contributed by other equity instruments holders														
3. Share-based payment recorded in owner's equity														
4. Others														
(3) Accrual and utilization of specialized reserve														
1. Accrual of specialized reserve								1,952,402.35					293,327.71	2,245,730.06
2. Utilization of specialized reserve								29,301,504.44					1,268,981.05	30,568,485.49
(4) Profits distribution								-27,349,102.09					-973,653.54	-28,322,755.43
1. Appropriation of surplus reserve									79,713,052.63					
Including: statutory surplus reserve									79,713,052.63					
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owner/shareholder														
4. Others														
(5) Transfer within owner's equity														
1. Capital reserve transferred to paid-in capital														
2. Surplus reserve transferred to paid-in capital														
3. Recover of loss by surplus reserve														
4. Defined benefit plan changes carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
4. Ending balance of current year	1,706,523,000.00				4,338,736,992.12		49,765,047.57	45,479,801.06	888,849,702.10		4,698,305,292.71	11,727,949,835.56	645,919,117.38	12,373,861,952.94

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

2023 ANNUAL PERFORMANCE ANNOUNCEMENT

(Except for special notes, the units of amount are RMB)

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

Based on going concern and actual transactions and events, the Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as “CAS”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

2. Going concern

The company has continuous operation capability for at least 12 months from the end of the reporting period, and has no major issues affecting its ability to continue to operate. Therefore, the financial statements are prepared on the basis of the going concern assumption.

II. ACCOUNTS RECEIVABLE

Items	Closing balance	Opening balance
Accounts receivable	11,518,620,310.81	12,480,343,446.34
Less: bad-debt provision	4,357,395,716.63	5,034,967,865.38
Net accounts receivable	<u>7,161,224,594.18</u>	<u>7,445,375,580.96</u>

Accounts receivable accruing bad debt provision by applying aging analysis

Age	Closing balance Amount	Opening balance Amount
Within one year	4,637,559,991.28	4,733,433,105.49
One to two years	1,429,098,158.23	1,560,475,463.06
Two to three years	642,014,309.63	739,175,172.72
Over three years	452,552,135.04	412,291,839.69
Net amount	<u>7,161,224,594.18</u>	<u>7,445,375,580.96</u>

The credit period given to customers is different, generally depending on the financial strength of individual customers. For the effective management of the credit risk associated with accounts receivable, the Group regularly assesses the customer's credit.

III. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets

Opening balance	9,584,030,772.17
Increase in this period	991,271,983.86
Converted in to accounts receivable in this period	1,637,804,934.92
Closing balance	8,937,497,821.11
Contract asset impairment provision	1,200,534,689.66
Net closing balance	7,736,963,131.45
Including: listed as contract assets	7,736,963,131.45
listed as other non-current assets	

Contract liabilities

Opening balance	17,428,435,136.82
Increase in this period	18,401,675,973.41
Interest adjustment	
The income confirmed in the current period includes the income in the balance at the beginning of the year.	12,702,188,848.59
Closing balance	23,127,922,261.64
Including: listed as contract liabilities	23,127,922,261.64
listed as other non-current liabilities	

IV. ACCOUNTS PAYABLE

Items	Closing balance	Opening balance
Within one year	9,958,348,393.50	11,288,408,105.28
One to two years	4,510,840,294.16	1,194,304,241.76
Two to three years	836,619,752.62	334,659,482.02
Over three years	896,452,875.31	979,293,887.87
Total	<u>16,202,261,315.59</u>	<u>13,796,665,716.93</u>

V. UNDISTRIBUTED PROFIT

Items	Current period
Balance before adjustment at the end of preceding period	4,698,595,292.71
Adjust the total undistributed profit at the beginning of the year (increase +, decrease -)	
Opening balance after adjustment	4,698,595,292.71
Add: Net profit attributable to owners of the parent company	574,760,038.85
Other increase	
Less: Appropriation of statutory surplus reserve	58,262,331.23
Appropriation of discretionary surplus reserve	58,252,161.76
Appropriation of general risk reserve	
Dividends payable on ordinary shares	10,239,138.00
Dividends on ordinary share converted to share capital	
Others	<u>109,087,234.98</u>
Closing balance	<u>5,255,688,935.55</u>

VI. OPERATING INCOME AND OPERATING COST

Items	Amount of this period		Amount of the previous period	
	Income	Cost	Income	Cost
Main business	28,630,794,435.60	25,579,215,460.36	24,447,152,066.39	21,648,685,492.69
Other business	210,069,831.92	141,867,778.85	196,642,149.41	131,678,224.25
Total	<u>28,840,864,267.52</u>	<u>25,721,083,239.21</u>	<u>24,643,794,215.80</u>	<u>21,780,363,716.94</u>

VII. INCOME TAX EXPENSE

Items	Current period	Previous period
Current income tax calculated based on tax law and related regulations	106,987,827.70	61,180,112.09
Adjustment to deferred income tax	46,569,442.45	15,168,301.92
Others	66,124.58	
Total	<u>153,623,394.73</u>	<u>76,348,414.01</u>

VIII. EARNINGS PER SHARE

(1) Basic Earnings Per share

Items	Current period	Previous period
Consolidated net profit attributable to ordinary shareholders of the parent company	574,760,038.85	98,638,427.66
Consolidated net profit attributable to ordinary shareholders of the parent company (After deducting non-recurring gains and losses)	286,948,379.01	-282,928,051.65
The weighted average number of ordinary shares issued by the parent company	1,838,961,250.00	1,706,523,000.00
basic eps (<i>Yuan per share</i>)	0.313	0.058
basic eps (<i>Yuan per share</i>) (After deducting non-recurring gains and losses)	0.156	-0.166

Common stock weighted average calculation:

Items	No.	Current period	Previous period
Number of ordinary shares outstanding at the beginning of the year	1	1,706,523,000.00	1,706,523,000.00
Issuance of new shares or debt to convert shares and other increase in the number of shares (II)	2	529,753,000.00	
Increase the cumulative number of shares (II) from the next month to the end of the year	3	3	
Number of months in the reporting period	4	12	12
Weighted average number of common shares issued outside	$5=1+2*3/12$	1,838,961,250.00	1,706,523,000.00

(2) Diluted Earnings Per share

Items	Current period	Previous period
Adjusted net profit attributable to common shareholders of the parent company	574,760,038.85	98,638,427.66
Adjusted net profit attributable to ordinary shareholders of the parent company (after deducting non-recurring gains and losses)	286,948,379.01	-282,928,051.65
The weighted average number of ordinary shares issued by the Company after adjustment	1,838,961,250.00	1,706,523,000.00
Diluted Earnings Per share	0.313	0.058
Diluted Earnings Per share (After deducting non-recurring gains and losses)	0.156	-0.166

IX. SEGMENT INFORMATION

(1) Segments financial information for 2023

Unit: RMB10,000 YUAN

Items	New power system with new energy as the main body	Clean and efficient industrial systems	Green and low-carbon drive system	Others	Offset	Total
(I) Operating income	2,119,851.87	658,235.54	72,622.35	730,145.72	-696,769.05	2,884,086.43
Including: external transaction income	1,574,684.80	590,526.01	70,322.93	648,552.70		2,884,086.43
Segments transaction income	545,167.07	67,709.53	2,299.42	81,593.02	-696,769.05	
(II) Income on investment in joint ventures and joint ventures	52,266.08	75.92	2,132.88	3,161.07	-2,472.22	55,163.74
(III) Impairment on assets	4,824.95	-62.22	221.83	619.36	-273.95	5,326.00
(IV) Credit losses	5,182.48	-76.68	-803.65	-8,632.26		-4,330.11
(V) Depreciation and amortization charges	41,042.51	2,582.33	16,729.15	11,022.05	-188.50	71,187.54
(VI) Total profit	92,569.26	3,579.60	504.19	42,089.53	-61,841.90	76,900.67
(VII) Income tax expense	5,085.09	7.97	2,606.99	7,661.83	0.45	15,362.34
(VIII) Net profit	87,484.17	3,571.63	-2,102.80	34,427.70	-61,842.36	61,538.34
(IX) Total assets	6,134,639.72	197,026.39	1,313,985.07	35,355,96.42	-4,051,556.17	7,129,695.43
(X) Total liabilities	4,343,376.32	156,563.08	1,052,226.07	3,056,516.91	-2,937,766.51	56,709,158.87

(2) Segments financial information for 2022

Unit: RMB10,000 YUAN

Items	New power system with new energy as the main body	Clean and efficient industrial systems	Green and low-carbon drive system	Others	Offset	Total
(I) Operating income	2,544,682.58	319,977.08	133,728.56	72,307.67	-606,316.46	2,464,379.43
Including: external transaction income	1,970,627.23	305,116.27	132,468.15	56,167.78		2,464,379.43
Segments transaction income	574,055.35	14,860.81	1,260.41	16,139.89		-606,316.46
(II) Income on investment in joint ventures and joint ventures	1,714.51	119.22	-79.24	9.94	-695.13	1,069.30
(III) Impairment on assets	11,651.52	-1,488.03	-2,062.34	-2,303.06	5,798.09	
(IV) Credit losses	-43,908.13	5,349.92	626.34	3,810.06	964.69	-33,157.12
(V) Depreciation and amortization charges	55,630.82	7,069.74	11,284.31	4,753.23	-1,124.74	77,613.36
(VI) Total profit	150,128.97	5,093.21	4,015.26	21,369.91	-160,029.68	20,577.67
(VII) Income tax expense	3,073.01	1,319.71	-1,826.28	5,068.40		7,634.84
(VIII) Net profit	147,055.95	3,773.50	5,841.54	16,301.52	-160,029.68	12,942.83
(IX) Total assets	7,064,848.94	780,760.97	453,986.30	2,096,184.91	-4,067,428.06	6,328,353.06
(X) Total liabilities	5,359,743.69	598,059.33	376,617.95	1,762,570.59	-3,006,024.71	5,090,966.85

(3) Region information

Items	Income from external customers	
	2023	2022
1. Domestic (China)	24,178,681,349.60	19,972,485,717.71
2. overseas		
– Islamic Republic of Pakistan	414,555,773.44	997,222,999.88
– Republic of Turkey	1,038,001,197.30	1,475,627,131.49
– The United Arab Emirates	102,622,439.77	1,213,636,167.05
– The Republic of Ecuador	86,649,015.80	62,304,134.59
– The Republic of Iraq	52,126,953.05	140,012,504.69
– The Republic of Indonesia	829,464,118.41	62,951,546.19
– The Republic of Uzbekistan	808,096,702.30	1,595,380.26
– The Republic of Mexico	882,946,892.70	266,709,006.30
– other countries	447,719,825.15	451,249,627.66
Overseas subtotal	4,662,182,917.92	4,671,308,498.09
Total	28,840,864,267.52	24,643,794,215.80

X. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Investee	Opening balance	Changes in the current period							Closing balance	Provision for impairment loss	Impairment provision at the end of the year
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others			
1. Investment in subsidiaries											
Shenzhen Harbin Power Huihua Trading Company Limited	3,000,000.00								3,000,000.00		3,000,000.00
Subtotal	3,000,000.00								3,000,000.00		3,000,000.00
2. Cooperative enterprise											
Harbin Electric General Gas Turbine (Qinhuangdao) Co., Ltd.	117,382,398.88	30,179,200.00		3,538,836.63					151,100,435.51		
Russia-China Power Equipment Co., Ltd.											
Harbin Qingfeng New Energy Co., LTD	2,000,000.00	40,000,000.00							42,000,000.00		
Dongning Xinfeng New Energy Co., LTD		5,000,000.00							5,000,000.00		
Subtotal	119,382,398.88	75,179,200.00		3,538,836.63					198,100,435.51		
3. Associates											
General Electric - Harbin Power Services (Qinhuangdao) Company	97,525,545.71			16,264,240.15			-11,421,944.00		102,367,841.86		
Harbin Ruifeng New Energy Co., Ltd.	50,360,379.74	5,000,000.00		119,975.43			-5,269,316.80		50,211,038.37		
Liaocheng Xiangguang Power Generation Co., Ltd.	116,179,000.00								116,179,000.00		84,811,282.29
Harbin Electric Power Equipment Co., Ltd.		501,099,951.40		33,891,174.84			-135,895,900.44		399,095,225.80		
Harbin HE Liling Hydropower Equipment New Technology Development Co., Ltd.	7,835,412.45			330,591.13			-103,748.65		8,062,254.93		
Hunan Wuling Harbin Electric Energy Efficiency Technology Co., Ltd	4,249,262.28			346,819.33					4,596,081.61		
Shenyang Dewat Steam Turbine Power Co., Ltd.	45,043,765.65			-6,880,182.12					38,163,583.53		
Harbin Electric (Dalian) Electric Power Design Co., Ltd.	10,120,264.61			120,238.98					10,240,503.59		
Harbin Huitong Power Engineering Company Limited	11,432,643.49			5,528,280.18			-2,563,328.20		14,397,595.47		
Subtotal	342,746,273.93	506,099,951.40		49,721,137.92			-19,358,337.65	-135,895,900.44	743,313,125.16		84,811,282.29
Total	462,128,672.81	581,279,151.40		53,259,974.55			-19,358,337.65	-135,895,900.44	941,413,560.67		84,811,282.29

XI. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	60,626,585,688.76	53,524,009,263.78
Less: current liabilities	<u>52,869,370,093.45</u>	<u>45,858,836,479.05</u>
Net current assets	<u>7,757,215,595.31</u>	<u>7,665,172,784.73</u>

XII. TOTAL ASSETS MINUS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	71,296,954,272.71	63,283,530,532.06
Less: current liabilities	<u>52,869,370,093.45</u>	<u>45,858,836,479.05</u>
Total assets minus current liabilities	<u>18,427,584,179.26</u>	<u>17,424,694,053.01</u>

XIII. DIVIDEND

Based on the company's total share capital of 2,236,276,000 shares, the board of directors recommends a final dividend of RMB0.052 per share (tax inclusive) for the year 2023, representing 20.23% of the Company's earnings per share for the year 2023, for a total dividend of RMB116,286,352.00.

The dividends of H-share shareholders will be paid in HKD at the market exchange rate of RMB against HKD published by the People's Bank of China five days prior to March 28, 2024, that is, 1 RMB is equivalent to HK\$1.1021, and the dividend of H-share shareholders will be HK \$0.0573 per share.

The Company will review and approve the 2023 final dividend distribution plan at the 2023 Annual General Meeting of Shareholders to be held on May 24, 2024.

No shareholder has told the Company to waive or agree to waive any dividend as of December 31, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

In 2023, facing an extremely complex international environment and arduous tasks of reform, development, and stability, the Party Central Committee with Comrade Xi Jinping at its core has led the people of all ethnic groups to withstand external pressure, overcome internal difficulties, and make arduous efforts. The prevention and control of COVID-19 has achieved a stable transition and a major decisive victory, the main targets and tasks of economic and social development have been successfully completed, high-quality development has been solidly promoted, social stability has been maintained, and solid progress has been made in building a socialist modern country.

In 2023, the pace of energy green and low-carbon transformation accelerated, and the country strengthened overall planning and policy support to maintain the rapid development of non-fossil energy, and continued to deepen the foundation of green development. According to relevant statistics from the China Electricity Council, in 2023, China's installed power generation capacity reached 370 million kilowatts, of which, newly built grid-connected solar power generation capacity amounted to 220 million kilowatts, accounting for 58.5% of the total newly-installed power generation capacity. As of the end of 2023, the country's full-caliber installed power generation capacity was 2.92 billion kilowatts, of which non-fossil energy power generation capacity was 1.57 billion kilowatts, accounting for more than 50% of the total installed capacity for the first time in 2023, reaching 53.9%. By type, hydropower installed capacity was 420 million kilowatts, of which pumped storage was 50.94 million kilowatts; nuclear power was 56.91 million kilowatts; grid-connected wind power was 440 million kilowatts, of which onshore wind power was 400 million kilowatts and offshore wind power was 37.29 million kilowatts; grid-connected solar power was 610 million kilowatts; the total installed capacity of grid-connected wind power and solar power of the country reached 1.05 billion kilowatts, representing a year-on-year increase of 38.6%, accounting for 36.0% of the total installed capacity, representing a year-on-year increase 6.4 percentage points. Thermal power installed capacity was 1.39 billion kilowatts, of which coal-fired power was 1.16 billion kilowatts, representing a year-on-year increase of 3.4%, accounting for 39.9% of the total installed power generation capacity, the first time it has dropped below 40%, representing a year-on-year decrease of 4.0 percentage points. The development of new energy storage is rapid. By the end of 2023, the cumulative installed capacity of new energy storage projects completed and put into operation nationwide reached 31.39 million kilowatts/66.87 million kilowatt-hours, with an average storage duration of 2.1 hours; the newly installed capacity in 2023 was approximately 22.60 million kilowatts/48.70 million kilowatt-hours, an increase of more than 260% over the end of 2022.

PRODUCTION AND OPERATION

In 2023, the Company had deeply studied and implemented the important speeches and instructions of General Secretary Xi Jinping, fully implemented the decision-making and deployment of the Party Central Committee and the State Council, united and led the majority of cadres and workers to forge ahead and overcome difficulties, and promoted the enterprise to embark on the fast track of high-quality development. The economic operation continued to improve, and the momentum of progress was significantly increased, with continuous improvement in development quality.

New contracts

In 2023, the value of formal contracts signed of the Company realized RMB43.565 billion, representing a year-on-year increase of 29.53%, of which RMB24.590 billion for new-type power equipment, a year-on-year increase of 44.32% (RMB13.973 billion for thermal power equipment, a year-on-year increase of 101.66%; RMB5.873 billion for hydro power equipment, a year-on-year increase of 38.81%; RMB1.982 billion for nuclear power equipment, a year-on-year decrease of 41.77%; RMB1.687 billion for steam equipment, a year-on-year decrease of 16.81%); RMB0.994 billion for green and low carbon driven equipment, a year-on-year decrease of 27.76%; RMB5.936 billion for clean and efficient industrial system, a year-on-year increase of 23.00%; RMB6.957 billion for EPC and trading, a year-on-year increase of 22.68%; and RMB5.088 billion for modern manufacturing and service industry, a year-on-year increase of 7.8%.

New-type power equipment: The coal power market continued to improve, with the value of formal contracts in the coal power industry increasing significantly; the pumped storage market maintained its rapid development, with the value of formal contracts in the hydropower industry increasing significantly.

Green and low carbon driven equipment: The marine equipment industry achieved growth in orders.

Clean and efficient industrial system: The Company's order performance in the fields of industrial petrochemicals and pumps and valves increased, with a steady increase in the value of formal contracts.

EPC and trading: The Company continued to increase its efforts in developing the overseas contracting market for projects and secured orders for a number of contracting projects in Central Asia, South Asia and other regions, resulting in an increase in the formal contract value.

Modern manufacturing and service industry: The Company actively promoted the development of the manufacturing services market by focusing on the development orientation of being an “operation and maintenance service provider”, resulting in a steady increase in the formal contract value.

Production

In order to ensure the Company’s sustainable and healthy development and scientifically prevent and control operational risks, taking into account the orders on hand, the market situation, customer demand and project progress, the Company achieved reasonable production scheduling. The output of the Company’s power generation equipment amounted to 26,930MW in 2023, up by 76.4% over the same period last year; of which 6,440MW were produced by water turbine generator units, up by 138.7% over the same period last year; and 20,490MW were produced by steam turbine generators, up by 63.0% over the same period last year. Output of steam turbines for power stations was 13,690MW, up by 35.6% over the same period last year and that of boilers for power stations was 15,160MW, up by 8.1% over the same period last year.

Scientific research and innovation

In 2023, the Company invested RMB1.584 billion in science and technology in total, with the R&D investment intensity of 5.53%, and completed 300 scientific research projects and development of 210 new products. The Company won 33 provincial and ministerial level scientific and technological awards throughout the year, including: 700m head 400MW high-speed pumped storage unit, 600–1,000MW ultra-supercritical secondary reheat boiler development and application won the China Good Design Award (Gold) granted by the Innovative Design Alliance of China and the Chinese Mechanical Engineering Society; key technologies and applications for large-scale mixed-flow units won the first prize of the Electric Power Science and Technology Award awarded by the Chinese Society of Electrical Engineering; and the Research on High Temperature Gas-Cooled Reactor Steam Generator Manufacturing Technology and Engineering Application won the Second Prize of Science and Technology Progress Award issued by the People’s Government of Hebei Province. The Company completed 331 patent licenses, including 148 invention patents.

In 2023, the Company has continuously achieved scientific and technological achievements in traditional advantageous products such as hydropower, nuclear power, gas power, thermal power, and general equipment, and has made significant breakthroughs in solar thermal power generation, new energy storage, energy saving and environmental protection. The “Million-kilowatt Hydro-generator Unit” of the Company was selected for the recommended catalogue of scientific and technological innovation achievements of central enterprises; the “Large-scale Impact-type Hydro-generator Unit” was selected for the “One-stop” application demonstration direction of the Ministry of Industry and Information Technology and the State-owned Assets Supervision and Administration Commission; the “Large-scale Fluidized Bed Coal

Gasification Waste Heat Recovery Technology and Key Equipment”, the “New High-efficiency and Flexible Coal-fired Power Generating Units” were approved as the third batch of the National Energy Administration’s projects of the first (sets) of major technological equipment in the energy field. The Company successfully signed the world’s largest single-unit capacity Zala 500MW giant impact hydroelectric unit project and the domestic largest single-unit capacity Huizhou Zhongdong 400MW variable-speed pumped storage unit, and continued to maintain the leading position in hydropower performance; the national major science and technology project “Huaneng Shidao Bay high-temperature gas-cooled reactor nuclear power plant demonstration project”, in which the Company participated in construction has been put into commercial operation, marking that China has reached the world’s leading level in the field of fourth-generation nuclear power technology; the Company successfully signed contracts for solar thermal power projects such as Hengji Neng Mai Guazhou, Qinghai-Henan Direct Current, and Xinhua Bozhou (恒基能邁瓜州、青豫直流、新華博州), achieving breakthroughs in key core equipment such as tower heat absorber systems, steam generators, and molten salt tanks; successfully signed the air turbine equipment contract for the world’s largest 60MW/600MWh liquid compressed air storage demonstration project in Golmud, Qinghai, realizing a new breakthrough in the field of compressed air storage.

Capital expenditure and significant investments held

In 2023, the Company injected a total of capital expenditures worth RMB1.501 billion for major construction and technological transformation projects. The major projects include:

Nuclear power infrastructure enhancement project, pumped storage capacity enhancement project and state-level power generation equipment research centre R&D base construction project. The construction of all the projects is progressing steadily.

In 2024, the Company intends to commit an investment of RMB2.563 billion in key construction and technological transformation projects, mainly for the technical measures and technological transformation projects, nuclear power infrastructure enhancement project, pumped storage capacity enhancement project, state-level power generation equipment research centre R&D base construction project and the construction project of digitization workshops of subsidiaries.

MAJOR ACQUISITIONS AND SALES OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 18 July 2023, the Company entered into the Asset Purchase Agreement with Jiamusi Electric, pursuant to which the Company has conditionally agreed to sell and Jiamusi Electric has conditionally agreed to purchase 51% of the equity interest in Power Equipment Company. On 28 November 2023, all the conditions precedent of the disposal under the Asset Purchase Agreement have been satisfied and Power Equipment Company ceased to be a subsidiary of the Company. Please refer to the announcements of the Company dated 18 July 2023 and 8 November 2023 for details.

MAJOR FINANCIAL INDEXES

Profit

In 2023, net profit attributable to the owner of the parent company realized by the Company registered RMB574.76 million, representing an increase of 476.12 million over the same period last year; earnings per share were RMB0.26. The increase in the Company's profit was mainly due to the positive results achieved by the Company by vigorously developing the market and the significant increase in revenue as compared to the corresponding period of the previous year. Meanwhile, the transfer of 51% equity interest in Harbin Electric Power Equipment Company Limited by the Company resulted in certain investment income.

Operating revenue

In 2023, the Company recorded an operating revenue of RMB28,840.86 million, representing an increase of 17.03% over the same period last year. Of which RMB15,746.85 million for new-type power equipment, a year-on-year increase of 34.06% (RMB8,013.58 million for thermal power equipment, a year-on-year increase of 17.79%; RMB3,443.63 million for hydropower equipment, a year-on-year increase of 25.09%; RMB2,489.88 million for nuclear power equipment, a year-on-year increase of 95.18%; RMB1,143.66 million for steam equipment, a year-on-year increase of 86.35%); RMB703.22 million for green and low carbon driven equipment, a year-on-year decrease of 42.24%; RMB5,905.26 million for clean and efficient industrial system, a year-on-year increase of 14.50%; RMB3,792.97 million for EPC and trading, a year-on-year decrease of 20.52%; and RMB2,202.38 million for modern manufacturing and service industry, a year-on-year decrease of 30.53%.

In 2023, the Company recorded a revenue from export of RMB4,662.18 million (or 16.17% of the total operating revenue), a decrease of RMB9.13 million over the same period of the previous year. The export of the Company was dominated by Asia, North America and Europe, in which export to Asia amounting to RMB3,485.07 million, export to North America amounting to RMB882.94 million while export to Europe amounting to RMB204.68 million.

Cost

In 2023, the operating costs of the Company amounted to RMB25,721.08 million, representing an increase of 18.09% as compared with the corresponding period of last year. The increase in operating costs was mainly due to the substantial increase in the output of the Company's power generation equipment and power station steam turbines during the period.

Gross profit and gross profit margin

In 2023, the Company realized a gross profit from operating business of RMB3,119.78 million, representing a year-on-year increase of RMB256.35 million, and a gross profit margin of 10.82%, representing a year-on-year decrease of 0.8 percentage point. The gross profit of new-type power equipment was RMB2,018.84 million, with a gross profit margin of 12.82%, representing a year-on-year decrease of 1.35 percentage points (of which, gross profit of thermal power equipment was RMB765.14 million, with a gross profit margin of 9.55%, representing a year-on-year decrease of 3.91 percentage points; the gross profit of hydropower equipment was RMB444.18 million, with a gross profit margin of 12.90%, representing a year-on-year decrease of 3.42 percentage points; the gross profit of nuclear power equipment was RMB671.72 million, with a gross profit margin of 26.98%, representing a year-on-year increase of 0.18 percentage point; the gross profit of steam equipment was RMB61.39 million, with a gross profit margin of 5.37%, representing a year-on-year increase of 0.66%); the gross profit of green and low carbon driven equipment was RMB42.55 million, with a gross profit margin of 6.05%, representing a year-on-year increase of 9.55 percentage points; the gross profit of clean and efficient industrial system was RMB192.49 million, with a gross profit margin of 3.26%, representing a year-on-year increase of 1.97 percentage points; the gross profit of EPC and trading was RMB162.02 million, with a gross profit margin of 4.27%, representing a year-on-year increase of 0.49 percentage point. The gross profit of modern manufacturing and service industry was RMB770.89 million, with a gross profit margin of 35%, representing a year-on-year increase of 3.23 percentage points. The year-on-year decrease in the overall gross profit margin was mainly due to the decrease in the gross profit margins of coal and hydropower products due to the difference in the structure of the products scheduled for production between years and the impact of the lower prices of the products completed during the period.

Expenses for the Period

In 2023, the Company incurred expenses of RMB3,481.48 million in the period, an increase of RMB700.50 million or 25.19% year on year. Firstly, the accumulated administrative expenses amounted to RMB1,561.03 million, an increase of RMB265.71 million year on year, mainly due the increase in employees' salaries and annual performance-based compensation, as well as the increase in various operating expenses as a result of the growth in the Company's scale of operations; secondly, the accumulated selling expenses amounted to RMB622.17 million, a decrease of RMB1.74 million year on year; thirdly, the accumulated finance expenses amounted to RMB299.65 million, an increase of RMB164.54 million year on year, mainly due to the exchange loss arising from the forward exchange settlement in 2023; fourthly, the accumulated research and development expenses amounted to RMB998.63 million, an increase of RMB271.98 million year on year, with the strength of investment in research and development expenditure maintaining at a higher level.

Funding source and borrowing status

The Company financed its operation and development with four major funding sources, namely shareholder's funds, trade receivables from customers, bank borrowings and state-funded entrusted loans. The Company arranges borrowings based on each specific project. Except for some exceptions, loans are usually raised by each of the Company's subsidiaries respectively within the annual financing budget. As of 31 December 2023, the balance of the Company's borrowings amounted to RMB6,147.79 million (31 December 2022: RMB7,606.82 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at LPR, and the decrease in borrowings was mainly due to the completion of the issuance of Domestic Shares of the Company to effectively replenish liquidity, which resulted in a decrease in borrowings. Among those borrowings, the amount repayable within one year amounted to RMB4,399.81 million, representing a decrease of RMB815.11 million as compared with the beginning of the year; the borrowings repayable after one year amounted to RMB1,747.98 million, representing a decrease of RMB643.92 million as compared to the beginning of the year. As of 31 December 2023, the Company's borrowings were primarily in RMB and there was no amount due. The repayment plan has been made for the borrowings that were not due, with no risk of default.

Monetary capital and cash flows

As of 31 December 2023, the monetary capital of the Company was RMB18,677.32 million, representing an increase of RMB1,376.53 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB2,284.20 million; the net cash flow from investing activities was RMB-1,708.54 million; the net cash flow from financing activities was RMB521.88 million. The Company experienced a significant increase in its monetary capital due to factors such as increase in recoveries of payments for goods.

Asset structure and movements

As of 31 December 2023, the total assets of the Company amounted to RMB71,296.95 million, representing an increase of RMB8,013.42 million or 12.66% as compared to the beginning of the year, out of which RMB60,626.58 million was current assets, accounting for 85.03% of total assets; and RMB10,670.37 million was non-current assets, accounting for 14.97% of total assets.

Liabilities

As of 31 December 2023, total liabilities of the Company amounted to RMB56,709.16 million, representing an increase of RMB5,799.49 million as compared to the beginning of the year, out of which RMB52,869.37 million was current liabilities, accounting for 93.22% of the total liabilities; and RMB3,839.79 million was non-current liabilities, accounting for 6.78% of the total liabilities. As of 31 December 2023, the gearing ratio of the Company was 79.54%. The scale of liabilities increased to some extent due to factors such as increase in accounts payable and contract liabilities.

Owners' interests

As of 31 December 2023, the total equity attributable to the owners of the parent company of the Company amounted to RMB13,864.70 million, representing an increase of RMB2,136.75 million as compared to the beginning of the year; the net asset value per share was RMB6.20, representing a decrease of RMB0.67 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was 4.6%.

GEARING RATIO

As of 31 December 2023, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.26:1, compared with that of 0.41:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGES

As of 31 December 2023, the guarantees provided by the Company to its subsidiaries and the guarantees between subsidiaries of the Company amounted to RMB1,332.26 million in aggregate. There was no external guarantee of the Company. As of 31 December 2023, the Company pledged its assets of RMB86.84 million to secure loans for liquidity.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

Some of the deposits of the Company are denominated in foreign currencies. As at 31 December 2023, the amount of the Company's deposits in foreign currencies was equivalent to RMB703.95 million. The export business and businesses settled in foreign currencies expose the Company to certain exchange risk.

USE OF FUND-RAISING PROCEEDS

As of 31 December 2023, the funds raised by the Company's domestic share subscription in 2017 (the "2017 Proceeds") remained unused at RMB96 million (the "Relevant Funds") for the nuclear power technology upgrade project. The Relevant Funds were originally planned to be fully used by 31 December 2023 and the projects have been clearly identified, however, based on the progress of the projects, the Relevant funds will be fully used by 31 December 2024.

The use of the 2017 Proceeds is as follows:

Intended use of the 2017 Proceeds	Intended use amount of the 2017 Proceeds (RMB100 million)	Amount of the 2017 Proceeds used (RMB100 million)	Remaining amount of the 2017 Proceeds (RMB100 million)	Intended use time
Gas turbine joint venture project	1.8	1.8	0	
Nuclear power technology upgrade project	4.86	3.9	0.96	By 31 December 2024
Purchase of raw materials for production and operation of nuclear power industry	3	3	0	
Purchase of raw materials for production and operation of gas turbine industry	1.47	1.47	0	
Implementation of financial leasing business	1.54	1.54	0	
Total	<u>12.67</u>	<u>11.71</u>	<u>0.96</u>	

As of 31 December 2023, RMB697 million of the funds raised by the Company's domestic share subscription in 2023 (the "2023 Proceeds") has been used, and the remaining RMB1 billion will be used for liquidity for the Company's daily operations in the next two years in accordance with the plan.

The use of the 2023 Proceeds is as follows:

Intended use of the 2023 Proceeds	Intended use amount of the 2023 Proceeds <i>(RMB100 million)</i>	Amount of the 2023 Proceeds used <i>(RMB100 million)</i>	Remaining amount of the 2023 Proceeds <i>(RMB100 million)</i>	Intended use time
Ordinary administrative expenses and repayment of loans	1.97	1.97	0	
Replenishment of liquidity	15	5	10	By 31 December 2025
	<hr/>	<hr/>	<hr/>	
Total	<u>16.97</u>	<u>6.97</u>	<u>10</u>	

All the funds raised from the issuance of shares and bonds in the previous years had been fully used.

DIVIDEND

Based on the Company's total share capital of 2,236,276,000 shares, the board of directors recommends a final dividend of RMB0.052 per share (tax inclusive) for the year 2023, representing 20.23% of the Company's earnings per share for the year 2023, for a total dividend of RMB116,286,352.00.

The dividends of H-share shareholders will be paid in HKD at the market exchange rate of RMB against HKD published by the People's Bank of China five days prior to 28 March 2024, that is, 1 RMB is equivalent to HK\$1.1021, and the dividend of H-share shareholders will be HK\$0.0573 per share.

The Company will review and approve the 2023 final dividend distribution plan at the 2023 Annual General Meeting of Shareholders to be held on 24 May 2024.

No shareholder has told the Company to waive or agree to waive any dividend as of 31 December 2023.

CLOSURE OF REGISTER FOR THE PURPOSE OF DIVIDEND PAYMENT

The final dividend for the year of 2023 of the Company will be distributed on 24 July 2024, and the register of members of the Company will be closed from 17 June 2024 to 21 June 2024 (both dates inclusive). Final dividends for the year of 2023 of the Company will be distributed to shareholders whose names appear in the register of members of the Company on 17 June 2024.

In order to be qualified for the final dividends for 2023, all duly completed transfers of shares together with the relevant share certificates must be lodged with Hong Kong Registrars Limited, the Company's share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of the H Shares only) or the Company's principal place of business in the PRC at 1399 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang Province, the PRC (for the holders of the Domestic Shares only) not later than 4:30 p.m. on 14 June 2024.

DIVIDEND TAX

Pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) and other relevant requirement, the Company will withhold and pay the individual income tax in respect of the dividend (bonus) received by individual shareholders of H shares from the Company. Individual shareholders of H shares of the Company may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries in which the individual shareholders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau). The Company will determine the residence of the individual shareholders of H shares based on the registered address as recorded in the register of shareholders on the book closure date. The specific arrangement will be as follows:

For individual shareholders of H shares who are residents of Hong Kong or Macau and countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf; for individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf. Individual shareholders of H shares may apply for refund of excess amount of individual income tax withheld by providing relevant information for approval by taxation authority; for individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective rate stipulated by the relevant tax treaty on behalf of the relevant shareholders; for individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a

dividend tax rate of 20% or has not entered into any tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the relevant shareholders; according to the “PRC Individual Income Tax Law” (《中華人民共和國個人所得稅法》), the Company will withhold and pay dividend income tax at the rate of 10% on behalf of the non-resident corporate shareholders.

According to the requirements of local tax authorities, the individual shareholders of H share of the Company who need personal income tax clearance certificates shall provide their passport information, therefore, for those individual shareholders of H share of the Company who need the personal income tax clearance certificates, please delivery the copy or scanning copy of their passports to the contact address of the Company before 30 days from the date of the dividend payment, and for those shareholders of H share who fail to provide their passport information, the Company will withhold and pay individual income tax collectively.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed to have received annual confirmation of independence from each independent non-executive director pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), confirming all independent non-executive Directors are independent.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARE CAPITAL

As of 31 December 2023, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures (as the case may be) of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance(SFO)) which was required to be notified to the Company and the Hong Kong Stock Exchange (including interest or short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) pursuant to the SFO or which was required to be recorded in the Register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As of 31 December 2023, the Company entered into no service contract specified in Rule 14 of Appendix D2 of the Listing Rules with Directors and Supervisors of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

As of 31 December 2023, none of the Directors or Supervisors of the Company has any interest, whether directly or indirectly, in the contracts of significance entered into by the Company.

CONTRACTS OF SIGNIFICANCE WITH THE CONTROLLING SHAREHOLDERS OR THEIR SUBSIDIARIES

On 18 July 2023, the Company entered into the Asset Purchase Agreement with Jiamusi Electric, a subsidiary of the controlling shareholder, Harbin Electric Corporation, pursuant to which the Company has conditionally agreed to sell and Jiamusi Electric has conditionally agreed to purchase 51% of the equity interest in Power Equipment Company. On 28 November 2023, all the conditions precedent of the disposal under the Asset Purchase Agreement have been satisfied and Power Equipment Company ceased to be a subsidiary of the Company. Please refer to the announcements of the Company dated 18 July 2023 and 8 November 2023 for details.

CONTINGENT LIABILITIES – GUARANTEES

As of 31 December 2023, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB1,332.26 million. No external guarantee was provided.

PERMITTED INDEMNITY PROVISION

As provided by applicable laws, each director of the Company is entitled to be indemnified by respective companies for all costs, charges, losses, fees and liabilities which arise from or are connected to the execution and performance of their duties according to the Articles of Association of the Company. The provision becomes effective in the financial year ended 31 December 2023 and remains in effect as at the date of this report.

The Company purchased directors' liability insurance for all directors during the year.

SIGNIFICANT INVESTMENT IN SECURITIES

During the year ended 31 December 2023, the Company had no significant investment in securities of subsidiaries.

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2023, the total salaries of the Company amounted to RMB1784.72 million.

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

The employees of the Company participate in the government-established and state-managed retirement benefits schemes of the PRC. At the same time, the Company has adopted an enterprise annuity system in accordance with the relevant regulations, and the Company was required to contribute a certain percentage of its employees' remuneration to the retirement benefits scheme. The Company is not allowed use the forfeited contributions (if any) to reduce the existing contribution level, and no contributions to any retirement benefit schemes have been forfeited during the year ended 31 December 2023.

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

As of 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or PRC laws, which would require the Company to offer new shares to existing shareholders according to their respective proportions of shareholding.

MAJOR LITIGATION

The Company received the Enforcement Ruling from the People's Court of Shihe District, Xinyang City, Henan Province on 17 October 2023, requiring the Company to refund RMB128.10 million to the account of the Executive Bureau of the People's Court of Shihe District, Xinyang City, Henan Province, within ten days from the date of the receipt of the Ruling, and that any failure to do so will result in the freezing, transferring a deposit of RMB128.10 million from the Company's bank account or the seizure and attachment of other properties of equivalent value of the Company. Please refer to the Company's announcement dated 19 October 2023 for further details. The Company has made provisions for estimated liabilities related to this matter.

SHARE ISSUANCE

On 28 December 2022, the Company entered into the Domestic Share Subscription Agreement with Harbin Electric Corporation, the controlling shareholder, pursuant to which the Company agreed to issue and the controlling shareholder agreed to subscribe in cash for new Domestic Shares at a total subscription price of approximately RMB1.7 billion (the “**Issuance**”). The Company received the share registration certificate dated 10 October 2023 issued by China Securities Depository and Clearing Corporation Limited in respect of the new Domestic Shares under the Domestic Share Subscription on 13 October 2023. The Domestic Share Subscription was completed. Details of the issuance of shares are set out below:

Reasons for issue

In the strategic context of promoting green and low-carbon transformation and development in the PRC, the proceeds from the issue of new Domestic Shares and the Domestic Share Subscription provide financial support for the Company’s reform, transformation and sustainable development, which is conducive to the Company’s stimulation of the momentum of business development and steady introduction of new strategies, hence enabling the Company to create greater value for the Shareholders as a whole.

Type of issue

The Issuance has adopted private placement and the issued shares are Domestic Shares.

Numbers and total nominal value

A total of 529,753,000 new Domestic Shares have been issued. The par value of each share is RMB1.

Issue price

The final subscription price is HK\$3.60 per new Domestic Share.

The net price of each share certificate

The net proceeds from the Domestic Share Subscription amounted to approximately RMB1,697 million, with a net price of approximately RMB3.20 of each share certificate.

Description of subscriber

The Subscriber is the controlling shareholder of the Company, and is the pioneer in establishing the largest research and manufacturing base for power generating equipment, marine engines, power driven equipment and export base for complete set of equipment in the PRC. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Market price of the securities on the date of issue

The price of the Company's securities on 13 October 2023, i.e. the date of the announcement of the completion of the issuance of the new Domestic Shares under the specific mandate, was HK\$2.39 per share.

Use of proceeds

The net proceeds from the Domestic Share Subscription were used for replenishing the general working capital of the Group to improve the gearing ratio and capital structure, and reduce finance costs and financial risks. From 2023 to 2025, the Company intends to use net proceeds of approximately RMB500 million per annum as liquidity for the Group's daily operations in such areas. In addition, given the decrease in the Company's gearing ratio (i.e. total assets divided by total liabilities) in recent years, the remaining net proceeds of approximately RMB197 million are intended to be used for ordinary administrative expenses and repayment of borrowings.

MODEL CODE

The Company, having made specific enquiry to the Directors, confirms that all directors complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules throughout the period.

CORPORATE GOVERNANCE CODE

In 2023, the Company has been, in strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant requirements, in full compliance with the rules set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and, where appropriate, has adopted the recommended best practices as specified therein. As at the date of this announcement, the terms of office of the members of the ninth session of the Board of Directors and the ninth session of the Supervisory Committee expired on 28 January 2024. The change in the composition of the new session of the Board of Directors and the Supervisory Committee will be postponed as Harbin Electric Corporation, the controlling shareholder of the Company, is still considering the candidates for appointment. On 20 March 2024, Mr. Zhang Ying-jian resigned as an executive director of the Company due to job changes, and the number of the Board members has fallen below the quorum as required under the Articles of Association of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements, continuing connected transactions, internal control and risk management of the Company for the year ended 31 December 2023, and discussed with the Board the financial reporting procedures as well as the internal control system of the Company.

AUDITOR

The financial statements of the Company for the year ended 31 December 2023 have been audited by Da Hua Certified Public Accountants LLP (“**Da Hua Certified Public Accountants**”), and the remuneration for its audit services was RMB2.20 million. The financial statements of the Company for the past three years have all been audited by Da Hua Certified Public Accountants.

Da Hua Certified Public Accountants is qualified and willing to continuously serve as an auditor of the Company, and the Board proposed to re-appoint Da Hua Certified Public Accountants as the auditor for the Company’s 2024 financial statements at the general meeting. A resolution in relation to re-appointing the firm and authorizing the Board to fix their remuneration is to be proposed at the 2023 annual general meeting of the Company.

OUTLOOK

According to the Analysis and Forecast Report on the Situation of Electricity Supply and Demand in China for 2023–2024 released by China Electricity Council, with the continuous and rapid development of new energy power generation, it is expected that the newly installed capacity in 2024 will once again exceed 300 million kilowatts, with the new scale basically equivalent to that of 2023. By the end of 2024, the total installed capacity of power generation in China is estimated to reach 3.25 billion kilowatts, representing a year-on-year increase of approximately 12%. Thermal power will be 1.46 billion kilowatts, of which coal power will be approximately 1.2 billion kilowatts, representing a decrease to 37% of total installed capacity. Non-fossil energy power generation will reach 1.86 billion kilowatts, representing an increase to approximately 57% of the total installed capacity; of which, grid-connected wind power will reach 530 million kilowatts, and grid-connected solar power will reach 780 million kilowatts. The combined installed capacity of grid-connected wind power and solar power will exceed that of coal power, representing an increase to approximately 40% of the total installed capacity.

The year 2024 is a critical year for the Company to achieve the objectives and tasks of the “14th Five-Year Plan”, and also an important year for the Company to achieve results at a high level of development. We will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully, accurately, and comprehensively implement the new development concept, serve the construction of a new development pattern, and coordinate high-quality development and high-level

security. We will persist in seeking progress while maintaining stability, promoting stability through progress, and establishing after progress, actively push forward the transformation of growth modes, adjustment of economic structures, improvement of product quality, and enhancement of efficiency. We will focus on strengthening core capabilities and improving core competitiveness, anchor the goal of building a world-class equipment manufacturing enterprise, firmly pursue high-end, intelligent, and green development, adhere to its development orientation of being an equipment manufacturer, a system integrator and an operation and maintenance service provider, accelerate the building of the “three systems” industrial layout, and implement the “three steps” work arrangement, striving to “achieve results” in a high-level manner and creating a new situation of high-quality development. Firstly, we will coordinate high-quality development and high-level security, improve the quality of economic operation, strengthen market development, enhance the ability to fulfill commitments, and ensure risk prevention. Secondly, we will accelerate technological innovation to create new productive forces, strengthen national strategic technological strength, accelerate breakthroughs in core technologies, continuously improve innovation mechanisms, and strengthen talent team building. Thirdly, we will focus on building and strengthening the production and manufacturing base of heavy equipment, accelerate industrial upgrading, optimize and improve the industrial system, vigorously develop strategic emerging industries and future industries, and continue to promote industrial technology upgrading. Fourthly, we will promote digitization to create new competitive advantages, comprehensively improve the efficiency of intelligent manufacturing, and strive to improve the digitization level of products and the level of information management. Fifthly, we will vigorously deepen reforms to stimulate endogenous power, implement actions to deepen and enhance reforms, continuously improve governance capabilities, and continue to improve market-oriented operating mechanisms. Lastly, we will promote lean operation and management to improve efficiency and effectiveness, comprehensively improve lean management level, focus on lean cost management and comprehensively improve product quality and service level. We will accelerate high-quality development in the construction of a world-class enterprise, and make new and greater contributions to the comprehensive construction of a modern socialist country and the overall promotion of the great rejuvenation of the Chinese nation!

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

Harbin, the PRC
28 March 2024

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