哈电集团
HARBIN ELECTRIC CORPORATION
哈尔滨电气股份有限公司
HARBIN ELECTRIC COMPANY LIMITED
Stock Code: 1133
2019
ANNUAL REPORT

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OVERVIE OF THE COMPAN

Harbin Electric Company Limited (the "Company"), was formed through the restructuring of relevant entitles including former Harbin Electrical Machinery Works, Harbin Boiler Workers and Harbin Turbine Works (the "three major power factories").

Located in Harbin, China, the Company was incorporated on 6 October 1994 and listed on the Stock Exchange of Hong Kong Limited on 16 December 1994 with its stock code of "01133".

As at 31 December 2019, the total share capital of the Company comprised of 1,706,523,000 shares of which 675,571,000 were H shares traded on the HKSE.

The Company and its subsidiaries are one of the largest manufacturers of power plant equipment in China, with a workforce of more than 15,000 current employees and power plant equipment of production capacity of 30,000 MW per annum. The Group's principal activities and products include:

- thermal power main equipment: boilers, steam turbines and steam turbine generators with single unit capacity up to 1,000 MW class, accounting for over 30% of the installed capacity of thermal power in China;
- Hydro power main equipment: hydro power generators units with single unit capacity up to 1,000 MW, accounting for 50% of the installed capacity of hydro power in China;
- Nuclear power main equipment: nuclear island and conventional islands equipment for nuclear power plants with single unit capacity up to 1,400 MW class;
- Complete set of steam power equipment: 9F/9H class gas turbine and combined gas and steam cycle set;
- Clean energy: R&D and production of products such as solar energy, tidal power and desalination;
- Other products: ancillary equipment for power stations, industry boilers, industrial steam turbines, control devices, AC/DC motors, valves for power stations, pressure vessels and axial compressor, etc.;

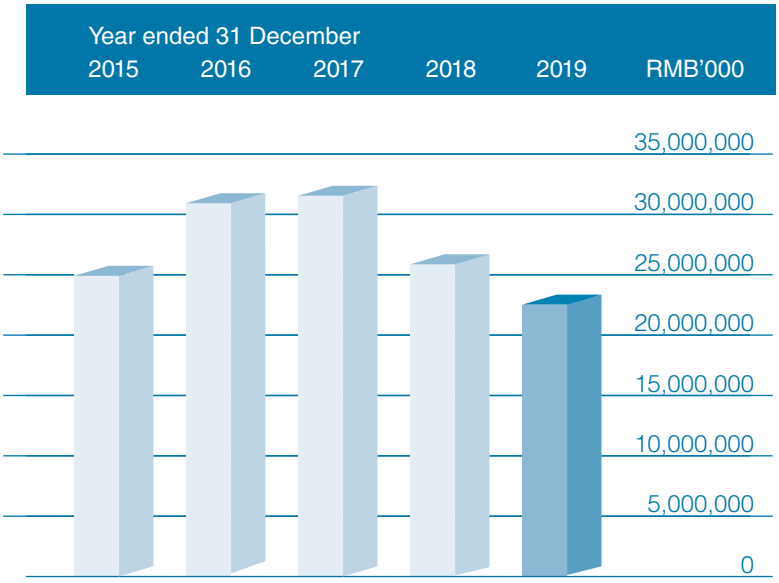
- Turnkey construction of power station projects;
- Service for complete sets of thermal and hydro power equipment;
- Import and export of equipment for power stations;
- After-sales service for power station equipment products;
- R&D of engineering technology for complete sets of power equipment;
- R&D of power equipment and its ancillary products.
- Environmental protection engineering services, such as desulfurization, denitrification and dust removal.

Based on the domestic market, the Company actively adopts an "outbound" strategy, exporting its main equipment and ancillary equipment products for thermal power, hydro power and nuclear power etc. to more than 40 countries and regions such as India and Brazil. At the same time, it is engaged in the turnkey construction of thermal power stations, wind farms, hydro power station equipment and power transportation and transformation projects both in China and overseas, as well as BOT and BOO businesses.

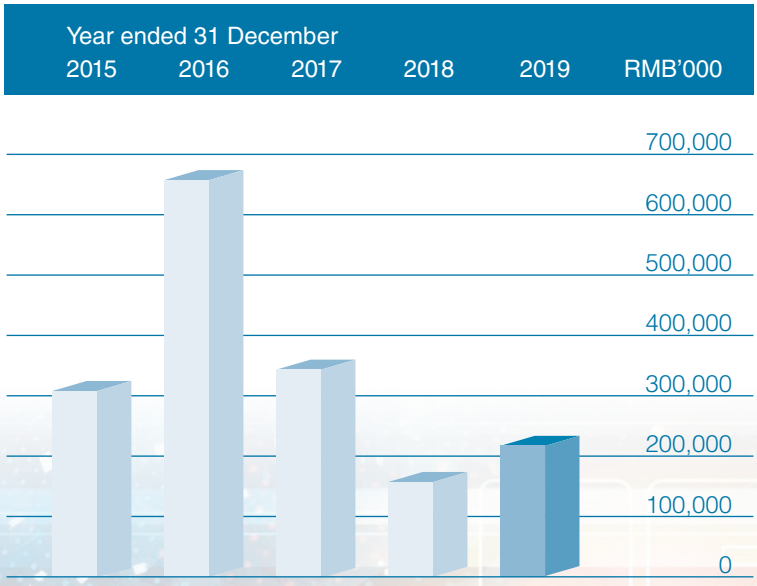
The Company brings together a pool of top talents in scientific research, technology and management, as well as a comprehensive system for quality assurance and quality control with a range of advanced production and research facilities. Its capabilities in research and development, production and manufacturing and power station construction rank the top in the power equipment manufacturing industry in China.

FINANCIAL HIGHLIGHTS

OPERATING INCOME



TOTAL PROFITS



SUMMARY OF RESULTS, ASSETS AND LIABILITIES OF THE PAST FIVE YEARS

	Unit	2019	2018	2017	2016	2015
				31 D		
Operating Income	*RMB'000*	**22,515,591**	25,879,461	31,540,324	30,929,421	25,097,225
Total Profits	*RMB'000*	**217,143**	156,854	343,366	657,169	307,860
Net profits attributable to owners of parent company	*RMB'000*	**106,173**	71,317	194,227	413,283	196,212
Total assets	*RMB'000*	**55,082,667**	56,541,983	64,838,093	65,867,508	64,163,245
Total Liabilities	*RMB'000*	**39,226,502**	40,232,952	48,695,941	51,225,093	50,246,364
Interests of minority shareholders	*RMB'000*	**276,526**	1,282,749	1,271,401	1,209,321	1,209,491
Interests attributable to owners of parent company	*RMB'000*	**15,579,639**	15,026,282	14,870,751	13,433,093	12,707,391
Net assets per share	*RMB*	**9.129**	8.805	8.714	9.757	9.230
Earnings per share	*RMB*	**0.062**	0.042	0.141	0.300	0.143

FINANCIAL HIGHLIGHTS (CONTINUED)

	Year ended 31 December 2019		Year ended 31 December 2018	
	Income	Contribution to operating income	Income	Contribution to operating income
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Main thermal power equipment	**8,348,147**	**1,480,651**	11,877,253	1,670,214
Main hydro power equipment	**2,682,222**	**413,668**	1,704,635	151,307
Nuclear power	**1,289,081**	**305,283**	1,338,543	279,758
Engineering services for power stations	**5,453,118**	**94,917**	7,411,068	253,427
Ancillary equipment and supplementary products for power stations	**1,188,633**	**162,399**	899,959	90,245
AC/DC motors and other products and services	**3,554,390**	**867,361**	2,648,002	746,979
Total	**22,515,591**	**3,324,279**	25,879,461	3,191,930
Expenses not allocated to major products		**-3,107,137**		-3,035,076
Total Profits		**217,143**		156,854

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present the 2019 annual result report of Harbin Electric Company Limited.

In 2019 the Company overcame difficulties and faced the bitter winter of decisive battles; in this year, the Company emancipated the mind and promoted reform and innovation. In the face of the grave situation, the Company, taking the reform and innovation as its driving force, further implemented the Company's development strategy, spared no effort to push forward all key tasks and solidly advance the business development, with an aim to build a world-class equipment manufacturer with global competitiveness. The Company achieved an overall stable operation and proved results. During the Reporting Period, the Company maintained a momentum of steady growth, with profit steadily increased and product image generally improved. Turnover for the year was RMB22.516 billion; total profit was RMB217 million, representing a year-on-year increase of 38.44%.

During the Reporting Period, the Company fought hard to win the three critical battles of "survival and defense, transformation and breakthrough, and reform and development" and made every effort to achieve high-quality development. We actively boosted the market development and constantly improved product quality, having ensured stable orders against unfavorable market trend; we continued our efforts in cutting costs and improving efficiency, mitigating the pressure caused by "receivable" and "inventory" and revitalize inventory assets. We improved the scientific research system and give full play to the role of science and technology in supporting our research work in various fields and in an orderly manner, and accelerated the pace of innovation-driven development. We further optimized the top-level design and built a "strategy + operation" management and control model for our corporate headquarters, the reform of institutions and personnel has been completed, and the management and control model and positioning of the Company's headquarters have been made clearer. The construction of the informatization has been carried out in an overall way, with the coverage of the system continuously expanded and the development of the informatization service enterprises continuously strengthened. We enhanced the capital operation, optimized the layout of industrial development and actively promoted energy cooperation with Russia, achieving breakthroughs in investment business.

The year 2020 is a critical year for the Company to deepen reform, transform and upgrade and push forward the high-quality development. Focusing on the high-quality development and the transformation and upgrading, the Company will be committed to build itself into a world-class equipment manufacturer with global competitiveness. It will continue to fight the "Three Major Battles", and spare no effort to pursue sustainable development so as to return shareholders with better performance.

CHAIRMAN'S STATEMENT (CONTINUED)

2020 is a year full of opportunities and challenges. Affected by the sudden outbreak of the COVID-19 epidemic, the downside risks to the world economy intensified and destabilizing factors and uncertainties increased significantly. Our Company is actively facing the difficulties and challenges brought about by the epidemic and maintaining an overall stable and progressive economic development, and strives to keep its production and operation in the first quarter in good condition through further optimizing its industrial structure and consolidating its key position in the equipment manufacturing industry. Currently, China's economy is recovering, and the coal power market is expected to have a small recovery growth under the strong economic stimulus. Some suspended projects may restart; small and medium-sized units may have a market; positive and steady development of hydropower will bring new development potential to pumped storage; the gas turbine market is expected to grow steadily; distributed energy is expected to grow rapidly; and new nuclear power units are expected to be approved as the country develops advanced nuclear power safely. The company will seize the market opportunities and strive for better results.

I would like to express my gratitude to our shareholders for their trust and support, to my colleagues on the Board of Directors and Board of Supervisors for their effort and contribution, and to all of our staff members for their hard work and dedication.

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Harbin, the PRC, 24 April 2020

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

Please also refer to the financial statements and notes contained in other parts of this annual report when you are reading this section.

MACRO-ECONOM AND INDUSTR DEVELOPMENT

The current world economic growth continues to slow down, and is still in the period of further adjustment after the international financial crisis. In spite of the significantly increasing sources of fluctuation and risks across the world, the basic trend of China's economic stability and long-term improvement remains unchanged. At the same time, China is in the tackling phase of transforming its development model, optimizing its economic structure, and transforming its growth momentum. Structural, institutional, and periodic issues are intertwined. The impact of "three-periods overlaying" continues to deepen, and downward pressure on the economy is increasing.

In 2019, China electric power continued its green and low-carbon development trend, and the proportion of non-fossil energy power generation installed capacity continued to increase, and non-fossil energy power generation maintained a rapid growth. As of the end of 2019, the country's full-caliber power generation installed capacity was 2.01 billion kilowatts, an increase of 5.8% over the end of the previous year, of which non-fossil energy power generation installed capacity was 840 million kilowatts, an increase of 8.7% over the previous year, accounting for 41.9% of total installed capacity. It increased by 1.1 percentage points over the end of the previous year. In 2019, the nation's new installed power generation capacity was 101.73 million kilowatts, a decrease of 26.12 million kilowatts over the previous year; of which, the new non-fossil energy power generation installed capacity was 63.89 million kilowatts, accounting for 62.8% of the total new installed power generation capacity; the installed capacity of new coal power and the installed capacity of gas and electricity was 29.89 million kilowatts and 6.29 million kilowatts, respectively, a decrease of 670,000 kilowatts and 2.55 million kilowatts compared with the previous year.

PRODUCTION AND OPERATION

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2019 was a year for the Company to overcome difficulties and face the severe winter, and also a year for the Company to break the fetter, conduct reform and make innovation. During the year, facing severe situations, all cadres and employees of the Company have gathered together to overcome difficulties, and the Company has achieved a stable overall operation as the Company has spared no effort to fight against the battle for survival and defense, transformation and breakthrough, and reform and development.

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In 2019, facing a complicated and challenging internal and external situation, the Company adhered to goal orientation, innovated marketing system, and deepened reform of the divisional system on a ongoing basis, thereby realizing RMB30.190 billion worth of duly signed contracts (2018: RMB33.744 billion), of which RMB7.714 billion (or 25.55% of total contract value) for thermal power equipment, RMB1.669 billion (or 5.53% of total contract value) for hydropower equipment, RMB2.663 billion (or 8.82% of total contract value) for nuclear power equipment, RMB0.714 billion (or 2.36% of total contract value) for steam equipment, RMB11.415 billion (or 37.81% of total contract value) for power engineering, RMB3.128 billion (or 10.36% of total contract value) for power station services, and RMB2.887 billion (or 9.56% of total contract value) for other products.

Thermal power industry: Affected by the national industrial policies that restrict the development scale of coal power in recent years, the scale of new bidding is on the decline, and the amount of formal contracts signed by the Company in respect of thermal power industry is also on the decline. In 2019, the formal contracted value of the Company's thermal power equipment decreased by 36.70% over the previous year.

Steam power industry: As the Company acquired two national demonstration projects – Datang Nanjing Power Plant Phase II and Jiangyin Thermoelectricity, the formal contracted value achieved a high growth as compared with the same period last year. In 2019, the formal contract value of the Company's steam power equipment increased by 586.33% over the previous year.

Nuclear power industry: As the contract of Hainan Changjiang Phase II came into force, the formal contracted value achieved a high growth as compared with the same period last year. In 2019, the formal contract value of the Company's nuclear power equipment increased by 518.37% over the previous year.

International market: As formal contracts for power engineering kept exceeding RMB10 billion, and all industrial equipment and services went global by means of "leveraging resources lent to go global", the formal contract value of the Company in international market in 2019 was RMB12.652 billion, representing a decrease of 11.84% over the previous year.

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In order to ensure the Company's sustainable and healthy development and further reduce operational risks, the Company's overall scale of production in 2019 declined as considering the Company's orders in hand, market situation, user needs, and project schedules. During the year, output of the Company's power generation equipment amounted to 10,990 MW, down by 22.5% over the same period last year, of which 1,810 MW were produced by water turbine generator units, down by 20.0% over the same period last year and 9,180 MW by steam turbine generators, down by 23.0% over the same period last year. Output of steam turbines for power stations was 9,870 MW, down by 1.6% over the same period last year and that of boilers for power stations was 14,524 MW, up by 2.4% over the same period last year.

The Company actively responded to market changes, satisfied customers' service needs for the entire life cycle of power plant units, realized a product-centric shift to a market and user-centric transformation, and made every effort to provide customers with high-quality services. In 2019, the overall technology of the Company's self-developed full-service remote operation and maintenance intelligent diagnostic system reached the international advanced level; the "Internet+ Service" power station service platform was officially launched with service providing to 207 users online by the end of 2019, and there were over 10,000 goods provided in "spare parts and services" platform, while the timeliness rate of "customer feedback" reached 100%. Innovating "headquarters to headquarters" marketing model, the Company cooperated with five major power generation groups to achieve joint inventory for spare parts, and actively developed the marketing models such as "technical improvement + parameters upgrading", "technical improvement + overhaul" and "technical improvement + capital".

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In 2019, the Company invested RMB1.15 billion in science and technology, completed a total of 325 scientific research projects and development of 125 new products, and received 29 scientific and technological awards throughout the year, including 2 national special awards and 20 provincial and ministerial awards. "Yangtze River Three Gorges Project" conducted by Machinery Company was awarded National Special Award for Scientific and Technological Progress, and Tianwan Nuclear Power Plant Phase II Project Conventional Island Equipment was awarded First Prize for Scientific and Technological Progress in China's Nuclear Power. During the year, the Company obtained totally 431 patents, of which there were 77 invention patents. Processing Technology for Guide Vanes of Nuclear Pumps in Nuclear Power Plant conducted by Power Equipment Company was awarded the 21st China Patent Excellence Award, and the Machinery Company was recognized as National Enterprise with Advantages in Intellectual Property. The achievements of application demonstration of tools for processing steam generator tube plate (key components) in the third generation nuclear power plant made by the Heavy Equipment Company spanned the gap in China.

In 2019, the Company continued to improve the construction of R&D system, implemented the integration of the central research institute and engineering research center, and made full use of the Company's platform of "National Engineering Research Center for Power Generation Equipment" to coordinate the development of scientific R&D and the engineering and industrialization of scientific research results.

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The Company is committed to promoting the transformation and upgrading of enterprises, establishing the industrial transformation system and promoting the development of the new sector. In 2019, the Company' headquarters focused on new industries and attached great importance to the entry to wind power, optoelectronic, hub motor, energy storage and other industries. The subsidiaries focused on new products and attached great importance to expanding petrochemical container, environmental protection, water treatment, phase modifier, garbage power generation and other products. Scientific research institutions focused on new technologies and attached great importance to such new technologies as gas turbines, hub motor, intelligent control, multi-energy complementarity, low-nitrogen combustion, and hydrogen utilization. During the year, actively promoting the development of wind power and optothermal industry, the Company completed analysis and demonstration, and determined development layout and paths. The first domestically produced 30 MW fuel-powered compressor and 20 MW electric-powered compressor with independent intellectual property rights were put into operation in the project of "West-East Gas Transmission". The Company had the overall ability to construct a power station after completing the introduction, understanding and absorption of trough solar thermal power generation technology. The demonstration project of coal-fired coupled biomass gasification power generation technology in Datang Changshan Thermal Power Plant has completed the trial operation, and the technology plan of coal-fired coupled garbage power generation has been reviewed by the National Energy Administration.

C

In 2019, the Company injected a total of capital expenditures worth RMB473 million for major construction and technological transformation projects. The major projects include:

Making investment to undertake BOT project for ultra-low emission retrofit of boilers in thermal power plant of Chalco Shanxi New Material Co., Ltd so as to expand environmental protection business of the Company, and promote its transformation and upgrading (the project was completed at the end of 2019); making investment in the construction project for a biomass fuel company to collect and store straw, expand the Company's industrial development, extend the scale of production and operation and increase operating profit (the project is currently being implemented).

In 2020, the Company intends to commit an investment of RMB196 million in key construction and technological transformation projects, mainly for technical measures and technological transformation projects of subsidiaries and further investment for the construction project of biomass fuel company.

M

On 28 November 2019, the Company entered into the Equity Transfer Agreement with China Huarong Asset Management Co., Ltd to acquire its 10.37% equity interest in the Machinery Company, 5.22% equity interest in the Boiler Company, and 26.96% equity interest in the Steam Turbine Company by cash at the purchase price of RMB432.83 million. On 17 December 2019, the Company entered into the Equity Transfer Agreement with China Great Wall Asset Management Co., Ltd to acquire its 2.70% equity interest in the Boiler Company by cash at the purchase price of RMB79.28 million.

For more details, please refer to the announcements published by the Company on the website of the Stock Exchange of Hong Kong Limited on 28 November 2019 and 17 December 2019.

MAJOR FINANCIAL INDE ES

In 2019, the Company's operation situation was relatively stable. However, due to the impacts of the macroeconomic environment both at home and abroad and the development trend of the industry, the sales scale has decreased. As the Company presented admirable performance in reducing cost, the overall profit increased.

The analysis on business segment of the Company's 2019 revenue and results is set out in Note VII (XLV) of the Financial Statements of the Annual Report.

P

In 2019, net profit attributable to the owner of the parent company realized by the Company registered RMB106.17 million, representing an increase of 48.88% over the same period last year; earnings per share were RMB0.06, up by RMB0.02 year on year. The Company's profit increased, primarily because of the admirable performance in cost reduction and decline of provision.

O

In 2019, the Company recorded an operating income of RMB22,515.59 million, representing a decrease of 13.00% over the same period last year, of which operating income from the main thermal power equipment (including thermal power and steam power products) was RMB8,348.15 million (or 37.08% of the total operating income), representing a year-on-year decrease of 29.71%. Operating income from main hydropower equipment was RMB2,682.22 million (or 11.91% of the total operating income), representing a year-on-year increase of 57.35%. Operating income from engineering services for power stations was RMB5,453.12 million (or 24.22% of the total operating income), representing a year-on-year decrease of 26.42%. Operating income from ancillary equipment and supplementary products for power stations was RMB1,188.63 million (or 5.28% of the total operating income), representing a year-on-year increase of 32.08%. Operating income from AC/DC motors and other products and services was RMB3,554.39 million (or 15.79% of the total operating income), representing a year-on-year increase of 34.23%. Operating income from nuclear power products was RMB1,289.08 million (or 5.73% of the total operating income), representing a year-on-year decrease of 3.70%. Affected by the macroeconomic environment both at home and abroad and the development trend of the industry, the overall sales scale of the Company declined. The hydropower market ushers in the peak of pumped storage development and the proportion of revenue generated from the hydropower host equipment segment has increased. And as majority of overseas projects have passed the peak season of execution, the newly entered projects were in the early stage of construction and the proportion of revenue generated from the power station engineering services segment decreased significantly.

In 2019, the Company recorded an income of export of RMB5,457.62 million (or 24.24% of the total operating income), decreasing by RMB1,939.78 million over the previous year. The export was dominated by Asia, South America and Africa, in which export to Asia amounting to RMB4,921.79 million while export to South America amounting to RMB242.91 million and export to Africa amounting to RMB127.26 million.

C

In 2019, the operating costs of the Company amounted to RMB19,191.31 million, representing a decrease of 15.41% as compared with the corresponding period of last year, mainly due to the decrease in sales scale.

G [illegible]

In 2019, the Company realized a gross profit from operating business of RMB3,324.28 million, representing a year-on-year increase of 4.15%, and a gross profit margin was 14.76%, representing a year-on-year increase of 2.43%. Out of the gross profit, RMB1,480.65 million was attributable to the gross profit from main thermal power equipments, decreasing by RMB189.56 million over the previous year, while the corresponding gross profit margin was 17.74%, representing a year-on-year increase of 3.68%; RMB413.67 million was attributable to the gross profit from main hydropower equipment, increasing by RMB262.36 million over the previous year, while the corresponding gross profit margin was 15.42%, representing a year-on-year increase of 6.55%; RMB94.92 million was attributable to the gross profit from engineering services for power stations, decreasing by RMB158.51 million over the previous year, while the corresponding gross profit margin was 1.74%, representing a year-on-year decrease of 1.68%; RMB162.40 million was attributable to the gross profit from ancillary equipment and supplementary products for power stations, increasing by RMB72.15 million over the previous year, while the corresponding gross profit margin was 13.66%, representing a year-on-year increase of 3.64%; RMB867.36 million was attributable to the gross profit from AC/DC motors and other products and services, increasing by RMB120.38 million over the previous year, while the corresponding gross profit margin was 24.40%, representing a year-on-year decrease of 3.81%; RMB305.28 million was attributable to the gross profit from nuclear products, increasing by RMB25.53 million over the previous year, while the corresponding gross profit margin was 23.68%, representing a year-on-year increase of 2.78%. The Company's gross profit margin increased, primarily because of the admirable performance in cost reduction.

E [illegible] P [illegible]

In 2019, the Company's selling expenses incurred amounted to RMB603.99 million, representing a decrease of RMB127.24 million or 17.40% as compared to the corresponding period of last year, primarily due to the decline in defect elimination cost in collecting trade receivables during the year; the administrative expenses incurred amounted to RMB1,669.85 million, representing a year-on-year increase of RMB204.68 million or 13.97%, mainly due to a year-on-year increase in labor costs; the research and development expenses incurred amounted to RMB687.52 million, representing a year-on-year increase of RMB95.60 million or 16.15%, mainly due to the greater efforts made by the Company on scientific research; the finance expenses incurred amounted to RMB74.19 million, representing a year-on-year increase of RMB38.09 million or 105.52%, mainly due to the decrease in net exchange gain resulted from the changes in exchange rate.

F [illegible]

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 subsidiary respectively, while prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 31 December 2019, the Company's total borrowings amounted to RMB6,199.88 million (31 December 2018: RMB2,072.91 million), all of which amounts were borrowed from various financial institutions, such as commercial banks and state-funded entrusted loans, at interest rates stipulated by the state. Among those borrowings, the amount repayable within one year amounted to RMB5,634.28 million, representing an increase of RMB3,861.37 million as compared with the beginning of the year, primarily due to the increase of state-funded entrusted loan and supplementary working fund; the borrowings repayable after one year amounted to RMB565.60 million, representing an increase of RMB265.60 million as compared to the beginning of the year. As at 31 December 2019, the Company's borrowings were all 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. Details of relevant bank borrowings and other borrowings are set out in Notes VII (XXIV), VII (XXXIII) and VII (XXXV) of the Financial Statements of the Annual Report.

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As at 31 December 2019, the monetary capital of the Company was RMB10,072.25 million, representing a decrease of RMB2,471.00 million as compared with the beginning of the year. During the period, the net cash flow generated from operating activities of the Company was RMB -3,394.84 million; the net cash flow from investing activities was RMB -3,092.85 million; net cash flow from financing activities was RMB3,956.30 million. The Company was exposed to the decrease in monetary capital due to the decrease of contract liabilities, increase in investment for invested companies, and other investment activities.

A

As at 31 December 2019, the total assets of the Company amounted to RMB55,082.67 million, representing a decrease of RMB1,459.32 million or 2.58% as compared to the beginning of the year, out of which RMB45,725.75 million was current assets, representing 83.01% of total assets; and RMB9,356.91 million was non-current assets, representing 16.99% of total assets.

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As at 31 December 2019, total liabilities of the Company amounted to RMB39,226.50 million, representing a decrease of RMB1,006.45 million as compared to the beginning of the year, out of which RMB36,899.20 million was current liabilities, representing 94.07% of total liabilities; and RMB2,327.30 million was non-current liabilities, representing 5.93% of total liabilities. As at 31 December 2019, the gearing ratio of the Company was 71.21%.

O

As at 31 December 2019, the total equity attributable to the owners of the parent company amounted to RMB15,579.64 million, representing an increase of RMB553.36 million as compared to the beginning of the year; the net asset value per share was RMB9.13, representing an increase of RMB0.32 as compared with the beginning of the year. During the period, the return rate on net assets of the Company was 0.69%.

G

As at 31 December 2019, the Company's gearing ratio (non-current liabilities over total shareholders' equity) was 0.15:1, compared with that of 0.12:1 at the beginning of the year.

C

As at 31 December 2019, the Company pledged its assets of RMB102.47 million to secure loans for liquidity.

E

Some of the deposits of the Company are denominated in foreign currencies. As at 31 December 2019, the amount of the Company's deposits in foreign currencies was equivalent to RMB411.28 million. The export business and businesses settled in foreign currencies expose the Company to exchange risk.

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As of 31 December 2019, RMB251 million of the fund-raising proceeds (the "**P**") from the domestic share subscription conducted by the Company in 2017 has not been utilized. The Company has fully utilized its remaining proceeds from issuance of shares and bonds in previous years, and no other fund-raising activities were proceeded during the year.

The use of the proceeds is as follows:

	(RMB100 million)	*(RMB100 million)*	*(RMB100 million)*	
Joint venture project on gas turbine	1.8	0.43	1.37	Before 24 October 2026
Nuclear power technology upgrading project	4.86	3.9	0.96	Before 31 December 2023
Purchase of raw materials for the production and operation of the nuclear power business	3	3	0	
Purchase of raw materials for the production and operation of the gas turbine business	1.47	1.47	0	
Conducting financial leasing business	1.54	1.36	0.18	Before 31 December 2020
Total	12.67	10.16	2.51	

OUTLOOK

In 2020, it is expected that China's power supply and demand will be generally balanced, and power consumption will continue to grow steadily. The country's estimated additional installed power generation capacity of infrastructure is about 120 million kilowatts, of which about 87 million kilowatts of non-fossil energy power generation capacity is put into operation, and the proportion will continue to rise. At the same time, the competition situation in the power generation equipment manufacturing industry is even more severe, and "competitive bidding" has become the norm. Generally speaking, for power generation equipment manufacturing enterprises, opportunities and challenges coexist, and pressure and motivation coexist.

2020 is the concluding year of the "13th Five-Year" Plan, a crucial year to lay a solid foundation for the development of the "14th Five-Year" Plan, as well as a crucial year for the Company to make every possible effort to promote high-quality development in enterprises. Continuing to implement new development philosophy, take the supply-side structural reform as the main task, take enterprise development strategy as the overarching principle, and focus on transformation development, the Company will make great effort to do well in market development, cash flow management and control, the development of new product and new industry, upgrading of traditional industry and technological innovation, accelerate high-quality development, and strive to build itself into a world-class equipment manufacturing enterprise with global competitiveness.

Harbin, PRC,
24 April 2020

DIRECTORS

E , , D , ,

M . S , - , born in 1958, holds an MBA degree and the title of senior engineer. He now serves as executive director, chairman and party committee secretary of the Company, and the chairman and party committee secretary of HE. Mr. Si graduated from Tsinghua University School of Economics and Management, majoring in management science and engineering studies. He was the deputy factory manager, factory manager and party committee secretary of Dongfang Electrical Works, the deputy mayor of Deyang city, Sichuan province and deputy general manager, general manager, director, vice chairman and chairman of Dongfang Electrical Machinery Company Limited. He had served as vice chairman, general manager and deputy party group secretary of China Dongfang Electric Corporation since 2003, the chairman of Dongfang Electrical Machinery Company Limited from December 2006 to January 2008, the director, general manager and deputy party group secretary of China Dongfang Electric Corporation since 2008, the chairman of Dongfang Electric Corporation Limited since October 2007, the legal representative of China Dongfang Electric Corporation since April 2009. He has been the chairman and party committee secretary of HE since May 2016 as well as the chairman and party committee secretary of the Company since July 2016.

M . , born in July 1962, is a senior engineer at researcher level with a doctor's degree. He now serves as executive director, President and standing committee member of the Party Committee of the Company and the director, general manager, deputy party committee secretary of HE. Majoring in Hydraulics and River Dynamics, Mr. Wu graduated from Tsinghua University with a master's degree in 1988 and subsequently obtained a doctorate degree at Tsinghua University in 2002. Mr. Wu joined HE in 1988. Mr. Wu has been a deputy director and deputy head of the turbine department of Electrical Machinery Institute of the Harbin Electrical Machinery Plant, a deputy factory manager of hydropower workshop, a deputy chief engineer and a deputy manager of the product design department of the Electrical Machinery Company. Mr. Wu was appointed as the deputy general manager of the Electrical Machinery Company since 1999 and then the chairman and general manager since October 2000 respectively. He also holds various social posts, including a member of the first session of academic committee of National Key Laboratory of Hydroelectric Power Generating Equipment (水力發電設備國家重點實驗室) and the vice chairman of the seventh session of council of China Energy Research Society (中國能源研究會). He was appointed as an executive director of the Company since September 2000 and has been serving as the general manager of the Company since February 2010. He has been the President of the Company since March 2013.

M . , born in November 1964, a master's degree holder and senior engineer, is currently an executive director and a senior vice-president and the standing committee member of the Party Committee of the Company and the standing committee member of the Party Committee and deputy general manager of HE. Mr. Zhang graduated from the Department of Thermal Engineering at Tsinghua University with a bachelor's degree in gas turbines in July 1988 and subsequently obtained a master's degree from Harbin Institute of Technology. Mr. Zhang joined HE in 1991. He was formerly a project engineer, project manager, business representative, deputy director of Harbin Power Station Equipment Import and Export Company, deputy chief engineer, deputy manager of financial planning division and deputy general manager of Harbin Power Engineering Company Limited. He became the deputy general manager of HE since September 2007, a non-executive director of the Company since January 2013, and an executive director and the senior Vice-president of the Company since March 2013.

M. S S , born in December 1958, a senior political engineer, is now retired. Mr. Song graduated from Harbin Electrical Machinery Plant Technical School in 1980 and subsequently attained post-graduate qualification in economic management from Heilongjiang Provincial Committee Party School. Mr. Song joined HE in 1980. He was formerly a youth league committee member, deputy secretary, secretary of Harbin Electrical Machinery Plant and a secretary of the party sub-division at the specialized equipment factory, a standing committee member of the Party Committee and the head of the Organization Department of both Harbin Power Plant Equipment Group Corporation and the Company, as well as an assistant to the general manager of the Company. He has been the deputy party committee secretary and a secretary of the disciplinary committee, director, deputy managing director, party committee secretary and deputy chairman of the Electrical Machinery Company since 1998. He became the deputy general manager of HE since August 2009 and has been a non-executive director of the Company since January 2013, and an executive director and the senior Vice-president of the Company since March 2013. He resigned as a senior Vice-president of the Company in March 2019 and resigned as an executive director of the Company in September 2019.

I [illegible]

M. H , born in July 1954, is a retired senior economist with a bachelor degree, and serves as an independent non-executive director of the Company. Mr. Zhu graduated from the Department of Planning and Statistics, Xiamen University. Mr. Zhu started his career in 1978. He has been the officer, deputy director, and director of the Statistics Branch of the General Planning Division, deputy cadre of the Planning and Finance Division at the Ministry of Foreign Trade and Economic Co-operation, responsible for the establishment of The Export-Import Bank of China. He held various positions at The Export-Import Bank of China, such as head of the Preparatory and Business Team, general manager of the Project Fund Department and chief representative of Shanghai office, general manager of the External Concessional Loan Department and chief representative of Shanghai office, general manager of the Vendor Credit Department (Division I), assistant to the Governor of The Export-Import Bank of China. He has been the Vice Governor, party committee member, deputy secretary of the party committee, secretary of the party committee and principal of party school of The Export-Import Bank of China since 2001, and retired in September 2014. He has been an external director of State Power Investment Corporation since January 2016. He has been appointed as an independent non-executive director of the Company since March 2017.

M. , born in October 1953, is a retired senior engineer at professor level with a university degree and now serves as an independent non-executive director of the Company. Mr. Yu served as a deputy director of Beijing representative office, head of international cooperation department and office head of China Three Gorges Corporation, deputy director of the preparation office of Jinshajiang Development Co., Ltd. (金沙江開發有限責任公司) of China Three Gorges Corporation, head of construction department at Xiangjiaba Dam, assistant to the general manager of China Three Gorges Corporation and director, party committee member and head of discipline department of China Three Gorges Corporation, and retired in June 2014. He has been an independent director of China XD Electric Co., Ltd. since December 2014. He has been appointed as an independent non-executive director of the Company since March 2015.

**M. H J - ** , born in July 1954, is a retired senior engineer with a bachelor degree, and serves as an independent non-executive director of the Company. Mr. Hu graduated from Shandong Institute of Technology, majoring in power system relay protection and automation. Mr. Hu started his career in 1974. He has been deputy division leader, deputy director and director of Shandong Jining Power Plant (山東濟寧發電廠), deputy head, chief engineer, party committee member and head of Shandong Liaocheng Power Plant (山東聊城發電廠), general manager of Shandong Liaocheng Thermal Power Company Limited (山東聊城熱電有限責任公司), head and secretary of the party committee of Shandong Shiheng Power Plant (山東石橫發電廠), head and secretary of the party committee of Shandong Zouxian Power Plant (山東鄒縣發電廠), chief engineer of Shandong Electric Power Industry Bureau (Shandong Electric Power Group Corporation), deputy general manager and party group member of Huaneng Power International, Inc., deputy chief engineer and program development manager, assistant to general manager and planning development director of China Huaneng Group, executive director and general manager of Huaneng Hulunbuir Energy Development Co., Ltd. He has been the chief engineer, deputy general manager, party group member of China Huaneng Group since 2009, and retired in September 2014. He has been an independent director of China First Heavy Industries since May 2015. He has been appointed as an independent non-executive director of the Company since March 2017.

M. T M , born in November 1956, is a retired senior accountant at researcher level with a college degree, enjoys the special allowance from the State Council and now serves as an independent non-executive director of the Company. Mr. Tian started his career in 1974. He was a head, deputy chief accountant, deputy general manager and chief accountant of accounting division of Nanchang Aircraft Manufacturing Corporation (南昌飛機製造公司), general manager of Hongdu Aircraft Industry Co., Ltd. (洪都飛機工業有限公司), chief accountant, deputy party committee secretary, general manager, director, party committee secretary and chairman of Jiangxi Hongdu Aviation Industry Group Co., Ltd. (江西洪都航空工業集團有限責任公司), chief accountant and member of party group of China Aviation Industry Corporation II (中國航空工業第二集團公司), and chief accountant and member of party committee of Commercial Aircraft Corporation of China, Limited and retired in August 2017. He has been appointed as an independent non-executive director of the Company since March 2018.

SUPERVISORS

**S , , ,

M. C, G, born in August 1964, a senior economist with a postgraduate degree, is a supervisor representing shareholders of the Company and general manager of new energy engineering branch of the Boiler Company. Mr. Chen graduated from Xi'an Jiaotong University in 1987 and joined HE in the same year. He was appointed as a designer of the Design Department of the Harbin Boiler Company, secretary of factory office, deputy manager of the spare parts company, deputy secretary and chairman of Labor Union of No. 2 Pipe Workshop, secretary and head of Drum Workshop, head of No.1 Pipe Workshop. He has been the director and secretary of Safe Technology and Environmental Protection Office, and the director and secretary of Corporate Management and Development Office, and head of the Organization Department under the Party Committee and head of the United Work Front Department of the Boiler Company. He has been appointed as the general manager of new energy engineering branch of the Boiler Company since August 2019. He has been a supervisor representing shareholders of the Company since December 2009.

M. P, , born in April 1973, is a senior auditor with a master degree. He is currently a supervisor representing shareholders of the Company and chief accountant of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (哈電集團(秦皇島)重型裝備有限公司). Mr. Zhu graduated from Harbin University of Science and Technology, majoring in auditing, and then further obtained a master degree in Engineering from the same university. Mr. Zhu started his career in July 1998. He has been a staff member and the chief of the Planning Division of Harbin Automobile Industry Company under HE (哈電集團哈汽實業公司) and the auditing business director of the Audit Department of HE, the auditing business director of the Audit Department, and the deputy director and director of No. 1 Auditing Division under the Audit Department of the Company. He has been the chief accountant of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (哈電集團(秦皇島)重型裝備有限公司) since December 2019. He has been as a supervisor representing shareholders of the Company since May 2017.

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M. , born in September 1974, a senior political engineer at professor level with a master degree, now serves as a supervisor representing employees of the Company and the leader of Discipline Inspection Group appointed by the Discipline Committee of HE. Mr. Zhang graduated from Anshan Institute of Iron and Steel Technology, majoring in metal press processing. Then he obtained a master degree in engineering from Harbin Institute of Technology. Mr. Zhang started his career in July 2000. He held various positions in the Turbine Company, including a technician of the material research center, secretary to the general manager office, deputy director of the technology and management division, deputy director and director of the Corporate Development and Research Center, and head of the organization department under the Party Committee. He has been the leader of Discipline Inspection Group appointed by the Discipline Committee of HE since November 2019 and has been a supervisor representing employees of the Company since January 2013.

M. J -, born in February 1964, is a senior engineer with a bachelor degree. He is currently a supervisor representing employees of the Company, the head of the Work Department under the Party Committee of Electric Machinery Company. Mr. Zhang graduated from Shenyang Architectural and Civil Engineering Institute specializing in Machinery Manufacturing Process and Equipment. Mr. Zhang joined HE in 1986, and worked as a technician, the deputy head of technical room, deputy director and director of the Coil Factory of Harbin Electric Machinery Company, head of equipment department and head of the organization department under the Party Committee of Electric Machinery Company. He has been the head of the Work Department under the Party Committee of Electric Machinery Company since November 2018 and a supervisor representing employees of the Company since November 2014.

SENIOR MANAGEMENT

M. L , born in July 1968, is a senior accountant and certified public accountant in China with a doctor's degree. He now serves as the senior vice-president of the Company and a chief accountant of HE. Mr. Liu graduated from Harbin Institute of Technology, majoring in industrial accounting with a bachelor's degree. He subsequently obtained a doctorate degree from the same university. Mr. Liu joined HE in 1991. He has been an assistant to the director, the deputy director and the director of finance department of the Boiler Company, and the deputy chief accountant and head of finance department of the Group. He was appointed as the deputy general manager of the Boiler Company in April 2001. Mr. Liu has been serving as deputy general manager of the Company since September 2006, Vice-President of the Company since March 2013 and senior vice-president of the Company since November 2014. He assumed the post as the company secretary of the Company from January 2012 to January 2013.

M. , born in January 1973, a senior engineer with a master's degree in engineering, currently serves as a senior vice-president and standing committee member of the Party Committee of the Company, and a standing committee member of the Party Committee and a deputy general manager of HE, and vice President of China Electric Power Equipment Management Association. Mr. Xie graduated from Southeast University in 1997 with a master's degree in thermal engineering, and was then employed and served as deputy manager, manager and deputy chief engineer of the integrated business department of China National Water Resources & Electric Power Materials & Equipment Co., Ltd., general manager and deputy chief engineer of Beijing Guodian Engineering Tender Co., Ltd. (北京國電工程招標有限公司), general manager of Beijing Zhongtang Electrical Engineering Consultancy Co., Ltd. (北京中唐電工程諮詢有限公司), deputy head of the materials management department of China Datang Corporation, general manager and deputy secretary of the Party Committee of China National Water Resources & Electric Power Materials & Equipment Co., Ltd., and general manager and deputy secretary of the Party Committee of China National Water Resources & Electric Power Materials & Equipment Group Co., Ltd. He served as director of the general office of China Datang Corporation in December 2016, director of the general office and member of the Party Discipline Inspection Committee of China Datang Corporation Ltd., Datang International Power Generation Co., Ltd. and China Datang Corporation Renewable Power Co., Ltd. in December 2017, standing committee member of the Party Committee and deputy general manager of HE since August 2018, and a senior vice-president and standing committee member of the Party Committee of the Company since November 2018.

M. L , born in September 1973, is a senior engineer at researcher level with a doctorate degree in engineering. He is currently a senior vice-president and standing committee member of the Party Committee of the Company, and a standing committee member of the Party Committee and the deputy general manager of HE. Mr. Lu graduated from Harbin Institute of Technology with a degree in thermal turbine, and obtained a Ph.D. in dynamical machinery and engineering from Harbin Institute of Technology. Mr. Lu joined HE in 1995. He has served as a designer of the design institute, deputy chief designer of the design research center (design institute), deputy head of the design research center, vice principal of the research institute, head of the technical management department and deputy chief engineer of Harbin Turbine Company Limited. He served as the assistant to the general manager of Harbin Turbine Company Limited in September 2009, deputy general manager of Harbin Turbine Company Limited in June 2011, executive deputy general manager of Harbin Turbine Company Limited in March 2015, general manager and deputy secretary of the Party Committee of Harbin Turbine Company Limited in January 2016, chairman and secretary of the Party Committee of Harbin Turbine Company Limited in March 2017, standing committee member of the Party Committee and deputy general manager of HE since August 2018, and a senior vice-president and standing committee member of the Party Committee of the Company since November 2018.

Mr. Wang Dexin, born in September 1959, is a retired senior economist at researcher level with a master's degree in business administration. Mr. Wang graduated from the School of Materials Science and Engineering of Beijing Steel and Iron Institute (北京鋼鐵學院) and obtained an MBA degree from the Harbin Institute of Technology. Mr. Wang joined HE in 1982 and held various positions ever since, such as a technician of the central laboratory, secretary and acting manager of the heavy vessel factory of Harbin Boiler Works, as well as a secretary and factory manager of No. 1 Pipe Workshop, head of water wall branch, deputy chief economist and director of labor affairs, deputy general manager, deputy managing director, chairman and general manager of the Boiler Company. He has been the chief economist of HE since October 2016, the Vice President of the Company since October 2016, and retired in September 2019.

Mr. Zhang Hongwei, born in September 1961, is a senior engineer with an MBA degree. He now serves as a vice-president of the Company and an assistant to the general manager of HE. Mr. Zhang graduated from Harbin Institute of Electrical Engineering in 1984 and joined HE in the same year. He has been an engineer of the enginery repairing workshop, the secretary and an assistant to the director of the Communist Party Committee Office of the Harbin Boiler Works. In 1994, Mr. Zhang participated in the reorganization of HE to be a shareholding enterprise and the issuance and listing of the Company's shares. Since November 1994, he has been appointed as the deputy director of the general manager office, the deputy director of the planning department and director of the enterprise management department, and the director of the auditing and law department of the Boiler Company. Since 1998, he has been a standing committee member of the Party Committee and director of the organization department of HE and the Company. Since 1999, he was appointed as the secretary of the Communist Party Committee and vice chairman of Archeng Relay Group Company and Archeng Relay Company Limited. He has been serving as the deputy general manager of the Company since September 2000 and the Vice-President of the Company since March 2013.

Mr. Qu, born in July 1962, is a senior engineer with a postgraduate degree. He now serves as the vice-president of the Company and an assistant to the general manager of HE. Mr. Qu graduated from Harbin Shipbuilding Engineering Institute with a master's degree in August 1988 and joined HE in the same year. He has been an assistant engineer, business representative in Pakistan and engineer of Harbin Power Station Equipment Import And Export Company, and served as the deputy general manager of the company in February 1994. Since November 1994, he has been the deputy manager of operation and development department of Harbin Power Engineering Company Limited, deputy general manager and deputy manager of operation and development department of cycle power plant project in UCH, Pakistan, deputy chief engineer, assistant to the general manager of the company. He served as the executive deputy general manager of Harbin Power Engineering Company Limited in November 1999, general manager of the company in April 2003, and chairman and Party Committee secretary in September 2007 respectively. He has been serving as deputy general manager of the Company since June 2010 and vice-president of the Company since March 2013.

COMPANY SECRETARY

Mr. Ai Lihua, born in March 1970, is a senior economist with a master degree. He is currently the company secretary and a general manager of legal compliance department of the Company. Mr. Ai graduated from Jilin University of Technology majoring in technical economics and he obtained a master degree from Harbin Institute of Technology. Mr. Ai has been a staff of the Harbin Electrical Machinery Works, General Manager of the Sales Office of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券公司) at Nanma Road, Harbin, deputy manager of the investment and reforming department and manager of investment management department of HE, manager of the planning and development department, director of the secretariat of the Board, deputy manager and manager of the securities and legal affairs department of HE and the Company. He has been the company secretary of the Company since May 2015 and the general manager of legal compliance department of the Company since December 2019.

PRINCIPAL ACTIVITIES

The Company is mainly engaged in the manufacture and sales of various kinds of power generation equipment and provision of power station engineering services, and its major businesses currently include: manufacturing of large scale thermal power, hydropower, nuclear power and its ancillary equipment, turnkey construction of power station projects, development, design and manufacturing of major products such as power equipment of ships and electric power equipment etc. The operations of the Company are mainly located in China, with approximate three-fourth of its revenue deriving from China during 2019.

In 2019, the revenue from export of the Company amounted to RMB 5,457.62 million, representing 24.24% of the Company's operating income, representing a year-on-year decrease of RMB1,939.78 million. The Company's major regions for export included Asia，South America and Africa, which respectively amounted to RMB 4,921.79 million， RMB 242.91 million and RMB 127.26 million .

BUSINESS REVIE

Details of a fair review of the Company's business in 2019, key financial performance indicators and possible future developments of the Company are set out in the section headed "Management Discussion and Analysis" of this Annual Report.

M R U

In 2019, the Company actively promotes the integration of internal control, risk and compliance management, establishes a linkage mechanism, uses a combination of qualitative and quantitative methods for risk assessment, formulates risk assessment standards, clarifies statistical methods for assessment, and identifies the five types of risk information from strategies, markets, and finance, law and operations, categorized and gathered into five major risks, such as international operation risk, market change and market competition risk, reform and business transformation risk, cash flow risk as well as technological innovation risk, etc., and took effective measures to reduce the risk.

S[illegible] E, A[illegible], C[illegible]

On 24 December 2018, the Board of Harbin Electric Corporation Co., Ltd. ("HE") and the Board of the Company jointly announced that Citigroup Global Markets Asia Limited, on behalf of HE, firmly intends to make a voluntary conditional cash offer to acquire all the issued H Shares of the Company on the basis of HK$4.56 per H Share.

As of 19 July 2019, HE has received the valid acceptance of approximately 88.32% of the total number of H shares in issue, and the conditions of H share acquisition offer have not been reached. Accordingly, the offer to acquire H-share did not become unconditional and expired on 19 July 2019.

E[illegible], P[illegible], P[illegible]

In 2019, the Company continued to realize its social responsibility of "Friendly Environment, Warm Home" to highlight scientific development as the main principle, devoted into maintaining a high standard of corporate governance, continuously enhanced supply chain management, and improved product quality to upgrade the operation value. It continued to carry out environmental protection activities, vigorously promote energy conservation and emission reduction, enhance the harmonious relationship between human and nature, maintain effective communication with employees, suppliers, customers, market investors, and other stakeholders, taking the interests of related parties into account, creating a mutually beneficial and win-win relationship to continuously promote the healthy development of the Company.

C R L R

In 2019, none of non-compliant events occur to the Company with respect to relevant laws and regulations that have a significant impact on the business of the Company. Relevant laws and regulations are listed as follows:

P L R	K	C M
Contract Law of the People's Republic of China	The Company's business contract signed with customers must comply with basic requirements stipulated in the Contract Law.	1. Business contracts signed by each business department of the Company need to be reviewed by the Company's legal advisers. 2. The legal adviser puts emphasis on reviewing the main terms of the contract subject, contract subject, quantity, quality, price or remuneration, performance period, place, method, liability for breach of contract and dispute resolution, proposes amendments and controls contract legal risk of the Company.
Securities Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited	Relevant regulations required to comply with by the Company as a securities issuer.	The Company appoints professional legal advisers to assist with related work as the securities issuer and formulates related systems to regulate internal governance and information disclosure and other related works.
Tendering and Bidding Law of the People's Republic of China	The tendering activities and procurement of the Company must be strictly carried out in accordance with the Tendering and Bidding Law.	1. Participating in the bidding, the Company must set up a particular team to convene evaluation meeting before bidding, and departments including operation, finance and legal shall attend the meeting and give professional advices. 2. In accordance with the "Administrative Measures on Tendering Procedures" and other regulations, the Company must conduct open tendering or selective tendering if purchases of goods or services reach certain amount.

P… L… R…	K…	C… M…
Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China	When entering into or terminating an employer-employment relationship, provisions of the Labor Law and the Labor Contract Law must be followed by both the Company and employees.	A fixed labor contract model and cancelling clauses reviewed by the legal department should be possessed by the human resources department of the Company.
Intellectual property rights laws, mainly include: Copyright Law, Patent Law, Trademark Law	Relevant laws on intellectual property rights should be strictly abided by on the production and operation, technology research and development and commercial brand protection of the Company.	The Company's technology management department is responsible for centralized management of the Company's intellectual property rights. The assistance from legal adviser of the Company is required by the application of intellectual property rights and the protection of trademark and goodwill. Electric Machinery Company and Boiler Company, subsidiaries of the Company, have successfully applied for well-known trademarks in China.

E… M… C… S…

1. *Employees*

As of 31 December 2019, the Company had 16,579 employees. The Company had a workforce of 14,394 current employees, of which female employees totaled 2,514, accounting for 17.47%. 1,152 employees aged above 55, accounting for 8.0%; 2,090 employees aged 50–54, accounting for 14.5%, 4,593 employees aged 40–49, accounting for 31.9%, 5,119 employees aged 30–39, accounting for 35.6% and 1,440 employees aged below 29, accounting for 10.0%.

In 2019, the Company organized 1,751 classes in total for various trainings, with over 55,100 persons participating in.

2. *Major suppliers*

During 2019, the top five suppliers of the Company attributed 19.82% of the total purchases, of which the largest supplier accounted for 13.03% of the total purchases.

3. *Major customers*

During 2019, the Company's top five customers attributed 37.37% of total operating revenue, of which the largest customer accounted for 19.23% of total operating revenue.

None of the Directors, Supervisors, their associates and any shareholders of the Company (which to the knowledge of the Board of Directors own 5% or above of the Company's shares) has any interest in the above-mentioned suppliers or customers.

LIST OF SUBSIDIARIES AND DIRECTORS OF SUBSIDIARIES

Details of major subsidiaries of the Company and directors of the subsidiaries as of 31 December 2019 are set out in note IX to the financial statements of this annual report.

RESULTS

As of 31 December 2019, the operating income of the Company amounted to RMB22,515.59 million, and net profit attributable to the owners of the parent company was RMB106.17 million. The results of the Company for the year ended 31 December 2019 are set out in the consolidated income statement of this annual report.

DIVIDEND

The Board does not propose the payment of a final dividend for 2019 of the Company.

As of 31 December 2019, the Company received no notification from any shareholders to waive or agree to waive any dividends.

INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-E ECUTIVE 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 2019, 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 10 to the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As of 31 December 2019, the Company entered into no service contract specified in Rule 14 of Appendix 16 of the Listing Rules with Directors and Supervisors.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

As of 31 December 2019, none of the Directors or Supervisors has any interest, whether directly or indirectly, in the contracts of significance entered into by the Company.

CONTRACTS OF SIGNIFICANCE ITH THE CONTROLLING SHAREHOLDERS OF THEIR SUBSIDIARIES

On 24 December 2019, the Company and HEG entered into the new Financial Services Framework Agreement, pursuant to which the Company will, within three years,provide Harbin Electric Corporation and its subsidiary (the "Unlisted Harbin Electric Company", excluding the Company and its subsidiary) with the depository services, loan services and other financial services through the Finance Company, a subsidiary of the Company, at fair and reasonable market prices and on normal commercial terms. In particular, regarding the depository services, no annual caps shall be set for the accumulated maximum daily deposit balance deposited with Finance Company by the Unlisted Harbin Electric Company; regarding the loan services, the cap for the accumulated maximum daily balance of loan services provided by Finance Company to the Unlisted Harbin Electric Company is RMB170,000,000; the annual transaction caps for fees and commissions for other financial services are RMB3,000,000.

On 24 December 2019, the Company entered into the new Products and Services Framework Agreement with HEG, pursuant to which the cross-provision of products and services will be conducted at fair and reasonable market prices and on normal commercial terms between the Company and its subsidiaries and the Unlisted Harbin Electric Group within the next three years, including (1) the provision of services by the Company to the Unlisted Harbin Electric Group; (2) the provision of services by the Unlisted Harbin Electric Group to the Company; (3) the sale of products by the Company to the Unlisted Harbin Electric Group; and (4) the purchase of products by the Company from the Unlisted Harbin Electric Group. In particular, in each full year during the term of this agreement, the cap for the provision of services by the Company to the Unlisted Harbin Electric Group amounts to RMB2,000,000; the cap for the provision of services by the Unlisted Harbin Electric Group to the Company amounts to RMB72,000,000; the cap for the sale of products by the Company to the Unlisted Harbin Electric Group amounts to RMB170,000,000; and the cap for the purchase of products by the Group from the Unlisted Harbin Electric Group amounts to RMB65,000,000.

For more details, please refer to the announcements published by the Company on the website of the Stock Exchange of Hong Kong Limited on 24 December 2019.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Remuneration of directors and supervisors of the Company was approved at the general meeting of the Company, in which executive directors, shareholder supervisors and employee supervisors will not receive any remuneration as directors and supervisors. The remuneration of independent non-executive directors was determined with reference to remuneration of the relevant personnel of companies engaging in similar business or with similar scale as the Company. None of the directors waived or agreed to waive any remuneration.

The remuneration of the directors and supervisors of the Company as of 31 December 2019 is as follows:

Unit: RMB

	F,	S	C	T
E, , D,				
Mr. Si Ze-fu	0	0	0	0
Mr. Wu Wei-zhang	0	686,300.00	63,296.80	749,596.80
Mr. Zhang Ying-jian	0	615,800.00	58,297.60	674,097.60
Mr. Song Shi-qi (resigned on 27 September 2019)	0	370,080.00	48,039.20	418,119.20
T	0	1,672,180.00	169,633.60	1,841,813.60
I, , , , N - E, , D,				
Mr. Zhu Hong-jie	0	60,000.00	0	60,000.00
Mr. Yu Wen-xing	0	60,000.00	0	60,000.00
Mr. Hu Jian-min	0	60,000.00	0	60,000.00
Mr. Tian Min	0	60,000.00	0	60,000.00
T	0	240,000.00	0	240,000.00
S,				
Mr. Feng Yong-qiang	0	0	0	0
Mr. Chen Guang	0	490,184.00	77,858.00	568,042.00
Mr. Zhu Peng-tao	0	279,264.00	31,433.60	310,697.60
Mr. Zhang Wen-ming	0	262,862.80	24,572.40	287,435.20
Mr. Zhang Jun-quan	0	390,345.40	63,156.40	453,501.80
T	0	1,422,656.20	197,020.40	1,619,676.60

Details of the remuneration of directors, supervisors and senior management of the Company as of 31 December 2019 are set out in note XII(IV) to the financial statements in this annual report.

FIVE HIGHEST PAID PERSONNEL

As of 31 December 2019, the five highest paid personnel in the Company are all senior management of the Company and its subsidiaries. Remuneration of two of them was over HK$1 million but below HK$1.5 million and three of them was below HK$1 million.

Unit: RMB

	F[illegible]	S[illegible]	C[illegible]	T[illegible]
Total remuneration of the five highest paid personnel	0	3.9574 million	0.6846 million	4.6420 million

CONTINGENT LIABILITIES GUARANTEES

As of 31 December 2019, total internal guarantees in favour of the Company made by the Company and its subsidiaries amounted to RMB 2,743.90 million. No external guarantee was provided.

PERMITTED INDEMNIT PROVISION

As provided by applicable laws, each directors of the Company is entitled to be indemnified by respective companies for all costs, charges, losses, fees and liabilities which arise in or are connected to the execution or performance of their duties according to the Articles of Association of the Company. The provision becomes effective in the financial year ended 31 December 2019 and is 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

For the year ended 31 December 2019, the Company had no significant investment in securities.

STAFF REMUNERATION , RETIREMENT AND BENEFITS SCHEME

In 2019, the Company continued to deepen its remuneration reform, improve internal the framework of remuneration management policy system, and develop policy toolbox to promote employees' enthusiasm, initiative and creativity. In addition, the Company further increased the salary distribution to its production core staff, key positions with significant contribution and backbone persons, and implemented "blade plan"for core researchers and relevant technicians to stabilize and encourage the research talent team. Moreover, the Company improved salary incentive and restraint system to make a better flexibility for the income distribution of our employees, and realize income distribution matching with economic benefit growth and improvement of labor efficiency, with a view to establishing a harmonious income distribution relationship.

In 2019, the total salaries of the Company amounted to RMB1,627.91 million. The Company has no long-term award scheme for the time being.

FI ED ASSETS

As of 31 December 2019, the fixed assets of the Company amounted to RMB5,917.63 million, details of the movements in fixed assets of the Company are set out in Note VII(XVIII) to the financial statements in this annual report.

PROFITS AVAILABLE FOR DISTRIBUTION

As of 31 December 2019, the total undistributed profits of the Company amounted to RMB8,804.20 million. Movements in the undistributed profits of the Company during the year are set out in the consolidated statement of changes in equity to the financial statements.

FINANCIAL HIGHLIGHTS

The financial highlights of the Company for the last five years are set out in the section headed "Financial Highlights" in this annual report.

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

As of 31 December 2019, 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 proposals to issue the new shares to existing shareholders according to their respective proportions of shareholding.

MAJOR LITIGATION

During 2019, the Company had following major pending litigations:

In February 2019, Harbin Electric International Company Limited ("HE International"), a subsidiary of the Company, received a notice calling for responses to civil legal proceedings from Liaoning Shenyang Municipal Intermediate People's Court ("Shenyang Intermediate"), since Northern Heavy Industry Company Co., Ltd ("NHI") initiated legal litigation regarding claim under supply contract guarantee and contract payment dispute for Turkey Suma Project of HE International, demanding that HE International refund guarantee claim, and pay outstanding amount under the contract, litigation amount of RMB71,170,945.60 and interest.

On 12 December 2019, the first hearing for litigation for Suma project was held in Shenyang Intermediate Court. HE International and NHI performed evidence cross-examination. At present, litigation for Suma project is pending for the second hearing from Shenyang Intermediate Court.

TA 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 its affiliates, including Harbin Electrical Machinery Company Limited, Harbin Boiler Company Limited, Harbin Turbine Company Limited, Harbin Electric Power Equipment Company Limited and HE Harbin Power Plant Valve Company Limited were re-recognised as High and New Technology Enterprises, and shall continue to enjoy a 15% preferential income tax rate, which is significant to their long-term development.

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

Pursuant to the Implementation Measures of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), the Company has been included in the general framework of the value-added tax system reform, which allows the Company 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 Comprehensive Revitalization of Historical Industrial Bases of the Northeast Regions (《中共中央國務院關於全面振興東北地區等老工業基地的若干意見》) in 2016, the Company will continue to enjoy the relevant favourable policies in supporting such revitalization for historical industrial bases of the northeast regions.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company has established Measures for Managing Connected Transactions (關連交易管理辦法) to regulate performance of connected transactions and continuing connected transactions. The continuing connected transactions of the Company are internally monitored by the responsible departments, including the economic operations department, asset finance department and secretariat of the Board. The amendment of relevant system and pricing policies are carried out by the responsible departments which are in charge of relevant works and shall be approved by the Board after discussion with the management of the Company. In addition, relevant pricing systems, process and their implementation are supervised by the responsible departments, and those of our subsidiaries were monitored by relevant departments so as to ensure continuing connected transactions were carried out in accordance with their systems.

The annual review of continuing connected transactions by independent non-executive directors of the Company were based on the annual progress of continuing connected transactions detailed state in the annual report and financial report of the Company, and also the review letter of annual progress of continuing connected transactions issued by the auditor of the Company. The independent non-executive directors, where appropriate, inquiry to the management to ensure that sufficient information is obtained to review such transactions and internal control procedures. The independent non-executive directors can ensure that (i) the methods and procedures established by the issuer are sufficient to ensure that the transaction conducted on normal commercial terms and does not prejudice the interests of the issuer and the minority shareholders; and (ii) the issuer has in place internal monitoring procedures, and these transactions were also reviewed by internal audit function.

Details of connected transactions and continuing connected transactions of the Company as of 31 December 2019 are set out Note XII(IV) to the financial statements in this annual report. The Company also confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions and continuing connected transactions.

As of 31 December 2019, the Company carried out the following connected transactions and continuing connected transactions (other than connected transactions that are exempted under Rule 14A.33 of the Listing Rules):

C , , T , ,

Nil.

C C , , T , ,

1. Product and Service Framework Agreement between the Company and Harbin Electric Corporation Co., Ltd ("HE")

On 9 December 2016, the Company entered into a product and service framework agreement with HE, pursuant to which, the Company, together with its subsidiaries, and the Unlisted Harbin Electric Group will provide products and services to each other during the three financial years from 1 January 2017 to 31 December 2019.

During the financial year from 1 January 2019 to 31 December 2019, the transaction cap for providing services by the Company and its subsidiaries to the Unlisted Harbin Electric Company was RMB2.00 million, while the actual transaction amount was RMB110,000; the transaction cap for selling products to the Unlisted Harbin Electric Group was RMB12.00 million, while the actual transaction amount was zero. The transaction cap for receiving services by the Company from the Unlisted Harbin Electric Group was RMB84.00 million, while the actual transaction amount was RMB43.31 million; the transaction cap for purchasing products to the Unlisted Harbin Electric Company was RMB195.00 million, while the actual transaction amount was RMB10.54 million. The amounts of such transactions did not exceed the cap.

2. Financial Service Framework Agreement between the Company and HE

On 9 December 2016, the Company entered into a financial service framework agreement with HE, pursuant to which, HE Finance Company Limited (the "Finance Company"), a subsidiary of the Company, will provide financial services including depository services, loan services and other financial services to the Unlisted Harbin Electric Group, from 31 December 2016 to 30 December 2019. As the Original Agreement expired, the Company entered into a new financial service framework agreement with HE on 24 December 2019 for the period from 31 December 2019 to 30 December 2022.

For the period from 1 January 2019 to 31 December 2019, the Unlisted Harbin Electric Group has highest cumulative daily loan services balance from the Finance Company was RMB220.00 million (transaction cap was RMB170.00 million on 31 December), of which the actual transaction amount was RMB170.00 million (the transaction amount was RMB150.00 million on 31 December); the maximum service charges and handling fees from other financial services provided by the Finance Company to the Unlisted Harbin Electric Group was RMB2.80 million (transaction cap was RMB3.00 million on 31 December), of which the actual transaction amount was zero, both of which did not exceed the cap.

3. Management Entrustment Agreement between the Company and HE

On 29 January 2016, the Company entered into the Management Entrustment Agreement with HE, pursuant to which, the Company will provide management services to HE, including but not limited to administration management, human resources and compensation management (including external affairs management), technology and quality control, assets and financial management, integrated organization management, statistic and economic operations management, auditing and internal control management, investments management, strategic developments management, legal affairs management, communications management, marketing management, projects management, production safety management, procedure monitoring management, political affairs and other affairs management. Term of the agreement was from 23 March 2016 to 22 March 2019 and HE shall pay an annual management entrustment fee of RMB3.28 million to the Company. As the Original Agreement expired, the Company entered into a new management entrustment agreement with HE on 23 July 2019 for the period from 23 March 2019 to 22 March 2022.

As of 31 December 2019, HE has fully paid the management fee of RMB3.28 million to the Company.

C C C T

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transactions (as defined in the Listing Rules) set out in Note XII to the financial statements and confirmed that:

1. These continuing connected transactions had been entered into according to the agreement governing them on terms that are fair and reasonable and in the interests of shareholders of the issuer as a whole;

2. These continuing connected transactions had been entered into on normal commercial terms or better;

3. These continuing connected transactions had been entered into in the ordinary and usual course of business of the issuer.

The auditors of the Company have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company in accordance with Rule 14A.38 of the Listing Rules and confirmed that:

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DETAILS OF SHARE CAPITAL

S

As of 31 December 2019, the total share capital of the Company comprised 1,706,523,000 shares, of which 1,030,952,000 Domestic Shares (state-owned corporate shares) were held by the HE (representing 60.41% of the entire share capital) and 675,571,000 H shares were held by overseas holders of H shares (representing 39.59% of the entire share capital).

E

As of 31 December 2019 and up to the date of this annual report, the shareholders having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long positions in the shares of the Company:

As at 31 December 2019	Harbin Electric Corporation Co., Ltd	State-owned legal person shares	1,030,952,000	Beneficial Owner	100%	60.41%

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as of 31 December 2019.

H R S

The Company has sufficient public float. As of 31 December 2019, the top ten registered shareholders holding the largest quantity of shares were as follows:

N .	N S	N S	P H R
1	HARBIN ELECTRIC CORPORATION CO., LTD.	1,030,952,000	60.41%	Shares owned by stated owned legal person
2	HKSCC NOMINEES LIMITED	627,422,315	36.77%	H share
3	TANG KEUNG LAM	28,000,000	1.64%	H share
4	TANG'S INVESTMENTS LIMITED	17,000,000	1.00%	H share
5	LI CHI SING	376,000	0.02%	H share
6	YIP CHOK CHIU	360,000	0.02%	H share
7	CHEUNG YUM TIN	200,000	0.01%	H share
8	HO YUN HUNG	200,000	0.01%	H share
9	LEE LAI HAR	140,000	0.01%	H share
10	CHAN CHEUK YIN	140,000	0.01%	H share

A S H H S

Based on the register of members as at 31 December 2019, the shareholding of holders of H shares as follows:

R	N S	N S H	P I H S
1–1,000	4	402	0.00%
1,001–5,000	43	114,283	0.02%
5,001–10,000	39	304,000	0.04%
10,001–100,000	37	1,204,000	0.18%
100,001 and above	10	673,948,315	99.76%
Total	133	675,571,000	100.00%

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 10 of the Listing Rules throughout the period.

CORPORATE GOVERNANCE CODE

The Company has been actively enhancing the Company's corporate governing structure and standardized the Company's operations through strictly complying with relevant provisions such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. Directors of the Company strived to maintain corporate governance of high standard and believe quality governance is a key to long-term success and sustainable development of the Company's business.

In 2019, the Company has complied with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, and adopted in its best practice proposed in which as appropriate. Details of which are set out in the section headed "Corporate Governance Report" in the annual report.

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 2019, and discussed with the Board the financial reporting procedures as well as the internal control system of the Company.

AUDITORS

On 3 December 2019, BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) ("DO China Shu Lun Pan Certified Public Accountants LLP") sent a letter of resignation as the auditor to the Company. On 10 December 2019, the Board approved the appointment of Da Hua Certified Public Accountants (Special General Partnership) ("Da Hua Certified Public Accountants") as the new auditor of the Company to fill the casual vacancy after BDO China Shu Lun Pan Certified Public Accountants LLP's stepping down and to hold office until the conclusion of the next annual general meeting of the Company.

The financial statement of the Company for the year ended 31 December 2019 has been audited by Da Hua Certified Public Accountants. The remuneration of the audit service was RMB2.20 million. In addition, Da Hua Certified Public Accountants do not supply a substantial volume of non-audit services to the Company and charge fees.

Da Hua Certified Public Accountants is eligible and willing to offer itself for re-appointment as the auditor of the Company. The Board of Directors has recommended to the General Meeting to re-appoint Da Hua Certified Public Accountants as the auditors for the Company's 2020 financial statements. The resolution to re-appoint the auditor and to authorise the Board to determine its remuneration will be proposed at the 2019 annual general meeting of the Company.

By order of the Board

Chairman

24 April 2020

REPORT OF THE BOARD OF SUPERVISORS

To all shareholders:

For the year ended 31 December 2019, all members of the Board of Supervisors ("the Board of Supervisors") of the Company duly performed their functions with taking the interests of the Company and all shareholders into account in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company. The Board of Supervisors has carried out a supervision on the performance of the functions and powers of the directors and senior managers of the Company, attended or sat in on all the Shareholders' meetings and Board meetings during the year, actively participated in the examination and verification of the Company's major decision-making matters, and inspected the Company's operations and finances on an irregular basis, which promoted the Company's work in a smooth manner.

In 2019, the Board of Supervisors convened two meetings, mainly to review the Company's 2018 annual results and 2019 interim results; the Supervisors attended three Shareholders' meetings and four Board meetings in person, supervised the procedures of and matters in the meeting, and put forward relevant opinions and suggestions in a responsible manner.

For all related works of the Company in 2019, the Board of Supervisors gave the following independent opinions:

1. During the Period, the Company strictly complied with the nation's laws and regulations, operated in accordance with the procedures regulating listing companies, and duly executed various resolutions passed at the general meetings. The Company achieved satisfying results from all works during the year, which laid a solid foundation for the smooth and sound development of the Company.

2. The Board of Supervisors considered that the Board of Directors and Senior Management of the Company are diligent in performing their duties and protecting the interests of the shareholders. The Board and all directors earnestly carried out their rights and obligations under the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company, and made decisions on significant issues such as production and operation of the Company in accordance with laws and regulations. The Senior Management duly implemented resolutions passed at the Board meetings, advanced each work on all fronts and ensured smooth going concern of the Company. During the Period, none of the members of the Board and Senior Management was found to breach of the nations' laws and rules and the Articles of the Association of the Company or act against the interests of the Company and the legitimate rights and interests of shareholders and employees.

3. The Board of Supervisors has reviewed the Company's financial policies and relevant conditions and considered that the Company's financial policy has an integrated structure and a sound system, and the financial works had been operated orderly according to the internal control system and risk management. Relevant information such as annual financial report and the dividend profit scheme to be proposed by the Board of Directors for approval at the Annual General Meeting has objectively and truly reflected the financial position and operating results of the Company. The profit scheme has taken into account both the interests of the shareholders and the Company's long-term development. Statutory surplus reserve fund withdrawn this year complies with the provisions of the laws and regulations and the Articles of Association of the Company.

4. The Board of Supervisors has reviewed the Report of the Directors and considers that the report truly and objectively reflected the actual conditions of each related work of the Company during the period.

In 2020, the Board of Supervisors will continue to effectively perform its supervisory duties in accordance with the relevant regulations of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company to ensure the operation of the Company in accordance with the law, and protect the interests of the Company and Shareholders.

The Board of Supervisors sincerely appreciates the trust and support from all colleagues and the shareholders of the Company.

H E C ., L .
The Board of Supervisors

24 April 2020

CORPORATE GOVERNANCE PRACTICES

The Company has been actively enhancing the Company's corporate governing structure and standardized the Company's operations through strictly complying with relevant provisions such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. The Board of the Company is committed to maintaining a high standard of corporate governance, and believes that good corporate governance practices are crucial to the success and sustainable development of the Company's operation in the long run.

In 2019, the Company has fully complied with provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong and, where appropriate, adopted the recommended best practices as specified therein.

The Board of the Company is responsible for the corporate governance functions. In 2019, the Board of the Company has strictly observed the policies and practices in compliance with laws and regulatory requirement, and also enacted and amended its regulations with reference to those policies and practices, with an aim to perfect our corporate governance policies and practices. The Company continues to focus on the training and continuous professional development of directors and senior management, and actively carries out internal review and rectification work to improve the level of the Company's governance.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong as the code of conduct regarding directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code for Securities Transactions by Directors of Listed Issuers at all applicable times during 2019.

BOARD OF DIRECTORS

The major duties of the Board of Directors of the Company are to exercise the discretion in management decision according to the authorization by the general meeting with respect to the development strategies, management structure, investment and financing, planning and management and financial control. Details are set out in the Articles of Association.

C B D

During 2019, the Board of Directors of the Company had 8 directors, of which 4 are independent non-executive directors. During the period, on 27 September 2019, Mr. Song Shi-qi, the executive director of the Company, resigned as the executive director of the Company because he had reached the mandatory retirement age. As of 31 December 2019, members of the Board of Directors of the Company were:

Executive directors: Si Ze-fu (Chairman), Wu Wei-zhang, Zhang Ying-jian

Independent non-executive directors: Zhu Hong-jie, Yu Wen-xing, Hu Jian-min, Tian Min

Biographies of the members of the Board of Directors are included in the section headed "Directors, Supervisors and Senior Management" in this annual report.

There were no financial, business, family or other material or relevant relationships among members of the Company's Board of Directors.

I

During 2019, the Board of Directors of the Company was comprised of 4 independent non-executive directors, namely Mr. Zhu Hong-jie, Mr. Yu Wen-xing, Mr. Hu Jian-min, Mr. Tian Min.

During the reporting period, all the Independent non-executive Directors attended the meetings of the Board of Directors with a prudent and responsible principle. They fully utilized their experiences and expertise, and made substantial contribution towards the improvement and perfection of the corporate governance mechanism, the important decision-making process and the review of connected transactions. They also provided balanced and objective advice with regard to the aspects mentioned above to further standardize the decision-making process of the Board of Directors and make this process more scientific, thereby protecting the interests of the Company and all shareholders as a whole.

The Company confirmed that it has received annual confirmation from each independent non-executive director in respect of his/her independence.

M B D

During 2019, the Board of the Company convened 9 meetings to discuss and make decision on the major issues in the production and operation of the Company, including the Company's overall strategy, investment plan, operation and financial performance, and institutional adjustments, 4 of which were regular meetings that directors presented in person or by authorized proxy. The Independent non-executive Directors of the Company did not have dissenting opinions regarding any of the Company's decisions. Attendances of the meetings are as follows:

Attendance of Directors at meetings of the Board of Directors in 2019

N D	N A R	A P	N A D	A R
Mr. Si Ze-fu	9	9	0	100%
Mr. Wu Wei-zhang	9	8	1	88.89%
Mr. Zhang Ying-jian	9	9	0	100%
Mr. Song Shi-qi (resigned on 27 September 2019)	6	6	0	100%
Mr. Zhu Hong-jie	9	9	0	100%
Mr. Yu Wen-xing	9	9	0	100%
Mr. Hu Jian-min	9	9	0	100%
Mr. Tian Min	9	9	0	100%

The relevant information and latest development of the statutory, regulatory and other continuous responsibilities of the Company's Board of Directors can be obtained by all Directors through the Company Secretary in a timely manner, so as to ensure all Directors understand his/her duties, and the procedures of the Board of Directors are consistently followed by and applicable laws and regulations are duly complied with. The Directors and the Board of Directors' special committees of the Company have the right to engage independent professional organizations for their service according to the requirement of their duties; reasonable costs incurred therefrom are borne by the Company.

On 7 May 2019, the Company held the annual general meeting, extraordinary general meeting of Shareholders and general meeting for holders of H Shares, and attendances of Directors are as follows:

Attendance of Directors at general meeting in 2019

Name of Director	Number of Attendance	Number of Proxy	Attendance Rate
Mr. Si Ze-fu	1	1	100%
Mr. Wu Wei-zhang	1	1	100%
Mr. Zhang Ying-jian	1	1	100%
Mr. Song Shi-qi (resigned on 27 September 2019)	1	1	100%
Mr. Zhu Hong-jie	1	1	100%
Mr. Yu Wen-xing	1	1	100%
Mr. Hu Jian-min	1	0	0%
Mr. Tian Min	1	1	100%

Term of Directorship

The Directors of the Company are appointed on a term of three years.

D P B M

The Board of Directors shall exercise its functions and powers under authorization by the relevant laws and regulations and general meetings, including convening general meetings, reporting in general meeting, implementing the resolutions of the general meeting, determining the Company's business plan and investment plan, preparing the Company's annual financial budget, final accounts, profit distribution plan, and the appointment and removal of major personnel. In 2019, the Board of the Company made decisions discreetly after solemn discussions, and encouraged all directors to commit their duties by different methods, such as holding board meetings and communication. The Company encourages the directors with different opinions to express their own concerns and discuss these matters in sufficient depth. Every Director has devoted sufficient time and effort to explore the development of the Company, ensuring the correctness of the Company's development strategy and direction, so as to safeguard the interests of shareholders.

The management of the Company is authorized by the Board to be responsible for the management of the Company's operations and day-to-day affairs, and to report to the Board. In 2019, the management of the Company takes its responsibilities seriously and conscientiously by constantly improving the Company's management level and preventing from risks, to ensure the steady operation and healthy development of the Company.

T D

The Company is well aware that ongoing development and training help Directors keep abreast of current trends and issues facing the Company, while enabling them to update and refresh their skills and knowledge necessary for the performance of their duties. During 2019, the Company actively organized the trainings for the Directors, and reported the daily business briefing and market information of the Company, which greatly strengthened the knowledge and skills necessary for all the Directors, to ensure the Directors continue to contribute to the Board with comprehensive information and where necessary.

In 2019, the independent non-executive director of the Company attended the training courses such as training course for external directors of central enterprises organized by the SASAC, and listened to the central economic work conference spirit, the conference spirit of central enterprises, local SASAC heads and central enterprises overseas risk prevention lectures; the executive directors attended the training courses such as party spirit of provincial and ministerial cadres and other trainings. In 2019, the directors of the Company received an aggregate of above 300 hours of training courses. These courses further enhanced the directors' skills and knowledge, enabling them to make greater contributions to the development of the Company.

CHAIRMAN AND PRESIDENT

During 2019, the Chairman of the Company was Mr. Si Ze-fu, and the President of the Company was Mr. Wu Wei-zhang.

Positions of the Chairman and the President of the Company are held by different individuals with distinct division of responsibilities. The Chairman presides over meetings of the Board of Directors and reviews on the implementation of matters resolved by the Board of Directors. The President is responsible for production, operation and management of the Company, to exercise functions and powers as authorized by the Board and report to the Board.

There were no financial, business, family or other material or relevant relationships among the Chairman and the President of the Company.

SPECIAL COMMITTEES UNDER THE BOARD

The Board of the Company has established four special committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Development Committee, whose members are all Directors of the Company.

During 2019, the meetings convened by the special committees under the Board of the Company included 1 Remuneration Committee meeting, 4 Audit Committee meetings, and 2 Strategy Development Committee meeting. Each Director has attended the meeting of the committee in which he/she acted as a member in person, and had a thorough discussion on the related issues, providing quality, constructive opinions and advices. Attendances of the meetings are as follows:

A[illegible] D[illegible] B[illegible] 2019

N[illegible] D[illegible]	A[illegible] R[illegible]	A[illegible] P[illegible]	A[illegible] R[illegible]	R[illegible] C[illegible] R[illegible]	A[illegible] P[illegible]	A[illegible] R[illegible]	S[illegible] D[illegible] C[illegible] R[illegible]	A[illegible] P[illegible]	A[illegible] R[illegible]
Mr. Si Ze-fu									
Mr. Wu Wei-zhang							2	2	100%
Mr. Zhang Yingjian							2	2	100%
Mr. Song Shi-qi (resigned on 27 September 2019)				0	0				
Mr. Zhu Hong-jie	4	4	100%	1	1	100%			
Mr. Yu Wen-xing	4	4	100%	1	1	100%	2	2	100%
Mr. Hu Jian-min							2	2	100%
Mr. Tian Min	4	4	100%						

A[illegible] C[illegible]

The main responsibilities of the Audit Committee under the Board of the Company are: to monitor the Company's compliance with accounting standards and rules of stock exchanges, to review and supervise the internal control and risk management of the Company, to audit interim and annual results of the Company, and to discuss any issues with the auditors.

The members of the Audit Committee under the Board of the Company are all independent non-executive directors: In 2019, the members of the Audit Committee under the Board of the Company were Mr. Tian Min, Mr. Zhu Hong-jie and Mr. Yu Wen-xing, and Mr. Tian Min, an independent non-executive, was the chairman of the Committee.

In 2019, the Audit Committee held a total of 4 meetings and accomplished the following key tasks:

NO	S
1	Agreeing the contents in Annual Report of 2018 and submitting them to the Board of Directors
2	Agreeing the Company's self-assessment report of 2018 on internal control and risk management and submitting it to the Board of Directors
3	Agreeing the Company's contents of Interim Report of 2019 and submitting them to the Board of Directors
4	Agreeing the proposal of renewal loan by subsidiaries and submitting it to the Board of Directors
5	Agreeing the Company's purchase of equity in subsidiaries and submitting it to the Board of Directors
6	Agreeing the proposal of financial writing-off of assets impairment provision made by subsidiaries and submitting it to the Board of Directors
7	Agreeing the change of auditor and submitting it to the Board of Directors
8	Agreeing the Company's continuing connected transactions and submitting it to the Board of Directors

The Audit Committee has reviewed the financial statements included in the 2019 Annual Report, confirmed that these financial statements were prepared in accordance with China Accounting Standards and fairly presented the financial positions and results of the Group for the year ended 31 December 2019.

N C

The main responsibilities of the Nomination Committee under the Board of the Company are: to make recommendations to the Board on its structure and composition according to the actual status of the Company, and to make recommendations on the election of directors and the appointment of senior management.

During 2019, the members of the Nomination Committee under the Board of the Company included Mr. Si Ze-fu, Mr. Hu Jian-min and Mr. Tian Min; and two thirds of the members of the Nomination Committee were independent non-executive directors, Chairman of the Company, Mr. Si Ze-fu being the chairman of the Committee.

The Nomination Committee is committed to identifying, reviewing and screening the candidates of the director and senior management of the Company, and making recommendations to the Board after a strict consideration on various factors, such as qualification, work experience and operation capability. The Nomination Committee recognizes that diversity in Board members would be beneficial to the improvement of performance of the Company. The composition of the Board has been based on a range of diversified perspectives, including but not limited to age, educational background, professional experience, knowledge and skills.

No Nomination Committee meetings were held during 2019.

R , C ,

The main responsibilities of the Remuneration Committee under the Board of the Company are: to research into the remuneration system and policies of the Company and to make recommendations on the remuneration of the Directors and Senior Management to the Board.

During 2019, the members of the Remuneration Committee were Mr. Yu Wen-xing, Mr. Zhu Hong-jie and Mr. Song Shi-qi. Mr. Song Shi-qi resigned from the Remuneration Committee of the Board on 27 September 2019 as he had reached the mandatory retirement age. As at 31 December 2019, the Remuneration Committee of the Board of the Company is composed of Mr. Yu Wen-xing and Mr. Zhu Hong-jie, all of whom are independent non-executive Directors, an independent non-executive director of the Company, Mr. Yu Wen-xing being the chairman of the Committee.

In 2019, the Remuneration Committee held one meeting and accomplished the following key tasks:

NO	S
1	Listening to the annual performance appraisal results of our units in 2018
2	Listening to the compensation cashing plans of our units in 2018

S D, , C ,

The main responsibilities of the Strategy Development Committee under the Board of the Company are: to conduct research on the Company's strategic development plans, governance policies, significant investment and financing plans that require the approval of the Board, capital operation and asset operation, and to advise and make recommendations on the above matters.

During 2019, the members of the Strategy Development Committee under the Board of the Company were Mr. Wu Wei-zhang, Mr. Zhang Ying-jian, Mr. Yu Wen-xing and Mr. Hu Jian-min and Mr. Wu Wei-zhang, an executive director, was the chairman of the committee.

In 2019, the Strategy Development Committee held a total of 2 meetings and accomplished the following key tasks:

NO	S
1	Agreeing the related major investment issues and submitting them to the Board of Directors
2	Agreeing to amend the Articles of Association and submitting them to the Board of Directors

The Strategy Development Committee under the Board of has reviewed this report and confirmed that: the Company strived to maintain corporate governance of high standard and believed that quality governance is a key to long-term success and sustainable development of the Company's business. In 2019, the Company fully complied with the provisions in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong and, when appropriate, adopted the recommended best practices as specified therein.

AUDITORS AND THEIR REMUNERATION

On 3 December 2019, a letter of resignation from the auditor was sent to the Company by BDO China Shu Lun Pan Certified Public Accountants LLP(立信會計師事務) (special general partnership) ("BDO China Shu Lun Pan Certified Public Accountants LLP"). On 10 December 2019, the Board of Directors approved the appointment of Da Hua Certified Public Accountants (大華會計師事務所) (special general partnership) ("Da Hua Certified Public Accountants") as the Company's new auditor to fill the temporary vacancy arising from the resignation of BDO China Shu Lun Pan Certified Public Accountants LLP, the term of office shall end at the next Annual General Meeting of the Company.

The Audit Committee held a meeting on 10 December 2019 to review the resignation of BDO China Shu Lun Pan Certified Public Accountants LLP and the selection of auditors and concluded that the resignation of BDO China Shu Lun Pan Certified Public Accountants LLP was a commercial consideration, and there is no difference of opinion, nor any other resignation-related matter to be referred to the company's securities holders or creditors for attention, in accordance with the relevant regulatory requirements; Da Hua Certified Public Accountants' comprehensive capabilities can ensure the quality of the audit, and the price is reasonable; the terms of employment are also fair and reasonable. To this end, the Audit Committee recommended to the board that it agree to replace the auditor and recommended Da Hua Certified Public Accountants as the auditor for the 2019 financial statements.

Da Hua Certified Public Accountants (大華會計師事務所) was paid RMB2.2 million for providing audit services to the Company in 2019. In addition, Da Hua Certified Public Accountants does not provide significant non-audit services to the Company for a fee.

COMPAN SECRETAR

In 2019, Mr. Ai Li-song was the Company Secretary of the Company, and Mr. Tung Tat Chiu, Michael, Joint Secretary of the Company, will assist Mr. Ai to carry out the duties as the Company Secretary. In 2019, Mr. Ai participated in no less than 15 hours of professional training.

SHAREHOLDERS RIGHTS

Pursuant to the original Articles of Association, upon the requisition in writing of holders of 10% or more shares issued by the Company with voting rights, the Board shall convene an interim general meeting within two months. When the Company convenes an annual general meeting, shareholders holding 5% or more of the total shares carrying the voting right of the Company are entitled to propose new proposals to the Company in writing. The Company shall include in the agenda of that meeting those matters contained in the proposal that fall within scope of the responsibility of the general meeting.

Shareholders who intend to attend the general meeting shall give a written reply to the Company for confirming his attendance 20 days prior to the meeting.

When shareholders request to convene an interim general meeting or class meeting of shareholders, the following procedures shall be followed:

(1) Two or more shareholders who hold more than 10% (including 10%) of the shares in total with voting rights at the meeting to be held may sign one or more written request in the same format, and submit to the Board of Directors to convene interim general meeting or class meeting of shareholders and clarify the issue of the meeting. The Board of Directors shall convene an interim general meeting or a class meeting in time after receiving the above written request.

(2) If the Board of Directors does not dispatch a notice for convening the meeting within 30 days after receiving the above written request, shareholders requesting may convene the meeting on their own within 4 months after receipt of the request by Board of Directors.

The Company safeguards interests of the shareholders, treats all shareholders equally, and initiates active participation of shareholders in corporate governance. As the stakeholders of the Company, shareholders enjoy the rights provided by laws and regulations and undertake commensurate obligations. Shareholders enjoy rights to information and rights to decision-making in respect of the Company's important matters. Shareholders may put forward their enquiries on any relevant matters to the Board. The Board shall provide sufficient information to enable these enquiries to be properly directed.

Shareholders can contact the Company via various channels, such as telephone, fax and e-mail. The recommendations of shareholders can be smoothly fed back to the Board of the Company. The copies of the minutes of general meeting are available for inspection during the business hours of the Company free of charge. Shareholders of the Company can request a copy of the minutes, and the Company will send out the copy within 7 days after collection of reasonable charges.

The controlling shareholder of the Company is Harbin Electric Corporation Co., Ltd., a state-owned company registered in the People's Republic of China.

The Articles of Association of the Company have been approved and amended by the extraordinary general meeting and class meeting of Shareholders on 9 April 2020, the Shareholders' proposal right shall be amended from "Shareholders Holding More Than 5% (including 5%) of the Total Voting Shares of the Company" to "Shareholders Holding More Than 3% (including 3%) of the Total Voting Shares of the Company".

INFORMATION DISCLOSURE AND MANAGEMENT OF INVESTOR RELATIONS

The Company continuously enhances its information disclosure management and promotes its investor relations management. The Company discloses information on an open, fair, true, accurate, complete and timely ground and strictly follows the related disclosure requirements of relevant laws and regulations, the Listing Rules and the Articles of Association of the Company. In our effort to enhancing the management of investor relations, the Company issues its Interim Reports and Annual Reports and discloses matters such as connected transaction and change of directors, and privatization in a timely manner and enhancing the transparency of the Company.

In 2019, the Company through spot meeting and teleconference communicated with more than 100 investors, with a view to updating the investors' information on the Company's latest development and prospects, and in turn strengthening the relationship with the investors.

The office of the Board of the Company is responsible for the information disclosure and investor relations management. The Company strictly performs its duties, and continuously enhances its corporate governance structure so as to improve its management standard by strictly following the requirements of relevant laws and regulations of local and overseas securities regulatory organizations.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In December 2019, in accordance with the relevant laws and regulations in the country, the Board of Directors of the Company formulated the "Amendment of the Articles of Association"; on 21 February 2020, the Company published a notice of the General Meeting and a circular letter, moved to amend the "Articles of Association"; On 9 April 2020, the special General Meeting of the Company, the Class Meeting of H Shareholders and the Class Meeting of Domestic Shareholders approved the amendment of the Articles of Association. For details of the amendments, please refer to the notice and circular of the General Meeting issued by the Company on 21 February 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee of the Board of the Company is responsible for assessing and determining the nature and extent of risk which the Company is willing to accept in reaching its strategic goals, as well as ensuring that the Company establishes and maintains an appropriate and effective risk management and internal control system. The Board of Directors monitors and supervises the management in the design, implementation and supervision of the risk management and internal control system, while the management provides confirmation to the Board of Directors as to whether such system is effective.

The Company has a comprehensive risk management and internal control system in place, where the Board of Directors is responsible for the risk management and internal control system, and fully implements the relevant requirements of the Internal Control Guideline and continues to optimize the internal control system and self-assessments and continuous improvements. Through incentive measures and the guidance of corporate culture, the complete internal control system of the Company and its effective implementation are ensured.

The Company monitors and supervises the disclosure of financial information by the Company, as well as operations and internal control activities regularly or where necessary, so as to ensure the transparency of information disclosure and effectiveness of its risk management and internal control mechanism.

In 2019, the Company has reviewed the risk management and internal control system as well as risks and has completed its self-assessment report on internal control and risk management and then approved by the Audit Committee of the Board.

The Board of Directors and the Audit Committee confirm that: as of 31 December 2019, the risk management and internal control system has operated effectively; the Company has adopted effective monitoring mechanism to rectify the issues in time; and the Company has properly complied with the provisions on the risk management and internal control system in the Corporate Governance Code.

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T [illegible] H [illegible] E [illegible] C [illegible] L [illegible] :

I. AUDIT OPINION

We have audited the accompanying financial statements of Harbin Electric Company Limited (hereafter, the "Company"), which comprise the consolidated and parent company's balance sheets as at 31 December, 2019, the consolidated and parent company's income statements as at 31 December, 2019, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in equity, as well as notes to the financial statements.

We believe that the attached financial statements are prepared in all material respects which in accordance with the Accounting Standards for Business Enterprises, and fairly reflect the consolidated and parent company's financial position of Company as at 31 December 2019, the Company's operating results and cash flow.

II. BASIS OF FORMING THE AUDIT OPINION

We conducted the audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The "Responsibilities of Certified Public Accountants for Auditing of Financial Statements" in the audit report further illustrate our responsibilities under these guidelines. In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of HEC and have performed other duties in respect of professional ethics. We believe that the audit evidence we have obtained is enough and appropriate to provide the basis for the publication of the audit opinion.

Ⅲ. KE AUDIT ITEMS

The key audit item is based on our professional judgment that is the most important issue in the current financial statements audit. The response to these items is based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not comment on these items individually. We confirm that the following items are the key audit items that need to be communicated in the audit report.

(1) Revenue Recognition

(2) Impairment of Accounts Receivable

1. R , , R ,

1.1 Description

Please refer to notes Ⅳ (XXXII) and VII (XLV) of the consolidated financial statements. The operating revenue of the "Company" in 2019 was 22,515,591,468.64 yuan. The "Company" recognized revenue according to performance period and performance time. The integrity and accuracy of revenue recognition had a significant impact on the Company's business results. At the same time, the recognition of revenue according to the performance period involves the significant judgment and estimation of the management, which may affect whether the "Company" recognized revenue in the appropriate accounting period according to the performance period. Therefore, we identified revenue recognition as a key audit item.

1.2 Audit Response

1.2.1 We evaluated the design rationality of relevant internal control, and tested the effectiveness of key control implementation.

1.2.2 According to the revenue recognition accounting policy, we checked and reviewed the relevant major contracts and key contract terms.

1.2.3 We sampled the contract and costed budget data on which the management's estimated total revenue and estimated total cost are based, and evaluate whether the management's estimate was reasonable and enough.

1.2.4 We sampled sales contracts, invoices, transportation documents, progress confirmation documents and other supporting materials to assess the authenticity and accuracy of the actual costs incurred.

1.2.5 We conducted sampling inspection on business documents such as contracts, invoices, warehousing receipts and exit permits to verify the rationality and integrity of revenue recognition at the time of performance.

1.2.6 We selected samples to review the project completion schedule and checked the accuracy of relevant revenue recognition.

Based on the audit work performed, we believe that the relevant judgments and estimates of revenue recognition by management are reasonable.

2. I [illegible] A [illegible] R [illegible]

2.1 Description

Please refer to notes **IV** (XII), (XIV) and VII (III), (IV), (V) and (VI) of the financial statements. On December 31, 2019, the original value of accounts receivable, notes receivable, prepayments and other receivables in the consolidated financial statement of the "Company" was 17,777,670,709.47 yuan, and the total provision of bad debts was 4,914,399,723.68 yuan. When determining the recoverability of receivables, the management needed to identify the items and objective evidence of impairment, evaluated the expected future available cash flow and determined its present value, and used significant accounting estimates and judgments. The recoverability of receivables was important to the financial statements. Therefore, we recognized the impairment of receivables as a key audit item.

2.2 Audit Response

2.2.1 We evaluated and tested the design and operation effectiveness of internal control related to customer credit risk assessment and receivables recovery process related to the daily management and recoverability assessment of receivables.

2.2.2 We reviewed the judgment and estimation of the management in assessing the recoverability of receivables, and pay attention to whether the management has fully identified the items that have been impaired.

2.2.3 We selected receivables with significant amount or high risk and tested the recoverability independently. We verified the reasonableness of the time point and amount of provision for bad debts.

2.2.4 We sampled significant customers that management did not identify with potential impairment risk and implemented audit procedures to test their recoverability. Our procedures included checking the arrangement of the transaction contract and the progress of the transaction. We checked the collection of customers in this year and after the period to assess whether the customers were facing major financial difficulties and whether there was default.

2.2.5 We conducted a spot check on the receivables for which bad debt reserves were accrued by the management according to the combination of credit risk characteristics, and evaluated the reasonableness of the management's bad debt reserves.

2.2.6 We had assessed whether the management's accounting treatment and presentation and disclosure of impairment of receivables in the financial statements on December 31, 2019 were appropriate.

Based on the audit work performed, we believe that the relevant judgments and estimates on the impairment of receivables by management are reasonable.

IV. OTHER INFORMATION

Harbin Electric Company Limited's management (hereinafter referred to as management) is responsible to other information which includes information covered in Harbin Electric's 2019 Annual Report, but does not include financial statements and our audit reports.

Our audit opinion on the financial statements does not cover any other information, and we do not publish any form of forensic conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information while considering whether other information is materially inconsistent with the financial statements or what we have learned during the audit or that there is a material misstatement.

Based on the work we have already done; we should report the fact if we determine that there is a material misstatement of the other information. In this respect, we have no need to report any item.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED ITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company shall be responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing the Company's continuing operating capacity, disclosing items relating to continuing operations (if applicable) and applying the continuing operating assumptions unless the management plans to liquidate the Company, cease to operate or otherwise Realistic choice.

The governance is responsible for overseeing the financial reporting process of the Company.

VI. AUDITORS' RESPONSIBILIT FOR THE FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high-level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards. Misstatements may be caused by fraud or error. Misstatements are material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

A. Identify and evaluate the risk of material misstatement of financial statements due to fraud or error; design and implement audit procedures to address these risks and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. As fraud may involve collusion, forgery, intentional omission, false statements may above internally control, the risk of significant misstatement due to fraud is higher than the risk of not finding a significant misstatement due to an error.

B. Understand the internal controls related to auditing to design appropriate audit procedures, but not for the purpose of commenting on the effectiveness of internal controls.

C. Evaluate the appropriateness of accounting policies adopted by management and the rationality of accounting estimates and relevant disclosures.

D. Draw conclusions about the appropriateness of management's use of the going concern assumption. At the same time, according to the audit evidence obtained, it is possible to draw conclusions on whether there are material uncertainties on the events or circumstances that result in significant doubt about Harbin Electric Corporation's ability to continue as a going concern. If we conclude that there is material uncertainty, the auditing standards require us to bring the relevant disclosures in the financial statements to the users of the statements in the audit report; if the disclosure is not enough, we should publish non-unqualified opinions. Our conclusions are based on information available as of the date of the audit report. However, future events or circumstances may result in Harbin Electric Corporation's inability to continue to operate.

E. Evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.

F. Obtain enough and appropriate audit evidence of the financial information of the entity or business activity of the Company to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicate with the governance about planned audit scope, timing, and major audit findings, including communicating the internal control deficiencies identified in our audit.

We also provide the governance with a statement that we have complied with the ethical requirements relating to our independence and communicate with the governance on all relationships and other items that may reasonably be considered to affect our independence, as well as the relevant precautions (if applicable).

Through the matters we communicate with those charged with governance, we identify matters that are significant in the audit of the financial statements for the current period, which therefore become the key audit items. We disclose these items in the audit report, unless public disclosure of such items is prohibited by laws and regulations; in exceptional circumstances, where the benefit arising from public disclosure of certain matters is outweighed by the negative consequence brought by such disclosure in consideration of public interest. We do not disclose such items in the audit report.

D H C P A
(S G P)

C C P A
(Project partner)

C C P A

Beijing • China
April 24, 2020

CONSOLIDATION BALANCE SHEET

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

Item	Notes	December 31, 2019	January 1, 2019
Current assets:			
Cash and bank	VII、(I)	**10,072,252,977.07**	12,543,251,700.19
△Settlement reserve			
△Due from banks and other financial institutions	VII、(II)	**888,000,000.00**	600,000,000.00
☆Transactional financial assets			
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable	VII、(III)	**3,301,953,735.63**	3,112,281,635.68
Accounts receivable	VII、(IV)	**5,818,842,820.85**	6,674,746,317.19
Receivables for financing			
Prepayments	VII、(V)	**2,901,225,990.61**	3,592,286,216.57
△Premium receivable			
△Reinsurance premium receivable			
△Reinsurance reserve receivable			
Other receivables	VII、(VI)	**854,708,274.51**	1,270,159,303.49
△Buying back the sale of financial assets			
Inventories	VII、(VII)	**9,287,668,696.47**	10,454,912,311.25
Including: raw materials		**3,167,750,924.22**	3,212,257,379.48
Merchandise inventories (finished goods)		**286,364,638.84**	344,585,898.98
☆Contract assets	VII、(VIII)	**10,267,289,497.11**	8,233,457,249.78
Held-for-sale assets			
Current portion of non-current assets	VII、(IX)		49,955,000.00
Other current assets	VII、(X)	**2,333,811,211.04**	781,645,718.79
Total current assets		**45,725,753,203.29**	47,312,695,452.94

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Item	Notes	December 31, 2019	January 1, 2019
Non-current assets:			
△Loans and advances issued	VII、(XI)	34,089,231.04	
☆Debt investments			
Available-for-sale financial assets			
☆Other debt investments	VII、(XII)	300,623,400.00	
Held-to-maturity investments			
Long-term receivables	VII、(XIII)	1,540,730.47	3,358,126.45
Long-term equity investments	VII、(XIV)	214,823,131.64	182,173,650.81
☆Other equity instruments investments	VII、(XV)	597,549,193.66	716,953,772.26
☆Other non-current financial assets	VII、(XVI)	45,510,641.64	
Investment property	VII、(XVII)	196,499,452.03	233,173,255.85
Fixed assets	VII、(XVIII)	5,917,633,439.86	5,868,709,413.99
Construction in progress	VII、(XIX)	247,408,962.85	664,086,992.85
productive biological assets			
Oil and gas assets			
☆The right-of-use assets			
Intangible assets	VII、(XX)	982,044,801.27	767,164,480.73
Development disbursements	VII、(XXI)	288,801,839.77	274,062,234.32
Goodwill			
Long-term deferred expenses	VII、(XXII)	14,748,667.37	29,463,079.46
Deferred tax assets	VII、(XXIII)	515,639,833.88	490,142,216.40
Other non-current assets			
Including: authorised reserve material			
Total non-current assets		9,356,913,325.48	9,229,287,223.12
Total assets		55,082,666,528.77	56,541,982,676.06

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

Item	Notes	December 31, 2019	January 1, 2019
Current liabilities:			
Short-term borrowings	VII、(XXIV)	**5,334,276,168.70**	1,572,908,534.19
△Borrowings from central bank			
△Placement from banks and other financial institutions	VII、(XXV)		300,000,000.00
☆Transactional financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable	VII、(XXVI)	**5,571,474,750.27**	5,836,028,015.25
Accounts payable	VII、(XXVII)	**11,855,193,376.96**	13,215,819,754.05
Advances from customers			
☆Contract liabilities	VII、(XXVIII)	**12,251,816,737.12**	14,596,720,387.12
△Securities sold under agreement to repurchase			
△Deposits and placements from other financial institutions	VII、(XXIX)	**572,298,335.02**	1,701,564,614.29
△Securities brokering			
△Securities underwriting			
Employee benefits payable	VII、(XXX)	**539,090,012.63**	296,206,737.79
Including: salary payable		**261,228,346.84**	47,549,236.28
Welfare benefits payable			20,641.00
#Employee bonus and welfare fund			
Taxes and surcharges payable	VII、(XXXI)	**330,384,742.00**	374,043,503.79
Including: taxes payable excluding surcharges		**319,673,777.48**	359,389,161.53
Other payables	VII、(XXXII)	**144,169,679.46**	282,211,997.43
△Fees and commissions payable			
△Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities	VII、(XXXIII)	**300,000,000.00**	200,000,000.00
Other current liabilities	VII、(XXXIV)	**495,272.00**	188,548.80
Total current liabilities		**36,899,199,074.16**	38,375,692,092.71

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

I	*Notes*	D, , , 31, 2019	January 1, 2019
N -, , :			
△Reserve of insurance contract			
Long-term borrowings	VII、(XXXV)	**565,600,000.00**	300,000,000.00
Bonds payable			
including: preferred stocks			
perpetual debts			
☆Lease liabilities			
Long-term payable	VII、(XXXVI)	**510,862,094.29**	484,843,694.29
Long-term employee benefits payable	VII、(XXXVII)	**176,288,338.42**	142,308,359.65
Provisions	VII、(XXXVIII)	**940,402,644.61**	785,172,986.49
Deferred income	VII、(XXXIX)	**134,150,192.62**	144,934,944.49
Deferred tax liabilities	VII、(XXIII)		
Other non-current liabilities			
Including: authorized reserve fund			
T -, ,		**2,327,303,269.94**	1,857,259,984.92
T		**39,226,502,344.10**	40,232,952,077.63

CONSOLIDATION BALANCE SHEET (CONTINUED)

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

I	*Notes*	D , , , 31, 2019	January 1, 2019
E :			
Paid-in capital	VII、(XL)	**1,706,523,000.00**	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		**1,030,952,000.00**	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		**675,571,000.00**	675,571,000.00
#Less: payback capital			
Paid-in capital (share capital)-net value		**1,706,523,000.00**	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve	VII、(XLI)	**4,249,144,205.66**	3,715,737,494.12
Less: treasury shares			
Other comprehensive income		**-30,906,914.62**	66,045,215.97
Including: Currency translation reserve		**4,029,075.02**	2,716,262.19
Specialized reserve	VII、(XLII)	**41,541,755.49**	30,812,983.78
Surplus reserve	VII、(XLIII)	**809,136,649.47**	809,136,649.47
Including: statutory surplus reserve		**809,136,649.47**	809,136,649.47
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
△General risk reserve			
Retained earnings	VII、(XLIV)	**8,804,199,937.94**	8,698,026,738.58
Equity attributable to parent company		**15,579,638,633.94**	15,026,282,081.92
*Minority interests		**276,525,550.73**	1,282,748,516.51
T , ,		**15,856,164,184.67**	16,309,030,598.43
T , ,		**55,082,666,528.77**	56,541,982,676.06

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

BALANCE SHEET

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

Item	Notes	December 31, 2019	January 1, 2019
Current assets:			
Cash and bank		1,064,083,576.16	1,390,590,030.37
△Settlement reserve			
△Due from banks and other financial institutions			
☆Transactional financial assets			
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable		18,300,000.00	54,264,153.84
Accounts receivable	XVI、(I)	1,165,321,793.85	882,242,918.55
Receivables for financing			
Prepayments		3,580,448,513.02	3,000,163,923.64
△Premium receivable			
△Reinsurance premium receivable			
△Reinsurance reserve receivable			
Other receivables	XVI、(II)	2,232,981,406.14	1,816,491,322.56
△Buying back the sale of financial assets			
Inventories		902,354,928.93	1,233,925,646.06
Including: raw materials			
Merchandise inventories (finished goods)			
☆Contract assets		448,519,662.38	149,143,326.49
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		468,391,691.90	864,094,371.93
Total current assets		9,880,401,572.38	9,390,915,693.44

BALANCE SHEET (CONTINUED)

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

I	*Notes*	D, , , 31, 2019	January 1, 2019
N -, , , :			
△Loans and advances issued			
☆Debt investments			
Available-for-sale financial assets			
☆Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI、(III)	**6,190,449,174.64**	5,466,291,041.58
☆Other equity instruments investments		**557,954,193.66**	677,358,772.26
☆Other non-current financial assets			
Investment property		**5,592,411.77**	6,150,320.21
Fixed assets		**741,976,297.85**	795,309,836.61
Construction in progress		**2,136,006.28**	23,645,834.05
productive biological assets			
Oil and gas assets			
☆The right-of-use assets			
Intangible assets		**96,369,697.92**	82,557,354.89
Development disbursements		**13,343,251.85**	21,493,873.47
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Including: authorised reserve material			
T -, , ,		**7,607,821,033.97**	7,072,807,033.07
T ,		**17,488,222,606.35**	16,463,722,726.51

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

BALANCE SHEET (CONTINUED)

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

[illegible]	*Notes*	D[illegible] 31, 2019	January 1, 2019
C[illegible]:			
Short-term borrowings		**898,730,000.00**	1,148,730,000.00
△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		**261,281,477.41**	201,125,630.68
Accounts payable		**1,820,434,230.42**	1,714,346,228.43
Advances from customers			
☆Contract liabilities		**4,437,805,313.09**	3,933,048,846.51
△Securities sold under agreement to repurchase			
△Deposits and placements from other financial institutions			
△Securities brokering			
△Securities underwriting			
Employee benefits payable		**181,229,454.63**	5,159,724.21
Including: salary payable		**175,061,601.84**	61,601.84
Welfare benefits payable			
#Employee bonus and welfare fund			
Taxes and surcharges payable		**5,772,346.81**	6,488,694.44
Including: taxes payable excluding surcharges		**5,772,346.81**	6,488,694.44
Other payables		**1,669,755,006.61**	1,668,151,838.88
△Fees and commissions payable			
△Reinsurance amounts payable			
Held-for-sale liabilities			
Current portion of non-current liabilities		**300,000,000.00**	200,000,000.00
Other current liabilities			
T[illegible]		**9,575,007,828.97**	8,877,050,963.15

BALANCE SHEET (CONTINUED)

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

I	*Notes*	D , , , 31, 2019	January 1, 2019
N -, , :			
△Reserve of insurance contract			
Long-term borrowings		**1,250,000,000.00**	300,000,000.00
Bonds payable			
including: preferred stocks			
perpetual debts			
☆Lease liabilities			
Long-term payable			
Long-term employee benefits payable			
Provisions		**88,813,238.98**	34,700,000.00
Deferred income		**41,927,011.39**	41,455,972.22
Deferred tax liabilities			
Other non-current liabilities			
Including: authorized reserve fund			
T -, ,		**1,380,740,250.37**	376,155,972.22
T		**10,955,748,079.34**	9,253,206,935.37

BALANCE SHEET (CONTINUED)

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

I	*Notes*	D , , , 31, 2019	January 1, 2019
E :			
Paid-in capital		**1,706,523,000.00**	1,706,523,000.00
State-owned capital			
State-owned legal person's capital		**1,030,952,000.00**	1,030,952,000.00
Collectively owned capital			
Private capital			
Foreign capital		**675,571,000.00**	675,571,000.00
#Less: payback capital			
Paid-in capital (share capital)-net value		**1,706,523,000.00**	1,706,523,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual debt			
Capital reserve		**3,625,820,100.48**	3,625,820,100.48
Less: treasury shares			
Other comprehensive income		**-74,045,800.69**	63,358,777.91
Including: Currency translation reserve			
Specialized reserve			
Surplus reserve		**645,909,005.07**	645,909,005.07
Including: statutory surplus reserve		**645,909,005.07**	645,909,005.07
Other surplus reserve			
#Reserve fund			
#Corporate development fund			
#Return of investment			
△General risk reserve			
Retained earnings		**628,268,222.15**	1,168,904,907.68
Equity attributable to parent company		**6,532,474,527.01**	7,210,515,791.14
*Minority interests			
T , ,		**6,532,474,527.01**	7,210,515,791.14
T , ,		**17,488,222,606.35**	16,463,722,726.51

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

CONSOLIDATION INCOME STATEMENTS

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

I	*Notes*	C	Prior Period
1. R		**22,901,459,145.46**	26,302,310,419.37
Including: operating revenue	VII、(XLV)	**22,515,591,468.64**	25,879,460,850.62
△Interest income	VII、(XLVI)	**385,867,676.82**	422,786,538.17
△Premium earned			
△Fees and commissions income	VII、(XLVII)		63,030.58
2. T		**22,367,518,189.56**	25,735,957,664.46
Including: operating cost	VII、(XLV)	**19,191,312,021.68**	22,687,530,919.78
△Interest expenses	VII、(XLVI)	**14,427,750.90**	20,736,138.63
△Fees and commissions expenses		**54,128.19**	27,263.79
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges	VII、(XLVIII)	**126,175,614.36**	203,240,789.57
Selling expenses	VII、(XLIX)	**603,991,912.06**	731,236,125.20
Administrative expenses	VII、(L)	**1,669,845,499.18**	1,465,162,135.63
Research and development expenses	VII、(LI)	**687,524,568.89**	591,928,067.08
Financial expenses	VII、(LII)	**74,186,694.30**	36,096,224.78
Including: interest expenses		**121,186,584.99**	124,294,753.28
Interest income		**62,031,288.50**	62,278,154.48
Net exchange loss ("-" for net proceeds)		**-433,735.71**	-43,507,919.60
Other costs and expenses			
Add: Other income	VII、(LIII)	**102,526,412.72**	174,777,343.70
Investment income ("-" for loss)	VII、(LIV)	**27,206,095.96**	139,663,587.58
Including: investment income from associates and joint ventures		**20,512,794.72**	33,832,648.30
☆Income from derecognition of financial assets at amortised cost			
△Gain on foreign exchange ("-" for loss)	VII、(LV)	**-1,403.16**	-4,285.22
☆Net exposure hedging returns ("-" for losses)	VII、(LVI)		812,129.03
Gain from fair-value changes ("-" for loss)			
☆Credit losses ("-" for loss))	VII、(LVII)	**-287,511,367.09**	-491,545,231.57
Impairment on assets ("-" for loss)	VII、(LVIII)	**-233,020,005.52**	-179,934,482.68
Proceeds from asset disposal ("-" for loss)	VII、(LIX)	**5,299,562.95**	2,283,473.35

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

I	*Notes*	C P	Prior Period
3. O (')		**148,440,251.76**	212,405,289.10
Add: non-operating income	VII、(LX)	**142,588,893.37**	47,261,642.78
Including: Government grants		**12,300,901.34**	4,876,415.01
Less: non-operating expenses	VII、(LX1)	**73,886,377.61**	102,812,797.65
4. P (')		**217,142,767.52**	156,854,134.23
Less: income tax	VII、(LXII)	**99,927,361.67**	54,166,496.62
5. N (')		**117,215,405.85**	102,687,637.61
(1) By ownership			
Net profit attributable to parent company		**106,173,199.36**	71,316,651.84
*Profit/loss attributable to minority share-holders		**11,042,206.49**	31,370,985.77
(2) By going concern basis			
Continuous operating profit and loss		**117,215,405.85**	103,075,019.32
Termination of the business profit and loss			-387,381.71
6. O		**-96,906,420.38**	66,567,309.74
Other comprehensive income after tax attributable to parent company		**-96,952,130.59**	66,510,166.44
(1) Comprehensive income not to be reclassified as profit or loss		**-137,404,578.60**	63,358,777.91
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		**-137,404,578.60**	63,358,777.91
☆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)

I	*Notes*	C	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss		**40,452,448.01**	3,151,388.53
1. Share of other comprehensive income of an associate			
☆2. Net gain on debt instruments at fair value through other comprehensive income		**455,589.79**	434,106.70
3. Gain or loss from fair value changes of available-for-sale financial assets			
☆4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
☆6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve		**38,684,045.39**	-690,309.68
8. Currency translation reserve		**1,312,812.83**	3,407,591.51
9. Other profit or loss to be reclassified			
*Other comprehensive income after tax attributable to minority share-holders		**45,710.21**	57,143.30
7. T		**20,308,985.47**	169,254,947.35
Total comprehensive income attributable to parent company		**9,221,068.77**	137,826,818.28
*Total consolidated income attributable to minority share-holders		**11,087,916.70**	31,428,129.07
8. E :			
Basic earnings per share		**0.06**	0.04
Diluted earnings per share		**0.06**	0.04

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

INCOME STATEMENTS

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

I	*Notes*	C	Prior Period
1. R		**3,781,616,351.06**	3,077,999,126.94
Including: operating revenue	XVI、(IV)	**3,781,616,351.06**	3,077,999,126.94
△Interest income			
△Premium earned			
△Fees and commissions income			
2. T		**4,146,780,868.80**	3,215,125,786.81
Including: operating cost	XVI、(IV)	**3,626,742,352.45**	2,979,304,425.32
△Interest expenses			
△Fees and commissions expenses			
△Cash surrender amount			
△Net expenses of claim settlement			
△Net provisions for insurance reserves			
△Policy dividend expenses			
△Reinsurance expenses			
Taxes and surcharges		**7,768,128.59**	11,783,706.23
Selling expenses		**90,744,695.85**	75,507,569.65
Administrative expenses		**382,128,348.49**	105,853,338.31
Research and development expenses		**9,302,563.19**	10,394,607.58
Financial expenses		**30,094,780.23**	32,282,139.72
Including: interest expenses		**55,066,633.50**	79,194,497.72
Interest income		**31,403,672.67**	52,597,726.84
Net exchange loss ("-" for net proceeds)		**1,099,718.35**	674,627.91
Other costs and expenses			
Add: Other income		**2,097,324.05**	2,289,258.17
Investment income ("-" for loss)	XVI、(V)	**148,343,343.73**	452,765,705.81
Including: investment income from associates and joint ventures		**17,109,039.28**	30,101,873.64
☆Income from derecognition of financial assets at amortised cost			
△Gain on foreign exchange ("-" for loss)			
☆Net exposure hedging returns ("-" for losses)			
Gain from fair-value changes ("-" for loss)			
☆Credit losses ("-" for loss))		**-171,490,284.38**	-53,638,920.10
Impairment on assets ("-" for loss)		**-143,924,840.67**	-34,304,222.60
Proceeds from asset disposal ("-" for loss)		**18,504,805.82**	

I	*Notes*	C	Prior Period
3. O (' -)		**-511,634,169.19**	229,985,161.41
Add: non-operating income		**7,370,722.64**	1,667,405.55
Including: Government grants			
Less: non-operating expenses		**36,373,238.98**	5,585,530.87
4. P (' -)		**-540,636,685.53**	226,067,036.09
Less: income tax			
5. N (' -)		**-540,636,685.53**	226,067,036.09
(1) By ownership			
Net profit attributable to parent company		**-540,636,685.53**	226,067,036.09
*Profit/loss attributable to minority share-holders			
(2) By going concern basis			
Continuous operating profit and loss		**-540,636,685.53**	226,067,036.09
Termination of the business profit and loss			
6. O		**-137,404,578.60**	63,358,777.91
Other comprehensive income after tax attributable to parent company		**-137,404,578.60**	63,358,777.91
(1) Comprehensive income not to be reclassified as profit or loss		**-137,404,578.60**	63,358,777.91
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		**-137,404,578.60**	63,358,777.91
☆4. Fair value changes in enterprise's own credit risk			
5. Others			

INCOME STATEMENTS (CONTINUED)

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

I	*Notes*	C	Prior Period
(2) Other comprehensive income to be reclassified as profit or loss			
1. Share of other comprehensive income of an associate			
☆2. Net gain on debt instruments at fair value through other comprehensive income			
3. Gain or loss from fair value changes of available-for-sale financial assets			
☆4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
☆6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve			
8. Currency translation reserve			
9. Other profit or loss to be reclassified			
*Other comprehensive income after tax attributable to minority share-holders			
7. T		**-678,041,264.13**	289,425,814.00
Total comprehensive income attributable to parent company		**-678,041,264.13**	289,425,814.00
*Total consolidated income attributable to minority share-holders			
8. E :			
Basic earnings per share			
Diluted earnings per share			

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

CONSOLIDATION CASH FLO STATEMENT

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

I	Notes	C P	Prior Period
1. C			
Cash received from sales and services		**20,858,580,470.08**	22,354,782,681.00
△Net increase in deposits and placements from financial institutions		**-1,129,266,279.27**	898,590,519.60
△Net increase in due to central banks			
△Net increase in placement from financial institutions		**-660,000,000.00**	-400,000,000.00
△Cash received from premiums of original insurance contracts			
△Net amount of reinsurance business			
△Net increase in insured's deposits and investments			
△Net increase in disposal of financial assets at fair value through profit and loss			
△Cash received from interests,fees and commissions		**384,315,321.75**	424,925,505.86
△Net increase of placement from banks and other financial institutions			
△Net increase in repurchasing			
△Net cash received from agent sales of securities			
Taxes and surcharges refunds		**386,707,107.76**	126,401,116.57
Other cash receipts related to operating activities		**695,910,799.59**	736,892,044.63
T		**20,536,247,419.91**	24,141,591,867.66
Cash paid for goods and services		**18,824,747,746.59**	19,119,364,492.84
△Net increase in loans and advances		**34,963,313.89**	-492,068.11
△Net increase in deposits with central banks and other financial institutions		**-136,595,465.42**	-112,415,761.06
△Cash paid for claim settlements on original insurance contracts			
△Net increase of due from banks and other financial institutions			
△Cash paid for interest,fees and commissions		**22,010,570.98**	36,902,209.86
△Cash paid for policy dividends			
Cash paid to and for employees		**2,482,999,195.96**	2,839,831,972.33
Taxes and surcharges cash payments		**855,899,003.57**	1,496,406,732.76
Other cash payments related to operating activities		**1,847,065,071.25**	1,437,993,936.57
T		**23,931,089,436.82**	24,817,591,515.19
N		**-3,394,842,016.91**	-675,999,647.53

CONSOLIDATION CASH FLO STATEMENT (CONTINUED)

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

I	*Notes*	C P	Prior Period
2. C :			
Cash received from withdraw of investments		**557,389,066.94**	4,220,000,000.00
Cash received from investment income		**65,504,510.85**	107,622,371.16
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		**3,041,696.13**	4,456,938.83
Net cash received from disposal of subsidiaries and other business units			3,607,833.22
Other cash receipts related to investing activities		**11,690,889.53**	18,173,074.77
T		**637,626,163.45**	4,353,860,217.98
Cash paid for fixed assets,intangible assets and other long-term assets		**492,075,913.64**	398,730,260.63
Cash payments for investments		**2,624,669,000.00**	2,267,999,994.35
△Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		**483,559,694.40**	
Other cash payments related to investing activities		**130,175,759.77**	5,467,409.36
T		**3,730,480,367.81**	2,672,197,664.34
N		**-3,092,854,204.36**	1,681,662,553.64

CONSOLIDATION CASH FLO STATEMENT (CONTINUED)

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

I	*Notes*	C P	Prior Period
3. C:			
Cash received from investments by others			
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		**8,315,951,230.89**	1,064,550,263.57
△Cash received from bond issues			
Other cash receipts related to other financing activities		**1,021,391.83**	5,178,584.78
T		**8,316,972,622.72**	1,069,728,848.35
Cash repayments for debts		**4,191,898,268.88**	5,412,652,622.16
Cash payments for distribution of dividends, profit and interest expenses		**168,770,574.75**	192,880,766.41
Including: dividends or profit paid by subsidiaries to minority shareholders			31,707,132.77
Other cash payments related to financing activities			1,208,154.36
T		**4,360,668,843.63**	5,606,741,542.93
N		**3,956,303,779.09**	-4,537,012,694.58
4. E		**22,933,704.54**	30,740,345.41
5. N		**-2,508,458,737.64**	-3,500,609,443.06
Add: beginning balance of cash and cash equivalents		**11,705,681,448.94**	15,206,290,892.00
6. E		**9,197,222,711.30**	11,705,681,448.94

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

CASH FLO STATEMENT

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

I	*Notes*	C P	Prior Period
1. C			
Cash received from sales and services		**3,177,093,138.60**	2,284,435,082.17
△Net increase in deposits and placements from financial institutions			
△Net increase in due to central banks			
△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			
△Net increase of placement from banks and other financial institutions			
△Net increase in repurchasing			
△Net cash received from agent sales of securities			
Taxes and surcharges refunds		**2,906,199.10**	
Other cash receipts related to operating activities		**265,144,417.33**	110,126,927.74
T		**3,445,143,755.03**	2,394,562,009.91
Cash paid for goods and services		**2,938,851,899.95**	2,234,749,819.07
△Net increase in loans and advances			
△Net increase in deposits with central banks and other financial institutions			
△Cash paid for claim settlements on original insurance contracts			
△Net increase of due from banks and other financial institutions			
△Cash paid for interest,fees and commissions			
△Cash paid for policy dividends			
Cash paid to and for employees		**135,398,143.78**	116,912,538.19
Taxes and surcharges cash payments		**87,284,627.19**	36,707,033.42
Other cash payments related to operating activities		**720,339,406.27**	164,676,925.99
T		**3,881,874,077.19**	2,553,046,316.67
N		**-436,730,322.16**	-158,484,306.76

I	*Notes*	C P	Prior Period
2. C			
Cash received from withdraw of investments			
Cash received from investment income		**55,457,634.60**	386,468,386.17
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities		**15,480,562.50**	15,183,675.00
T		**70,938,197.10**	401,652,061.17
Cash paid for fixed assets,intangible assets and other long-term assets		**10,294,339.68**	1,050,000.00
Cash payments for investments		**210,370,800.00**	1,157,979,994.35
△Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units		**483,559,694.40**	
Other cash payments related to investing activities		**475,759.77**	
T		**704,700,593.85**	1,159,029,994.35
N		**-633,762,396.75**	-757,377,933.18

CASH FLO STATEMENT (CONTINUED)

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

I	*Notes*	C P	Prior Period
3. C :			
Cash received from investments by others			
Including: cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		**1,750,000,000.00**	2,050,000,000.00
△Cash received from bond issues			
Other cash receipts related to other financing activities			
T		**1,750,000,000.00**	2,050,000,000.00
Cash repayments for debts		**950,000,000.00**	3,147,157,350.00
Cash payments for distribution of dividends, profit and interest expenses		**55,962,506.45**	77,970,960.36
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities			
T		**1,005,962,506.45**	3,225,128,310.36
N		**744,037,493.55**	-1,175,128,310.36
4. E		**-51,228.85**	
5. N		**-326,506,454.21**	-2,090,990,550.30
Add: beginning balance of cash and cash equivalents		**1,390,590,030.37**	3,481,580,580.67
6. E		**1,064,083,576.16**	1,390,590,030.37

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

CONSOLIDATION STATEMENTS OF CHANGES IN EQUIT

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

Item	Paid-in capital	Other equity instruments	Capital reserve	Less: treasury stock	Other comprehensive income	Specialized reserve	Surplus reserve	General risk reserve	Undistributed profit	Subtotal of owners' equity	Minority interests	Total owners' equity
1. Ending balance of the previous year	1,706,523,000.00			3,715,737,494.12			66,045,216.97	30,812,983.78	809,196,649.47	8,698,026,738.58	15,026,282,081.92	1,282,748,516.51	16,309,030,598.43
Add: increase/decrease due to changes in accounting policies													
Increase/decrease due to corrections of errors in Prior Period													
Others													
2. Beginning balance of the current year	1,706,523,000.00			3,715,737,494.12			66,045,216.97	30,812,983.78	809,196,649.47	8,698,026,738.58	15,026,282,081.92	1,282,748,516.51	16,309,030,598.43
3. Increase/decrease in the current year (decrease: "-")				539,406,711.54			-96,952,130.59	10,728,771.71		105,173,199.36	553,356,552.02	-1,006,222,965.78	-452,866,413.76
(1) Total comprehensive income											9,221,068.77	111,007,916.70	20,308,985.47
(2) Owner's contributions and withdrawals of capital				539,406,711.54			-96,952,130.59			105,173,199.36	533,406,711.54	-1,014,295,005.36	-480,888,293.82
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				539,406,711.54							533,406,711.54	-1,014,295,005.36	-480,888,293.82
(3) Accrual and utilization of specialized reserve								10,728,771.71			10,728,771.71	109,694.71	10,838,466.42
1. Accrual of specialized reserve								29,315,758.82			29,315,758.82	160,462.23	29,496,221.05
2. Utilization of specialized reserve								-18,586,987.11			-18,586,987.11	-70,767.52	-18,657,754.63
(4) Profits distribution												-3,125,571.83	-3,125,571.83
1. Appropriation of surplus reserve													
Including: statutory surplus reserve													
Discretionary surplus reserve													
Reserve fund													
Corporate development fund													
Return of investment													
2. Accrual of general risk reserve													
3. Distribution to owner/shareholder												-3,125,571.83	-3,125,571.83
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 the current year	1,706,523,000.00			4,249,144,205.66			-30,906,914.62	41,541,755.49	809,196,649.47	8,804,199,937.94	15,579,638,633.94	276,525,550.73	15,856,164,184.67

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

CONSOLIDATION STATEMENTS OF CHANGES IN EQUIT (CONTINUED)

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

Prior period

Item	Equity attributable to 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. E	1,706,523,000.00				3,690,197,230.17		18,514,209.22	19,377,426.96	786,529,945.86		8,649,609,088.09	14,870,750,901.30	1,271,400,777.32	16,142,151,678.62
Add: increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
2. B	1,706,523,000.00				3,690,197,230.17		18,514,209.22	19,377,426.96	786,529,945.86		8,649,609,088.09	14,870,750,901.30	1,271,400,777.32	16,142,151,678.62
3. I					25,540,263.95		47,531,006.75	11,435,556.82	22,606,703.61		48,417,649.49	155,531,180.62	11,347,739.19	166,878,919.81
(1) Total comprehensive income					25,540,263.95		66,510,166.44				71,316,651.84	137,826,818.28	31,428,129.07	169,254,947.35
(2) Owner's contributions and withdrawals of capital					25,540,263.95							25,540,263.95	9,375,000.00	34,915,263.95
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					25,540,263.95							25,540,263.95	9,375,000.00	34,915,263.95
(3) Accrual and utilization of specialized reserve								11,435,556.82				11,435,556.82	1,418,974.02	12,854,530.84
1. Accrual of specialized reserve								23,194,591.55				23,194,591.55	3,850,921.73	27,045,513.28
2. Utilization of specialized reserve								-11,759,034.73				-11,759,034.73	-2,431,947.71	-14,190,982.44
(4) Profits distribution									22,606,703.61		-41,878,162.04	-19,271,458.43	-30,874,383.90	-50,145,822.33
1. Appropriation of surplus reserve									22,606,703.61		-22,606,703.61			
Including: statutory surplus reserve									22,606,703.61		-22,606,703.61			
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owner/shareholder											-25,597,845.00	-25,597,845.00	-31,707,132.77	-57,304,977.77
4. Others											6,326,386.57	6,326,386.57	832,768.87	7,159,155.44
(5) Transfer within owner's equity							-18,979,159.69				18,979,159.69			
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							-18,979,159.69				18,979,159.69			
6. Others														
4. E	1,706,523,000.00				3,715,737,494.12		66,045,215.97	30,812,983.78	809,136,649.47		8,698,026,738.58	15,026,282,081.92	1,282,748,516.51	16,309,030,598.43

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

STATEMENTS OF CHANGES IN EQUIT

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

1.		1,706,523,000.00				3,625,820,100.48		63,358,777.91		645,909,005.07		1,168,904,907.68	7,210,515,791.14		7,210,515,791.14
	Add: increase/decrease due to changes in accounting policies														
	Increase/decrease due to corrections of errors in Prior Period														
	Others														
2.		1,706,523,000.00				3,625,820,100.48		63,358,777.91		645,909,005.07		1,168,904,907.68	7,210,515,791.14		7,210,515,791.14
3.								-137,404,576.60				-540,636,685.53	-678,041,262.13		-678,041,262.13
(1)	Total comprehensive income							-137,404,576.60				-540,636,685.53	-678,041,262.13		-678,041,262.13
(2)	Owner's contributions and withdrawals of capital														
	1. Common stock contributed by owners														
	2. Capital contributed by other equity instruments holders														
	3. Share-based payment recorded in owner's equity														
	4. Others														
(3)	Accrual and utilization of specialized reserve														
	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.		1,706,523,000.00				3,625,820,100.48		-74,045,808.69		645,909,005.07		628,268,222.15	6,532,474,527.01		6,532,474,527.01

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

STATEMENTS OF CHANGES IN EQUIT (CONTINUED)

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

Item	Prior period												
	Equity attributable to parent company											Minority interests	Total owner's equity
	Paid-in capital	Other equity instruments: Preferred stock	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	△General risk provision	Retained earnings	Subtotal	
1. E	1,706,523,000.00				3,628,404,836.53				623,302,301.46		991,042,420.20	6,949,272,558.19		6,949,272,558.19
Add: increase/decrease due to changes in accounting policies														
Increase/decrease due to corrections of errors in Prior Period														
Others														
2. B	1,706,523,000.00				3,628,404,836.53				623,302,301.46		991,042,420.20	6,949,272,558.19		6,949,272,558.19
3. I					-2,584,736.05		63,358,777.91		22,606,703.61		177,862,487.48	261,243,232.95		261,243,232.95
(1) Total comprehensive income							63,358,777.91				226,067,036.09	289,425,814.00		289,425,814.00
(2) Owner's contributions and withdrawals of capital					-2,584,736.05							-2,584,736.05		-2,584,736.05
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					-2,584,736.05							-2,584,736.05		-2,584,736.05
(3) Accrual and utilization of specialized reserve														
1. Accrual of specialized reserve														
2. Utilization of specialized reserve														
(4) Profits distribution									22,606,703.61		-48,204,548.61	-25,597,845.00		-25,597,845.00
1. Appropriation of surplus reserve									22,606,703.61		-22,606,703.61			
Including: statutory surplus reserve									22,606,703.61		-22,606,703.61			
Discretionary surplus reserve														
Reserve fund														
Corporate development fund														
Return of investment														
2. Accrual of general risk reserve														
3. Distribution to owner/shareholder											-25,597,845.00	-25,597,845.00		-25,597,845.00
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. E	1,706,523,000.00				3,625,820,100.48		63,358,777.91		645,909,005.07		1,168,904,907.68	7,210,515,791.14		7,210,515,791.14

Corporate representative: *Chief Accountant:* *Accounting Supervisor:*

I. INFORMATION ABOUT THE COMPAN

(I) H[illegible]

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

The initial share capital of the Company was CNY 1,189,151,000, of which CNY 720,000,000 was held by HE Corporation, representing 60.55% of its total share capital. Offshore H Shares of CNY 469,151,000, representing 39.45% of its total share capital, was listing on the Stock Exchange of Hong Kong on 16 December 1994. After obtaining the approval by the resolution on the general meeting and by the China Securities Regulatory Commission and the approval from the Stock Exchange of Hong Kong, the Company placed a total of 93,830,000 H Shares, including 85,300,000 new shares and the domestic shares it held was decreased by 8,530,000 shares in 2005. After the completion of the placing of H Shares, the share capital of the Company was changed to CNY 1,274,451,000. After obtaining the approval by the resolution on the 2005 annual general meeting of the Company and Zheng Jian Guo He Zi [2007] No. 6 of China Securities Regulatory Committee, in February 2007, the Company issued an additional of 112,590,000 overseas listed foreign shares ("H Shares"), including 102,355,000 shares and the shareholding of domestic shareholders was decreased by 10,235,000 shares. Pursuant to the approval of the State-Owned Property [2006] No. 1492 issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company shall transfer 10,235,000 shares of state-owned enterprise legal person held by Harbin Electric Corporation to the National Social Security Fund Council upon the placing of its H shares. On 2 March 2007, the Company received an additional share capital of CNY 102,355,000.00 paid by overseas shareholders in their currency. Hence, the registered capital and share capital changed to CNY1,376,806,000.00, of which CNY 701,235,000.00 were held by state-owned enterprise legal person, representing 50.93% of the total share capital. Overseas H shares amounted to CNY 675,571,000.00, representing 49.07% of the total share capital. On December 1, 2017, the shareholders' meeting approved the proposal to issue new domestic shares to Harbin Group, including 329,717,000 new shares. On December 6, 2017, the company received an additional share capital of CNY 329,717,000.00 paid by Harbin Group in currency, and the registered capital and share capital of the company changed to CNY 1,706,523,000.00. Among them, state-owned legal person shares amounted to 1,030,952,000.00 yuan, which accounted for 60.41% of total share capital, and overseas issued H shares amounted to 675,571,000.00 yuan, which accounted for 39.59% of total share capital.

Registration Number of the legal enterprise business license of the Company: 91230100127575573H

Legal representative: Si Zefu

Address: No. 1399 Chuangxin Road, Songbei District, Harbin

I. INFORMATION ABOUT THE COMPAN (CONTINUED)

(II) N[illegible]

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.

Major business segments are: Manufacturing of large scale thermal power, hydro power, nuclear power and its ancillary equipment, turn-key construction of power station projects, research and development, design and manufacturing of major products such as power equipment of ships and electric power equipment etc.

(III) N[illegible]

The parent company of the company is Harbin Electric Corporation.

(IV) A[illegible]

The financial statements were approved by the board of directors on April 24, 2020.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019, the company scope of consolidated financial statements had the company are as follows:

Name of subsidiaries
Harbin Turbine Co., Ltd.
Harbin Power Technology & Trade Inc.
Harbin Electric International Co., Ltd.
Harbin Electric Machinery Co., Ltd.
Harbin Power Equipment National Engineering Research Centre Co., Ltd
Harbin Power Group Harbin Power Station Valve Co., Ltd.
Harbin Boiler Company Limited
Harbin Electric Power Equipment Co., Ltd.
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited
Harbin Electric Corporation Finance Company Limited
Harbin Electric (H.E) Corporation
Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd.
Chengdu Sanliya Technology Company
Harbin Electric Leasing (Tianjin) Co., Ltd.

The company's subsidiaries in China are all limited liability companies and have not publicly issued equity and debt securities. For the details of the scope and changes of the consolidated financial statements of the current period, please refer to "Ⅷ. Changes in the scope of consolidation" and "Ⅸ. Rights in other entities" in this note.

III. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) B[illegible]

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

The Ministry of Finance revised Accounting Standards for Enterprises No. 21- Leasing in 2018, which requires enterprises that are listed at the same time inside or outside China, as well as enterprises listed abroad and that have adopted International Financial Reporting Standards or enterprise accounting standards to prepare financial statements, to enter into force on January 1,2019. The Company has implemented the above new enterprise accounting standards according to the above document's requirements.

(II) G[illegible]

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.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) S[illegible]

The Company have formulated certain specific accounting policies and accounting estimates in accordance with the production and operation characteristics, which are mainly reflected in the valuation method of inventory, the method of calculating and calculating the expected credit loss of receivables, the depreciation of fixed assets and the amortization of intangible assets, the timing of revenue recognition, etc.

(II) S[illegible]

The financial statements prepared by the company are following the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the financial status, operating results, cash flow and other relevant information of the company and its subsidiaries.

(III) A[illegible]

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

(IV) R[illegible]

The reporting currency of the Company is Renminbi ("CNY").

(V) A[illegible]

The Company is based on accrual basis of accounting. The company generally adopts historical cost when measuring accounting elements. The company will provide special explanations for the measurement of other attributes such as replacement cost, net realizable value, present value or fair value according to the standards.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) A[illegible]

1. Business combinations involving entities under common control

The assets and liabilities acquired by the Group in business combination shall be measured at the carrying value of the assets, liabilities of the acquire (including goodwill incurred in the acquisition of the acquire by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve.

If there is contingent consideration and the estimated liability or asset needs to be recognized, the difference between the estimated liability or asset and the subsequent contingent consideration settlement amount, adjust the capital reserve (capital premium or equity premium), and adjust the retained earnings if the capital reserve is insufficient.

2. Business combinations involving entities not under common control

The assets paid and liabilities incurred or committed as a consideration of business combination by the Company were measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to the profit or loss for the period.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquire in business combination, the Company shall recognize such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquire in business combination, such difference shall be charged to the profit or loss for the current period.

3. The related fees incurred for combination

The agency fee such as audit, legal service and evaluation consultation and other fees which are directly related to the above matters shall be recognized as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities issued for corporate combination shall be written-off against equity directly attributable to the deduction.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) P[illegible]

1. *Scope of consolidation*

The scope of consolidation of the company's consolidated financial statements is determined on the basis of control, and all subsidiaries are included into the consolidated financial statements.

2. *Procedure of consolidation*

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Company's consolidated financial statements, the Company will treat the enterprise group as a single accounting entity. The Group's overall financial condition, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company.

The consolidated financial statements offset the impact of internal transactions between the company and its subsidiaries and subsidiaries on the consolidated balance sheet to consolidated income statement, consolidated cash flow statement, consolidated statement of changes in shareholders' equity. If the view of consolidated financial statements of enterprise group is different from the recognition of the same transaction with the company or subsidiary as the accounting subject, the transaction is adjusted from the perspective of enterprise group.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

For subsidiaries acquired from a business combination involving entities under common control, the individual financial statements of the subsidiaries are adjusted based on the carrying value of the assets, liabilities of the acquire (including goodwill incurred in the acquisition of the acquire by ultimate controlling party) in the financial statements of the ultimate controlling party.

For subsidiaries acquired from a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(Ⅶ) P[illegible] (C[illegible])

2. Procedure of consolidation (Continued)

(1) Acquisition of subsidiaries or business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included into the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included into the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since the beginning of the control by the ultimate controlling party.

If it is possible to control the investee under the same control due to additional investment, etc., the parties participating in the merger will be adjusted according to the current state when the ultimate controlling party begins to control. The equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included into the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included into the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the equity of acquire held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income in current period; if the acquirer's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) P[illegible] (C[illegible])

2. Procedure of consolidation (Continued)

(2) Disposal of subsidiaries or business

1) General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included into the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included into the consolidated cash flow statement.

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognized in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) P[illegible] (C[illegible])

2. Procedure of consolidation (Continued)

(2) Disposal of subsidiaries or business (Continued)

2) Step-by-step disposal of subsidiaries

When disposal of equity interests of subsidiaries through multiple transaction until control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

A. These transactions are achieved at the same time or the mutual effects on each other are considered.

B. A complete set of commercial results can be achieved with reference to the series of transactions.

C. Achieving a transaction depends on at least achieving of one of the other transactions.

D. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and included into profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not a package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be used.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) P[illegible] (C[illegible])

2. Procedure of consolidation (Continued)

(2) Disposal of subsidiaries or business (Continued)

3) Acquisition of minority stake of subsidiaries

The Company shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings in case the share premium in the capital reserve is insufficient for write-down.

4) Partial disposal of equity investment in subsidiaries without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VIII) O , C

The Group's operating cycle is 12 months.

(I) C , , , , , , , , ,

1. *Joint venture arrangements classification*

The Company divides the joint venture arrangement into joint operation and joint venture according to the structure of the joint venture arrangement, the legal form and the terms agreed in the joint venture arrangement, other relevant facts and circumstances.

Joint venture arrangements that have not been agreed upon by a separate subject shall be divided into joint ventures. Joint venture arrangements concluded by a separate subject shall normally be divided into joint ventures. However, the joint venture arrangement that there is conclusive evidence meets any of the following conditions and in conformity with the relevant laws and regulations shall be divided into joint venture:

(1) The legal form of the joint venture arrangement indicates that the joint venture party has rights and obligations respectively the relevant assets and liabilities in the arrangement.

(2) The terms of the contract of the joint venture arrangement stipulate that the joint venture party shall have rights and obligations respectively to the relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances indicate that the joint venture party has rights and obligations respectively to the assets and liabilities in the arrangement, such as the joint venture party having almost all the outputs associated with the joint venture arrangement, and the settlement of the liabilities in the arrangement continues to depend on the support of the joint venture party.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) C[illegible]

2. Joint venture accounting treatment

The Company recognizes the following items in relation to its interest in a joint operation, and method for them in accordance with relevant accounting standards:

(1) The assets held individually and the assets held jointly by their shares recognized.

(2) The liabilities assumed individually and the liabilities assumed jointly by their shares recognized.

(3) Income from the sale of their share of jointly operated outputs recognized;

(4) The income generated by the joint operation due to the sale of the output according to the company's share recognized;

(5) The expenses incurred separately and the expenses incurred in joint operation according to their shares recognized.

The company invests or sells assets to the joint operation (except that the asset constitutes a business). Before the asset is sold by the joint operation to a third party, only the part of the profits and losses resulting from the transaction are attributed to other parties involved in the joint operation. If the assets invested or sold have suffered impairment losses in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the company shall recognize the loss in full.

The company purchases assets from joint operation (except that the asset constitutes a business). Before selling the assets to a third party, only the part of the profits and losses resulting from the transaction are attributed to other parties involved in the joint operation. If the purchased assets have suffered impairment losses in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the company shall recognize the losses according to the share assumed.

The Company does not have joint control to the joint operation. If the company enjoys the assets related to the joint operation and assumes the liabilities related to the joint operation, the accounting treatment shall still be conducted according to the above principles, otherwise, the accounting treatment shall be conducted in accordance with the relevant enterprise accounting standards.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

( ) D

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognized as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change are recognized as cash equivalents.

(I) F

1. *Foreign currency transactions*

The foreign currency business is converted into CNY for the foreign currency amount using the exchange rate intermediate price announced by the State Administration of Foreign Exchange on the first working day of the month of the transaction.

The balance of foreign currency monetary items is converted at the exchange rate intermediate exchange rate announced by the State Administration of Foreign Exchange on the balance sheet date. The resulting exchange differences are excluding exchange differences arising from foreign currency special borrowings related to the acquisition and construction of assets eligible for capitalization. Except for the principle of capitalization of borrowing costs, they are included into the current profit and loss.

2. *Conversion of foreign currency financial statements*

All assets and liabilities items in balance sheet are converted based on central parity rate announced by the State Administration of Foreign Exchange on the balance sheet date; Owners' equity items except "undistributed profit" items, Other items are converted using the central parity rate announced by the State Administration of Foreign Exchange on the first working day of the month when the transaction occurs. The income and expense items in the income statement shall be converted at the central parity rate announced by the State Administration of Foreign Exchange on the first working day of the month when the transaction occurs. The foreign currency financial statements resulting from the above conversions are translated into other comprehensive income.

When disposing of overseas operations, the conversion difference between listed in other comprehensive income items in the balance sheet and the foreign currency financial statements related to the overseas operations shall be converted into the profits and losses of the current period of disposal from other comprehensive income items. When the disposal of part of the equity investment or other reasons leads to a reduction in the proportion of overseas operating equity held but without loss of control over overseas operations, the foreign currency statement translation difference related to the overseas operating disposal portion will be vested in minority shareholders 'equity and not transferred to current profit or loss. When disposing of part of the equity of an overseas operation as an associate or joint venture, the conversion difference converted with the foreign currency statement related to the overseas operation is transferred to the current profit or loss in proportion to the disposal of the overseas operation.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible]

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of the financial instruments and measurement

According to the business model of the company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified as follow:

(1) Financial assets measured at amortized cost,

(2) Financial assets measured at fair value and whose changes are included into other comprehensive income, and

(3) Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at the time of initial recognition, but accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain material financing components or do not take into account financing components not exceeding one year, the initial measurement shall be measured at the transaction price.

For financial assets measured at fair value and whose changes are recorded into the profits and losses of the current period, the related transaction expenses are directly recorded into the profits and losses of the current period, and the related transaction expenses of other categories of financial assets are recorded into their initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified if and only if the company changes the business model of managing financial assets.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

1. Classification of the financial instruments and measurement (Continued)

(1) Classified as financial assets measured at amortized cost

The contractual provisions of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the business model for managing the financial asset is to collect contractual cash flow as the goal, then the company classifies the financial assets as financial assets measured at amortized cost. Financial assets measured at amortized cost for the company include notes receivable and accounts receivable, other receivables, long-term receivables, and debt investment and so on.

The Company adopts the real interest rate method to recognize the interest income of such financial assets, and carries on the follow-up measurement according to the amortization cost. The gains or losses arising from the impairment or termination of the recognition or modification shall be recorded into the profits and losses of the current period.

(2) Classified as financial assets measured at fair value and whose changes are included into other comprehensive income

The contractual provisions of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the business model for managing the financial asset is to collect contractual cash flow and sell the financial asset as the goal, then the company classifies the financial assets as financial assets measured at fair value and whose changes are included into other comprehensive income.

The Company adopts the real interest rate method to recognize interest income for such financial assets. Except that interest income, impairment loss and exchange difference are recognized as profits and losses for the current period, the changes in fair value are recorded into other comprehensive income. When the financial asset is terminated for recognition, the accumulated gains or losses previously credited to other consolidated income are transferred from other comprehensive income and recorded into the current profit or loss.

Notes receivable and accounts receivable that are measured at fair value and whose changes are included into other comprehensive income are reported as receivable financing, and other such financial assets are reported as other debt investments, of which other debt investments that are due within one year from the date of the balance sheet are reported as non-current assets that are due within one year and other debt investments that are due within one year are reported as other current assets.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

1. Classification of the financial instruments and measurement (Continued)

(3) Designated as financial assets measured at fair value and whose changes are included into other comprehensive income

At the time of initial recognition,the company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes included into other comprehensive income based on individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the cumulative gains or losses previously included into other comprehensive income are transferred out of other comprehensive income and included into retained earnings. During the period of the Company's investment in the equity instrument, the right of the Company to collect dividends has been established, and the economic benefits associated with dividends are likely to flow into the Company, and the amount of dividends can be reliably measured, the dividend income is recognized and included into the current profit and loss. The company reports such financial assets under other equity instruments investments.

(4) Classified as financial assets measured at fair value through profit or loss

An equity instrument investment that meets one of the following conditions is a financial asset measured at fair value and its changes are included into the current profit and loss: the purpose of acquiring the financial asset is mainly for a recent sale; identifiable financial asset instruments that are centralized management at initial recognition Part of the portfolio, and there is objective evidence that there is a short-term profit model in the near future; it is a derivative instrument (except for derivatives that meet the definition of financial guarantee contracts and are designated as effective hedging instruments).

Financial assets that do not meet the requirements for classification as a financial asset measured at amortized cost or measured at fair value and whose changes are included into other comprehensive income, and are not designated as financial assets measured at fair value and whose changes included into other comprehensive income are classified as Financial assets measured at fair value and their changes included into the current profit and loss.

The Company adopts the fair value for such financial assets for subsequent measurement, and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to such financial assets, are included into the current profit and loss.

The company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F [illegible] (C [illegible])

1. Classification of the financial instruments and measurement (Continued)

(5) Designated as financial assets measured at fair value through profit or loss

At the time of initial recognition, in order to eliminate or significantly reduce the accounting mismatch, the Company may irrevocably designate financial assets on the basis of individual financial assets as financial assets measured at fair value and whose changes included into the current profit or loss based on individual financial assets.

If the hybrid contract contains one or more embedded derivatives, and the main contract does not belong to the above financial assets, the company may designate the whole as a financial instrument measured at fair value and its changes included into the current profit and loss. Except for the following situations:

1) Embedded derivatives will not significantly change the cash flow of hybrid contracts.

2) When it is first determined whether a similar hybrid contract needs to be split, almost no analysis is needed to make sure that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance at an amount close to the amortized cost, the prepayment right does not need to be split.

The company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to such financial assets, are included into the current profit and loss.

The company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

2. Classification and measurement of financial liabilities

The company classifies the financial instrument or its component parts as financial liabilities or equity instruments. Financial liabilities are classified at the time of initial recognition in accordance with the contractual terms of the issued financial instrument and the economic substance reflected, rather than only in legal form, combined with the definition of a financial liability and equity instrument. Financial liabilities are classified at the time of initial recognition as follows: financial liabilities measured at fair value and whose changes are included into current profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at the time of initial recognition. For financial liabilities that are measured at fair value and whose changes are included into the profits or losses of the current period, the related transaction costs are directly included into the profits or losses of the current period; for other types of financial liabilities, the related transaction costs are included into the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at fair value through profit or loss

Such financial liabilities include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value at the time of initial recognition and whose changes are included into the profits or losses of the current period.

One of the following conditions is a transactional financial liability: the purpose of assuming related financial liabilities is mainly to sell or repurchase in the near future; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the company recently adopted Short-term profit model in the near future; and it is a derivative instrument, except for derivatives designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included into the current profit and loss.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

2. Classification and measurement of financial liabilities (Continued)

(1) Financial liabilities measured at fair value through profit or loss (Continued)

At the time of initial recognition, in order to provide more relevant accounting information, the company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value and whose changes are included into the current profit and loss:

1) Ability to eliminate or significantly reduce accounting mismatches.

2) According to the corporate risk management or investment strategy stated in the formal written documents, carry on the management and performance evaluation of the financial liability portfolio or the financial asset and financial liability portfolio based on the fair value, and report to the key management personnel based on this within the enterprise.

The company adopts fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the company's own credit risk, other changes in fair value are included into the current profit and loss. Unless the fair value changes caused by the company's own credit risk changes are included into other comprehensive income that will cause or expand the accounting mismatch in profit or loss, the company will include all fair value changes (including the amount of the impact of its own credit risk changes) into the current profit and loss.

(2) Other financial liabilities

In addition to the following,the company classifies financial liabilities as financial liabilities measured at amortized cost, adopts the real interest rate method for such financial liabilities, performs subsequent measurement based on amortized cost, and terminates the gains or losses arising from recognition or amortization into the current profit and loss:

1) Financial liabilities measured at fair value and whose changes are included into the current profit and loss.

2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in the financial liabilities formed by the transferred financial assets.

3) Financial guarantee contracts that do not fall into the first two categories of this article, and loan commitments that fall below market interest rates do not fall into the first category of this article.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

2. Classification and measurement of financial liabilities (Continued)

(2) Other financial liabilities (Continued)

A financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered losses when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included into the current profit or loss are measured after initial recognition based on the higher balance of the loss preparation amount and the initial recognition amount after the accumulated amortization amount during the guarantee period.

3. Conditions for termination of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, the recognition of the financial asset shall be terminated,, that is, written off from its account and balance sheet:

1) Termination of the contractual right to receive cash flows from the financial asset.

2) The financial asset has been transferred and the transfer meets the requirements for the termination recognition of the financial asset.

(2) Conditions for termination of financial liabilities

If all or parts of the current obligations of financial liabilities have been discharged, the financial liability or part of it is derecognized.

If the company signs an agreement with the creditor to replace the existing financial liabilities with new financial liabilities, and the contractual terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities are derecognised and the new financial liabilities are recognized.

If all or parts of the contract terms of the original financial liabilities are substantially amended, the original financial liabilities will be derecognized in full or in part, and the financial liabilities whose terms have been amended shall be recognized as a new financial liability.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F [illegible] (C [illegible])

3. Conditions for termination of financial assets and financial liabilities (Continued)

(2) Conditions for termination of financial liabilities (Continued)

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognized part and derecognized part on the repurchase date. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

4. Confirmation conditions and measurement methods for financial asset transfer

When the company transfers financial assets, it assesses the degree of risk and reward of retaining the ownership of financial assets, and handles the following situations:

(1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognized, and the rights and obligations generated or retained during the transfer are separately recognized as assets or liabilities.

(2) If almost all risks and rewards in the ownership of financial assets are retained, the financial assets will continue to be recognized.

(3) Where there is neither transfer nor retention of almost all risks and rewards in the ownership of financial assets (i.e. other than in the case of (1), (2) of this article), control over financial assets is maintained, as follows:

1) If the control of the financial asset is not retained, the financial asset is derecognized, and the rights and obligations generated or retained during the transfer are separately recognized as assets or liabilities.

2) If the control of the financial asset is retained, the relevant financial assets will be recognized and the relevant liabilities will be recognized accordingly according to the extent to which they continue to be involved in the transferred financial assets. The degree of continued involvement in the transferred financial assets refers to the degree of risk or reward for the value change of the transferred financial assets undertaken by the company.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

4. Confirmation conditions and measurement methods for financial asset transfer (Continued)

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets.

(1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included into the current profit and loss:

1) The book value of the transferred financial assets at the date of termination of recognition;

2) The sum of the consideration received as a result of the transfer of the financial assets corresponding to the amount of the termination recognition portion of the accumulated amount of the change in fair value that was originally directly included into other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included into other comprehensive income).

(2) If the financial assets are partially transferred and the transferred part satisfies the conditions for termination recognition as a whole, the book value of the pre-transfer financial assets as a whole shall be apportioned at their respective relative fair values at the date of transfer between the termination recognition part and the continuing recognition part, in which case the retained service assets shall be treated as part of the continuing recognition financial assets, and the difference between the following two amounts shall be recorded into the profits and losses of the current period.

1) The book value of the derecognition part at the date of termination of recognition;

2) The sum of the consideration for the derecognition portion and the amount of the derecognised portion of the cumulative amount of changes in fair value that is directly recognised in owners' equity (when the transferred financial asset is an available-for-sale financial asset).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F [illegible] (C [illegible])

5. Method of determining the fair values of financial assets and liabilities

A financial instrument with an active market that determines its fair value by quoted prices in an active market. Financial instruments that do not exist in an active market use valuation technique to determine their fair value. At the time of valuation, the Company uses valuation techniques that are applicable in the current circumstances and that are sufficiently supported by data and other information, inputs that match the characteristics of the asset or liability considered by the market participants in the transaction of the relevant asset or liability, and prioritizes the use of relevant observable inputs. Unobservable inputs are used only if the relevant observable inputs are not available or are not practicable.

6. Impairment of financial instruments

The Group shall assess the carrying amount of financial assets other than those at fair value through profit or loss at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Company shall make provision of any impairment.

The Company considers all reasonable and evidenced information, including forward-looking information, to estimate the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income, either individually or in combination. The measurement of expected credit losses depends on whether the financial assets have increased significantly since the initial recognition.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depreciated by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

The Group's measurement of expected credit losses reflects the following elements:

(1) An unbiased probability weighted average amount determined by evaluating a range of possible outcomes;

(2) The time value of money;

(3) Reasonable and evidence-based information on past events, current conditions, and future economic conditions that are not available at the balance sheet date without unnecessary additional costs or effort.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

6. Impairment of financial instruments (Continued)

For financial instruments included in the measurement of expected credit losses, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. The "three-phase" impairment model is used to measure the loss provision and confirm the expected credit losses:

– Phase 1: If the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group measures its loss provision based on the amount equivalent to the expected credit loss of the financial instrument in the next 12 months;

– Phase 2: If the credit risk of the financial instrument has increased significantly since the initial recognition, but it is not regarded as the credit impairment that has occurred, the Group measures its loss provision based on the amount equivalent to the expected credit loss for the entire duration of the financial instrument;

– Phase 3: For financial instruments that have suffered credit impairment, the Group measures its loss provision based on the amount of expected credit losses for the entire life of the financial instrument.

Debt instrument investments that are measured at fair value through profit or loss are recognized its provision in other comprehensive income, and the impairment loss or gain is recognized in profit or loss, and the listed book value of the financial asset is not reduced in the balance sheet.

In the previous accounting period, the loss provision has been measured in accordance with the amount equivalent of the expected credit loss for the entire duration of the financial instrument, but on the current balance sheet date, the financial instrument is no longer in a situation where the credit risk has increased significantly since the initial recognition. The Group measures the loss provision for the financial instrument based on the amount of expected credit loss in the next 12 months on the current balance sheet date. The reversal of the loss provision resulting from the loss is recognized in profit or loss as an impairment gain. Except for financial assets that have been purchased or sourced for credit impairment.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) F[illegible] (C[illegible])

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are shown separately in the balance sheet and are not offset against each other. However, the net offset is shown in the balance sheet if the following conditions are met:

(1) The Company has a legal right to set off the recognized amount and that such legal right is currently enforceable;

(2) The Company plans to settle the financial assets and liquidate the financial liabilities on a net basis or at the same time.

(III) H[illegible]

According to the hedging relationship, the company divides hedging into fair value hedge, cash flow hedge and overseas net investment hedging.

1. Hedging instruments that meet the following conditions at the same time are processed using hedging accounting methods

(1) The hedging relationship only consists of eligible hedging instruments and hedged items.

(2) At the beginning of hedging, the company officially designated hedging instruments and hedged items, and prepared written documents on hedging relationships and risk management strategies and risk management objectives for hedging.

(3) The hedging relationship meets the requirement of hedging effectiveness.

If the hedging meets the following conditions at the same time, it is determined that the hedging relationship meets the hedging validity requirements:

1) There is an economic relationship between the hedged items and the hedging instruments. This economic relationship makes the value of hedging instruments and hedged items change in opposite directions due to the same hedged risk.

2) Among the value changes caused by the economic relationship between the hedged items and the hedging instruments, the influence of credit risk is not dominant.

3) The hedging ratio of the hedging relationship is equal to the ratio of the actual number of hedged items of the company to the actual number of hedging instruments, but does not reflect the imbalance of the relative weight of the hedged items and the hedging instruments. This imbalance will lead to invalid hedges and may produce accounting results that are inconsistent with the hedge accounting objectives.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) H , , [illegible] , [illegible] (C [illegible] , ,)

2. Method of fair value hedges accounting

(1) Gains or losses from hedging instruments are included into the current profit and loss. If the hedging instrument is hedged on a non-trading equity instrument investment (or its component) that is selected to be measured at fair value and whose changes are included into other comprehensive income, the gain or loss from the hedging instrument is included into other comprehensive income.

(2) The gains or losses resulting from the hedged risk exposure of the hedged items are included into the current profit and loss, while adjusting the book value of the confirmed hedged item that is not measured at fair value. If the hedged item is a financial asset (or its component) measured at fair value and its changes are included into other comprehensive income, the gain or loss resulting from the hedged risk exposure is included into the current profit and loss, and its book value has been fair value measurement, no adjustment is required; if the hedged item is a non-trading equity instrument investment (or its component) that the company chooses to measure at fair value and whose changes are included into other comprehensive income, the profit resulting from the hedged risk exposure or the loss is included into other comprehensive income, and its book value has been measured at fair value, no adjustment is required.

If the hedged item is an unrecognized confirmed commitment (or part of it), the cumulative change in fair value due to the hedged risk after the hedging relationship designated is recognized as an asset or liability, and the relevant gain or loss is included profit and loss for each relevant period. When the asset or liability is acquired by fulfilling the established commitment, the initial recognition amount of the asset or liability is adjusted to include the cumulative changes in the fair value of the confirmed hedged items.

(3) If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment to the book value of the hedged item is amortized at the real interest rate recalculated on the amortization date and is included into the current period profit and loss. The amortization may start from the adjustment date, but not later than the time when the hedged gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset (or its component) measured at fair value and its changes are included into other comprehensive income, the accumulated recognized hedging gains or losses are amortized in the same manner and are included into the current period profit and loss, but does not adjust the book value of financial assets (or their components).

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) H , , [illegible] , [illegible] (C [illegible] , ,)

3. Method of Cash flow hedges accounting

(1) The part of gains or losses generated by the hedging instrument are as the effective hedging, which is regarded as the cash flow hedging reserve, and are included into other comprehensive income. The amount of cash flow hedge reserve is determined according to the lower of the absolute amounts of the following two items:

1) Cumulative gains or losses of hedging instruments since hedging;

2) The cumulative change in the present value of the expected future cash flow of the hedged item since hedging. The amount of the cash flow hedge reserve included into other comprehensive income in each period is the amount of change in the current cash flow hedge reserve.

(2) The part of gains or losses generated by hedging instruments that are invalid for hedging (that is, other gains or losses after deducting other comprehensive income) is included into the current profit and loss.

(3) The amount of cash flow hedge reserve shall be handled in accordance with the following provisions:

1) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently confirm a non-financial asset or non-financial liability, or the expected transaction of non-financial asset or non-financial liability forms a confirmed commitment which applies to the fair value hedge accounting, then the amount of the cash flow hedge reserve originally recognized in other comprehensive income is transferred out and included into the initial recognition amount of the asset or liability.

2) For cash flow hedges that are not covered in the previous article, the amount of cash flow hedging reserve originally recognized in other comprehensive income is transferred out and included into the current profit and loss in the same period in which the expected cash flow of the hedge affecting the profit or loss.

3) If the amount of cash flow hedge reserve recognized in other comprehensive income is a loss, and the loss is expected to be irreparable in whole or in part in the future accounting period, then the irrecoverable part is transferred out from other comprehensive income and included into the current profit and loss when the loss is expected to be irrecoverable.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) H , , [illegible] , [illegible] (C [illegible] , ,)

4. Overseas net investment hedging

The overseas net investment hedging, including hedging of monetary items that are accounted for as part of net investment is handled by the company in accordance with regulations similar to cash flow hedge accounting:

(1) The part of gains or losses generated by the hedging instrument is as the effective hedging is included into other comprehensive income.

When disposing of overseas operations in whole or in part, the gains or losses of the above-mentioned hedging instruments included into other comprehensive income should be transferred out accordingly and included into the current profit and loss.

(2) The part of gains or losses generated by hedging instruments that are invalid for hedging is included into the current profit and loss.

5. Termination of hedge accounting

For any of the following situations, the use of hedge accounting will be terminated:

(1) Due to changes in risk management objectives, the hedging relationship no longer meets the risk management objectives.

(2) The hedging instrument has expired, been sold, the contract has been terminated or has been exercised.

(3) There is no longer an economic relationship between the hedged item and the hedging instrument, or the value of the economic relationship between the hedged item and the hedging instrument changes, the impact of credit risk begins to dominate.

(4) The hedging relationship no longer satisfies other conditions for the use of hedging accounting methods as stipulated in this standard. In the case of rebalancing of the hedging relationship, the enterprise should firstly consider the rebalancing of the hedging relationship, and then assess whether the hedging relationship satisfies the conditions for applying the hedging accounting method specified in this standard.

The termination of hedging accounting may affect the whole or a part of the hedging relationship. When only a part of it is affected, the remaining unaffected parts still applies hedging accounting.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) H, , , (C , ,)

6. Fair value selection of credit risk exposure

When using credit derivative instruments that are measured at fair value and whose changes are included into the current profit or loss to manage the credit risk exposure of the financial instrument (or its component parts), it is designated as a financial instrument measured at fair value and its changes are included into the current profit and loss at the time of initial recognition of the financial instrument (or its component parts) and when it has not been confirmed in subsequent measurement, and a written record is also made, but the following conditions should also be met at the same time:

(1) The subject of credit risk exposure of financial instruments (such as borrowers or loan commitment holders) is consistent with the subject of credit derivatives;

(2) The repayment level of financial instruments is consistent with that of the instruments to be delivered under the terms of credit derivatives.

(IV) A, ,

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 into the current profit and loss as an impairment loss or gain.

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

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IV) A, , (C , ,)

(1) Accounts receivable (Continued)

A	A, , *(%)*
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.

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

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

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

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

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IV) A, , (C , ,)

(1) Accounts receivable (Continued)

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

① Account Receivables between related parties;

② Others receivables to the relevant national industry authorities and industry associations, etc, which belong to the nature of deposits, deposits and the internal receivables of the enterprise or the in-service employees for the business operations, temporary borrowings, reserve funds and other receivables. Impairment provisions may not be made except where there is conclusive evidence of impairment.

(2) Other receivables

The measurement of impairment loss for other receivables is treated in accordance with the measurement method of impairment loss of the aforementioned financial assets (excluding receivables). The standard of receivables with a single significant amount: Other receivables with an amount of CNY 10 million (including CNY 10 million) are recognized as receivables with significant single amount.

(V) I ,

1. Category of inventory

Inventory refers to the finished goods or goods that the Company holds for sale in its daily activities, the products in the process of production, the materials and materials consumed in the process of production or in the process of providing services, etc. Inventory mainly includes raw materials, in-process products, finished products (inventory goods), issued goods, contract performance costs and so on.

2. Valuation method of inventory

Inventories are determined at the actual cost when acquired. Cost of inventories included purchasing cost, processing cost and other cost. When acquired and approved the subsidiaries of the Company measure the cost by the following two methods:

Actual cost: Cost of inventories is determined using the weighted average method.

Intended cost: difference between the intended cost and the actual cost will be calculated by cost variance account, and the cost difference assumed for the inventories will be pay by installment, so as to adjust the intend cost to the actual cost.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) I , (C ,)

3. Inventory system

The perpetual inventory system is adopted.

4. Amortization of low-value consumables and packaging materials

(1) Low-value consumables are a mortised using the immediate write-off method.

(2) Packaging materials are a mortised using the immediate write-off method.

5. Determination basis of net realizable value of inventories and provision method of inventory depreciation reserve

After a full inspect of the inventory at the end of the period, the provision for decline in value of inventories shall be withdrawn or adjusted at the lower of the cost of inventory and the net realizable value. Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price.

At the end of the period, provision for inventory depreciation is made based on individual inventory items; For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items in that product line, provision for inventory depreciation may be determined on an aggregate basis.

If the influencing factors of the previous write-down of inventories have disappeared, the amount of write-down shall be restored, and shall be reversed from the provision for falling price of inventories that has been accrued, and the amount transferred back shall be recorded in the current profit or loss.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) C [illegible]

If the company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The company's unconditional (ie, depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting arrangement method of the expected credit losses of the contract assets of the company, please refer to Impairment of financial instruments of Note IV/(XII) 6.

(VII) L [illegible]

1. Determination of investment cost

(1) For long-term equity investments formed through business combination of entities, the specific accounting policies, please refer to the accounting arrangement methods for business combinations involving entities under common control and not under common control of Note IV/(VII).

(2) Long-term equity investments acquired by other means

The initial cost of investment of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid. The initial investment costs include expenses, taxes, and other necessary expenses directly related to the acquisition of long-term equity investment.

The initial cost of investment of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued. Transaction costs incurred when issuing or acquiring own equity instruments can be directly deducted from equity if they are attributable to equity transactions.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the non-monetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the initial cost of investment of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

The initial cost of investment of a long-term equity investment obtained by the Company through debt restructurings shall be ascertained based on their fair value.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The company is able to use the cost method accounting for long-term equity investments that are controlled by the investee, and is priced according to the initial investment cost, add or recover investment to adjust the cost of the long-term equity investment.

Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included into the consideration, investment gains is recognized as the Company' shares of the cash dividends or profits declared by the investee.

(2) Equity method

The company adopts equity method to account for long-term equity investments of associates and jointly controlled entities. For part of the equity investments of associate ventures indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, the fair value measurement is adopted and their changes are included into profit or loss.

Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

After the company has obtained a long-term equity investment, the Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included into owner's equity.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

2. Subsequent measurement and recognition of profit or loss (Continued)

(2) Equity method (Continued)

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the company, adjustment shall be made to the net profit of the investee. The unrealized profit or loss resulting from transactions between the Company and it associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognized.

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included into the investment loss for the current period.

If the investee realizes profit in the future period, after deducting the unrecognized loss sharing amount, the company will process it in the reverse order to write down the book balance of the confirmed estimated liabilities and resume recognizing the return on the investment after deducting the book balance of the recognized expected liability and restoring the book value of other long-term equity and long-term equity investment that substantially constitute net investment of the investee.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

3. Determine the basis for control, joint control, and significant impact on the investee

If the company has the power to the investee, enjoys variable returns by participating in the investee's related activities, and has the ability to use the power of the investee to affect its return amount, then the company is deemed to control the investee.

If the company collectively controls an arrangement with other participants in accordance with the relevant agreement and an activity decision having a significant impact on the return of the arrangement exists only if the agreement of the participant sharing the control is required, the arrangement is deemed to be a joint venture arrangement in which the company controls the arrangement jointly with the other participants.

If the joint venture arrangement is reached by a separate entity, when the company is judged to have rights to the net assets of the separate entity according to the relevant agreement, the separate entity is regarded as a joint venture and is accounted for using the equity method. If it is judged according to the relevant agreement that the company does not have rights to the net assets of the separate entity, the separate entity is regarded as a joint operation, and the company confirms the items related to the share of the joint operation interest and performs accounting treatment in accordance with the relevant enterprise accounting standards.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. After one or more of the following situations and comprehensive consideration of all facts and circumstances, the company judges that it has a significant impact on the investee: (1) has a representative on the board of directors or similar authority of the invested unit; (2) Participate in the process of formulating the financial and operating policies of the investee; (3) An important transaction occurs with the investee; (4) Send management personnel to the investee; (5) Provide key technical information to the investee.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

4. Conversion of long-term equity investment accounting method

(1) Fair value measurement transfers to equity method accounting

The equity investment originally held by the company that does not have control, joint control or significant influence on the investee, which is accounted for in accordance with the financial instrument recognition and measurement standards, and can exert significant influence or implementation on the investee due to additional investment and other reasons if they are jointly controlled but do not constitute control, the sum of the fair value of the original equity investment held in accordance with "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments" and the new investment costs shall be accounted as the initial investment cost by the equity method accounting.

Under current enterprise accounting standards, if the equity investment originally held is classified as an available-for-sale financial asset, the difference between its fair value and book value, as well as the cumulative fair value changes originally included into other comprehensive income are transferred to the current profits and losses by equity method accounting.

Under new enterprise accounting standards, if equity investment the originally held is designated as a financial asset measured at fair value and its changes are included into other comprehensive income, the difference between its fair value and book value, as well as the cumulative fair value changes originally included into other comprehensive income are transferred to the retained earnings by equity method accounting.

The initial investment cost accounted by the equity method is less than the difference between the fair value shares of the identifiable net assets of the investee at the additional investment date determined by the new shareholding ratio after the additional investment, and the book value of the long-term equity investment is adjusted and included into the current non-operating income.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

4. Conversion of long-term equity investment accounting method (Continued)

(2) Fair value measurement or equity method accounting transfers to cost method accounting

The company's equity investment originally held that does not have control, joint control or significant influence on the investee and is accounted by the financial instrument recognition and measurement standards, or the long-term equity investment originally held in associate and joint ventures, if it is possible to exercise control over the invested entity not under the same control due to additional investment and other reasons, when preparing individual financial statements, the sum of the book value of the original equity investment held and the additional investment cost shall be used as the initial investment cost by cost method accounting.

Other comprehensive income recognized by the equity method of equity investment held before the purchase date is accounted for on the same basis as the investee directly disposes of related assets or liabilities when disposing of the investment.

If the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", the cumulative fair value change originally included into other comprehensive income is transferred to the current profit and loss by cost method accounting.

(3) Equity method accounting transfers to fair value measurement

If the company loses joint control or significant influence on the investee due to the disposal of part of the equity investment, the remaining equity after disposal shall be accounted for in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value on the date of common control or significant influence is included into the current profit and loss.

Other comprehensive income recognized by the original equity investment due to the equity method accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method accounting is terminated.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

4. Conversion of long-term equity investment accounting method (Continued)

(4) Cost method transfers to equity method

For the company losing control of the investee due to the disposal of some equity investments, etc., when preparing individual financial statements, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee, then adopt the equity method accounting, and the remaining equity is deemed to be adjusted by equity method when it is acquired.

(5) Cost method transfers to fair value measurement

For the company losing control of the investee due to the disposal of some equity investments, etc., when preparing individual financial statements, if the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be changed to accounting treatment in accordance with the relevant provisions of "Enterprise The relevant provisions of Accounting Standard No. 22 – Recognition and Measurement of Financial Instruments", and the difference between the fair value and the book value on the date of loss of control is included in the current profit and loss.

5. Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included into the current profit or loss. For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included into other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities.

The terms, conditions and economic impact of the disposal of various transactions on the subsidiary's equity investment are in accordance with one or more of the following conditions, and multiple transactions are accounted for as a package transaction:

(1) These transactions were concluded at the same time or in consideration of mutual influence;

(2) These transactions as a whole can achieve a complete business result;

(3) The occurrence of a transaction depends on the occurrence of at least one other transaction;

(4) A transaction is uneconomical alone, but it is economical when considered together with other transactions.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

5. Disposal of long-term equity investments (Continued)

If the enterprise loses control of the original subsidiary due to the disposal of part of the equity investment or other reasons, and it is not a package transaction, it shall distinguish between individual financial statements and consolidated financial statements for related accounting treatment:

(1) In individual financial statements, the difference between the book value and the actual purchase price is included into the current profit and loss for the equity disposed. If the remaining equity after disposal can exercise joint control or exert significant influence on the investee, then adopt the equity method accounting, and the remaining equity is deemed to be adjusted by equity method when it is acquired. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be changed to accounting treatment in accordance with the relevant provisions of "Enterprise The relevant provisions of Accounting Standard No. 22 – Recognition and Measurement of Financial Instruments", and the difference between the fair value and the book value on the date of loss of control is included in the current profit and loss.

(2) In the consolidated financial statements, for each transaction before the loss of control of the subsidiary, the disposal price and the corresponding disposal of long-term equity investment shall be between the share of the subsidiary's net assets continuously calculated from the purchase date or the merger date, then adjust the capital reserve (equity premium), if the capital reserve is insufficient to offset, adjust the retained earnings; The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the company's previous share of the subsidiary's net assets recorded from the acquisition date, is recognized in investment income in the period in which control is lost, at the same time write down goodwill. Other comprehensive income related to the previous equity investment in the subsidiary, are transferred to investment income of the current period when the control is lost.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) L [illegible] (C [illegible])

5. Disposal of long-term equity investments (Continued)

If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package transaction, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved, then distinguish between individual and consolidated financial statements and related accounting treatment:

(1) In individual financial statements, the difference between the price of each disposal and the book value of the long-term equity investment corresponding to the disposed equity before the loss of control is recognized as other comprehensive income, and is transferred to the loss of control when the control is lost rights and losses in the current period.

(2) In the consolidated financial statements, before the loss of control, the difference between the price of each disposal and the share of the subsidiary's net assets corresponding to the disposal of investment is recognized as other comprehensive income, and it is transferred to the current profit and loss when the control is lost.

6. Impairment test method and accrual method for impairment preparation

On the balance sheet date, if there is a similar situation where the book value of the long-term equity investment is greater than the share of the book value of the owner's equity of the investee, the impairment test of long-term equity investment is carried out in accordance with – 8 of the Accounting Standards for Enterprises. The recoverable amount of a long-term equity investment is determined on the basis of the higher between the net amount of the fair value of a single long-term equity investment minus disposal costs and the present value of the expected future cash flow of a long-term equity investment. When the recoverable amount of long-term equity investment is lower than the book value, the book value of the assets is written down to the recoverable amount, and the amount of the write-down is recognized as the impairment loss of the assets, and is included into the profits and losses of the current period, and the accrual is carried on the corresponding asset impairment preparation.

Once the impairment loss of long-term equity investment is confirmed, it will not be reversed.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VIII) I , , , ,

Investment property is held to earn rentals or capital appreciation or both which include leased land use rights, land use rights held for sale after appreciation and leased buildings. In addition, for the vacant buildings that the company holds for operation and lease, if the board of directors makes a written resolution that clearly states that it will be used for operation and lease and the intention to hold will not change in the short term, it is also reported as investment property.

The investment property of the company is based on its cost as the book value. The cost of outsourcing investment property includes the purchase price, related taxes and other expenses directly attributable to the asset. The cost of self-built investment property is determined by the necessary expenditures incurred before the assets reach the expected usable state.

The Company's existing investment property is measured at cost. Investment property measured at cost – buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use property is changed to earn rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before conversion is used as the book value after conversion.

On the balance sheet date, the company estimates the recoverable amount of investment property that shows signs of impairment. If the recoverable amount is lower than its book value, the corresponding impairment loss is recognized. Once the impairment loss of investment property is confirmed, it will not be reversed.

When the investment property is disposed of or withdrawn permanently from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property is terminated. The amount of disposal income from the sale, transfer, scrap or damage of investment property after deducting its book value and related taxes is included into the current profit and loss.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) F[illegible]

1. *Conditions for recognition of fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognized when it meets the following conditions:

(1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;

(2) Its cost can be reliably measured.

2. *Initial measurement of fixed assets*

The fixed assets of the company are initially measured at cost, including:

(1) The cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the asset before they reach their intended usable state.

(2) The cost of self-built fixed assets is determined by the necessary expenditures incurred before the assets reach the expected usable state.

(3) For fixed assets invested by investors, the value agreed in the investment contract or agreement is regarded as the book value, but the value agreed in the contract or agreement is not accounted for at fair value.

(4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions, and is of a financing nature in essence, the cost of fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price and the present value of the purchase price is recorded in the current profit or loss during the credit period, except where it should be capitalized.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) F... (C ...)

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation for fixed assets

Except for fixed assets that are fully depreciated and continue to be used and land that is separately accounted, fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values.

The company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life of the fixed assets, the estimated net residual value and the depreciation method are reviewed. If there is a difference from the original estimate, corresponding adjustments are made.

The depreciation period and annual depreciation rate of various fixed assets are as follows:

C...	D...	R... (%)	A... (%)
Houses and buildings	15—30	3	3.23—6.47
Machinery and equipment	7—15	3	6.47—13.86
Transportation equipment	5—6	3	16.17—19.40
Electronic equipment	5—10	3	9.70—19.40
Office equipment	5—9	3	10.78—19.40
Others	5—9	3	10.78—19.40

(2) Subsequent expenditure on fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for confirmation of fixed assets are included into the cost of fixed assets; those that do not meet the conditions for confirmation of fixed assets are included into the current profit and loss when they occur.

(3) Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from use or disposal, the recognition of the fixed asset is terminated. The amount of income from disposal of fixed assets sold, transferred, scrapped or damaged after deducting their book value and related taxes is included into the current profit and loss.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) F , , (C , ,)

4. Impairment test method of fixed assets and accrual method of impairment provision

At the end of each period, the company judges whether the fixed assets may show signs of impairment.

If there are signs of impairment of fixed assets, the recoverable amount should be estimated. The recoverable amount is determined based on the higher one between the net amount of the fair value of the fixed assets minus the disposal expenses and the current value of the estimated future cash flow of the fixed assets.

When the recoverable amount of a fixed asset is lower than its book value, the book value of the fixed asset is written down to the recoverable amount. The amount of write-down is recognized as impairment loss of fixed assets and recorded in the current profit and loss, and meanwhile accrue impairment of assets.

After the impairment loss of fixed assets is confirmed, the depreciation of the impaired fixed assets shall be adjusted accordingly in the future period so that the book value of the adjusted fixed assets (after deducting the estimated net residual value) will be systematically amortized over the remaining useful life of the fixed assets.

Once the impairment loss of fixed assets is confirmed, it will not be reversed in subsequent accounting periods.

Where there are indications that a fixed asset may be impaired, the enterprise estimates the recoverable amount based on a single fixed asset. Where it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the fixed asset belongs.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

( ) C [illegible]

1. Categories of construction in progress

The construction in progress that the company builds by itself is priced at actual cost. The actual cost consists of the necessary expenses incurred before the construction of the asset reaches the intended usable state, including the cost of engineering materials, labor costs, related taxes and fees payable capitalized borrowing costs and indirect costs that should be shared. Construction in progress is mainly accounted for by project classification.

2. Standards and timings for converting construction in progress to fixed assets

The total value of the construction in progress before the construction of the asset is ready for its use, as the recorded value of the fixed assets. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

3. Impairment test method and accrual method for impairment preparation of construction in progress

At the end of each period, the company judges whether there is any indication that the construction in progress may be impaired.

Where it is difficult for an enterprise to estimate the recoverable amount of a single construction in progress, the recoverable amount of the asset group is determined on the basis of the asset group to which the construction in progress belongs. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the construction in progress minus the disposal expenses and the current value of the expected future cash flow of the construction in progress.

When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress is written down to the recoverable amount, and the amount of the write-down is recognized as the impairment loss of the construction in progress and is included into the current profit and loss. Meanwhile, impairment provisions for construction in progress should be accrued. Once the depreciation loss of the construction in progress is confirmed, it will not be reversed in the subsequent accounting period.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) B [illegible]

1. Criteria for recognition of capitalized borrowing costs

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs will be capitalized and included into the costs of the related assets. Other borrowing costs shall be recognized as expense in the period in which they are incurred and included into profit or loss for the current period.

Assets qualified for capitalization are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

(1) expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for(capitalization) have been incurred;

(2) borrowing costs have been incurred;

(3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

2. Capitalization period of borrowing costs

The capitalization period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalization of borrowing costs is temporarily suspended.

Capitalization of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) B [illegible] (C [illegible])

3. Suspension of capitalization period

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalization of borrowing costs commences.

4. Calculation method of capitalization amount of borrowing costs

The interest expenses of special borrowing (deducting interest income obtained by depositing unused borrowing funds into the bank or investment income obtained by making temporary investment) and its auxiliary costs are capitalized before the capitalized assets purchased or produced reach their intended usable or marketable status.

The weighted average of the asset expenditures over the accumulated borrowings over the special borrowings is multiplied by the capitalization rate of the general borrowings used, to calculate the amount of interest that should be capitalized for general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the discount or premium amount to be amortized in each accounting period shall be determined according to the actual interest rate method, and the interest amount of each period shall be adjusted.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(II) R[illegible]

The company initially measures the right to use assets at cost, the cost includes:

1) The initial measurement amount of the lease liability;

2) If the lease payment is paid on or before the start of the lease period, if there is a lease incentive, the relevant amount of the lease incentive already enjoyed shall be deducted;

3) The initial direct costs incurred by the company;

4) The company expects to incur costs (not including costs incurred for the production of inventory) in order to dismantle and remove the leased assets, restore the premises where the leased assets are located, or restore the leased assets to the state agreed in the lease terms.

After the start date of the lease period, the company uses the cost model for subsequent measurement of right to use assets.

If it is reasonable to determine the ownership of the leased asset when the lease term expires, the company shall make depreciation within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased assets when the lease term expires, the company shall accrue depreciation within the short period between the lease term and the remaining useful life of the leased assets. For the right to use assets with impairment provision, in the future period, the depreciation is accrued according to the book value after deducting the impairment provision referring to the above principles.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) I [illegible]

1. Initial measurement of intangible assets

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included into the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognised.

The intangible assets acquired by the enterprise under the same control are determined based on the book value of the merged party; the intangible assets acquired by the enterprises under the same control are determined at fair value.

Intangible assets developed by the company itself, whose costs include: materials used in the development of the intangible assets, labor costs, registration fees, amortization of other patents and concessions used in the development process, and interest charges to meet capitalization conditions, and other direct costs incurred to bring the intangible asset to its intended use.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) I [illegible] (C [illegible])

2. Subsequent measurement of intangible assets

Analyze and judge the service life of intangible assets. For intangible assets with a limited service life, they are amortized on a straight-line basis over the period that brings economic benefits to the enterprise; If it is unforeseen that the intangible assets will bring economic benefits to the enterprise, it shall be regarded as an intangible asset with an indefinite useful life and shall not be amortized.

(1) Intangible assets with finite useful life

For intangible assets with finite useful life, amortization is carried out by the straight-line method within the period of bringing economic benefits to the enterprise.

At the end of each period, the service life and amortization method of intangible assets with limited useful life are reviewed. If there is any discrepancy with the original estimate, adjust accordingly.

After review, the useful life and amortization method of intangible assets at the end of the year are not different from previous estimates.

(2) Intangible assets with uncertain service life

If an intangible asset can not be foreseen to bring economic benefits to an enterprise, it shall be regarded as an intangible asset with uncertain service life.

For intangible assets with uncertain service life, they are not amortized during the holding period, and the life of intangible assets is reviewed at the end of each period. If it is still uncertain after the review at the end of the period, the impairment test shall be continued in each accounting period.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) I [illegible] (C [illegible])

3. Provision for impairment of intangible assets

For intangible assets with a certain useful life, if there is any sign of significant impairment, an impairment test will be conducted at the end of the period.

For intangible assets with indefinite useful lives, impairment tests are conducted at the end of each period.

Impairment tests are performed on intangible assets to estimate their recoverable amount. The recoverable amount is determined based on the higher one between the net amount of the fair value of intangible assets minus the disposal expenses and the present value of the estimated future cash flow of the intangible assets.

When the recoverable amount of an intangible asset is lower than its book value, the book value of the intangible asset is written down to the recoverable amount. The write down amount is recognized as impairment loss of intangible assets, and is included into the current profit and loss, meanwhile, intangible assets are accrued impairment of assets.

After the impairment loss of intangible assets is confirmed, the depreciation or amortization cost of the impairment of intangible assets will be adjusted accordingly in the future period so that the intangible assets can be systematically amortized with the adjusted book value of intangible assets (net of estimated net Residual value).

Once the impairment loss of intangible assets is confirmed, it will not be reversed in subsequent accounting periods.

If there is any indication that an intangible asset may be impaired, the company estimates its recoverable amount on the basis of a single intangible asset. Where it is difficult for the company to estimate the recoverable amount of a single asset, the recoverable amount of the intangible asset group is determined on the basis of the asset group to which the intangible asset belongs.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) I [illegible] (C [illegible])

4. Specific criteria for the division of research phase and development phase

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: The pahse of applying research or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. prior to commercial production or use.

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

5. Expenditure in the development phase meets the specific criteria for capitalization

The expenses in the development phase are recognized as intangible assets if the following conditions are fulfilled:

(1) It is technically feasible to complete this intangible asset so that it can be used or sold;

(2) Have the intention to complete the intangible assets and use or sell them;

(3) The ways in which intangible assets generate economic benefits include the existence of a market for intangible assets that are capable of proving the existence of a market for the products produced using such intangible assets. Intangible assets are used internally and can prove their usefulness;

(4) Sufficient technical, financial, and other resources to support the development of this intangible asset and the ability to use or sell the intangible asset;

(5) Expenditure attributable to the development phase of intangible assets can be reliably measured.

If it does not meet the conditions listed above, is charged to profit or loss for the current period when incurred. Development expenditures that have been included into profit or loss in previous periods are not reconfirmed as assets in subsequent periods. The capitalized development expenditures are listed as development expenditures on the balance sheet, and are converted into intangible assets from the date when the project reaches its intended use.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IV) L

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long-term deferred expenses incurred by the company shall be measured at the actual cost and amortized on an average basis for the expected period of benefit. For the long-term deferred expenses that cannot benefit the subsequent accounting period, the amortized value of the project shall be included into the current profit and loss when determined.

(V) C

The obligation of the Company to transfer or receivable customers' considerations and to transfer goods is presented as contract liabilities.

(VI) E R

Employee remuneration refers to the various forms of remuneration or compensation given by the company to obtain the services provided by the employees or to terminate the labor relationship. Employee remuneration includes short-term remuneration, retirement benefits, dismissal benefits and other long-term employee benefits.

1. Short-term remuneration

Short-term remuneration refers to the employee's remuneration that needs to be fully paid within 12 months after the end of the annual reporting period for employees to provide related services, except for retirement benefits and dismissal benefits. During the accounting period in which employees provide services, the company recognizes the short-term remuneration payable as a liability and accounts for the relevant asset costs and expenses based on the beneficiaries of the employees providing services.

2. Retirement benefits

(1) Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) E , , R , (C ,)

2. Retirement benefits (Continued)

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognized as net liabilities or net assets. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included into the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period. When the original defined benefit plan is terminated, all the parts that were originally included into other comprehensive income are carried forward to the undistributed profit within the scope of equity.

When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) E , , R , (C ,)

3. *Dismissal benefits*

Dismissal benefits refer to the company's termination of the labor relationship with the employee before the employee's labor contract expires, or the compensation given to the employee to encourage the employee to accept the reduction voluntarily. The Company will pay dismissal benefits when the Group can no longer withdraw the offer of termination plan or layoff proposal and when the Group recognizes costs for restructuring which involving the payment of dismissal benefits (whichever the earliest). The remuneration incurred by the dismissal benefits will be recognized as liabilities which would be charged into current profits and loss.

(VII) L

The company's initial measurement of the lease liability is based on the present value of the lease payments that have not been paid on the beginning of the lease period. When calculating the present value of the lease payment, the company uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the company uses the incremental borrowing rate as the discount rate. Lease payments include:

1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;

2) Variable lease payments depending on index or ratio;

3) When the company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;

4) When the lease term reflects that the company will exercise the option to terminate the lease, the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;

5) The expected payment due to the residual value of the guarantee provided by the company.

The company calculates the interest expense of the lease liability in each period of the lease term according to a fixed discount rate, and it is included into the current profit and loss or related asset costs.

Variable lease payments that are not included into the measurement of lease liabilities should be included into current profit or loss or related asset costs when they actually occur.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VIII) Share-based payments

1. *Type of Share-based payments*

The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

2. *Confirmation methods for equity instruments*

For granted equity instruments such as options that exist in an active market, the fair value of an equity instrument is determined according to the quotation in the active market. For granted equity instruments such as options that do not exist in an active market, the option pricing model is used to determine the fair value. The option pricing model selected considers the following factors: (1) The exercise price of the option; (2) The validity period of the option; (3) The current price of the underlying shares; (4) The expected volatility of the stock price; (5) The expected dividend of the shares; (6) The risk-free interest rate within the validity period of the option.

When determining the fair value of the equity instrument grant date, the impact of market conditions and non-feasible rights conditions in the vestable rights conditions stipulated in the share payment agreement is considered. If there are non-feasible rights conditions for share payment, as long as the employees or other parties meet the non-market conditions (such as the service period, etc.) of all the rights conditions, the cost corresponding to the service received is confirmed.

3. *The basis for determining the best estimate of an exercisable equity instrument*

During the waiting period on each balance sheet date, the best estimate is made based on the latest changes in the number of employees with available rights and other follow-up information, and the number of equity instruments with estimated available rights is revised. On the exercisable date, the final estimated number of exercisable equity instruments is consistent with the actual number of exercisable rights.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VIII) S [illegible] (C [illegible])

4. Relevant accounting treatment of implementation, modification and termination of share payment plan

In the case of an equity-settled share-based payment, the fair value of the employee's equity instrument is measured. If the vesting right is granted immediately after the grant, the relevant costs or expenses shall be included in the fair value on the grant date, and the capital reserve shall be increased accordingly.

If the right to service during the waiting period is fulfilled or the required performance conditions are met, on each balance sheet date during the waiting period, the company makes the best estimate of the number of vesting equity instruments. Based on this, according to the fair value of the grant date, the services obtained in the current period will be included in the relevant costs or expenses, and the capital reserve will be increased accordingly. No adjustments have been made to the identified related costs or expenses and total owner's equity after the vesting date.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. It is initially measured at fair value on the date of grant, taking account into the terms and conditions of the equity instrument granted. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise. For each of the balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured, and the changes will be included in the profit or loss for the current period.

5. Changes in the current period and related accounting treatment in case of modification of terms and conditions.

If the granted equity instrument is cancelled during the waiting period, the company will treat the cancellation of the granted equity instrument as an accelerated exercise, and the amount that should be confirmed in the remaining waiting period is immediately included into the current profit and loss, and the capital reserve is recognized. If the employee or other party can choose to meet the non-feasible exercise condition but is not satisfied within the waiting period, the company will treat it as the cancellation of the grant of equity instruments.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(I) B

1. General corporate bonds

Bond payable that is measured at fair value and whose changes are included into the current profit or loss takes their fair value as the initial confirmation amount, and the related transaction costs are directly included into the current profit and loss, and subsequent measurement is performed at fair value.

For other types of bond payable, the sum of their fair value and related transaction costs is used as the initial confirmation amount, and the amortized cost is used for subsequent measurement. The premium or discount is an adjustment to the interest expense during the duration of the bond payable and is amortized using the effective interest rate method during the duration of the bond.

2. Convertible corporate bonds

The convertible corporate bonds issued by the company are divided into the liability component and equity component at the initial recognition, the liability component is recognized as a bond payable, and the equity component is recognized as capital reserve. During the spin-off, the future cash flow of the liability component is discounted to determine the initial recognition amount of the liability component, and then the initial recognition amount of the equity component is determined by the amount of the total issue price after deducting the initial recognition amount of the liability component. Transaction costs incurred in the issuance of convertible corporate bonds are allocated between the liability component and the equity component according to their relative fair values.

( ) E

1. Recognition criteria for estimated liabilities

When the obligations related to the contingent events meet the following conditions at the same time, the company recognizes the estimated liabilities:

(1) The obligation is a present obligation of the Group;

(2) It is probable that an outflow of economic benefits will be required to settle the obligation;

(3) The amount of the obligation can be measured reliably.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

( ) E (C , ,)

2. Method of measuring the various estimated liabilities

The Company's estimated liabilities are initially measured at the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the company considers factors such as risks, uncertainties and time value of money related to contingent events. For the significant impact of the time value of money, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

If there is a continuous range (or interval) of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the average of the intermediate value of the range, that is, the upper and lower limits.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(l) S

The provision of Group's machinery production enterprise safety production costs is based on the actual sales revenue in last year, which is extracted monthly by taking excess regressive manner in accordance with the following standard:

1. Operating income of CNY10 million and below, accrued 2%;

2. Operating income of CNY10 million to CNY100 million, accrued 1%;

3. Operating income of CNY100 million to CNY1,000 million, accrued 0.2%;

4. Operating income of CNY1,000 million to CNY5,000 million, accrued 0.1%;

5. Operating income above CNY5,000 million, accrued 0.05%.

The provision of production safety fee is recognised in profit and loss for the current period and "special reserve" account shown separately under owner's equity. When using the reserve for maintaining production safety fee, the amount will be debited from the"special reserve" if the fee is expenses nature. When using the reserve for maintaining production safety fee of fixed asset, the amount will be debited from the "construction-in-progress" item for the amount recorded in the cost of related assets. When the status of the project is ready for intended use, the costs of such Production safety fee should be recognised as fixed assets. Meanwhile, "special reserve" will be offset by the cost forming fixed asset. If the balance of "special reserve" is inadequate for offsetting purpose, the production safety fee will be recognised in profit and loss for the year.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(Ⅱ) R , ,

The scope of merger in the application of new revenue standards include: Harbin Electric Co., Ltd. and all its subsidiaries;

1. On the contract start date, the enterprise shall evaluate the contract and identify the individual performance obligations included in the contract, and determine whether each individual performance obligation is fulfilled within a certain period of time, or is performed at a certain point in time, and then, when each individual performance obligation is fulfilled, the income is separately recognized.

   The performance obligation refers to the commitment of the enterprise in the contract to transfer the goods to the customer clearly. The performance obligation includes both the commitments specified in the contract and the commitments that the client reasonably expects the company to perform when the contract is concluded due to the company's publicly announced policies, specific statements or past practices. The initial activities that an enterprise should undertake to perform a contract usually do not constitute a performance obligation unless the activity transfers the promised goods to the customer.

   The enterprise shall measure the income according to the transaction price allocated to each individual performance obligation. The company shall determine the transaction price in accordance with the terms of the contract and in combination with its previous practices. When determining the transaction price, the enterprise should consider the impact of variable consideration, major financing components in the contract, non-cash consideration, and customer consideration.

2. If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

   ① The customer obtains and consumes the economic benefits brought by the performance of the enterprise at the same time as the company performs the contract.

   ② The customer can control the goods under construction in the process of corporate performance.

   ③ The goods produced during the performance of the enterprise have irreplaceable uses, and the enterprise has the right to receive payment for the part of the performance that has been completed so far throughout the contract period.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(Ⅱ) R , , (C -☒- , .)

3. Confirmation of performance obligation income performed at a certain point in time

For performance obligations performed at a certain point in time, the enterprise shall earn income when the customer obtains control of the relevant commodity. In determining whether a customer has acquired control of a commodity, the company should consider the following signs:

① The enterprise has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.

② The enterprise has transferred the legal title of the commodity to the customer, that is, the customer already owns the legal title of the commodity.

③ The enterprise has transferred the physical goods to the customer, that is, the customer has possessed the goods in kind.

④ The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods.

⑤ The customer has accepted the goods.

⑥ Other indications that the customer has obtained control of the commodity.

4. Confirmation of performance obligation income performed during a certain period of time

For performance obligations performed within a certain period of time, the enterprise shall confirm the income according to the progress of the performance during the period, unless the performance of the performance cannot be reasonably determined. Enterprises should consider the nature of the goods and use the output method or input method to determine the appropriate performance schedule. Among them, the output method is based on the value of the goods that have been transferred to the customer to determine the performance of the customer; the input method is based on the company's commitment to fulfill the performance obligations. For similar performance obligations in similar situations, companies should use the same method to determine the progress of compliance.

When the performance of the performance cannot be reasonably determined, if the costs incurred by the enterprise are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(Ⅲ) C [illegible]

1. Contract performance costs

The costs incurred by the company for the performance of the contract that do not fall within the scope of other enterprise accounting standards other than the income standard and meet the following conditions as a contract performance cost are recognized as an asset:

(1) This cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), the costs clearly borne by the customer, and other costs incurred only by the contract;

(2) This cost increases the resources of the company to fulfill its performance obligations in the future.

(3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal business cycle.

2. Contract acquisition costs

If the incremental cost incurred by the company in obtaining the contract is expected to be recovered, it is recognized as an asset as the cost of obtaining the contract. Incremental cost refers to the cost that the company will not incur without obtaining the contract, such as sales commission, etc. If the amortization period of the contract acquisition cost is less than one year, the company will account for the current profits and losses when incurred.

3. Amortization of contract costs

The assets related to contract costs are amortized at the time when the performance obligations are performed or in accordance with the progress of performance of the performance obligations, and are included into the current profit and loss, using the same basis for the recognition of the goods or services income related to the assets.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) C [illegible] (C [illegible])

4. contract costs impairment

For assets related to contract costs whose carrying amount is higher than the difference between the remaining price expected to be obtained by the transfer of goods or services related to the asset and estimate costs that will occur in order to transfer the relevant goods or services, the Company will make provision for impairment for the excess and recognize it as asset impairment loss.

After the impairment provision is accrued, if the factors of impairment in the previous period change, so that the above two differences are higher than the asset's book value, the asset impairment provision previously accrued shall be transferred back to the current profit and loss, but the book value of the transferred asset shall not exceed the book value of the asset on the reversal date without presuming the provision for impairment.

(IV) G [illegible]

1. Types

Government grants are monetary assets and non-monetary assets that the company obtains from the government free of charge, but exclude capital invested by the government as the owner of the business. They are divided into government grants related to assets and government grants related to income.

For government grants that the government document does not specify the grant object, the company is divided into government grants related to assets or government grants related to the income according to the actual grant object. For details of the relevant judgment basis explanation, please refer to other current liabilities/other non-current liabilities/non-operating income items in Note VII of this financial statement.

Government grants related to assets refer to government grants acquired by the company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to income refer to government grants other than government grants related to assets.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IV) G , , [illegible] (C [illegible] , ,)

2. *Government grant confirmation*

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government grant shall be confirmed according to the amount receivable. In addition, government grants are confirmed when they are actually received.

If the government grant is a monetary asset, it shall be measured according to the amount received or receivable. If the government grant is a non-monetary asset, it shall be measured at the fair value. If the fair value cannot be obtained reliably, it shall be measured in nominal amount (CNY 1). Government grants measured in nominal amounts are directly included into the current profit and loss.

3. *Accounting treatment method*

Government subsidies related to assets should be offset against the book value of related assets or recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they are included into the current profit and loss in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income. And in the period of confirming the related cost, expense or loss, it shall be included into the current profit and loss or offset related costs. For the compensation of related costs and losses already incurred by the company, it shall be directly included into the current profit and loss or offset related costs.

The government grant related to the daily activities of the company is included into other income or offset related costs. If it is not related to the daily activities of the company, it is included into non-operating income.

When the confirmed government subsidy needs to be returned, if the book value of the relevant asset is deducted at the initial confirmation, the book value of the asset is adjusted; if there is a related deferred income balance, the book value of the related deferred income is offset, and the excess is included into the current profit and loss; If there is no relevant deferred income, it is directly included into the current profit and loss.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) D, [illegible]

1. *Basis for recognition of deferred income tax assets*

Deferred income tax assets are recognized for deductible temporary differences to the extent of taxable income that is probable in the future to deduct deductible temporary differences.

2. *Basis for recognition of deferred income tax liabilities*

The company recognizes the taxable temporary difference between the current period and the previous period that has not been paid as deferred income tax liabilities. However, it does not include the goodwill and the temporary difference formed by the taxable income or deductible losses when transaction formed by non-business combinations occurs.

3. *When the following conditions are met at the same time, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offset*

(1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

(2) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or related to different taxpayers, however, in the future period in which each of the important deferred income tax assets and liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously.

In general, in individual financial statements, current income tax assets and liabilities and deferred income tax assets and deferred income tax liabilities are presented in net amount after offset. In the consolidated financial statements, among the enterprises included into the scope of consolidation, one party's current income tax assets or deferred income tax assets and the other party's current income tax liabilities or deferred income tax liabilities are generally not offset, unless the company involved has the legal right of a net amount to settle and intends to settle in net amount.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) L

On the contract start date, the company evaluates whether the contract is a lease or includes a lease. If one of the parties in a contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

1. Spin-off of lease contract

When the contract contains multiple separate leases at the same time, the company will split the contract and separate the individual leases for accounting treatment.

When the contract includes both lease parts and non-lease parts, the company will split the lease and non-lease parts, and the lease parts will be accounted for in accordance with the lease standard, and the non-lease parts shall be accounted for in accordance with other applicable corporate accounting standards.

2. Merger of lease contracts

When two or more contracts including leases concluded into by the company at the same time or at a similar time with the same party or their related parties meet one of the following conditions, they will be combined into one contract for accounting treatment:

(1) The two or more contracts are concluded based on the overall business purpose and constitute a package of transactions, and the overall business purpose cannot be understood unless considered as a whole.

(2) The amount consideration of one of the two or more contracts depends on the pricing or performance of other contracts.

(3) The asset use rights transferred from the two or more contracts constitute a separate lease.

3. The accounting treatment of the company as the lessee

At the beginning of the lease period, the company recognizes the right to use assets and lease liabilities for the lease. For the accounting policies of right to use assets and lease liabilities, please refer to Right to use assets of IV (XII).

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(Ⅵ) L [illegible] (C [illegible])

4. The accounting treatment of the company as the lessor

(1) Classification of lease

The company divides the lease into finance lease and operating lease on the lease start date. Finance lease refers to a lease that substantially transfers almost all the risks and rewards related to the ownership of leased assets, and its ownership may or may not be transferred eventually. Operating lease refers to other lease other than finance lease.

If a lease has one or more of the following situations, the company is generally classified as a finance lease:

1) At the end of the lease term, the ownership of the leased asset is transferred to the lessee.

2) The lessee has the option to purchase the leased asset. The purchase price concluded is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised, so that it can be reasonably determined at the date of commencement of the lease that the lessee will exercise the option.

3) Although the ownership of the assets is not transferred, the lease period accounts for most of the useful life of the leased assets.

4) At the start of the lease, the present value of the lease receipt is almost equivalent to the fair value of the leased asset.

5) The nature of the leased assets is special and only the lessee can use them without major renovation.

If a lease has one or more of the following signs, the company may also be classified as a finance lease:

1) If the lessee cancels the lease, the loss caused by the cancellation of the lease to the lessor shall be borne by the lessee.

2) The gains or losses resulting from the fluctuation in the fair value of the residual value of the assets belong to the lessee.

3) The lessee has the ability to continue to the lease to the next period for a rent far below the market level.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(Ⅶ) L [illegible] (C [illegible])

4. The accounting treatment of the company as the lessor

(2) Accounting treatment of finance lease

On the beginning of the lease period, the company confirms the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets.

At the initial measurement of finance lease receivables, the sum of the unguaranteed residual value and the current value of the lease receipts that have not been received at the beginning of the lease period discounted at the interest rate included into the lease is taken as the book value of the finance lease receivables. Lease receipts include:

1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;

2) Variable lease payments depending on index or ratio;

3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;

4) The lease term reflects the situation where the lessee will exercise the option to terminate the lease, and the lease receipt includes the amount that the lessee needs to pay to exercise the option to terminate the lease;

5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party who is financially capable of performing the guarantee obligation.

The company calculates and confirms the interest income in each period of the lease period according to the fixed lease interest rate. The variable lease payments obtained that are not included into the net measurement of the lease investment are included into the current profit and loss when they actually occur.

(3) Accounting treatment of operating lease

The company uses the straight-line method or other systematic and reasonable methods in each period of the lease period to confirm the lease receipts of operating leases as the rental income. The initial direct expenses related to operating leases are capitalized and apportioned on the same basis as the rental income recognized during the lease period and included into the current profit and loss in installments; the variable lease payments obtained that are not included into the lease receipts and related to operating leases are included into the current profit and loss when they actually occur.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) C [illegible]

1. Confirmation Standard held for sale

The Company recognizes component (or non-current assets) which meet the following conditions as assets held for sale:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the company has already made a resolution on a sales plan, approved by the regulatory authorities(if applicable) and obtained a certain purchase commitment. It is expected that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the company and other parties. The agreement contains important terms such as transaction price, time and strict penalty for breach of contract, which makes the possibility of major adjustment or cancellation of the agreement extremely small.

2. Accounting method held for sale

If the book value of a non-current asset or disposal group held for sale is higher than the fair value minus the net value of the sale expense, the company shall reduce the book value to the fair value minus the net value of the sale expense, and the amount of the write-down shall be recognized as the impairment loss of the assets, and shall be included in the profits and losses of the current period, while provision shall be made for impairment of the assets held for sale.

For non-current assets or disposal groups that are classified as holding for sale on the date of acquisition, the comparison at the time of initial measurement assumes that they are not classified as holding for sale, the amount of initial measurement and the net amount of fair value minus the cost of sale, measured at the lower of both.

The above principle applies to all non-current assets, but does not include investment real estate that uses the fair value model for subsequent measurement, biological assets measured net of fair value minus selling expenses, assets formed by employee compensation, and deferred income tax assets, financial assets regulated by the relevant accounting standards of financial instruments and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VIII) F[illegible]

1. Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, payables, non-current liabilities due within one year and long-term borrowings, those without quoted prices in active markets and whose fair value cannot be reliably measured Investment in equity instruments.

The above-mentioned financial assets and liabilities that are not measured at fair value have a small difference between the fair value and the fair value, or according to the "Financial Instruments Recognition and Measurement" standard, for equity instrument investment that has no quotation in an active market and its fair value cannot be reliably measured is measured at cost.

2. Financial instruments measured at fair value

The company's financial assets and liabilities measured at fair value mainly include: financial assets or financial liabilities measured at fair value and whose changes are included into the current profit and loss.

When fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input value used in fair value measurement belongs. The three levels are defined as follows:

The first-level inputs are unadjusted quotes for the same assets or liabilities that can be obtained on the measurement date in an active market.

The second level input value is the input value that is directly or indirectly observable for the relevant assets or liabilities except for the first level input value.

Input values at the second level include: 1) quotations for similar assets or liabilities in active markets; 2) quotations for identical or similar assets or liabilities in inactive markets; 3) Observable input values other than quotations, including interest rates and yield curves, implied volatility and credit spreads that can be observed during normal quotation intervals; 4) Market verification input values, etc.

Level 3 inputs are unobservable inputs to related assets or liabilities.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) S[illegible]

On April 30, 2019, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising the Format of the 2019 Annual General Enterprise Financial Statements (Finance (2019) No. 6), and the general corporate financial statement format has been revised. The company has prepared the financial statements in accordance with the requirements of the new enterprise financial statement format, and the items presented in the financial statements have changed as a result, the comparative data for comparable periods have been adjusted in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 30 – Financial Statements".

The impact on the items and amounts presented in the financial statements of comparable periods is as follows:

I[illegible]	A[illegible]	I[illegible]	A[illegible] N[illegible]
Notes receivable		3,112,281,635.68	3,112,281,635.68
Accounts receivable		6,674,746,317.19	6,674,746,317.19
Notes receivable and accounts receivable	9,787,027,952.87	-9,787,027,952.87	
Notes receivable		5,836,028,015.25	5,836,028,015.25
Accounts receivable		13,215,819,754.05	13,215,819,754.05
Notes receivable and accounts receivable	19,051,847,769.30	-19,051,847,769.30	

V. DESCRIPTION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF MAJOR PREVIOUS ERRORS

(I) C

The company has implemented the revised "Accounting Standards for Business Enterprises No. 7 – Non-Monetary Asset Exchange" since June 10, 2019, and has implemented the revised "Accounting Standards for Business Enterprises No. 12 – Debt Restructuring" since June 17, 2019. The change in accounting policy is dealt with in the future applicable method and adjusted for the non-monetary asset exchange and debt restructuring that occurred between January 1, 2019 and the implementation date of the standard according to the requirements of the Accounting Standards for Business Enterprises. The company's first implementation of the accounting standards has no impact on the financial statements.

As stated in the financial statements and preparation basis of this Note III, from January 1, 2019, the company adopted 'Accounting Standards for Business Enterprises No. 21 – Leases' revised by the Ministry of Finance in 2018. For details of the changed accounting policies, see Note **IV**.

On the first execution date, the company chose not to re-evaluate whether the previously existing contract is a lease or whether it contains a lease, and applies this method to all contracts consistently, so this standard is only applied to the above-mentioned contracts identified as leases under the original lease standard provisions for convergence.

In addition, the company chose to adopt the simplified retrospective adjustment method for the connection accounting process in accordance with the provisions of "Accounting Standards for Business Enterprises No. 28-Accounting Policies, Changes in Accounting Estimates and Error Corrections" for the above lease contract, that is, the adjustment was first implemented the retained earnings at the beginning of the year and the amount of other related items in the financial statements do not adjust the information of the comparable period. For the operating leases, the right to use asset measurement method and related simplified treatment are selected for each lease.

(II) C

There is no change in important accounting estimates in this period.

(III) I

No corrections to prior period accounting errors using the retrospective restatement method occurred during the reporting period.

VI. TA ATION

The principal taxable items of the Company and its subsidiaries are as follows:

(I) T , , , ,

T T ,	T	T	N
Value-added Tax ("VAT")	The output tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference is partly due to the value-added tax.	3%,6%,10%, 11%,16%	Note 1
City maintenance and construction tax	Based on business tax paid, VAT and sale tax	7%	

Note 1: According to the Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on "the Deepening of VAT Reform Policies" (Circular No. 39 of 2019 of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs), the taxable sales of value-added tax or imported goods have occurred since April 1, 2019. For the original 16% and 10% tax rates were applied, the tax rates were adjusted to 13% and 9%, respectively.

(II) B , , , ,

N , , ,	I , ,
Harbin Electric Company Limited *(Note 1)*	15%
Harbin Turbine Company Limited and its subsidiary *(Note 2)*	15%
Harbin Power Technology & Trade Inc.	25%
Harbin Electrical Machinery Company Limited and its subsidiary *(Note 3)*	15%
Harbin Power Equipment National Engineering Research Centre Co., Ltd *(Note 4)*	15%
HE Harbin Power Plant Valve Company Limited *(Note 5)*	15%
Chengdu Sanliya Technology Company	25%
Harbin Boiler Company Limited and its subsidiary *(Note 6)*	15%
Harbin Electric Power Equipment Company Limited *(Note 7)*	15%
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited *(Note 8)*	15%
Harbin Electric Corporation Finance Company Limited	25%
Harbin Electric International Company Limited *(Note 9)*	15%
Harbin Electric Leasing (Tianjin) Co., Ltd.	25%
Harbin Electric (H.E) Corporation	25%
Hadian Group Shanxi Environmental Protection Engineering Co., Ltd.	25%

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%.

VI. TA ATION (CONTINUED)

(II) B , , , (C , ,)

Note 1: Harbin Electric Company Limited (the Company)

On 28 August, 2017, the Company obtained the High and New Technology Enterprise certificate (Number: GR201723000191) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 2: Harbin Turbine Company Limited and its subsidiaries

On 28 August, 2017, Harbin Turbine Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201723000107) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 28 August, 2017, Harbin Turbine Ancillary Equipment Engineering Company Limited, the subsidiary of Harbin Turbine Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201723000051) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 3: Harbin Electrical Machinery Company Limited and its subsidiaries

On 28 August 2017, Harbin Electrical Machinery Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201723000101) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 28 August 2017, Harbin Electric Machinery Co., Ltd.'s subsidiary Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd. obtained the High and New Technology Enterprise certificate (Number: GR201723000137) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

VI. TA ATION (CONTINUED)

(II) B , , , (C ,)

Note 4: Harbin Power Equipment National Engineering Research Centre Co., Ltd

On 28 August 2017, Harbin Power Equipment National Engineering Research Centre Co., Ltd obtained the High and New Technology Enterprise certificate (Number: GR201723000350) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 5: HE Harbin Power Plant Valve Company Limited

On 28 August 2017, HE Harbin Power Plant Valve Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201723000181) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 6: Harbin Boiler Company Limited and its subsidiary

On 28 August 2017, the company obtained the High and New Technology Enterprise certificate (Number: GR201723000081) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局),and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

On 11 November 2018, Harbin Boiler Preheater Company Limited the subsidiary of Harbin Boiler Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201823000093) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

Note 7: Harbin Electric Power Equipment Company Limited

On 24 November 2017, Harbin Electric Power Equipment Company Limited obtained the High and New Technology Enterprise certificate (Number: GR201723000424) jointly issued by the Heilongjiang Science and Technology Bureau (黑龍江省科學技術廳), Heilongjiang Finance Bureau (黑龍江省財政廳), Heilongjiang State Tax Bureau (黑龍江省國家稅務局), and Heilongjiang Local Tax Bureau (黑龍江省地方稅務局), for an effective period of three years, pursuant to which enterprise income tax will be charged at the rate of 15% during the period.

VI. TA ATION (CONTINUED)

(II) B , , , (C ,)

Note 8: Harbin Electric Corporation (QHD) Heavy Equipment Company Limited

Harbin Electric Corporation (QHD) Heavy Equipment Company Limited received High and New Technology Enterprises Certificate (高新技術企業證書) jointly issued by Hebei Provincial Department of Science and Technology, Department of Finance of Hebei Province, Hebei Provincial State Taxation Bureau, and Hebei Provincial Local Taxation Bureau on 2 Nov 2019. The relevant certificate number is GR201913002647, which is effective for 3 years and entitle the company to pay Enterprise Income Tax at a rate of 15% within the period.

Note 9: Harbin Electric International Company Limited

Harbin Electric International Company Limited was recognised as Advanced Technology Service Enterprises (技術先進型服務企業). Relevant certificate number was JF20162301100003. The company paid Enterprise Income Tax at a rate of 15% this year in accordance with Cai Shui [2009] No. 63.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(I) C

I	C	Opening balance
Cash	**4,701,674.25**	7,192,181.04
Bank deposit	**9,218,134,947.38**	11,698,489,267.90
Other currency	**849,416,355.44**	837,570,251.25
Total	**10,072,252,977.07**	12,543,251,700.19
Among: the total amount of money deposited abroad	**192,527,994.13**	327,018,286.13

The details of the monetary funds that have restrictions on the use of mortgages, pledges or freezes, and that are placed overseas and whose remittances are restricted are as follows:

I	C	Opening balance
The bank acceptance deposit	**350,262,255.27**	201,259,458.54
Guarantee deposit	**1,171,051.80**	1,165,233.99
The central bank's legal deposit reserve	**497,983,048.37**	635,145,558.72
The court froze the deposit	**25,613,910.33**	
Total	**875,030,265.77**	837,570,251.25

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) C (C)

The monetary capital deposited abroad was CNY192,527,994.13 at the end of year 2019, and it is the closing balance of offshore engineering on-site funds allocated by the Company's subsidiary Harbin Electric International Engineering Co., Ltd. and Harbin Electric Machinery Co., Ltd.

(II) D

I	C	Opening balance
Call loan to other banks	**860,000,000.00**	500,000,000.00
Call loan to non-bank financial institutions	**200,000,000.00**	200,000,000.00
Less: loan loss reserves	**172,000,000.00**	100,000,000.00
The book value of loans to other banks	**888,000,000.00**	600,000,000.00

(III) N

1. Notes receivable shown as classification

	C			Opening balance		
T ,	C A	P	B	Carrying Amount	Bad debt Provision	Book value
Bank acceptance	**2,437,412,470.44**	**1,000,000.00**	**2,436,412,470.44**	2,549,245,442.79		2,549,245,442.79
Business acceptance	**865,541,265.19**		**865,541,265.19**	563,036,192.89		563,036,192.89
Total	**3,302,953,735.63**	**1,000,000.00**	**3,301,953,735.63**	3,112,281,635.68		3,112,281,635.68

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) N (C)

2. The notes receivable that have been endorsed at the end of the period and have not yet expired at the balance sheet date

T ,	T , T ,
Bank acceptance	1,726,280,801.15
Business acceptance	39,094,709.00
Total	1,765,375,510.15

(IV) A, ,

The basis for the company's accounts receivable aging analysis is based on: confirm age of accounts receivable by the confirming time of project revenue based on contract order. Under normal circumstances, the recovered receivables are first confirmed to the contract items, receivables attributable to a contract are used first to pay off early claims, when the early settlement of claims is completed, it is used to repay the subsequent claims, that is, according to the chronological order, the old ones will be paid off first and then the new accounts will be repaid.

1. Net accounts receivable shown by age

A ,	C	O ,
Within one year	3,289,887,707.20	4,020,608,853.48
One to two years	1,470,175,674.50	1,646,863,673.80
Two to three years	697,048,252.06	537,649,317.28
Over three years	361,731,187.09	469,624,472.63
Total	5,818,842,820.85	6,674,746,317.19

Notes: 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 company regularly assesses the customer's credit.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

2. Accounts receivable shown by classification

	C				Opening balance			
	C A		B P		Carrying Amount		Bad debt Provision	
T ,	A	P, , ,	A	P, , ,	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individual significance and accruing bad debt provision individually	953,088,700.38	9.20	582,071,790.25	61.07	553,412,455.91	4.92	486,347,205.91	87.88
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	9,075,673,935.26	87.63	3,721,459,793.27	41.00	10,500,832,091.75	93.44	3,954,467,935.12	37.66
Accounts receivable with individual insignificance but individually accruing bad debt provision	328,159,419.43	3.17	234,547,650.70	71.47	183,927,379.38	1.64	122,610,468.82	66.66
Total	10,356,922,055.07		4,538,079,234.22		11,238,171,927.04		4,563,425,609.85	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

3. Accounts receivable with individual significance and individually accruing bad debt provision at the end of year:

D,	A,	B,	P, , R, (%)	
National Water Conservancy Department (Merowe project) of the Republic of Sudan	275,838,297.75	275,838,297.75	100.00	*N 1*
Xinjiang Jin Hui Zhao Feng Energy Co., LTD	67,510,000.00	67,510,000.00	100.00	I
Indian Lanke Project (Anuppur)	77,889,355.63	77,889,355.63	100.00	I
Xinjiang Changji Special Energy Co. LTD	45,325,000.00	45,325,000.00	100.00	E
NO. 703 Research Institute	446,296,180.00	76,895,869.87	17.23	K
Jiangsu Fenghai New Energy Engineering Technology Co. LTD	1,616,600.00			R
Sudan Power Dam Department (2012 Sudan Geely Phase I Fuel)	38,613,267.00	38,613,267.00	100.00	A
Total	953,088,700.38	582,071,790.25		

Note 1: The company has signed Export buyer's credit insurance No. MSEC010056, No. LSA2004026 and No. LSA2005045 with the China Import & Export Credit Insurance Company on June 15, 2001, September 21, 2004 and December 27, 2005 for Merowe, Sudan, Geely Phase I Project and Geely Phase II Project, avoiding part of the collection risk through guarantee. At the end of December 31, 2019, the total balance of accounts receivable of the three projects was USD47,339,736.83, which was equivalent to the standard currency of CNY330,251,472.08. The Company has made a provision for bad debts of USD47,339,736.83 for overdue part of accounts receivable, which was equivalent to the standard currency of CNY330,251,472.08

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

4. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

(1) Accounts receivables accruing bad debt provision by applying aging analysis:

A ,	C			Opening balance		
	C A A	P, , , ,	B P	Carrying Amount Amount	Percentage (%)	Bad debt Provision
		(%)				
Within one year	**3,136,897,488.08**	**34.56**	**156,837,525.43**	4,164,547,707.60	39.66	197,754,132.56
One to two years	**1,817,407,456.93**	**20.03**	**446,861,895.03**	2,091,223,697.23	19.91	512,422,687.69
Two to three years	**1,264,621,045.26**	**13.93**	**578,277,403.97**	1,011,291,538.11	9.63	484,229,103.95
Three to four years	**505,283,967.88**	**5.57**	**367,137,949.01**	802,848,457.94	7.65	525,640,567.92
Four to five years	**476,490,642.61**	**5.25**	**329,138,298.39**	593,043,790.37	5.65	423,225,754.91
Over five years	**1,874,973,334.50**	**20.66**	**1,843,206,721.44**	1,837,876,900.50	17.50	1,811,195,688.09
Total	**9,075,673,935.26**		**3,721,459,793.27**	10,500,832,091.75		3,954,467,935.12

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

5. Accounts receivable with individual insignificance but individually accruing bad debt provision at the end of year.:

D,	A,	B, ,	P, , , R, (%)	
Sudan State Power Company (Sudan Geely Phase II Project)	27,615,138.62	27,615,138.62	100.00	*N 1*
Sudan State Power Company (Sudan Geely Phase I Project)	26,798,035.71	26,798,035.71	100.00	*N 1*
Nuclear Power Institute of China	23,395,341.88			A,
Inner Mongolia Hongyu Technology Co., Ltd	17,510,000.00	17,510,000.00	100.00	A,
Shanxi Zhangze Electric Power Energy Saving Technology Co. LTD	16,400,000.00	16,400,000.00	100.00	E
Binzhou Beihai Public Construction Investment Co., Ltd	16,172,400.00	16,172,400.00	100.00	E
Shandong Electric Power Construction Third Engineering Co., Ltd	16,091,909.00	16,091,909.00	100.00	E ,
Zhejiang Datang Wushashan Power Generation Co., Ltd	14,053,100.00	14,053,100.00	100.00	
Great Leader Thermoelectric (Private) Co., Ltd	13,934,359.20			A,
Ecuador State Owned Power Holding Company	13,289,581.33			A,
Huadian International Materials Co., Ltd. (Shuozhou)	13,240,000.00	13,240,000.00	100.00	
China Nuclear Energy Technology Co., Ltd	12,535,685.22			A,
Sudan Daba Thermal Power Company	11,071,463.80	5,535,731.90	50.00	L
Hebei Datang International Wangtan Power Generation Co., Ltd	8,590,000.00	8,590,000.00	100.00	
Ordos Green Energy Photoelectric Co., Ltd	8,420,000.00	8,420,000.00	100.00	P,

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

5. Accounts receivable with individual insignificance but individually accruing bad debt provision at the end of year.: (Continued)

D,	A,	B, ,	P, , , R, (%)	
China power construction east China Survey and Design Research Co., Ltd	8,024,864.50	8,024,864.50	100.00	
Sun Yumin	7,821,517.23	7,794,033.23	99.65	
China Zhongyuan Foreign Engineering Co., Ltd	7,168,127.40			B
Bin Jia Sheng project	6,265,180.82	6,063,248.22	96.78	B
Ma'anshan Dangtu Power Generation Co., Ltd	5,900,000.00	5,900,000.00	100.00	
Henan Pingmei Shenma Energy Saving Technology Co., Ltd	5,300,000.00	5,300,000.00	100.00	
Guodian Kangping Power Generation Co., Ltd	5,104,861.01			A,
Sudan Daba Thermal Power Company	4,812,214.15	3,849,771.32	80.00	L
Pakistan Guddu Power Plant	3,989,330.20	797,866.04	20.00	L
Datang Huayin Zhuzhou Power Generation Co., Ltd	3,016,000.00	3,016,000.00	100.00	
EREN Enerji Elektrik Uretim A.S.	2,641,886.94			B
Liu Hongkun	2,528,079.44	2,022,463.55	80.00	I
Y. R. WANJIAZHAI Water Multi-Purpose Dam Project Co Ltd	2,046,558.00	2,046,558.00	100.00	
Fushun Petrochemical Branch of CNPC	1,915,200.00	1,915,200.00	100.00	
Yu Zhigang	1,717,632.48	1,717,632.48	100.00	I
Changchun Thermal Power Development Co., Ltd	1,423,300.00	1,423,300.00	100.00	
Xilin Thermal Power Plant of Inner Mongolia Guodian Energy Investment Co., Ltd	1,389,523.00	1,389,523.00	100.00	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

5. Accounts receivable with individual insignificance but individually accruing bad debt provision at the end of year.: (Continued)

D,	A,	B, ,	P, , ,	R,
			(%)	
Baiyinhua Jinshan Power Generation Co., Ltd	1,384,875.80			A,
Huadian Zhengzhou Machinery Manufacturing Design and Research Institute Co., Ltd	1,340,000.00			A,
Shenzhen Datang Baochang Gas Power Generation Co., Ltd	1,156,000.00	1,156,000.00	100.00	
Jiangsu Yongding Taifu Engineering Co., Ltd	1,125,000.00			A,
Datang Luoyang Thermal Power Co., Ltd	1,120,000.00	1,120,000.00	100.00	
China Power Investment Northeast Energy Technology Co., Ltd	1,079,000.00			A,
Others	10,773,253.70	10,584,875.13	98.25	A,
Total	328,159,419.43	234,547,650.70		

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

6. The situation of provision, return or withdraw the bad debt provision

The bad debt provision of this year was CNY 820,289,906.64, Return or recover bad debts for CNY776,356,121.28.

7. The important write-off of accounts receivable in this period

D,	N	- R	F	I	
Shenyang Distribution Office of Harbin Electric Machinery Factory	Payment	11,999,730.02	Money cannot be recovered	board resolution, Write off approval form	No
Luoyang sunshine Thermal Power Co., Ltd	Payment	9,318,622.12	Merger and reorganization	board resolution, Write off approval form	No
Shenyang water pump plant	Payment	8,468,464.62	Money cannot be recovered	board resolution, Write off approval form	No
Changchun Tiancheng electric complete materials Co., Ltd	Payment	4,557,640.00	Money cannot be recovered	board resolution, Write off approval form	No
Shanxi Harbin Electric Motor Sales Co., Ltd	Payment	2,251,220.00	Money cannot be recovered	board resolution, Write off approval form	No
Others	Payment	34,648,984.58	Money cannot be recovered	board resolution, Write off approval form	No
Total		71,244,661.34			

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) A, , (C , ,)

8. The top five debtors of accounts receivable at the end of the year

D,	C A	P (%)	B
703 Research Institute of China Shipbuilding Industry Corp	446,296,180.00	4.31	76,895,869.87
Ministry of State Water and Irrigation, Republic of Sudan	275,838,297.75	2.66	275,838,297.75
Xilingol Thermal Power Co. Ltd	246,167,297.44	2.38	12,878,364.87
Luoyang Wanzhong Geely Thermal Power Co., Ltd	231,362,444.00	2.23	57,826,992.20
Huadian (Shandong) Material Co. Ltd.	221,260,310.00	2.14	106,700,730.00
Total	1,420,924,529.19	13.72	530,140,254.69

(V) P, , ,

A,	C A	P, , (%)	B	Opening balance Carrying Amount Amount	Carrying Amount Percentage (%)	Bad debt provision
Less than a year	2,017,713,106.66	69.35		2,381,280,356.71	66.14	
One to two years	415,797,814.57	14.29		563,658,004.90	15.66	
Two to three years	216,128,777.00	7.43		315,869,144.06	8.77	279,869.02
Over three years	259,714,136.91	8.93	8,127,844.53	339,606,555.43	9.43	7,847,975.51
Total	2,909,353,835.14	100.00	8,127,844.53	3,600,414,061.10	100.00	8,127,844.53

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) P , (C ,)

1. Significant advance payment over 1 year

C , N ,	D N ,	C	A ,	U R ,
Harbin Steam Turbine Works Co., Ltd.	Japan Mitsubishi, Ltd.	**174,320,540.00**	Over 3 years	The contract has not been completed
Harbin Electric International Engineering Co., Ltd.	Northern Heavy Industry Group Co., Ltd.	**54,701,144.91**	1 to 2 years; 2-3 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Mitsubishi Hitachi Power Systems, Lt	**40,755,812.33**	Within 3 years	The contract has not been completed
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	VALINOX NUCLEAIRE	**39,398,157.16**	Over 3 years	The contract has not been completed
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	Wallrock nuclear pipe (Guangzhou) Co., Ltd	**38,834,517.97**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	HOLTEC INTERNATIONAL	**37,882,218.20**	2 to 3 years	The contract has not been completed
Harbin Boiler Company Limited	Shandong Xiantong installation Co., Ltd	**36,448,000.00**	Within 1 year; 1 to 2 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Curtiss-Wright Electro-Mechanical	**35,109,767.19**	Within 2 year; Over 3 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Harbin Shengxin Packaging Co., Ltd	**31,634,136.22**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric Co., Ltd	China Power Equipment Co., Ltd	**26,560,188.73**	2 to 3 years; Over 5 years	The contract has not been completed
Harbin Steam Turbine Works Co., Ltd.	Toshiba Corporation of Japan	**26,184,566.61**	1 to 2 years	The contract has not been completed
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	Doosan Heavy Industries	**23,780,250.00**	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Zhejiang Huadong mechanical and Electrical Engineering Co., Ltd	**22,505,407.50**	1 to 2 years; 2 to 3 years	The contract has not been completed

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) P , (C ,)

1. Significant advance payment over 1 year (Continued)

C , N ,	D N ,	C	A ,	U R
Harbin Electric Machinery Co., Ltd.	Wuhan WISCO Industrial electromechanical materials Engineering Co., Ltd	**16,210,661.49**	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Heilongjiang construction and Installation Group Co., Ltd	**15,323,281.57**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Turbine Factory auxiliary Engineering Co., Ltd	Mitsubishi Heavy Industries Co., Ltd	**12,256,742.40**	2 to 3 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Zhongshui northeast survey, design and Research Co., Ltd	**9,048,771.91**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Zhongjing Dongyuan import and Export Co., Ltd	**8,683,200.00**	2 to 3 years	The contract has not been completed
Harbin Electric International Engineering Co., Ltd	Chongqing ABB Transformer Co., Ltd	**8,296,500.00**	1 to 2 years; Over 3 years	The contract has not been completed
Harbin Boiler Company Limited	Shandong Chuangyu Environmental Protection Technology Co., Ltd	**7,200,000.00**	1 to 2 years	The contract has not been completed
Harbin Boiler Company Limited	GOLD TRIPOD ZHENLONG (HONGKONG) LIMITED	**6,826,178.89**	Within 1 year; 1 to 2 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Forge Monchieri S.p.A	**6,343,860.32**	Over 2 years	The contract has not been completed
Harbin Boiler Company Limited	Wallrick, Germany	**5,798,093.78**	Within 1 year; 1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	NANRI Group Co., Ltd	**5,791,685.47**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Steam Turbine Works Co., Ltd.	TPMA, France	**5,499,952.80**	Over 5 years	The contract has not been completed
Harbin Electric International Engineering Co., Ltd	China Power Engineering Consulting Group Zhongnan Electric Power Design Institute Co., Ltd	**5,171,206.86**	1 to 2 years; 2 to 3 years; Over 3 years	The contract has not been completed

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) P , , (C ,)

1. Significant advance payment over 1 year (Continued)

C , N ,	D N ,	C	A ,	U R
Harbin Electric Machinery Co., Ltd.	NANRI Group Co., Ltd	**4,895,400.00**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Group Modern Manufacturing Service Industry Co., Ltd	Beijing Yihuaze Control System Co., Ltd	**4,444,235.00**	Over five years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Hubei Liansheng Construction Engineering Co., Ltd	**4,199,358.05**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric Power Equipment Co., Ltd.	Yantai Taihai manur Nuclear Power Equipment Co., Ltd	**4,060,000.00**	1 to 2 years; Over 3 years	The contract has not been completed
Harbin Electric International Engineering Co., Ltd	TBEA Kangjia (Shenyang) Transformer Co., Ltd	**3,649,520.00**	Over 3 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	NANRI Group Co., Ltd	**3,542,667.00**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Mitsui Products Co., Ltd	**3,427,196.82**	2 to 3 years	The contract has not been completed
Harbin Steam Turbine Works Co., Ltd.	Harbin Thermal Power Co., Ltd	**3,360,793.05**	1 to 2 years	The contract has not been completed
Harbin Electric Machinery Co., Ltd.	Zhenjiang Huadong Power Equipment Manufacturing Co., Ltd	**3,337,488.00**	1 to 2 years; 2 to 3 years	The contract has not been completed
Harbin Group modern manufacturing service industry Co., Ltd	Harbin Zhongshen Electric Manufacturing Co., Ltd	**3,143,016.00**	Over 5 years	The contract has not been completed
Total		**738,624,516.23**		

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) P , (C)

2. The top five debtors of Prepayments at the end of the year

D	C A P (%)
Japan Mitsubishi, Ltd.	176,191,301.12	6.06
TOSS Engineering Corporation	70,106,492.23	2.41
Andritz AG	58,593,523.29	2.01
Shan Dong Xian Tong Equipment Installation Co., Ltd.	55,435,000.00	1.91
Vallourec of Germany	55,284,454.53	1.90
Total	415,610,771.17	14.29

(VI) O ,

I	C	Opening balance
Interest receivable	10,325,008.20	1,378,322.24
Dividend receivable	3,134,827.61	28,606,172.42
Other receivables	841,248,438.70	1,240,174,808.83
Total	854,708,274.51	1,270,159,303.49

1. Classification of Interest receivable

I	C	Opening balance
Term deposits	7,025,008.20	197,637.31
Bond investment	3,300,000.00	1,180,684.93
Total	10,325,008.20	1,378,322.24

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) O (C)

2. Details of Dividend receivable

I	C	Opening balance	R	
:	**3,134,827.61**	28,461,719.03		
1. Harbin Xin Run embellish precision casting industry co., Ltd	**42,360.76**	38,388.88	Unsettled	No
2. General Electric-Ha Power Energy Service (Qinhuangdao) Co., Ltd.		28,423,330.15		
3. Harbin electric gas station Co., Ltd	**70,000.00**		Unsettled	No
4. Harbin Huitong Power Engineering Company Limited	**3,022,466.85**		Unsettled	No
O :		144,453.39		
1. Harbin east force real estate development co., Ltd.		144,453.39		
Total	**3,134,827.61**	28,606,172.42		

3. Details of other receivables

T	C				Opening balance			
	C A		B		Carrying Amount		Bad debt provision	
	A	*(%)*	A	*(%)*	Amount	proportion *(%)*	Amount	proportion *(%)*
Other receivables with individual significance and individually accruing bad debt provision	**726,259,308.51**	**60.10**	**58,563,810.29**	**8.06**	786,652,979.71	52.43	24,510,676.92	3.12
Other receivables accruing provision for bad debts based on credit risk characteristics portfolio	**359,968,469.95**	**29.79**	**263,872,633.88**	**73.30**	295,444,167.53	19.69	218,020,020.29	73.79
Other receivables without individual significance but individually accruing bad debt provision	**122,213,305.17**	**10.11**	**44,756,200.76**	**36.62**	418,351,864.20	27.88	17,743,505.40	4.24
Total	**1,208,441,083.63**		**367,192,644.93**		1,500,449,011.44		260,274,202.61	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) O , , , , (C , ,)

3. Details of other receivables (Continued)

(1) Other receivables with individual significance and individually accruing bad debt provision:

D	O ,	B , ,	P	R
			(%)	
Harbin Electric Group Co., Ltd.	162,095,125.59			Related parties don't accrue
Ecuador's state-owned power holding company	158,427,706.25	3,816,745.21	2.41	Based on recoverability
Dubai Haxiang Project Investment Company	63,918,632.12			Based on recoverability
Commercial Paper exchange corporation Ltd	59,796,169.78			Based on recoverability
National Energy Administration	58,976,170.11	10,186,170.11	17.27	National allocation of special funds
Tax refund of Ecuador	48,551,633.24			Based on recoverability
Tianjin Lingang Investment Holding Co., Ltd	34,000,000.00			Based on recoverability
PT THE SECOND CONSTRUCTION ENGINEERING T	28,195,421.15			Based on recoverability
National Power Parks Management Company (pvt.) Limited	24,184,651.44			Based on recoverability
LID ENERGY HOLDINGS LTD	23,552,903.86			Based on recoverability
Harbin Harbin Electric Industry Development Corporation	20,000,000.00			Related parties don't accrue
Henan No. 1 Thermal Power Construction Company	16,130,218.05	16,130,218.05	100.00	Based on recoverability
Daqing Ruihao Energy Technology Co., Ltd	13,995,000.00	13,995,000.00	100.00	It cannot be recovered
Harbin Electric Machinery Co., Ltd	10,515,676.92	10,515,676.92	100.00	It cannot be recovered
Daqing Longjiang Wind Power Co., Ltd	3,920,000.00	3,920,000.00	100.00	It cannot be recovered
Total	726,259,308.51	58,563,810.29		

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) O (C)

3. Details of other receivables (Continued)

(2) Accounts other receivables accruing bad debt provision in credit risk characteristic portfolio

Accounts other receivables accruing bad debt provision by applying aging analysis:

A ,	C			Opening balance		
	C A		B	Carrying Amount		Bad debt provision
	A			Amount	proportion (%)	
Within one year	70,137,610.86	19.48	3,552,624.14	63,476,369.59	21.49	3,670,209.91
One to two years	5,649,662.75	1.57	1,693,827.48	5,856,051.88	1.98	1,464,012.97
Two to three years	4,539,335.50	1.26	2,269,667.76	544,508.39	0.18	272,254.20
Three to four years	82,616,190.31	22.95	66,048,178.56	49,888,513.58	16.89	39,910,810.87
Four to five years	33,589,872.93	9.33	26,872,538.34	14,879,958.77	5.04	11,903,967.02
Over five years	163,435,797.60	45.40	163,435,797.60	160,798,765.32	54.43	160,798,765.32
Total	359,968,469.95		263,872,633.88	295,444,167.53		218,020,020.29

Note: At the end of the period, the balance between the 3rd and 4th year of the account balance are not correlated with the balance of the previous balance. The main reason is that the partial long-age advance payment was reclassified to other receivables.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) O , , , , (C , ,)

3. Details of other receivables (Continued)

(3) Other receivables with individual insignificance but individually accruing bad debt:

D	C A	B	A ,	P (%)	R
Petty cash	59,695,512.28	2,232,630.95	Within 1 year	3.74	According to the future recyclability of judgment
China Electrical Equipment Corporation	7,250,000.00	7,250,000.00	Over 5 years	100.00	Based on recoverability
Zhenjiang people's Electric Appliance Factory	6,725,154.00	6,725,154.00	Over 5 years	100.00	Based on recoverability
Wuhu shipyard	4,813,328.00	4,813,328.00	Over 5 years	100.00	Based on recoverability
Bangladesh Electricity Authority	3,375,861.73	2,504,734.36	Within 1 year; 1 to 2 years; 2 to 3 years	74.20	Withholding tax of Bangladesh owner
Deposit of gas turbine business department	2,696,105.38	2,696,105.38	Over 5 years	100.00	Estimated uncollectible
Northeast Electric Power Design Institute of China Power Engineering Consulting Group	2,650,000.00	2,650,000.00	Over 5 years	100.00	Based on recoverability
Shenzhen Hadong Huihua industry and Trade Co., Ltd	1,351,930.00	1,351,930.00	Over 5 years	100.00	Estimated uncollectible
Harbin Xiaofeng power station accessories factory	865,000.00	865,000.00	Over 5 years	100.00	Based on recoverability
Others	32,790,413.78	13,667,318.07	Within 1 year; 1 to 2 years; 2 to 3 years	41.68	According to the future recyclability of judgment
Total	122,213,305.17	44,756,200.76			

(4) Bad debt provision situation of withdrawing, turn back or recovery

The bad debt provision of this year is CNY111,464,687.92, turn back and recover bad debts of CNY4,244,598.00.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) O , , , , (C , ,)

3. Details of other receivables (Continued)

(5) The important write-off of accounts Other receivables in this period

D	N ,		R	F ,	
Technical equipment branch of Heilongjiang Electric Equipment Corporation	Equipment purchase money	113,000.00	Money cannot be recovered	board resolution, Write off approval form	No
China International Business Transportation Agency Co., Ltd	Equipment purchase money	80,000.00	Money cannot be recovered	board resolution, Write off approval form	No
Dexiang floor leather shop, Daowai District, Harbin	Payment for purchasing materials	33,453.00	Money cannot be recovered	board resolution, Write off approval form	No
Harbin Lejin Electronic Co., Ltd	Equipment purchase money	14,850.00	Money cannot be recovered	board resolution, Write off approval form	No
China National Machinery and equipment import and Export Corporation	Equipment purchase money	13,682.50	Money cannot be recovered	board resolution, Write off approval form	No
Shanghai lubricating equipment factory	Purchase of spare parts	12,000.00	Money cannot be recovered	board resolution, Write off approval form	No
Fuxin general hydraulic and pneumatic components factory	Purchase of spare parts	10,150.00	Money cannot be recovered	board resolution, Write off approval form	No
Angang New Steel Rolling Co., Ltd	Purchase of spare parts	9,520.09	Money cannot be recovered	board resolution, Write off approval form	No
Beijing Qixingr Economic Development Company	Equipment purchase money	8,015.00	Money cannot be recovered	board resolution, Write off approval form	No
Beijing No.1 Machine Tool Factory	Equipment purchase money	6,977.01	Money cannot be recovered	board resolution, Write off approval form	No
Total		301,647.60			

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) O , (C)

3. Details of other receivables (Continued)

(6) The top five other receivables by year-end balance of arrears

D	N ,	C A	A ,	P (%)	B ,
Harbin Electric Group Co., Ltd.	current account	**162,095,125.59**	3-4 years	13.43	
Ecuador state owned power holding company	Owner's withholding	**158,427,706.25**	within1year; 1-2 years; 2-3 years; 3-4 years	13.13	3,816,745.21
Beijing Engineering Corporation Limited	payment	**79,982,552.00**	3-4 years	6.63	51,826,660.80
Dubai Haxiang Project Investment Company	Advanced project funds	**63,918,632.12**	1-4 years	5.30	
Paper exchange	guarantee deposit	**59,796,169.78**	Within 1 year	4.96	
Total		**524,220,185.74**		43.44	55,643,406.01

(VII) I ,

1. Classification of inventory

	C I ,			Opening balance		
	C A		B ,	Carrying Amount	Inventory impairment provision	Book value
Raw materials	**3,396,309,096.99**	**228,558,172.77**	**3,167,750,924.22**	3,437,551,118.48	225,293,739.00	3,212,257,379.48
Goods in process	**5,991,715,822.26**	**275,427,293.36**	**5,716,288,528.90**	7,061,775,611.69	247,641,332.74	6,814,134,278.95
Finished Goods	**360,700,814.79**	**74,336,175.95**	**286,364,638.84**	401,273,724.46	56,687,825.48	344,585,898.98
Turnover materials (packages, low-value consumables, etc.)	**18,302,950.35**		**18,302,950.35**	19,677,509.81		19,677,509.81
Contract performance cost	**90,975,126.41**		**90,975,126.41**	56,460,746.28		56,460,746.28
Others	**7,986,527.75**		**7,986,527.75**	7,796,497.75		7,796,497.75
Total	**9,865,990,338.55**	**578,321,642.08**	**9,287,668,696.47**	10,984,535,208.47	529,622,897.22	10,454,912,311.25

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) I , (C ,)

1. *Classification of inventory (Continued)*

Note: 1. At the end of the accounting period, the company has performed an impairment test on the inventory that shows signs of impairment, and has accrued provisions for falling inventory prices in accordance with the requirements of the accounting standards.

2. At the end of December 31, 2019, Provision for inventory impairment was CNY578,321,642.08, which represented 5.86% of the original inventory value of CNY9,865,990,338.55.

2. *Provision for inventory impairment*

		I ,		D ,		
	Opening balance					
Raw materials	225,293,739.00	42,004,713.82		21,149,811.30	17,590,468.75	**228,558,172.77**
Goods in process	247,641,332.74	196,166,370.90		27,562,476.70	140,817,933.58	**275,427,293.36**
Finished Goods	56,687,825.48	28,273,153.24		4,034,388.87	6,590,413.90	**74,336,175.95**
Total	529,622,897.22	266,444,237.96		52,746,676.87	164,998,816.23	**578,321,642.08**

Reason for provision for inventory impairment: At the end of the accounting period, if the inventory shows signs of impairment, the company will conduct an impairment test on the inventory and make provision for falling prices based on the amount of the inventory's book value exceeding its realizable value;

Reasons for the reversal of inventory depreciation reserve: When the factors affecting inventory depreciation have disappeared and the value of inventory has rebounded, it will be transferred back within the original provision for impairment;

Reasons for the write-off of inventory depreciation provision: refer to the derecognition of the provision for depreciation provision, while at the same time carrying forward the provision for impairment.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) C

1. *Details of contractual assets*

	C
Opening balance	9,681,989,606.23
Increase	3,868,340,037.32
Converted in to accounts receivable in this period	1,772,024,381.03
Closing balance	11,778,305,262.52
Contract asset impairment provision	1,511,015,765.41
Net closing balance	10,267,289,497.11
Including: listed as contract assets	10,267,289,497.11
listed as other non-current assets	

2. *Provision for impairment of assets in the current period*

	Opening balance	I	D	C
Contract asset impairment provision	1,258,528,741.77	449,878,502.63	255,013,594.67	**1,453,393,649.73**
Contract assets originally included in inventory	190,003,614.68		132,381,499.00	**57,622,115.68**
Total	1,448,532,356.45	449,878,502.63	387,395,093.67	**1,511,015,765.41**

(I) C

	C	Opening balance
Debt investment due within one year		49,955,000.00
Others		
Total		49,955,000.00

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

( ) O

I	C	Opening balance
Bank financial products	**1,979,629,800.00**	
Entrust loans	**150,000,000.00**	190,000,000.00
Deductible input tax and prepay VAT	**204,181,411.04**	591,645,718.79
Total	**2,333,811,211.04**	781,645,718.79

(I) L

1. Loans and advance distributed by individual and business

I	C	Opening balance
(1) Individual loan and advance		
–credit card		
–housing-mortgage		
–others		
(2) Business loan and advance	**34,963,313.89**	
–loan	**30,000,000.00**	
–discount	**4,963,313.89**	
–others		
(3) Total loan and advance	**34,963,313.89**	
Less: Loans impairment reserve	**874,082.85**	
Including: individual provision amount		
Combination provision	**874,082.85**	
(4) Book value of loans and advance	**34,089,231.04**	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) L (C)

2. *Loans and advance distributed by industry*

I	C	(%)	Opening balance	proportion (%)
Farming and animal husbandry and fishery				
Mining industry				
Realty business				
Construction industry				
Finance and insurance industry				
Other industries	**34,963,313.89**	**100.00**		
Total loan and advance	**34,963,313.89**	**100.00**		
Less: Loans impairment reserve	**874,082.85**	**2.50**		
Including: individual provision				
Combination provision	**874,082.85**	**2.50**		
Book value of loans and advance	**34,089,231.04**	**97.50**		

3. *Loan and advance distributed by area*

A	C	(%)	Opening balance	proportion (%)
South China				
North China				
Other China	**34,963,313.89**	**100.00**		
Total loan and advance	**34,963,313.89**	**100.00**		
Less: loan impairment reserves	**874,082.85**	**2.50**		
Including: individual provision				
Combination provision	**874,082.85**	**2.50**		
Book value of loan and advance	**34,089,231.04**	**97.50**		

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) L (C)

4. Loan and advance distributed by guarantee

	C	Opening balance
Credit loan	**34,963,313.89**	
Guarantee loan		
Collateral loan		
Among: mortgage loans		
Pledge loan		
Total loan and advance	**34,963,313.89**	
Less: loan impairment reserves	**874,082.85**	
Among: individual provision		
Combination provision	**874,082.85**	
Book value of loan and advance	**34,089,231.04**	

5. loan loss reserves

	C	Last period	
	I C	Individual	Combination
Opening balance			4,970.38
Provision this year	**874,082.85**		
Turn out in this year			
Cancel after verification in this year			
Switch back this year			4,970.38
– To recover the original written off loans and advances to turn it back			4,970.38
– Loans and advances for return discount value rising			
– Other factors lead to return			
Closing balance	**874,082.85**		

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) O , , , , ,

1. Details of other debt investment

	C	Opening balance
National debt of 2019 (No.11)	300,623,400.00	
Total	300,623,400.00	

2. The important other debt investment at the end of the period

		A	F V	C P	
National debt of 2019 (No.11)	300,000,000.00	300,623,400.00	300,623,400.00	623,400.00	
Total	300,000,000.00	300,623,400.00	300,623,400.00	623,400.00	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) L

	C		Opening balance			discount rate
	C A	B B	Carrying Amount	Bad debt provision	Book value	range at the end of the period *(%)*
Financing lease payment	1,540,730.47	1,540,730.47	3,358,126.45		3,358,126.45	5.94
Among: unrealized financing income	114,042.98	114,042.98	275,946.69		275,946.69	5.94
Instalment for sale goods						
Instalment for offer labor service						
Others						
Total	1,540,730.47	1,540,730.47	3,358,126.45		3,358,126.45	

(IV) L , ,

1. Classification of long-term equity investment

	Opening balance	I	D	C
1. Investment in subsidiaries	3,000,000.00			3,000,000.00
2. Investment in cooperative enterprise		41,901,021.78		41,901,021.78
3. Investment in associated enterprise	192,397,402.88	34,982,572.94	54,457,865.96	172,922,109.86
Subtotal	195,397,402.88	76,883,594.72	54,457,865.96	217,823,131.64
Less: impairment for long term equity investments	13,223,752.07		10,223,752.07	3,000,000.00
Total	182,173,650.81	76,883,594.72	44,234,113.89	214,823,131.64

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) L -☒ , ☒ , ☒☒ , -☒☒ (C -☒ , ,)

2. Details of long-term equity investment

I , ☒☒,	Opening balance	I , , ☒	D , , ☒	☒ ☒☒	O☒, , ☒	☒☒	C ☒	P ☒	I , ☒
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		42,620,800.00		-719,778.22			41,901,021.78		
Subtotal		42,620,800.00		-719,778.22			41,901,021.78		
3. Associates									
General Electric – Harbin Power Services (Qinhuangdao) Company	119,762,839.40			17,828,817.46			137,591,656.86		
Huludao Binhai Hydro Power Company Limited	51,265,399.11		51,265,399.11						
Harbin HE Liling Hydropower Equipment New Technology Development Co., Ltd.	6,803,796.45			493,153.52			7,296,949.97		
Harbin Huitong Power Engineering Company Limited	6,550,167.69			2,738,656.48		3,022,466.85	6,266,357.32		
Harbin electric gas station Co., Ltd	2,015,200.23			171,945.48		170,000.00	2,017,145.71		
Harbin Ruifeng New Energy Co., Ltd.	6,000,000.00	13,750,000.00					19,750,000.00		
ACWA Power Harbin Holdings Limited									
Subtotal	192,397,402.88	13,750,000.00	51,265,399.11	21,232,572.94		3,192,466.85	172,922,109.86		
Total	195,397,402.88	56,370,800.00	51,265,399.11	20,512,794.72		3,192,466.85	217,823,131.64		3,000,000.00

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) O , , , , , ,

1. Details of other equity instruments

I	C	Opening balance
Huaneng International Power Co., Ltd.	**425,954,193.66**	563,358,772.26
China United Heavy Gas Turbine Technology Co., Ltd.	**132,000,000.00**	114,000,000.00
Jiangsu Fenghai New Energy Desalination Water Co., Ltd.	**30,000,000.00**	30,000,000.00
Heilongjiang Xintian Hadian New Energy Investment Co., Ltd.	**2,000,000.00**	2,000,000.00
Beijing Full 3D Power Engineering Co., Ltd.	**400,000.00**	400,000.00
Harbin Xinrun Industrial Co., Ltd.	**695,000.00**	695,000.00
Beijing Huaqing Gas Turbine and Gasification Combined Cycle Engineering Technology Co., Ltd.	**5,500,000.00**	5,500,000.00
Harbin Power Equipment Logistics Co., Ltd.	**1,000,000.00**	1,000,000.00
Total	**597,549,193.66**	716,953,772.26

2. The important other equity instruments investments at the end of year

I	T	C	F
Huaneng International Power Co., Ltd.	499,999,994.35	-74,045,800.69	425,954,193.66
China United Heavy Gas Turbine Technology Co., Ltd.	114,000,000.00	18,000,000.00	132,000,000.00
Jiangsu Fenghai New Energy Desalination Water Co., Ltd.	30,000,000.00		30,000,000.00

(VI) O , , , , ,

I	F	Fair value at the beginning of the period
Derivative financial instruments	**45,510,641.64**	
Total	**45,510,641.64**	

Note: the derivative financial instruments added in this year are the new long-term foreign exchange settlement and sale business of Harbin Electric International Engineering Co., Ltd. in 2019.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) I , , ,

1. *Investment properties measured by cost*

I	Opening balance	I	D	C
(I) Original carrying value	309,596,514.56	83,994,034.74	111,710,678.80	281,879,870.50
1. Housing and buildings	309,596,514.56	83,684,034.74	111,710,678.80	281,569,870.50
2. Land use rights		310,000.00		310,000.00
(II) Accumulated depreciation and accumulated amortisation	76,423,258.71	17,396,396.53	8,439,236.77	85,380,418.47
1. Housing and buildings	76,423,258.71	17,342,146.18	8,439,236.77	85,326,168.12
2. Land use rights		54,250.35		54,250.35
(III) Total net book value	233,173,255.85			196,499,452.03
1. Housing and buildings	233,173,255.85			196,243,702.38
2. Land use rights				255,749.65
(IV) Provision for impairment				
1. Housing and buildings				
2. Land use rights				
(V) Carrying Value	233,173,255.85			196,499,452.03
1. Housing and buildings	233,173,255.85			196,243,702.38
2. Land use rights				255,749.65

2. *Investment real estate by the region and the years are as follows:*

I	C	Opening balance
In China	**142,307,937.45**	121,364,993.17
Medium-term (10 to 50 years)	**22,651,010.56**	121,364,993.17
Short-term (10 years)	**119,656,926.89**	
In Dubai	**53,935,764.93**	111,808,262.68
Medium-term (10 to 50 years)	**53,935,764.93**	111,808,262.68
Total	**196,243,702.38**	233,173,255.85

(VIII) F , ,

I	C	Opening balance
Fixed assets	**5,917,633,439.86**	5,868,709,208.85
Fixed assets clean up		205.14
Total	**5,917,633,439.86**	5,868,709,413.99

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) F , , (C , ,)

1. *Details of fixed assets*

I	H	M	M	E	O	O	T
1. Original carrying value							
(1) Opening balance	4,639,202,735.56	7,943,828,669.91	376,444,331.75	606,171,824.17	299,951,326.91	9,361,706.93	13,874,960,595.23
(2) Increase in the period	729,855,183.02	297,149,789.61	4,596,517.55	73,372,231.28	16,500,944.62	35,192,536.71	1,156,667,202.79
– acquired	134,982,229.52	67,128,020.02	2,157,281.90	29,041,129.10	1,534,515.94	9,000.00	234,852,176.48
– transfer from construction in progress or other else	146,663,228.22	225,545,887.29	2,439,235.65	35,020,798.02	14,966,428.68	35,183,536.71	459,819,114.57
– transfer from development expenditures							
– transfer from R&D expenditures				7,075,911.65			7,075,911.65
– business combination							
– others	448,209,725.28	4,475,882.30		2,234,392.51			454,920,000.09
(3) Decrease in the period	435,389,496.08	122,138,203.36	11,652,540.99	20,459,888.23	9,224,482.93		598,864,611.59
– disposal or retired	16,266,480.18	61,377,525.51	11,390,769.21	16,478,164.85	6,681,426.69		112,194,366.44
– Roll out	15,282,853.00		261,771.78	3,981,723.38			19,526,348.16
– Other decrease	403,840,162.90	60,760,677.85			2,543,056.24		467,143,896.99
(4) Closing balance	4,933,668,422.50	8,118,840,256.16	369,388,308.31	659,084,167.22	307,227,788.60	44,554,243.64	14,432,763,186.43
2. Accumulated depreciation							
(1) Opening balance	1,558,881,055.56	5,375,048,724.05	325,721,946.99	484,872,599.24	206,076,021.66	7,208,091.39	7,957,808,438.89
(2) Increase in the period	192,122,785.47	438,051,314.19	13,100,974.66	53,924,483.49	16,458,197.67	1,413,416.91	715,071,172.39
– provision	189,044,447.92	438,051,314.19	13,100,974.66	53,924,483.49	16,458,197.67	1,413,416.91	711,992,834.84
– others	3,078,337.55						3,078,337.55
(3) Decrease in the period	45,797,334.14	120,213,749.22	11,126,443.43	16,132,934.26	12,096,035.60		205,366,496.65
– disposal or retired	8,968,914.56	120,213,749.22	11,126,443.43	16,132,934.26	12,096,035.60		168,538,077.07
– roll out	4,246,673.19						4,246,673.19
– Others	32,581,746.39						32,581,746.39
(4) Closing balance	1,705,206,506.89	5,692,886,289.02	327,696,478.22	522,664,148.47	210,438,183.73	8,621,508.30	8,467,513,114.63
3. Provision for impairment							
(1) Opening balance	11,369,595.89	35,900,462.67	1,170,051.56	2,837.37			48,442,947.49
(2) Increase in the period	709,410.65						709,410.65
– provision	709,410.65						709,410.65
– construction in progress							
– others							
(3) Decrease in the period		1,535,726.20					1,535,726.20
– disposal or retired		1,535,726.20					1,535,726.20
– others							
(4) Closing balance	12,079,006.54	34,364,736.47	1,170,051.56	2,837.37			47,616,631.94
4. Carrying value							
(1) Carrying value at the end of the year	3,216,382,909.07	2,391,589,230.67	40,521,778.53	136,417,181.38	96,789,604.87	35,932,735.34	5,917,633,439.86
(2) Carrying value in the beginning of the year	3,068,952,084.11	2,532,879,483.19	49,552,333.20	121,296,387.56	93,875,305.25	2,153,615.54	5,868,709,208.85

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) F , , (C , ,)

2. Fixed assets without property certificates

Part of land use rights and property ownership of the Company were dealt separately. The properties were not registered with property certificates.

3. Buildings according to the area and year of analysis is as follows:

	C	Opening balance
In China	**3,091,386,129.13**	2,969,773,193.36
Medium-term (10 to 50 years)	**3,091,386,129.13**	2,969,773,193.36
Short-term (10 years))		
In Dubai	**124,996,779.94**	99,178,890.75
Medium-term (10 to 50 years)	**124,996,779.94**	99,178,890.75
Short-term (10 years)		
Total	**3,216,382,909.07**	3,068,952,084.11

4. Fixed assets cleanup

	C	Opening balance	R
Others		205.14	
Total		205.14	

5. Other notes

For details of fixed assets that are subject to restrictions on ownership such as mortgages and pledges, see Note VII. (LXVI) Assets with restricted ownership.

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) C

Items	C			Opening balance		
	R	P	C	Remaining carrying amount	Provision for impairment	Carrying value
Nuclear power capacity building	123,696,794.14		123,696,794.14	269,877,098.08		269,877,098.08
construction project	15,841,946.27		15,841,946.27	150,023,516.03		150,023,516.03
Key Project Four Projects	10,900,234.61		10,900,234.61	69,953,800.02		69,953,800.02
Major Special Project-Development of Alternative Materials for CAP 1400 Shielded Electric Pump (Motor) Rotor Shaft				35,088,821.55		35,088,821.55
General upgrading	6,961,263.92		6,961,263.92	23,599,353.83		23,599,353.83
Information Construction of Jiangbei Scientific Research Base				20,509,921.48		20,509,921.48
EPC project				19,946,322.14		19,946,322.14
Nuclear power base project	9,926,901.80		9,926,901.80	13,709,276.81		13,709,276.81
Industrial boiler company office building				8,197,929.75		8,197,929.75
Equipment technical improvement measures and equipment update (No. 1813)	5,363,351.70		5,363,351.70	7,198,439.98		7,198,439.98
[FX-030]CAP1400 the relief valve experiment system (infrastructure)	5,225,334.94		5,225,334.94	6,484,453.74		6,484,453.74
17–42302 two-feed automatic protection device	1,904,584.43		1,904,584.43	2,468,686.98		2,468,686.98
Jiangbei Research Base Underground Garage, Reporting and Stopping Project				1,298,349.11		1,298,349.11
PMS project management platform system upgrade				11,915.08		11,915.08
Others	45,280,224.32	569,610.88	44,710,613.44	29,913,960.02	569,610.88	29,344,349.14
Construction materials	22,877,937.60		22,877,937.60	6,374,759.13		6,374,759.13
Total	247,978,573.73	569,610.88	247,408,962.85	664,656,603.73	569,610.88	664,086,992.85

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) C (C)

1. *Significant changes in construction in progress*

P	B (wan yuan)	Opening balance	I	A	O	C	R (%)	C (%)	I	C (%)	S
Nuclear power capacity building	91,380.00	269,877,098.08	30,355,626.89	176,535,930.83		**123,696,794.14**	93.83	95	65,136,494.28	20,622,944.28	3.56	State allocated 12,540 million yuan, self-raised 29,260 million yuan
Infrastructure project	45,700.00	150,023,516.03			134,181,569.76	**15,841,946.27**	87	92				Self-raises
Key project four projects	18,340.00	82,155,376.01	21,117,285.05	80,170,850.46	9,823,665.36	**13,278,145.24**	93.61	94				Self-raises
Major special project-CPA1400 shielded electric pump (motor) rotor shaft replacement material development	4,188.00	35,088,821.55			35,088,821.55		100	100				State appropriation
General upgrading	2,359.94	23,599,353.83	1,486,859.89	18,124,949.80		**6,961,263.92**	80	100				Self-raises
30MWTechnical innovation capacity building of gas turbine compressor unit	53,970.00	739,725.16				**739,725.16**	0.01	0.01				Self-raises
EPC project	3,900.00	19,946,322.14	23,212,197.19	43,158,519.33			100	100				Self-raises
Nuclear power base project	76,800.00	13,709,276.81			3,782,375.01	**9,926,901.80**	100	99				Self-raises
Valve flow test device	1,100.00	1,262,130.12	8,535,129.75			**9,797,259.87**	89.09	95				Self-raises
CAP1400 Safety valve experiment system	850.00	5,222,323.62	3,011.32			**5,225,334.94**	61.53	95				Self-raises
Total	298,587.94	601,623,943.35	84,710,110.09	317,990,250.42	182,876,431.68	**185,467,371.34**			65,136,494.28	20,622,944.28		

2. *Construction materials*

I	C	Opening balance
Engineering machinery and equipment	**22,877,937.60**	6,374,759.13
Total	**22,877,937.60**	6,374,759.13

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

( ) I

		L		N			
	S		P		F	O	T
1. Original carrying value							
(1) Opening balance	83,042,908.15	732,718,657.25	3,464,929.43	228,101,136.93	368,634,830.30	5,928,014.11	1,421,890,476.17
(2) Increase in the period	20,311,919.65	7,936,928.55		3,034,570.02	255,810,702.23	28,800.00	287,122,920.45
–acquired	6,075,188.86	7,840,328.55		440,230.39	255,810,702.23	28,800.00	270,195,250.03
internal research and development	11,528,980.98			2,594,339.63			14,123,320.61
–Transfer from others	2,707,749.81	96,600.00					2,804,349.81
(3) Decrease in the period		2,446,560.00		193,882.80			2,640,442.80
–disposal							
–others		2,446,560.00		193,882.80			2,640,442.80
(4) closing balance	103,354,827.80	738,209,025.80	3,464,929.43	230,941,824.15	624,445,532.53	5,956,814.11	1,706,372,953.82
2. accumulated amortization							
(1) Opening balance	44,821,589.09	261,529,519.56	3,452,929.44	194,479,916.08	134,766,926.84	5,044,363.05	644,095,244.06
(2) Increase in the period	11,745,013.32	14,783,344.41	1,993.44	821,363.54	42,659,567.35	260,388.36	70,271,670.42
–Provision	11,745,013.32	14,783,344.41	1,993.44	821,363.54	23,862,563.72	260,388.36	51,474,666.79
–others					18,797,003.63		18,797,003.63
(3) Decrease in the period		669,513.31					669,513.31
–disposal							
–others		669,513.31					669,513.31
(4) Closing balance	56,566,602.41	275,643,350.66	3,454,922.88	195,301,279.62	177,426,494.19	5,304,751.41	713,697,401.17
3. Provision for impairment							
(1) Opening balance	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(2) Increase in the period							
–provision							
–others							
(3) Decrease in the period							
–disposal							
–others							
(4) Closing balance	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
4. Carrying value							
(1) Carrying value at the end of the period	44,650,848.98	462,565,675.14	10,006.55	27,238,032.82	447,019,038.34	561,199.44	982,044,801.27
(2) Carrying value in the beginning of the year	36,083,942.65	471,189,137.69	11,999.99	25,218,709.14	233,867,903.46	792,787.80	767,164,480.73

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) D,

		I	D		
	Opening balance		C	R	
Capitalization expenditure	248,663,729.09	58,565,561.13		341,716.81	31,156,219.14	**275,731,354.27**
SAP Software Purchasing-Shanghai Today Information Technology Co., Ltd.	7,640,639.65		7,640,639.65			
ERP Phase I Project Service Fee – Deloitte Management Consulting (Shanghai) Co., Ltd.	3,447,169.82	1,723,584.91				**5,170,754.73**
17–33002 Industrial Big Data Application Technology Application Technology Platform (Phase I)	2,334,905.67	259,433.96	2,594,339.63			
17–12001 Semi-physical simulation test bench	2,205,128.21				2,205,128.21	
National Engineering Laboratory of Industrial Big Data Application Technology and Construction Project of Multi-energy Complementary Simulation Laboratory	1,654,988.81			702,174.84	952,813.97	
Human resources system project	1,039,614.59	135,005.83				**1,174,620.42**
Development of 282–180112019 narrow gap infinitely rotating TIG welding equipment (small 2G) and (Xinda 2G)	764,957.28				764,957.28	
Development of petrochemical shut-off valves	544,612.06	2,241,600.20		2,212,936.40		**573,275.86**
LNG low-temperature tap		1,792,608.91		1,480,661.99		**311,946.92**
Electro-hydraulic linkage fast-closing butterfly valve		1,016,570.46		1,016,570.46		
Research on the key technology of sleeve-type regulator valve		7,712,155.79		7,712,155.79		
Development of molten salt valves for optical thermal generator sets		1,579,250.46		1,579,250.46		
MSR Study on the key manufacturing technology of safety valve		3,831,874.61		3,831,874.61		

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) D , (C)

		I	D		
	Opening balance	I	C R		C
Archives and electronic business document information platform construction project	171,180.01				171,180.01
18–32001 Development of data acquisition terminal for power generation equipment		566,037.16			566,037.16
18–8201 New mode of intelligent remote operation and maintenance of hydropower equipment		2,438,380.33		351,946.91	2,086,433.42
19–3201 Research and application of operation and maintenance key technology of intelligent power generation equipment based on "digital Avatar" HECA19026		466,981.15			466,981.15
19–41007 Mapping and modeling of gas turbine power turbine bladesHECA19005		1,033,628.34		1,033,628.34	
630℃Research on the key technology of the second reheat Ultra Supercritical		1,244,340.81	1,088,377.51		155,963.30
Chengdu Nuclear Power Institute Project		174,653.16			174,653.16
others	5,595,309.13	8,971,734.11	3,888,341.33	5,759,292.25	2,700,770.29	2,218,639.37
Total	274,062,234.32	93,753,401.32	14,123,320.61	25,725,011.12	39,165,464.14	288,801,839.77

(II) L

	Opening balance	I	A	O	C	O
Jiangbei office building decoration	28,169,943.79		13,884,020.97		14,285,922.82	
Improvement of the rented fixed assets	1,109,058.28		693,276.12		415,782.16	
Start-up fee	152,335.11		105,372.72		46,962.39	
Rental fee	31,742.28		31,742.28			Amortized
Total	29,463,079.46		14,714,412.09		14,748,667.37	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) D,

1. Deferred income tax assets without offsetting

	C		Opening balance	
	D, D	D,	Deferred income tax assets	Deductible temporary differences
Deferred income tax assets	**515,639,833.88**	**3,239,069,634.99**	490,142,216.40	3,107,597,336.60
Impairment of assets	**417,630,401.00**	**2,585,257,815.81**	402,681,885.24	2,524,558,462.32
Changes in fair value of hedging instruments included in other comprehensive interests	**-155,850.00**	**-623,400.00**	11,250.00	45,000.00
Deductible loss	**1,082,397.73**	**7,215,984.83**		
Changes in fair value of hedging instruments	**-6,826,596.25**	**-45,510,641.64**		
Estimate liabilities	**89,395,650.97**	**595,971,006.52**	76,015,194.31	506,767,962.00
Dismissal welfare	**14,513,830.43**	**96,758,869.47**	11,433,886.85	76,225,912.28

2. Breakdown of unrecognized deferred income tax

	C	Opening balance
Deductible temporary difference	**4,683,847,740.09**	4,343,180,142.33
Deductible loss	**2,519,242,039.61**	1,560,246,340.60
Total	**7,203,089,779.70**	5,903,426,482.93

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) S

I	C	Opening balance
Pledged loan		
Mortgage loan	**15,600,000.00**	15,900,000.00
Guaranteed loan *(note)*	**361,643,296.20**	
Credit loan	**4,957,032,872.50**	1,557,008,534.19
Total	**5,334,276,168.70**	1,572,908,534.19

Note: The main body of the new guaranteed loan in this year is Harbin Electric International Engineering Co., Ltd. and the loan company is Heilongjiang Branch of the Export Import Bank of China. The purpose of loan is for foreign contracted project loan. The ending balance of loan is CNY361,643,296.20 and the guarantor is the company.

(V) P

I	C	Opening balance
Funds borrowed from the bank		300,000,000.00
Funds borrowed from the non-bank financial institutions		
Total		300,000,000.00

(VI) N

T	C	Opening balance
Bank acceptance	**4,207,196,531.27**	4,611,567,962.08
Business acceptance	**1,364,278,219.00**	1,224,460,053.17
Total	**5,571,474,750.27**	5,836,028,015.25

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) A, ,

I	C	Opening balance
Within 1 year	**8,589,643,182.01**	10,003,805,732.84
1–2 years	**2,407,899,286.84**	1,811,999,790.23
2–3 years	**447,468,888.11**	597,497,973.67
Over 3 years	**410,182,020.00**	802,516,257.31
Total	**11,855,193,376.96**	13,215,819,754.05

1. *Significant accounts payable aging for more than a year:*

I	C	R
China First Heavy Machinery Co., Ltd	**236,195,152.16**	The contract has not been completed
Houghton China Engineering Co., Ltd	**154,508,773.49**	The contract has not been completed
Hangzhou Boiler Group Co., Ltd	**66,843,999.98**	The contract has not been completed
Shanghai Clyde Bergman Machinery Co., Ltd	**66,441,893.46**	The contract has not been completed
Beijing Power Equipment Plant Co., Ltd	**29,773,307.72**	The contract has not been completed
Henan Jiuye Construction Co., Ltd	**27,244,889.00**	The contract has not been completed
Harbin Tianlu enamel products Co., Ltd	**26,130,109.30**	The contract has not been completed
Nanjing Daji Tower Manufacturing Co., Ltd	**18,902,896.02**	The contract has not been completed
Liaoning Dajin Heavy Industry Co., Ltd	**25,834,119.00**	The contract has not been completed
Dalian Huarui heavy industry international trade Co., Ltd	**23,334,877.90**	The contract has not been completed
Erzhong Group Co	**20,596,604.60**	The contract has not been completed
Shanghai Blower Works Co., Ltd	**19,901,914.00**	The contract has not been completed
Nanjing Daji Tower Manufacturing Co., Ltd	**18,902,896.02**	The contract has not been completed
Wuxi Exin Steel Structure Engineering Co., Ltd	**15,732,175.15**	The contract has not been completed
Advanced Technology & Materials Co., Ltd	**15,423,197.80**	Not yet completed
Beijing Beiyi Machine Tool Co., Ltd	**13,653,890.00**	Not settled yet
Shanghai Xiwu high tech Enterprise Development Co., Ltd	**13,491,600.00**	The contract has not been completed
Total	**792,912,295.60**	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) C

I	C
Opening balance	14,596,720,387.12
Increase	10,853,731,208.97
Interest adjustment	
The income confirmed in the current period includes the income in the balance at the beginning of the year.	13,198,634,858.97
Closing balance	12,251,816,737.12
Including: listed as contractual liabilities	12,251,816,737.12
listed as other non-current liabilities	

(I) D

I	C	Opening balance
Current deposit	**389,387,122.21**	1,537,676,986.58
Fixed time deposit	**1,146,685.10**	41,123,100.00
Call deposits	**181,764,275.35**	122,764,275.35
L/G (letter of guarantee)	**252.36**	252.36
Total	**572,298,335.02**	1,701,564,614.29

( ) E

1. Listed salary payable

I	Opening balance	I	D	C
1. Short term compensation	248,399,966.54	2,495,116,753.66	2,259,992,087.11	**483,524,633.09**
2. Retirement benefit- Established Withdrawal and Deposit Scheme		343,251,235.93	342,907,482.30	**343,753.63**
3. Termination benefits	47,806,421.25	80,838,846.63	73,423,641.97	**55,221,625.91**
4. Other benefits due within one year				
5. Others	350.00	1,061,914.10	1,062,264.10	
Total	296,206,737.79	2,920,268,750.32	2,677,385,475.48	**539,090,012.63**

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

( ) E (C)

2. *Short-term Remuneration*

	Opening balance	I	D	C
1. Salary, inducement, allowance, and subsidies	47,549,236.28	1,816,104,303.16	1,602,425,192.60	**261,228,346.84**
2. Employee benefits fee	20,641.00	188,831,961.95	188,852,602.95	
3. Social insurance fee	-2,556,869.32	139,711,307.01	137,153,393.97	**1,043.72**
Of which: medical insurance fee	-2,556,869.32	118,268,769.21	115,710,936.74	**963.15**
Work injury insurance fee		12,642,645.97	12,642,645.97	
Maternity insurance fee		8,722,229.54	8,722,148.97	**80.57**
Others		77,662.29	77,662.29	
4. Housing provident fund	129,960.00	170,486,873.24	170,487,936.24	**128,897.00**
5. Staff Union fee and Staff training cost	203,256,925.58	58,868,594.55	39,996,987.60	**222,128,532.53**
6. Short-term paid leave				
7. Short-term profit-sharing plan				
8. Other short-term Remuneration	73.00	121,113,713.75	121,075,973.75	**37,813.00**
Total	248,399,966.54	2,495,116,753.66	2,259,992,087.11	**483,524,633.09**

3. *Established Withdrawal and Deposit Scheme*

	Opening balance	I	D	C
1. Basic retirement Insurance		271,227,258.62	271,224,417.62	**2,841.00**
2. Unemployment insurance fee		8,195,301.50	7,827,847.11	**367,454.39**
3. Corporate annuity		63,828,675.81	63,855,217.57	**-26,541.76**
Total		343,251,235.93	342,907,482.30	**343,753.63**

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) T

I	Opening balance	P	P	C
VAT	309,966,990.61	618,433,384.32	698,721,334.98	**229,679,039.95**
Enterprise income tax	2,123,722.13	141,781,910.11	129,635,610.65	**14,270,021.59**
Urban maintenance and construction tax	21,559,872.23	21,933,999.62	28,119,872.94	**15,373,998.91**
Property Tax	3,015,942.09	41,815,134.65	41,705,495.13	**3,125,581.61**
Land use tax	1,869,130.30	25,065,528.49	24,846,615.01	**2,088,043.78**
Individual income tax	17,852,719.32	27,567,565.81	33,765,184.40	**11,655,100.73**
Educational Surtax	15,411,194.36	15,876,789.14	20,295,263.84	**10,992,719.66**
Others	2,243,932.75	423,649,799.74	382,693,496.72	**43,200,235.77**
Total	374,043,503.79	1,316,124,111.88	1,359,782,873.67	**330,384,742.00**

(II) O

I	C	Opening balance
Interest payable	**9,959,180.41**	5,447,152.31
Dividend payable	**3,512,873.50**	3,573,003.94
Other payables	**130,697,625.55**	273,191,841.18
Total	**144,169,679.46**	282,211,997.43

1. *Interest payable*

I	C	Opening balance
Interest for long-term borrowings		
Interest of corporate bond		
Interest payable of short-term borrowings	**3,001,814.27**	184,875.00
Others	**6,957,366.14**	5,262,277.31
Total	**9,959,180.41**	5,447,152.31

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) O , (C)

2. Dividends payable

	C	Opening balance
Common stock dividends	**3,512,873.50**	3,573,003.94
Total	**3,512,873.50**	3,573,003.94

3. Other payables

(1) Other payable shown as age

	C	Opening balance
Within one year	**32,173,040.10**	171,010,251.61
1–2 years	**29,802,197.68**	22,028,670.48
2–3 years	**9,738,450.11**	20,864,766.48
Over 3 years	**58,983,937.66**	59,288,152.61
Total	**130,697,625.55**	273,191,841.18

(2) Significant other payables aged over 1 year

C ,	C	Reasons for
Guarantee claim-SUMA & HASIYAN	**50,532,000.00**	Not settled yet
ACWA Power Harbin Holdings Limited	**11,175,493.30**	Not settled yet
Upper Atbara Project Owner	**5,765,200.00**	Not settled yet
Advanced Technology & Materials Co., Ltd	**4,657,760.00**	Not settled yet
Total	**72,130,453.30**	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) C

I	C	Opening balance
Long-term borrowings due within one year	**300,000,000.00**	200,000,000.00
Total	**300,000,000.00**	200,000,000.00

(IV) O

I	C	Opening balance
Financing lease accounts payable	**495,272.00**	188,548.80
Total	**495,272.00**	188,548.80

(V) L

I	C	Opening balance	rate range *(%)*
Pledged loan			
Mortgage loan			
Guaranteed loan			
Credit loan	**565,600,000.00**	300,000,000.00	2.915%
Total	**565,600,000.00**	300,000,000.00	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) L

	Opening balance	I , ,	D , ,	C
Long term payable	1,000,000.00			**1,000,000.00**
Special payable	483,843,694.29	30,127,400.00	5,789,000.00	**509,862,094.29**
Total	484,843,694.29	30,127,400.00	5,789,000.00	**510,862,094.29**

1. *The top five items of Long-term payables at the end of the year*

	C	Opening balance
Total	**1,000,000.00**	1,000,000.00
Including: 1. Harbin Electric Corporation	**1,000,000.00**	1,000,000.00

2. *The top five items of Special payable at the end of the year*

	Opening balance	I , ,	D , ,	C
Total	463,423,900.00	30,127,400.00	5,789,000.00	**487,762,300.00**
Including: 1. Demotic Science and Technology Major Special Project	381,748,900.00		989,000.00	**380,759,900.00**
2. Research on Manufacturing Technology of Steam Generator Equipment	53,590,000.00		4,800,000.00	**48,790,000.00**
3. CAP1400 Bearing test bench		30,127,400.00		**30,127,400.00**
4. Special fund for the project "Localized production measures for the introduction of large-scale pumped storage units"	22,420,000.00			**22,420,000.00**
5. High-end CNC machine tools and basic manufacturing equipment technology projects	5,665,000.00			**5,665,000.00**

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) L

	Opening balance	I , , D , , C
Post-employment benefits		
Termination benefits	142,308,359.65	98,399,871.42	64,419,892.65	**176,288,338.42**
Other long-term employee benefits		
Total	142,308,359.65	98,399,871.42	64,419,892.65	**176,288,338.42**

(VIII) P

	C	Opening balance
Product quality assurance *(note 1)*	**110,089,152.16**	116,035,464.40
Loss contract to be executed *(note 2)*	**803,313,492.45**	669,137,522.09
Refund payable		
Others	**27,000,000.00**	
Total	**940,402,644.61**	785,172,986.49

Note 1: The product quality assurance is the quality assurance fee of 0.3%–0.5% of the Company's sales revenue.

Note 2: The loss contract to be executed is the estimated loss incurred by the Company in respect of the estimated total cost of the contract which has not yet been executed.

(I) D

	Opening balance	I ,	D ,	C
Government grants	144,934,944.49	56,220,515.05	67,005,266.92	**134,150,192.62**
Total	144,934,944.49	56,220,515.05	67,005,266.92	**134,150,192.62**

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) D, , , , (C ,)

1. *Items involved in government grants:*

I	Opening balance	N	I	O,	C	A
Subsidy for supporting funds of Jiangbei scientific research base project	37,740,472.23		1,363,566.66		36,376,905.57	Related to income
Construction of manufacturing base for nuclear power main pump motor	19,388,370.47		896,152.57		18,492,217.90	Related to income
600MWDevelopment of power flow generator820-00-1308	16,907,796.32		11,199,460.02		5,708,336.30	Related to income
Giant all air cooling unit in Sanxia 820-00-1104	16,875,000.00		5,625,000.00		11,250,000.00	Related to income
Complete equipment for welding rotor of large steam turbine	8,346,800.00				8,346,800.00	Related to income
Energy management system and transformation of energy management system	7,400,000.00				7,400,000.00	Related to income
National international science and technology cooperation project (Ministry of Finance)	5,290,000.00				5,290,000.00	Related to income
New mode of intelligent manufacturing 820-00-1705	4,643,587.08		710,797.34		3,932,789.74	Related to income
Appropriation for key technology research project of variable speed unit of sea water pumped storage power station	3,524,200.00	1,796,100.00	2,818,870.80		2,501,429.20	Related to income
Land subsidy for power station valve technical transformation project	3,515,499.99					Related to income
18-8201-GNational allocation of new intelligent remote operation and maintenance mode project for hydropower equipment		2,000,000.00			2,000,000.00	Related to income
Made in China 2025 project fund 820-00-1702	2,000,000.00				2,000,000.00	Related to income
Research and application of distributed photovoltaic and cascade small hydropower complementary combined generation technology 820-00-1801	1,464,499.94	1,611,900.00	470,212.46		2,606,187.48	Related to income
863 fund of the Ministry of science and technology	1,000,000.00				1,000,000.00	Related to income
Old brand standard subsidy 820-00-1901		1,000,000.00	5,449.53		994,550.47	Related to income
First set insurance subsidy		19,530,000.00	19,530,000.00			Related to income
Development and application of serial cutting tools for machining typical parts of steam turbine and gas turbine	1,351,242.49		1,351,242.49			Related to income
Others	15,487,475.97	30,282,515.05	23,034,515.05		26,250,975.96	Related to income
Total	144,934,944.49	56,220,515.05	67,005,266.92		134,150,192.62	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L) S

S	O		Increase during the period	Decrease during the period	Closing balance	
	I	(%)			Investment amount	proportion (%)
Harbin Electric Corporation	1,030,952,000.00	60.41			1,030,952,000.00	60.41
Overseas-listed shares	675,571,000.00	39.59			675,571,000.00	39.59
Total	1,706,523,000.00	100.00			1,706,523,000.00	100.00

(LI) C

I	Opening balance	I	D	C
1. Capital surplus (share premium)	3,687,612,494.12			3,687,612,494.12
2. Other capital surplus	28,125,000.00	533,406,711.54		561,531,711.54
Total	3,715,737,494.12	533,406,711.54		4,249,144,205.66

Note: In 2019, the company purchased 10.37% in equity of Harbin Electric Motor Factory Co., Ltd. which is a subsidiary of China Huarong Asset Management Company, 5.22% in equity of Harbin Boiler Factory Co., Ltd. and 26.96% in equity of Harbin Steam Turbine Factory Co., Ltd.; and purchased 2.70% in equity of Harbin Boiler Factory Co., Ltd. Which is a subsidiary of Great Wall Asset The management company. The increase in capital reserve in the current period is the difference between the newly acquired long-term equity investment due to the purchase of the minority equity mentioned above and the share of net assets that the subsidiary should continue to calculate from the date of purchase based on the newly held share ratio.

(LII) S

I	Opening balance	I	D	C	
Production safety charges	30,812,983.78	29,315,758.82	18,586,987.11	41,541,755.49	
Total	30,812,983.78	29,315,758.82	18,586,987.11	41,541,755.49	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) S

I	Opening balance	I	D	C
Statutory surplus reserve	809,136,649.47			**809,136,649.47**
Total	809,136,649.47			**809,136,649.47**

(LIV) R

I	C	Last period
Balance before adjustment at the end of preceding period	**8,698,026,738.58**	8,649,609,089.09
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	**8,698,026,738.58**	8,649,609,089.09
Add: Net profit attributable to owners of the parent company	**106,173,199.36**	71,316,651.84
Less: Appropriation of statutory surplus reserve		22,606,703.61
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares		25,597,845.00
Dividend on ordinary share converted to share capital		
Others		
add: Surplus reserve to cover losses		
Other comprehensive income carried forward to retained earnings		25,305,546.26
Owner's equity other internal carry – over		
Closing balance	**8,804,199,937.94**	8,698,026,738.58

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LV) O , - - , , , - , - ,

1. Details of Operating revenue and Operating cost

		C , - ,		Last period	
		R , ,	C	Revenue	Cost
1.	Main operating revenue	**22,300,932,077.66**	**19,059,306,377.16**	25,673,513,488.27	22,523,020,468.15
	Main thermal power equipment	**8,348,147,240.57**	**6,867,496,086.14**	11,877,253,493.44	10,207,039,797.58
	Main hydro power equipment	**2,682,222,212.05**	**2,268,554,063.11**	1,704,635,327.78	1,553,327,987.39
	Engineering services for power stations	**5,453,117,695.87**	**5,358,200,917.36**	7,411,068,070.00	7,157,640,769.57
	Power station auxiliary equipment and ancillary products	**1,188,632,850.05**	**1,026,233,644.64**	899,959,203.92	809,714,506.28
	AC and DC motors and other	**3,339,730,731.68**	**2,555,023,671.97**	2,442,054,277.61	1,736,512,010.42
	Nuclear power	**1,289,081,347.44**	**983,797,993.94**	1,338,543,115.52	1,058,785,396.91
2.	Other operating revenue	**214,659,390.98**	**132,005,644.52**	205,947,362.35	164,510,451.63
	Selling materials	**111,996,108.39**	**86,668,661.75**	141,183,469.08	127,700,038.61
	Technical service fees	**1,388,194.76**	**8,536.12**	11,959,643.48	73,540.76
Others		**101,275,087.83**	**45,328,446.65**	52,804,249.79	36,736,872.26
Total		**22,515,591,468.64**	**19,191,312,021.68**	25,879,460,850.62	22,687,530,919.78

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LV) O , (C ,)

2. Top ten contract works with highest revenue recognized in the year are as below:

P	C	T C	P C (%)	A	A A	S	R	C
Fixed-price contract								
1. Dubai Haxiang Coal Power Plant Project	16,166,651,184.87	16,405,090,280.57	69.79	11,282,607,902.91	11,449,013,103.02	-166,405,200.11	7,629,627,034.12	4,330,026,595.62	4,510,890,419.05
2. Gansu Chang Le # 1	457,779,500.00	317,060,000.00	100.00	398,790,571.87	315,064,530.85	83,726,041.02	413,841,550.00	398,790,571.87	315,064,530.85
3. Gansu Chang Le # 2	457,779,500.00	317,060,000.00	75.89	301,107,970.59	240,609,421.76	60,498,548.83	278,700,000.00	301,107,970.59	240,609,421.76
4. Shenhua Colorful Bay 2 #	321,000,000.00	234,270,000.00	100.00	280,026,105.66	233,251,874.23	46,774,231.43	275,320,000.00	280,026,105.66	233,251,874.23
5. White Crane Beach 1#	536,782,145.00	347,472,871.70	82.20	377,124,836.17	285,623,435.33	91,501,400.84	377,124,836.17	273,831,053.52	198,793,259.33
6. Shenhua Valley#2	378,477,250.00	253,260,000.00	81.96	272,179,027.46	207,579,115.39	64,599,912.07	244,628,837.50	272,179,027.46	207,579,115.39
7. Pakistan Jamshoro 2 X 660MW ultra supercritical coal fired power plant project	3,661,521,627.84	3,497,826,951.41	11.69	427,957,994.79	408,825,390.21	19,132,604.58	416,829,049.33	257,816,662.67	238,684,058.09
8. Menas hydropower project in Ecuador	3,721,254,414.69	3,412,427,521.01	90.08	3,352,209,670.17	3,074,009,798.83	278,199,871.34	3,691,386,467.85	251,591,399.33	44,915,996.02
9. White Crane Beach 2#	493,466,501.00	325,735,498.09	58.21	245,503,258.29	189,605,327.56	55,897,930.73	245,503,258.29	198,241,534.16	151,056,911.57
10. Ningde 5 #evaporator	405,641,424.78	285,400,000.00	67.84	275,201,037.04	193,625,135.83	81,575,901.21	283,931,048.60	172,575,467.31	121,420,124.79
Total	26,600,353,548.18	25,395,603,122.78		17,212,708,374.95	16,597,207,133.01	615,501,241.94	13,856,892,081.86	6,736,186,388.19	6,262,265,711.08

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVI) I -, , , -, :

I	C -, - , -	Last period
(I) I -, , , ,	**385,867,676.82**	422,786,538.17
1. Deposits in other banks	**339,419,282.33**	405,729,913.62
2. Deposit in central bank	**9,391,230.38**	11,223,948.75
3. Loans to other banks	**30,064,722.30**	4,172,777.80
4. Loans and advances paid	**6,839,700.45**	1,467,212.25
Including: Individual loans and advances		
Company loans and advances	**994,268.35**	
Discounted notes	**5,845,432.10**	1,467,212.25
5. Buy in and return to and sell the financial assets		6,986.30
6. Bond investments		
7. Others	**152,741.36**	185,699.45
Including: Impaired financial asset interest income		
**(II) I -, , :, **	**14,427,750.90**	20,736,138.63
1. Deposits from other banks		
2. Borrowings from central bank		
3. Borrowings from other banks	**324,236.11**	
4. Deposits taking	**14,087,810.61**	20,736,138.63
5. Proceeds of REPO financial assets	**9,543.88**	
6. Issue of bonds		
7. Others	**6,160.30**	
(III) N -, , , ,	**371,439,925.92**	402,050,399.54

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVII) H

I	C	Last period
(I) R		63,030.58
1. Settlement and clearing fees		
2. Agency services fees		
3. Credit fees and commission		
4. Bank card fees		
5. Advisory fees		
6. Custodian and other fiduciary service fees		
7. Others		63,030.58
(II) H	**54,128.19**	27,263.79
1. Handling charges	**54,128.19**	27,263.79
2. Commission expenses		
(III) N	**-54,128.19**	35,766.79

(LVIII) T

I	C	Last period
City maintenance and construction tax	**21,613,647.43**	72,358,108.72
Education surcharge	**10,016,903.42**	37,354,742.20
Local education surcharge	**6,078,877.11**	14,500,164.28
Stamp tax	**18,023,962.19**	12,520,941.52
Property tax	**41,655,449.90**	41,059,101.89
Tenure tax	**24,951,882.96**	25,319,648.15
Vehicle and vessel use tax	**78,363.52**	87,136.80
Others	**3,756,527.83**	40,946.01
Total	**126,175,614.36**	203,240,789.57

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) S

I	C	Last period
Salary cost	**264,343,048.65**	263,792,484.72
Quality warranty expenses	**107,079,308.40**	229,446,765.75
Traveling expenses	**89,723,124.20**	97,092,202.25
Transportation expenses	**51,970,249.72**	35,019,917.90
activity fee	**13,622,432.80**	20,785,591.44
Overseas funds	**18,412,209.90**	13,659,803.47
consulting cost	**13,603,158.84**	20,093,739.06
Insurance fees	**509,982.54**	101,494.57
Business expenses	**7,430,118.63**	16,743,132.67
Office fee	**2,322,012.72**	3,470,830.90
Promotion expenses	**285,017.66**	354,623.35
Advertising fee	**413,297.17**	3,884,431.00
Others	**34,277,950.83**	26,791,108.12
Total	**603,991,912.06**	731,236,125.20

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L) A

I	C	Last period
Salary expenses	**933,093,863.12**	789,422,392.92
Party construction activities	**15,984,240.13**	17,227,024.91
Depreciation and amortization expenses	**133,217,012.48**	151,454,472.32
Maintenance expenses	**109,031,986.92**	125,539,743.24
Travelling expenses for conferences	**35,524,948.75**	39,888,582.14
Service contract fees	**33,477,074.08**	40,943,234.05
Office fees	**23,977,447.21**	32,076,274.80
Oversea fund	**20,866,329.91**	25,395,351.75
Material consumption	**9,036,917.72**	8,750,990.78
Utility charges	**12,299,390.97**	12,079,776.60
Heating fee	**15,028,620.58**	18,744,051.84
Freight expenses	**8,618,733.73**	9,969,050.03
Entertainment expenses	**15,569,366.06**	16,370,855.98
Disabled employment security fund	**15,282,756.86**	13,776,452.68
Agency costs	**15,151,066.64**	4,751,285.17
Amortization of low cost and short- lived goods	**677,773.11**	4,347,388.20
Consulting fee	**5,183,832.50**	3,949,919.82
Verification fee	**769,127.39**	4,105,810.23
Insurance fee	**18,567,586.66**	5,705,010.46
Litigation costs	**2,374,969.02**	2,825,157.26
Technology transfer fee	**1,845,571.26**	33,677.19
Board fees	**375,275.32**	488,867.32
Sewage charges	**3,471,678.32**	3,146,262.12
Others	**240,419,930.44**	134,170,503.82
Total	**1,669,845,499.18**	1,465,162,135.63

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) R

I	C	Last period
Research and development expenses	**687,524,568.89**	591,928,067.08
Total	**687,524,568.89**	591,928,067.08

(LII) F

C	C	Last period
Interest expense	**121,186,584.99**	124,294,753.28
Less: interest income	**62,031,288.50**	62,278,154.48
Exchange gains and losses	**-433,735.71**	-43,507,919.60
Handling fee	**9,838,664.62**	16,125,922.94
Others	**5,626,468.90**	1,461,622.64
Total	**74,186,694.30**	36,096,224.78

(LIII) O

I	C	Last period
Government subsidy	**102,526,412.72**	174,777,343.70
Total	**102,526,412.72**	174,777,343.70

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) O , , (C ,)

1. Government subsidies included in current profits and losses

	C ,	Previous amount	R ,
Special fund for foreign trade development of the central government	**14,551,000.00**		Related to income
Development of 600MW tidal power generator 820–00–1308	**11,199,460.02**	10,080.10	Related to income
Income from research project of low noise manufacturing for key parts of main steam turbine	**8,910,000.00**		Related to income
Special funds for Municipal Service Outsourcing Development	**7,368,700.00**	5,000,000.00	Related to income
Giant air-cooling unit of the Three Gorges Project 820–00–1104	**5,625,000.00**	5,625,000.00	Related to income
Liangfang District Bureau of industrial information commerce – government subsidies for enterprises to grow and strengthen	**5,000,000.00**		Related to income
Special expenses for nuclear power development	**4,500,000.00**		Related to income
Special fund of Touyan team 830–33–1901	**4,137,039.90**		Related to income
Subsidy for scientific research projects	**2,873,668.19**	2,017,145.99	Related to income
VAT on comprehensive utilization of resources 70%	**2,283,288.06**	1,249,946.18	Related to income
Subsidy for job stabilization of Harbin unemployment insurance fund center	**2,243,014.87**	2,300,102.18	Related to income
Special fund of Harbin finance treasury payment center	**2,190,000.00**		Related to income
Appropriation for key technology research project of variable speed unit of sea water pumped storage power station	**2,176,070.80**		Related to income
2017 special fund for the first set of innovative products in key fields	**2,000,000.00**		Related to income
2017 enterprise digital (intelligent) workshop award fund of Harbin Xiangfang District Finance Bureau	**2,000,000.00**		Related to income
Reward for the first set of innovative products	**2,000,000.00**		Related to income
Provincial special fund for military civilian integration industry development	**2,000,000.00**	200,000.00	Related to income
Export insurance subsidy	**2,000,000.00**	1,106,200.00	Related to income
Harbin unemployment insurance fund management center Post Stable subsidy	**1,778,188.57**		Related to income

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) O , , (C ,)

1. Government subsidies included in current profits and losses (Continued)

	C	Previous amount	R
Core technology research and engineering application of key components of high temperature gas cooled reactor evaporator	**1,541,168.28**	40,529,271.91	Related to income
Subsidy for R & D expenses of the Municipal Finance Bureau	**1,500,000.00**		Related to income
2017 R & D subsidy for science and technology enterprises of Harbin Science and Technology Bureau	**1,500,000.00**		Related to income
Subsidy for supporting funds of Jiangbei scientific research base project	**1,363,566.66**	1,363,566.66	Related to income
Subsidy for R & D expenses of provincial science and technology enterprises in 2017 from Harbin Science and Technology Bureau	**1,355,000.00**		Related to income
Subsidy for R & D expenses of provincial science and technology enterprises in 2017 from Harbin Science and Technology Bureau	**1,355,000.00**		Related to income
Development and application of serial cutting tools for machining typical parts of steam turbine and gas turbine	**1,351,242.49**		Related to income
Received "2018 municipal industrial development fund strategic emerging industry project" from Harbin Pingfang District Finance Bureau	**1,084,000.00**		Related to income
Subsidy fund for the first set of products of Xiangfang District Finance Bureau of Harbin	**750,000.00**		Related to income
Intelligent Manufacturing New Model 820–00–1705	**710,797.34**	356,412.92	Related to income
R & D subsidy of science and Technology Bureau	**520,000.00**		Related to income
Research and application of distributed photovoltaic and cascade small hydropower complementary combined power generation technology 820–00–1801	**470,212.46**	18,000.06	Related to income
Harbin finance treasury payment center	**410,000.00**		Related to income
individual income tax return	**366,173.66**	36,682.95	Related to income
International capacity Cooperation Fund	**363,600.00**		Related to income
Academician workstation national grant	**300,000.00**	300,000.00	Related to income
Subsidy after investment of enterprise R & D expenses in 2017	**290,000.00**		Related to income

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) O , , (C ,)

1. Government subsidies included in current profits and losses (Continued)

	C	Previous amount	R
Million-kilowatt nuclear island project interest subsidy	**266,666.64**	266,666.64	Related to income
Receive the subsidy for high-tech enterprises of Harbin Science and Technology Bureau	**260,000.00**	50,000.00	Related to income
Super large preheater structure accounting and optimization project research subsidy	**230,000.00**	100,000.00	Related to income
Land subsidy for power station valve technical transformation project	**212,133.34**	212,133.34	Related to income
Stable subsidy	**187,855.23**	3,953,309.26	Related to income
Development of key energy-saving technical standards for marine energy generation equipment and large generators	**183,133.37**	36,690.00	Related to income
Harbin Innovation Fund Plan Appropriation	**178,290.90**	21,709.10	Related to income
Large-scale generator motor start-up mode, ventilation and cooling technology research project grant	**165,674.52**	165,674.56	Related to income
PDM system platform development project	**159,760.52**	159,760.52	Related to income
VAT plus tax credit	**155,734.84**		Related to income
Received from Heilongjiang Provincial Department of finance "2017 subsidy for R & D cost of provincial science and technology enterprises"	**155,000.00**		Related to income
Received "2017 provincial science and technology enterprise R & D subsidy fund" from provincial finance	**155,000.00**		Related to income
The provincial patent award and subsidy fund of the bureau of science and technology in 2018	**294,000.00**		Related to income
Engineering center subsidy	**100,841.10**	69,999.97	Related to income
Harbin Pingfang district finance bureau general budget (industrial development fund)	**100,000.00**		Related to income
2017 special fund for science and technology talents 820–00–1701	**84,656.52**	1,603.84	Related to income
Research and application of key equipment and safe operation of long-distance water transfer engineering gate pump valve system	**76,952.51**	20,779.29	Related to income

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) O , , (C ,)

1. Government subsidies included in current profits and losses (Continued)

	C ,	Previous amount	R ,
Received the supplementary fund of 2018 enterprise patent award from Harbin Science and Technology Bureau	**72,000.00**		Related to income
Development of a life-cycle service support system project for power generation equipment based on IoT technology	**67,619.30**	9,715.09	Related to income
Allocation for key technology research project of anti pollution, anti-corrosion and anti-seepage of sea water pumped storage power station	**56,603.77**		Related to income
2017 provincial postdoctoral funding (Chu Shiming)	**50,000.00**		Related to income
Motor professional leader echelon construction fund 820–00–1307	**47,287.03**	26,320.18	Related to income
2011BAF03B03 (Yang Kaili) project grant	**45,461.45**	45,461.45	Related to income
Heilongjiang Province Skill Master Studio subsidy 820–00–1504	**32,734.30**	15,359.22	Related to income
Special support funds	**32,460.72**		Related to income
Motor professional leader echelon construction fund (city level) 820–00–1503	**23,755.17**	23,276.04	Related to income
HDKY-1–2019–02-GB	**18,943.28**		Related to income
Provincial technology transfer demonstration organization fund 820–00–1902	**16,616.90**		Related to income
Motor Optimization Design Platform (platform software development integration and promotion application)	**15,904.88**	14,052.48	Related to income
2018YFF0214301-HD-GB 6 items of important international standards in the field of electrical equipment	**15,112.74**	3,503.40	Related to income
National standard development subsidy fund 820–00–1604	**12,359.91**	3,008.09	Related to income
Received the third prize of Heilongjiang Science and technology progress award from Harbin Science and Technology Bureau	**10,000.00**		Related to income
Received the award of nuclear energy technology award from Antai Technology Co., Ltd	**9,433.96**		Related to income
Other subsidies	**8,660.93**		Related to income

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) O , , (C ,)

1. Government subsidies included in current profits and losses (Continued)

	C	Previous amount	R
Trend of HDKY-1–2019–01-GB	**8,509.06**		Related to income
Technician workshop of hydropower plant 820–00–1601	**7,914.35**		Related to income
Receipt Contract No.: hg-power station-jsz-2016001 tax refund	**6,122.79**		Related to income
Old brand standard subsidy820–00–1901	**5,449.53**		Related to income
Refund of service charge of VAT	**4,520.06**		Related to income
Cold work factory technician studio 820–00–1706	**1,729.10**	8,751.52	Related to income
High altitude solar photothermal turbogenerator 820–00–1908	**1,522.70**		Related to income
Transfer pot research grant		450,000.00	Related to income
Transfer to China Machinery Industry Federation for research fees		200,000.00	Related to income
Subsidy boiler special valve development subsidy		320,000.00	Related to income
Transfer technology three fees		700,000.00	Related to income
Development of localization of rotary supercritical unit valves		600,000.00	Related to income
Transfer to the Treasury of the Harbin Municipal Finance Bureau (Engineering Technology Research Center)		500,000.00	Related to income
Military tax rebate		21,133,864.94	Related to income
Labor Department's key discipline echelon construction fee		1,245,218.03	Related to income
Harbin finance treasury pays the handling fee of withholding individual income tax to Local Taxation Bureau		452,831.47	Related to income
College student grant		100,500.00	Related to income
High-level talent subsidy of Harbin Financial Treasury Payment Center		96,750.00	Related to income
Labor Department's National government allowance		49,105.50	Related to income
Return of service charge of individual income tax		19,101.66	Related to income
Dismissal welfare grant funds		61,620,000.00	Related to income

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) O , , (C ,)

1. *Government subsidies included in current profits and losses (Continued)*

	C	Previous amount	R
Development of 1000MW High Efficiency and Wide Load Rate Ultra-Supercritical Steam Turbine		644,620.19	Related to income
Independent design and manufacture of key equipment for conventional islands		450,000.00	Related to income
Development of CAP1400 Half-Speed Saturated Steam Turbine		5,877,588.50	Related to income
Joint development of first stage high temperature moving blades for heavy duty turbine turbine		833,928.45	Related to income
Development and application demonstration of key equipment for 700 ° C ultra-supercritical coal-fired power generation		799,553.65	Related to income
Harbin Water Conservancy Machinery Professional Leader Echelon Construction Fund 820–00–1605		27,757.35	Related to income
Hu Yu Chegong Skill Master Studio Project Construction Fund 820–00–1703		20,794.09	Related to income
Provincial-level industrial transformation and upgrading special funds		4,030,000.00	Related to income
Provincial special funds to support scientific and technological innovation and scientific popularization in cities and counties in 2018		55,000.00	Related to income
Enterprise special allowance		280,000.00	Related to income
Harbin Municipal Finance Bureau "2017 Annual Liquidity Loan Discount Policy Fund"		8,000,000.00	Related to income
Zombie special hardship enterprises surplus personnel resettlement subsidies		750,000.00	Related to income
Dispatch unemployment insurance subsidy		17,302.93	Related to income
International Trade Building, Harbin City Wall Materials Reform Building Energy Conservation Leading Group Office		183,244.00	Related to income
Research benefits of high temperature properties of superalloy materials for gas turbine	**-1,076,200.00**		Related to income
Total	**102,526,412.72**	174,777,343.70	

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIV) I , , , ,

S , , , , , ,	C , , ,	Last period
Long-term equity investment income calculated by equity method	**20,512,794.76**	33,832,648.30
Long term equity investment income calculated by cost method		
Investment income from the disposal of long-term equity investments	**-6,508,003.42**	-408,962.33
Investment income of trading financial assets during the holding period	**2,741,041.10**	55,459,397.94
Investment income from disposal of trading financial assets		49,367,161.06
Investment income from held-to-maturity investments during the holding period		
Investment income from disposal of held to maturity investment		
Investment income of available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
Interest income earned during the holding of debt investment		
Interest income during holding period of other debt investment	**2,604,315.07**	1,275,000.00
Income from disposal of debt investment		
Income from disposal of other debt investment		
Dividend income earned during the period of investment in other equity instruments	**7,855,948.45**	138,342.61
Income from derecognition of financial assets measured at amortized cost		
Others		
Total	**27,206,095.96**	139,663,587.58

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LV) G

I	C	Last period
Exchange gains	**-1,403.16**	-4,285.22
Total	**-1,403.16**	-4,285.22

(LVI) N :

S :	C	Last period
The amount of the accumulated fair value of the hedged Items under the net open hedge is transferred to the current profit and loss		
The amount of cash flow hedge reserve under the net open hedge is transferred to the current profit and loss		812,129.03
Total		812,129.03

(LVII) C

I	C	Last period
Bad debt loss	**-152,153,875.28**	85,934,100.44
Impairment loss of Contract asset	**-62,483,408.96**	-477,484,302.39
Others	**-72,874,082.85**	-99,995,029.62
Total	**-287,511,367.09**	-491,545,231.57

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVIII) I

		Last period
Bad debt loss		
Inventory price loss	**-233,020,005.52**	-179,934,482.68
Impairment loss of Long-term equity investment		
Impairment loss of investment property		
Impairment loss of fixed asset		
Impairment loss of Construction materials		
Impairment loss of construction in progress		
Impairment loss of intangible assets		
Others		
Total	**-233,020,005.52**	-179,934,482.68

(LVI) P

		Last period	
Disposal of fixed assets	**4,538,162.95**	2,283,473.35	4,538,162.95
Disposal of intangible assets	**761,400.00**		761,400.00
Total	**5,299,562.95**	2,283,473.35	5,299,562.95

(L) N -

		Last period	
Total non-current assets retirement income	**1,396,799.06**	3,598,537.20	1,396,799.06
Gains on debt restructuring		1,620,168.00	
Government subsidies unrelated to the daily activities of the enterprise	**12,300,901.34**	4,876,415.01	12,300,901.34
Write off of non payment	**61,481,358.86**		61,481,358.86
Compensation for quality loss	**9,109,296.00**		9,109,296.00
Penalty Incomes	**2,528,672.64**		2,528,672.64
others	**55,771,865.47**	37,166,522.57	55,771,865.47
Total	**142,588,893.37**	47,261,642.78	142,588,893.37

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L) N - , , (C ,)

1. Details of government grants:

	C , ,	Last period
Goose project	**5,203,000.00**	
Reward fund for national innovation platform of Harbin finance treasury payment center	**3,000,000.00**	
Subsidy for R & D investment of enterprises in 2017	**1,500,000.00**	
Reward for the integration management system of computer center of Xiangfang District Finance Bureau of Harbin	**500,000.00**	
Award of science and technology innovation base of Harbin finance treasury payment center in 2018	**500,000.00**	
Subsidy for leading talents of Harbin human resources and Social Security Bureau	**160,400.00**	
Harbin Xiangfang District Urban and Rural Construction Bureau		960,000.00
Receive: Import subsidy funds		880,000.00
Harbin Treasury Payment Center Patent Technology Special Fund		179,000.00
Qizan Harbin Skills Master Studio Bonus		150,000.00
Harbin Treasury Payment Center withholding fee		110,289.48
Land use tax return		79,968.64
Harbin Science and Technology Bureau's 2017 "Two Innovations" Policy Fund		50,000.00
Harbin Employment Work Leading Group Office (Laboratory Skills Master Studio)		50,000.00
High-tech payment		50,000.00
Leading talent allowance		38,400.00
Harbin State Taxation Bureau directly under the taxation bureau		34,584.63
Key enterprises introduce excellent talent subsidies		31,150.00
Stable subsidy	**56,048.77**	311,869.69
Thousands of people plan – allowances of 2 talents for 5 years to visit relatives and live	**415,000.00**	415,000.00
New district construction cost subsidy	**896,152.57**	896,152.57
Others	**70,300.00**	640,000.00
Total	**12,300,901.34**	4,876,415.01

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L I) N - , , : ,

I	A	Amount for previous period	I , , ,
Total non-current asset retirement loss	**1,758,204.78**	3,066,608.59	1,724,903.13
Losses from debt restructuring	**6,385,839.28**	38,647,346.91	6,385,839.28
External donation	**2,098.00**	500,000.00	2,098.00
Increase the estimated liability of procurement cost within the warranty period of the project	**36,073,238.98**		36,073,238.98
Refund of key military engineering equipment	**27,000,000.00**		27,000,000.00
Others	**2,666,996.57**	60,598,842.15	2,700,298.22
Total	**73,886,377.61**	102,812,797.65	73,886,377.61

(L II) I , , :

I	A	Amount for previous period
Current income tax calculated according to tax law and related regulations	**123,077,790.69**	113,890,721.19
Deferred income tax adjustment	**-32,519,673.73**	-59,724,224.57
Other	**9,369,244.71**	
Total	**99,927,361.67**	54,166,496.62

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L II) I , , : (C , ,)

1. *Accounting profit and income tax expense adjustment process:*

I	A
Total profit	217,142,767.52
Income tax expense at legal or applicable tax rate	32,571,415.12
Subsidiaries apply different tax rates	32,926,618.02
Adjust the impact of income tax in previous periods	3,854,843.74
The impact of non-taxable income	-651,078.77
Non-deductible costs, expenses, and impact of loss	52,996,172.22
Impact of the use of deductible losses on the use of unrecognized deferred income tax assets in the prior period	-28,695,354.82
The impact of deductible temporary differences or deductible losses on deferred income tax assets that have not been recognized in the current period	5,496,147.30
Others	1,428,598.86
Income tax expense	99,927,361.67

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L III) O

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss

			A	
		P		N
(I)	Other comprehensive income not reclassified subsequently to profit or loss	-137,404,578.60		-137,404,578.60
	1. Changes in remeasurement on the net liability and net asset defined benefit scheme			
	2. Items of other comprehensive income attributable to investees under equity method that are not reclassified to profit or loss			
	3. Changes in fair value of other equity instruments investment	-137,404,578.60		-137,404,578.60
	4. Fair value changes in enterprise's own credit risk			
	5. others			
(II)	Other comprehensive income to be reclassified subsequently to profit or loss	47,446,144.26	6,993,696.25	40,452,448.01
	1. Items of other comprehensive income attributable to investees under equity method that may be reclassified to profit or loss			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
	2. Profit or loss from changes in fair value of available-for-sale financial assets	577,689.79	155,850.00	421,839.79
	less: other comprehensive income transferred to profit and loss in the current period at the previous period	-45,000.00	-11,250.00	-33,750.00
	Subtotal	622,689.79	167,100.00	455,589.79
	3. Gain or loss from fair value changes of available-for-sale financial assets			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L III) O (C)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

		P	A	N
4.	The amount of financial assets reclassified into other comprehensive income			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
5.	Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
6.	Other debt investment credit impairment provision			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
7.	Cash flow hedging reserve	45,510,641.64	6,826,596.25	38,684,045.39
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Adjustment to the initial confirmation amount of the hedged item			
	Subtotal	45,510,641.64	6,826,596.25	38,684,045.39
8.	Currency translation reserve	1,312,812.83		1,312,812.83
	less: Net amount after tax included in other comprehensive income and transferred to profit or loss in the current period			
	Subtotal	1,312,812.83		1,312,812.83
9.	others			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
(III)	Total other comprehensive income	-89,958,434.34	6,993,696.25	-96,952,130.59

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L III) O (C)

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

	Amount for previous period		
	Pretax amount	income tax	Net after tax
(I) other comprehensive income not to be reclassified as profit or loss	63,358,777.91		63,358,777.91
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. Changes in fair value of other equity instruments investment	63,358,777.91		63,358,777.91
4. Fair value changes in enterprise's own credit risk			
5. others			
(II) Other comprehensive income to be reclassified as profit or loss	3,193,319.18	41,930.65	3,151,388.53
1. Items of other comprehensive income attributable to investees under equity method that may be reclassified to profit or loss			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
2. Changes in fair value of other debt investment	597,856.70	163,750.00	434,106.70
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal	597,856.70	163,750.00	434,106.70
3. Gain or loss from fair value changes of available-for-sale financial assets			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			
4. The amount of financial assets reclassified into other comprehensive income			
less: other comprehensive income transferred to profit and loss in the current period at the previous period			
Subtotal			

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L III) O [illegible] (C [illegible])

1. Items of other comprehensive income and the impact of income tax and transferred to profit or loss (Continued)

[illegible]		Amount for previous period		
		Pretax amount	income tax	Net after tax
	5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
	6. Other debt investment credit impairment provision			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
	7. Cash flow hedging reserve			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period	812,129.03	121,819.35	690,309.68
	Adjustment to the initial confirmation amount of the hedged item			
	Subtotal	-812,129.03	-121,819.35	-690,309.68
	8. Currency translation reserve	3,407,591.51		3,407,591.51
	less: Net amount after tax included in other comprehensive income and transferred to profit or loss in the current period			
	Subtotal	3,407,591.51		3,407,591.51
	9. others			
	less: other comprehensive income transferred to profit and loss in the current period at the previous period			
	Subtotal			
(III)	Total other comprehensive income	66,552,097.09	41,930.65	66,510,166.44

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L IV) C

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities by Indirect Method.

		A	Amount for previous period
1.	Regulate net profit as operating activity cash flow		
	Net profits	**117,215,405.85**	102,687,637.61
	Add: Impairment preparation of asset	**233,020,005.52**	179,934,482.68
	Impairment losses on credit	**287,511,367.09**	491,545,231.57
	Depreciation of fixed assets, loss of oil and gas assets, and depreciation of productive biological assets	**789,909,612.67**	700,770,755.75
	Amortization of use right assets		
	Amortization of intangible assets	**93,617,330.97**	59,338,862.80
	Amortization of long-term deferred expenses	**14,682,669.81**	13,846,896.33
	Disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with "-")	**-2,231,815.25**	-2,283,473.35
	Loss of scrapped fixed assets (earnings are marked with "-")	**682,969.73**	-531,928.61
	Loss of change in fair value (income is marked with a "-"sign)		
	Financial expenses (revenues are marked with "-")	**122,006,823.06**	93,554,407.87
	Loss of investment (earnings are marked with "-")	**-27,206,095.96**	-139,663,587.58
	Deferred income tax assets decreased (increased by "-")	**-25,664,717.48**	-59,724,224.57
	Deferred income tax liabilities increase (decrease by "-")		
	Decrease of contract assets((increased by "-")	**-2,156,676,109.40**	-1,421,807,708.24
	Decrease of inventory (added with "-" sign)	**1,654,616,600.61**	1,744,434,904.99
	Reduction of operational receivables (added with "-")	**643,805,576.71**	5,414,785,431.42
	Increase in operating payables (decrease by "-")	**-5,120,740,808.75**	-7,860,180,988.23
	Others	**-19,390,832.09**	7,293,652.03
	Net cash flow from operating activities	**-3,394,842,016.91**	-675,999,647.53
2.	Major investment and financing activities that do not involve cash receipts and payments:		
	Conversion of debt into capital		
	Convertible corporate bonds due within one year		
	Finance leased fixed assets		
3.	Net changes in cash and cash equivalents:		
	Closing balance of cash	**9,197,222,711.30**	11,705,681,448.94
	Less: Opening balance of cash	**11,705,681,448.94**	15,206,290,892.00
	Plus: closing balance of cash equivalents		
	Less: opening balance of cash equivalents		
	Net increase in cash and cash equivalents	**-2,508,458,737.64**	-3,500,609,443.06

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L IV) C [illegible]

2. Composition of cash and cash equivalents:

I[illegible]	C[illegible]	Opening balance
(I) Cash	**9,197,222,711.30**	11,705,681,448.94
Including: Cash	**4,701,674.25**	7,192,181.04
Bank deposits that can be used for payment at any time	**1,328,343,438.70**	2,917,157,147.58
Other currency funds that can be used to pay at any time		
Central bank deposits available for payment	**51,259,304.95**	50,692,260.02
Deposits in other banks	**7,812,918,293.40**	8,730,639,860.30
Loans to other banks		
(II) Cash equivalents		
Including: Bond investment due within three months		
(III) Cash and cash equivalents at the end of the period	**9,197,222,711.30**	11,705,681,448.94

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L V)F , C , I

I	C	E	C
Cash			411,277,618.00
Including: USD	44,559,667.90	6.9762	310,857,155.20
EUR	13,789.00	7.8155	107,767.93
Pakistan Rupee	2,008,972,126.12	0.0451	90,604,642.89
United Arab Emirates Dirham	858,964.16	1.8992	1,631,344.73
Sudanese pound	14,696,409.91	0.1546	2,272,064.97
Indonesian Rupiah	5,103,475,380.93	0.0005	2,551,737.69
Vietnamese Dong	7,947,802.00	0.0003	2,384.34
Bangladeshi Taka	18,764,631.33	0.0820	1,538,699.77
Turkish Lira	520,453.69	1.1729	610,440.13
Iranian rial	45,715.00	0.0002	9.14
Saudi Riyal	181,651,393.56	0.0007	127,155.98
Indian rupee	292,344.24	1.8597	543,672.58
Tugrik	4,397,487.74	0.0979	430,514.05
Uzbekistan som	11,000.00	0.0026	28.60
Accounts receivable			460,606,028.83
Including: USD	65,109,784.19	6.9762	454,218,876.47
EUR	791,805.90	7.8155	6,188,359.01
Sudanese pound	1,285,856.05	0.1546	198,793.35
Short-term borrowings			29,452,279.73
Including: USD	4,221,822.73	6.9762	29,452,279.73

VII. NOTES TO KE ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(L VI) A

I	C	R
Monetary funds	**719,429,953.38**	Acceptance of money received, deposit of reserve deposits of the Central Bank, etc.
Fixed assets	**77,495,487.84**	Note 1
Intangible assets	**24,973,708.49**	Note 1

Note1: The main reason is that Harbin Electric Machinery (Zhenjiang) Co., Ltd. signed three contracts with Zhenjiang Branch of Bank of China Co., Ltd. in 2014. The maximum amount of mortgage contracts, respectively: 1) with 17 sets (sets) of machinery and equipment as collateral contract number: 150319582E14061201–3, the contract amount of 29,937,700.00 yuan the maximum amount of mortgage contract. The relevant loan was paid off on September 2, 2016. Mortgage registration was cancelled; 2) The maximum mortgage contract with the contract amount of CNY54,967,600.00 with the house construction as the mortgage Items contract number: 150319582E14061201–2; 3) the mortgage contract with the land contract number: 150319582E14061201–1 and the maximum contract amount of CNY21,991,830.00. Including: Mortgage contract with house construction as collateral, contract number 150319582E14061201–2 expires on June 1, 2017, and mortgage contract with contract number 150319582E14061201–1 on June 1, 2017. Expiry; because the relevant obligations have not been lifted, the mortgage contract is still effective.

VIII CHANGE OF SCOPE

(I) C

S			N	N
1	Harbin Dianlong Pharmaceutical Co., Ltd	Established by investment	1,508,817.88	508,817.88
2	Harbin Electric Group biomass fuel (Fuyuan) Co., Ltd	Established by investment	9,631,217.51	-368,782.49
3	Harbin Electric leasing (Tianjin) Co., Ltd	Established by investment	170,000,000.00	
4	Harbin Electric Engineering (Mongolia) Co., Ltd	Established by investment	701,693.32	11,773.32

I EQUIT IN OTHER ENTITIES

(I) E

1. The composition of enterprise groups

N	M	R	M	N	S (%) D I	M
Harbin Boiler Company Limited	Harbin	Harbin	China	Manufacturing	100	Shareholder investment
Harbin Electric Machinery Co., Ltd.	Harbin	Harbin	China	Manufacturing	100	Shareholder investment
Harbin Turbine Co., Ltd.	Harbin	Harbin	China	Manufacturing	97.87	Shareholder investment
Harbin Electric International Co., Ltd.	Harbin	Harbin	Pakistan, Ecuador, Turkey, etc	Manufacturing	100	Investment
Harbin Power Equipment National Engineering Research Centre Co., Ltd	Harbin	Harbin	China	Service industry	75	Investment

I EQUIT IN OTHER ENTITIES (CONTINUED)

(I) E (C)

1. *The composition of enterprise groups (Continued)*

N ,	M	R	M	N ,	S (%) D ,	I ,	M .
Harbin Power Technology & Trade Inc. *(Note 1)*	Harbin	Harbin	China	Export trade	55.55	44.32	Investment
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. *(Note 2)*	QingHuangdao	QingHuangdao	China	Manufacturing	34.15	65.38	Investment
Harbin Electric Power Equipment Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Investment
HE Harbin Power Plant Valve Co., Ltd.	Harbin	Harbin	China	Manufacturing	100		Investment
Harbin Electric Corporation Finance Co., Ltd. *(Note 3)*	Harbin	Harbin	China	Finance	55	35.87	Business combination under the same control
Chengdu Sanliya Technology Co., Ltd. *(Note 4)*	Chengdu	Chengdu	China	Manufacturing	40.7		Liquidation
Shenzhen Ha Dynamic Huihua Industry & Trade Co., Ltd. *(Note 5)*	Shenzhen	Shenzhen	China	Trade	60		Investment
Harbin Electric (H.E) Corporation	Harbin	Harbin	China	Other machinery and electronics wholesale	100		Business combination under the same control
Harbin electric leasing (tianjin) co. LTD	Tianjin	Tianjin	China	Leasing	80		Investment
Hadian Corporation Shanxi Environmental Protection Engineering Co., Ltd.	Yuncheng	Yuncheng	China	Water, environmental and public facilities management	51	49	Investment

I EQUIT IN OTHER ENTITIES (CONTINUED)

(I) E (C)

1. *The composition of enterprise groups (Continued)*

The list of directors of the company's major subsidiaries is as follows:

Ding Yuda, Yu Haoyang, Wang Shouge, Wang Yutian, Wang Gui, Wang Qianzhuang, Wang Xiaokun, Wang Xiaoqun, Wang Yue, Che Dongguang, Tian Zhenquan, Qu Xianwei,Qu Aimin, Zhong Weibin, Liu Yuqiang, Liu Limin,Liu Zhiquan, Xu Ying, Sun Baohong, Li Weidong, Li Changbao, Li Mengqi, Yang Yulong, Yang Qiguo, Wu Tong, Qiu Wen, Song Zhaoyuan, Chi Ming, Zhang Jingbin, Zhang Liwei, Zhang Wei, Zhang Hongtao, Zhang Jie, Zhang Yanjun, Zhang Zhenjiang, Zhang Dejun, Lu Jun, Wu Jun, Zhao Xin, Jiang Qinghai, Yao Hongwei, Gao Xuguang, Gao Chao, Guo Yu, Tao Xingming, Liang Chunlin, Cheng Yue, Xie Jingdong, Sai Peng, Fan Xianfeng and others.

The proportion of shares held by a subsidiary differs from the proportion of voting rights:

(1) The shareholding structure of Harbin Power Technology Trade Co., Ltd. is 55.55% held by the company. Harbin Electric International Engineering Co., Ltd., a subsidiary of the company, holds 27.77% of the shares. Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Steam Turbine Factory Co., Ltd. holds 5.56% each, and the company holds 99.87%.

(2) The shareholding structure of Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd. is 34.15% held by the company. The subsidiaries of Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Steam Turbine Factory Co., Ltd. each hold shares. 21.95%, 99.53% of the company's merger shares.

(3) The shareholding structure of Harbin Electric Group Finance Co., Ltd. is 55.00% held by the company. Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, holds 18.00% of the shares. Harbin Electric Machinery Co., Ltd., Harbin Boiler Factory Co., Ltd. and Harbin Steam Turbine Factory Co., Ltd. holds 6.00% each, and the company holds 90.87% of the shares.

The basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

(4) The equity structure of Chengdu Sanliya Technology Co., Ltd. is 40.70% of the shares held by the company and 40.70% of the shares are entitled to voting. As the company's directors are more than half of its board members, it controls the formation of the company.

(5) The shareholding structure of Shenzhen Hadong Huihua Industry & Trade Co., Ltd. is 60% of the company's shareholding, which was not included in the consolidation scope due to the liquidation and rectification.

I EQUIT IN OTHER ENTITIES (CONTINUED)

(I) E (C)

2. *Important non-wholly-owned subsidiaries*

N	S (%)	G	D	B M I E P	N
Harbin Turbine Co., Ltd.	2.13	538,506.09		1,303,588.62	
Harbin Electric Corporation Finance Company Limited	9.00	16,759,792.63	3,125,571.83	187,107,399.88	

3. *Major non-wholly-owned subsidiary's major financial information*

I	C /A H T C ., L.	H E C F C L
Current asset	8,771,041,362.11	9,392,925,305.45
Non-current asset	2,005,954,393.35	2,700,002,547.36
Total asset	10,776,995,755.46	12,092,927,852.81
Current liabilities	10,434,309,176.72	10,013,956,743.04
Non-current liabilities	281,485,234.91	
Total liabilities	10,715,794,411.63	10,013,956,743.04
Operating income	3,779,365,272.11	459,229,984.87
Net profit	25,281,975.91	186,219,918.12
Total comprehensive income	25,281,975.91	186,721,218.12
Cash flow from operating activities	540,222,885.97	-552,341,939.75

I EQUIT IN OTHER ENTITIES (CONTINUED)

(I) E (C)

3. Major non-wholly-owned subsidiary's major financial information (Continued)

	Opening balance/Amount for previous period	
	Harbin Turbine Co., Ltd.	Harbin Electric Corporation Finance Company Limited
Current asset	9,258,213,246.30	10,067,827,591.59
Non-current asset	2,147,774,247.65	2,401,548,555.19
Total asset	11,405,987,493.95	12,469,376,146.78
Current liabilities	11,112,173,064.45	10,542,397,679.23
Non-current liabilities	263,045,048.32	
Total liabilities	11,375,218,112.77	10,542,397,679.23
Operating income	4,700,442,718.76	485,520,811.01
Net profit	5,150,239.48	173,642,879.52
Total comprehensive income	5,150,239.48	174,134,129.52
Cash flow from operating activities	-410,584,118.89	-4,240,206,294.16

(II) T

1. Explanation of changes in the shareholder's equity of the subsidiary

On November 28, 2019, the company signed the "Equity Transfer Agreement" with China Huarong Asset Management Company. According to the agreement, China Huarong Asset Management Company agreed to transfer the equity which is 10.37% of Harbin Electric Machinery Co., Ltd., 5.22% of Harbin Boiler Company Limited and 26.96% of Harbin Turbine Co., Ltd. to the company. The company purchased in cash, and the total equity transfer price was 432,825,100 yuan. On December 17, 2019, the company signed the "Equity Transfer Agreement" with China Great Wall Asset Management Company. According to the agreement, China Great Wall Asset Management Company agreed to transfer the equity which is 2.70% of Harbin Boiler Company Limited to the company. The company purchased in cash, and the total equity transfer price was RMB79,279,600.

As of December 31, 2019, the above equity transfer has been completed, and the Company holds 100%, 100% and 97.87% equity interests in Harbin Electric Machinery Co., Ltd., Harbin Boiler Company Limited and Harbin Turbine Co., Ltd., respectively.

I EQUIT IN OTHER ENTITIES (CONTINUED)

(II) T , (C ,)

2. The impact of the transaction on the minority shareholders' equity and the equity attributable to the parent company's owners:

I	H E M , C ., L .	H B C L	H S T C ., L .
Cash	273,327,556.23	270,637,474.72	7,688,262.83
Fair value of non cash assets			
Total Purchase cost	273,327,556.23	270,637,474.72	7,688,262.83
Less: Subsidiary's net asset share calculated based on the proportion of equity acquired	580,961,220.25	497,786,008.97	6,312,776.11
Balance	307,633,664.02	227,148,534.25	-1,375,486.73
Including: Adjust capital reserve	307,633,664.02	227,148,534.25	-1,375,486.73
Adjust surplus reserve			
Adjust undistributed profit			

(III) E I , , , , , , , , ,

1. Important associates

N ,	M ,	R	N ,	S , (%) D , I ,	A , , , , I , ,
GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	Qinhuangdao	Qinhuangdao	Energy service	41	Equity method
Ha Electric General Gas Turbine (Qinhuangdao) Co., Ltd.	Qinhuangdao	Qinhuangdao	manufacturing	50	Equity method

I EQUIT IN OTHER ENTITIES (CONTINUED)

(IV) M F I J V

	C /A	
	GE-H P E S (Q) C ., L .	H E G G T (Q) C ., L .
Current assets	296,136,362.97	87,675,560.54
Non-current assets	101,916,026.76	
T	398,052,389.73	87,675,560.54
Current liabilities	62,128,855.89	3,873,516.97
Non-current liabilities		
T	62,128,855.89	3,873,516.97
Interest of minority shareholders		
Attributable to the equity of the parent company	335,923,533.84	83,802,043.57
Share of net assets by shareholding	137,591,656.86	41,901,021.78
Adjustment Items		
– Goodwill		
– Unrealized profit of internal transaction		
– Others		
Book value of equity investment in joint ventures	137,591,656.86	41,901,021.78
The fair value of equity investment in joint ventures with open bids		
Operating income		
Net profits	42,765,056.84	-1,439,556.43
Discontinued operating net profit		
Other comprehensive income		
Total comprehensive income	42,765,056.84	-1,439,556.43
Dividends from joint ventures received during the current year	28,423,330.15	

I EQUIT IN OTHER ENTITIES (CONTINUED)

(IV) M F I J V, (C)

	Opening balance/Amount for previous period	
	GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	Ha Electric General Gas Turbine (Qinhuangdao) Co., Ltd.
Current assets	335,447,251.96	
Non-current assets	106,858,194.16	
T	442,305,446.12	
Current liabilities	149,146,969.12	
Non-current liabilities		
Total liabilities	149,146,969.12	
Interest of minority shareholders		
Attributable to the equity of the parent company	328,872,987.96	
Share of net assets by shareholding	134,837,925.10	
Adjustment Items		
Book value of equity investment in joint ventures	134,837,925.10	
The fair value of equity investment in joint ventures with open bids		
Operating income	316,413,120.97	
Net profits	73,419,204.01	
Discontinued operating net profit		
Other comprehensive income		
Total comprehensive income	73,419,204.01	
Dividends from joint ventures received during the current year	16,919,554.00	

I EQUIT IN OTHER ENTITIES (CONTINUED)

(V) S

I	C / A	Opening balance/ Amount for previous period
Total investment book value	**35,330,453.00**	21,369,164.37
Total amount basis on the Proportion of share hold		
Net profit	**8,199,925.49**	3,730,774.62
Other comprehensive income		
Total comprehensive income	**8,199,925.49**	3,730,774.62

. RELATED RISKS OF FINANCIAL INSTRUMENTS

The company faces various financial risks during its operations: credit risk, market risk and liquidity risk. The board of directors of the company is fully responsible for the determination of risk management objectives and policies and bears ultimate responsibility for risk management objectives and policies. The company's internal auditors also audit the risk management policies and procedures and report the findings to the audit committee.

The overall goal of the company's risk management is to formulate a risk management policy that minimizes risks without excessively affecting the company's competitiveness and resilience.

(I) C

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The company is mainly facing customer credit risk caused by credit sales. Before the signing of the new contract, the company will evaluate the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The company sets a credit limit for each customer, which is the maximum amount that does not require additional approval. The company's major customers are clients at the border and have handled the export business credit insurance for the account's receivable of the major customers.

The company ensures that the company's overall credit risk is within control of the company through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the customer's credit risk, they are grouped according to their credit characteristics. Customers rated as "high-risk" will be placed on the list of restricted customers, and the company can only sell them on the premise of additional approval, otherwise they must be required to pay in advance.

. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(II) M[illegible]

The market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to changes in market prices, including foreign exchange risk, interest rate risk and other price risks.

1. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk faced by the company mainly comes from short-term bank borrowings. The bank borrowed CNY15,600,000 which was calculated by the company at the same national standard interest rate for the same period or a certain percentage of interest rate. Under the assumption that other variables are unchanged, when the rate of interest changes reasonably and the possible 100% benchmark point changes, it will not have a significant impact on the company's total profit and shareholders' equity.

2. Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's exposure to foreign exchange risk is mainly related to US Dollars, Euros, Hong Kong Dollars, and British Pounds, with the exception of Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, which purchases and sells US Dollars, Euros, Hong Kong Dollars, British Pounds, and other major business activities

(III) L[illegible]

Liquidity risk refers to the risk of shortage of funds when an enterprise fulfills its obligations to settle cash or other financial assets. The company's policy is to ensure that it has sufficient cash to repay the debts due. Liquidity risk is centrally controlled by the company's financial department. The financial department ensures that the company has sufficient funds to repay the debt under all reasonably predicted circumstances by monitoring the cash balance, the securities that can be realised at any time, and rolling forecasts of the cash flow for the next 12 months.

. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(III) L [illegible] (C [illegible])

The analysis of the financial assets and financial liabilities held by the company based on the maturity period of the undiscounted residual contractual obligations is as follows:

I [illegible] [illegible] [illegible] 1 [illegible]

F [illegible] :

Monetary funds	10,072,252,977.07
Note receivables	3,301,953,735.63
Account receivables	5,695,998,958.78
Other receivables	854,708,274.51
Short-term borrowings	5,334,276,168.70
Note payables	5,571,474,750.27
Account payables	11,855,193,376.96
Wages and salaries	539,090,012.63
Other payables	144,169,679.46
Non-current liabilities due within one year	300,000,000.00
Other non-current liabilities	495,272.00

I FAIR VALUE DISCLOSURE

(I) F [illegible]

The company listed the book value of financial asset instruments measured at fair value on December 31, 2019 at three levels of fair value. When fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input value used in fair value measurement belongs. The three levels are defined as follows:

The first-level inputs are unadjusted quotes for the same assets or liabilities that can be obtained on the measurement date in an active market.

The second level input value is the input value that is directly or indirectly observable for the relevant assets or liabilities except for the first level input value.

Level 2 input values include: 1) Quoted prices for similar assets or liabilities in active markets 2) Quoted prices for identical or similar assets or liabilities in markets that are not active3) inputs other than quoted prices that are observable for the assets or liabilities,for example: interest rate and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads. 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs to related assets or liabilities.

I FAIR VALUE DISCLOSURE (CONTINUED)

(II) F[illegible]

1. Continuing fair value measurement

I[illegible]	F[illegible] L[illegible] 1	L[illegible] 2	L[illegible] 3	T[illegible]
Subtotal of Financial assets at fair value through profit and loss				
Debt instrument investment				
Equity instrument investment				
Derivative financial assets				
Others				
Derivative financial assets				
Accounts Receivable Financing				
Other debt investment	300,623,400.00			300,623,400.00
Other equity instrument investment	597,549,193.66			597,549,193.66
Other non current financial assets				
Total assets	898,172,593.66			898,172,593.66

II RELATED PART AND TRANSACTION

(I) P[illegible]

P[illegible]	R[illegible]	N[illegible]	R[illegible] *(ten thousand yuan)*	P[illegible] *(%)*	P[illegible] *(%)*
Harbin Electric Corporation	Harbin	Power station equipment manufacturing and sales	198,818.10	60.41	60.41

(II) F[illegible] N[illegible] S[illegible] I (I)[illegible] I (III).

II RELATED PART AND TRANSACTION (CONTINUED)

(III) I

N	R
Harbin Electric Industrial Development Corporation	Subsidiary controlled by the same parent company
Harbin Haguo Industrial Development Corporation	Subsidiary controlled by the same parent company
Harbin Haqi Industry Development Corporation	Subsidiary controlled by the same parent company
Harbin Sanlian Industrial Development Corporation	Subsidiary controlled by the same parent company
Harbin Electric Corporation ACHENG Relay limited liability company	Subsidiary controlled by the same parent company
Jiamusi Motor Factory Co., Ltd	Subsidiary controlled by the same parent company
Harbin Electric Corporation Jiamusi Electric Machine Co.,Ltd	Subsidiary controlled by the same parent company
Harbin Power Group biomass power generation (Fuyuan) Co., Ltd	Subsidiary controlled by the same parent company

(IV) T

The transaction price of the transaction between the company and the related party is the price agreed between the parties and is consistent with the transaction price of the non-related party.

1. *For subsidiaries that have a control relationship and have been included in the scope of the company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.*

2. *Continuing Connected Transaction and Connected Transaction*

The "Continuing Connected Transactions – management entrustment agreement" announcement issued by the Company on January 29, 2016, the "Continuing Connected Transaction – Product and Services Framework Agreement", "Continuing Connected Transaction – Financial Services Framework Agreement" announcement issued by the Company on December 9, 2016, "Continuing Connected Transactions" issued on February 22, 2017, "Supplementary Announcement of Financial Services Framework Agreement Announcement and Supplementary Agreement of Financial Services Framework Agreement Announcement". Renewed the "Management entrustment agreement" on July 23, 2019 the "Continuing Connected Transaction – Financial Services Framework Agreement" and the "Continuing Connected Transaction – Product and Services Framework Agreement" on December 24, 2019. The Company and Harbin Electric Group Co., Ltd. signed the "Management entrustment agreement", "Product and Services Framework Agreement", "Financial Services Framework Agreement" and its supplementary agreement, the validity of the above agreement respective From March 23, 2016 to March 22, 2019, January 1, 2017 to December 31, 2019, December 31, 2016 to December 30, 2019. March 23, 2019 to March 22, 2022, December 31, 2019 to December 30, 2022, and January 1, 2020 to December 31, 2022.

The Company entered into the equity transfer agreement with China Huarong Asset Management Co., Ltd. on November 28, 2019.

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

2. Continuing Connected Transaction and Connected Transaction (Continued)

(1) Transaction information for products and services

R [illegible]	A [illegible]	Amount for previous period
Sales of goods		
– Company under the same control		
– Associates		
Purchase		
– Company under the same control	**10,538,684.33**	19,594,418.41
– Associates		
Service revenue		
– Company under the same control	**111,892.34**	29,433.96
Service expense		
– Company under the same control	**43,308,371.01**	64,155,310.85

The transactions with the Company under the same control in the above transaction (1) is a transaction under the "Continuing Connected Transaction – Product and Services Framework Agreement" and is a continuing connected transaction under the requirements of Chapter 14A of the Listing Rules.

(2) Interest paid on deposits

R [illegible]	A [illegible]	Amount for previous period
Holding company	**12,613,636.24**	17,433,100.48
Company under the same control	**1,428,113.36**	1,117,992.61
Associates		3,642.99
Total	**14,044,759.55**	18,554,736.08

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

2. Continuing Connected Transaction and Connected Transaction (Continued)

(3) Interest income from discounted Notes

R [illegible]	A [illegible]	Amount for previous period
Company under the same control	**27,143.71**	51,644.39
Total	**27,143.71**	51,644.39

(4) Fee and commission income

R [illegible]	A [illegible]	Amount for previous period
Company under the same control		12,263.64
Associates		149.01
Total		12,412.65

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

2. Continuing Connected Transaction and Connected Transaction (Continued)

(5) Entrusted loan interest income

R [illegible]	A [illegible]	Amount for previous period
Holding company		
Company under the same control	**7,021,043.63**	7,728,101.25
Total	**7,021,043.63**	7,728,101.25

The transactions with the Company under the same control in the above transactions (2) to (5) are transactions under the "Continuing Connected Transactions – Financial Services Framework Agreement" and are continuing connected transactions under the requirements of Chapter 14A of the Listing Rules.

(6) Consignment management fees

R [illegible]	C [illegible]	A [illegible]	Amount for previous period
Harbin Electric Group Co., Ltd.	Commissioned agency fees	**3,280,000.00**	3,280,000.00
Total		**3,280,000.00**	3,280,000.00

The above transaction (6) is a transaction under the Continuing Connected Transactions – Entrusted Management Contracts and is a continuing connected transaction under Chapter 14A of the Listing Rules, the Entrusted Management Contracts renewed on July 23, 2019 belongs to the continuous connected transaction exempted by Chapter 14A.33 of the Listing Rules.

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

2. Continuing Connected Transaction and Connected Transaction (Continued)

(7) Directors, Supervisors and Senior Management Compensation

The remuneration of each director, supervisor and senior management staff in 2019 is as follows:

N [illegible]	[illegible]	R [illegible]	T [illegible]
I. Director			
(I) executive director			
Mr. Si Ze-fu			
Mr. Wu Weizhang	686,300.00	63,296.80	749,596.80
Mr. Zhang Yingjian	615,800.00	58,297.60	674,097.60
Mr. Song Shiqi (resigned on September 27, 2019)	370,080.00	48,039.20	418,119.20
Executive Director Subtotal	1,672,180.00	169,633.60	1,841,813.60
(II) Non-Executive Director			
None			
(III) Independent Non-executive Director			
Mr. Zhu Hongjie	60,000.00		60,000.00
Mr. Hu Jianmin	60,000.00		60,000.00
Mr. Yu Wenxing	60,000.00		60,000.00
Mr. Tian Min	60,000.00		60,000.00
Subtotal of independent non-executive directors	240,000.00		240,000.00
II. Supervisors			
Mr. Feng Yongqiang			
Mr. Chen Guang	490,184.00	77,858.00	568,042.00
Mr. Zhang Junquan	390,345.36	63,156.43	453,501.79
Mr. Zhang Wenming	262,862.80	24,572.40	287,435.20
Mr. Zhu Pengtao	279,264.00	31,433.60	310,697.60
Subtotals of supervisors	1,422,656.16	197,020.43	1,619,676.59

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

2. Continuing Connected Transaction and Connected Transaction (Continued)

(7) Directors, Supervisors and Senior Management Compensation (Continued)

N [illegible]	[illegible]	R [illegible]	T [illegible]
III. Senior management			
Mr. Liu Zhiquan	611,900.00	58,624.80	670,524.80
Mr. Xie Weijiang	251,600.00	50,055.50	301,655.50
Mr. Lv Zhiqiang	488,440.00	65,942.40	554,382.40
Mr. Wang Dexing (resigned on September 23, 2019)	583,322.00	63,026.40	646,348.40
Mr. Zhang Haiquan	783,800.00	72,621.60	856,421.60
Mr. Qu Zhe	783,800.00	72,616.00	856,416.00
Mr. Ai Lisong (Company Secretary)	430,600.00	39,161.60	469,761.60
Subtotals of senior managers	3,933,462.00	422,048.30	4,355,510.30
Total	7,268,298.16	788,702.33	8,057,000.49

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

2. Continuing Connected Transaction and Connected Transaction (Continued)

(7) Directors, Supervisors and Senior Management Compensation (Continued)

Among the five highest paid including, two (year 2018: 1) was also a senior executive of the company and their remuneration was disclosed as above. The total remuneration of the remaining 3 (year 2018: 4) persons is as follows:

S/N	P [illegible]	[illegible]	R [illegible]	T [illegible]
The first	President of Harbin Boiler Co., Ltd	817,700.00	222,565.00	1,040,265.00
The second	Harbin Boiler Co., Ltd. Vice Chairman and General Manager	817,600.00	234,435.40	1,052,035.40
The fifth	Deputy General Manager of Harbin Boiler Co., Ltd.	754,500.00	82,391.00	836,891.00
Total		2,389,800.00	539,391.40	2,929,191.40

The above transaction (7) is a continuing connected transaction waived under Rule 14A.33 of the Listing Rules.

(8) Purchased the equity of the company's subsidiary held by China Huarong Asset Management Co., Ltd

R [illegible]	A [illegible]	Amount for previous period
China Huarong Asset Management Co., Ltd.	**432,825,100.00**	
Total	**432,825,100.00**	

The above transaction (8) is a continuing connected transaction waived under Rule 14A.33 of the Listing Rules.

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

3. Accounts receivable and payable for related party

(1) Accounts receivable

[illegible]	[illegible]	C [illegible]		O [illegible]
		C [illegible] A [illegible]	B [illegible]	Carrying Amount	Bad debt allowance
Account receivables					
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd	77,200.20			
Payment in advanced					
	Harbin Haguo Industrial Development Corporation			50,480,000.00	
	Harbin Electric Group Acheng Relay Co., Ltd.			6,895,006.65	
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd			207,200.00	
	Harbin Sanlian Industrial Development Corporation	5,000,000.00			
Other receivables					
	Harbin Electric Corporation	162,112,511.57		162,095,125.59	
	Harbin Hadian Industrial Development Corporation	20,000,000.00		20,000,000.00	
	Harbin Sanlian Industrial Development Corporation	3,100,000.00		2,000,000.00	
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd			100,000.00	
	Harbin Electric Group Acheng Relay Co., Ltd			9,809,479.54	
	Harbin Haguo Industrial Development Corporation	52,509.31			

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

3. Accounts receivable and payable for related party (Continued)

(2) Account payable Item

I [illegible]	R [illegible]	C [illegible]	Opening balance
Deposit taking			
	Harbin Electric Corporation	**454,272,039.38**	1,549,328,422.43
	Harbin Hadian Industrial Development Corporation	**17,676,611.41**	95,251,839.85
	Harbin Haguo Industrial Development Corporation	**7,843,580.57**	19,275,064.76
	Jiamusi Motor Factory Co., Ltd.	**7,159,827.87**	3,534,562.55
	Harbin Electric Group Acheng Relay Co., Ltd.		3,723,293.86
	Harbin Insulation Material Factory		1,274,175.73
	Harbin Motor Factory Hospital		60,722.05
	Harbin Haqi Industrial Development Corporation	**1,772,514.14**	4,071,505.00
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd		5,039,092.12
	Harbin Sanlian Industrial Development Corporation	**2,913,335.23**	2,267,972.84
	Harbin Turbine Co., Ltd Hospital		575,963.19
	Harbin Boiler Co., Ltd Hospital		674,427.35
	Harbin Hadian Metal Component Co., Ltd.	**73,642.13**	3,428,683.61
	Harbin Harbin Hospital Management Co., Ltd.		1,509,305.86
	Harbin Hadian Property Management Co., Ltd.	**4,426,876.22**	5,338,887.61
	Harbin Haqi Industry Comprehensive Service Management Co., Ltd.	**1,546,729.48**	2,330,486.05
	Harbin Electric Machinery Kindergarten	**576,369.54**	839,427.92
	Harbin Hapot Power Station Spare Parts Co., Ltd.	**4,180,385.98**	3,010,986.72
	Harbin Haguo Industrial Development Corporation Kindergarten	**124,354.31**	29,681.15
	Harbin Hadian Material Distribution Corporation	**76.10**	75.82

II RELATED PART AND TRANSACTION (CONTINUED)

(IV) T [illegible] (C [illegible])

3. Accounts receivable and payable for related party (Continued)

(2) Account payable Items (Continued)

I [illegible]	R [illegible]	C [illegible]	Opening balance
Account payables			
	Harbin Hadian Metal Component Co., Ltd.	**12,558,715.45**	10,492,501.44
	Harbin Electric Group Acheng Relay Co., Ltd.		5,236,214.79
	Harbin Hadian Material Distribution Corporation	**3,601,065.16**	3,601,065.16
	Harbin Hadian Property Management Co., Ltd.	**1,081,362.94**	614,341.75
	Jiamusi Motor Co., Ltd.		775,098.51
	Harbin Haqi Industrial Development Corporation	**210,981.30**	300,981.30
	Harbin Hadian Industrial Development Corporation	**5,158.50**	5,158.50
	Harbin Haguo Pengbo Economic and Trade Co., Ltd.	**1,178,425.87**	457,852.39
	Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd	**504,596.24**	
Contract liabilities			
	Jiamusi Motor Co., Ltd.	**300,000.00**	
Notes payable			
	Harbin Hadian Industrial Development Corporation		316,188.00
	Harbin Haqi Industrial Development Corporation	**70,000.00**	300,000.00
	Harbin Hadian Metal Component Co., Ltd.	**700,000.00**	
Other Payables			
	Harbin Electric Corporation	**3,978,000.00**	478,000.00
	Harbin Haqi Industrial Development Corporation	**2,595,900.00**	2,449,341.75
	GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.		600,000.00

III CONTINGENCIES

(I) C [illegible]

1. Contingent liabilities arising from unresolved litigation or arbitration

As of December 31, 2019, the major outstanding litigation matters of the company are as follows:

In February 2019, Harbin Electric International Engineering Co., Ltd., a subsidiary of the Company, received a civil response notice from Shenyang Intermediate People's Court. North Heavy Industry Group Co., Ltd. filed a lawsuit over the dispute of the Turkish Su Ma project supply contract guarantee letter and payment of the contract price. The lawsuit claimed that Harbin Electric International Engineering Co., Ltd. should return the guarantee claim and pay the unpaid amount under the contract. The amount of the lawsuit is CNY71,170,945.60 and interest.

On December 12, 2019, the Su Ma project litigation was held in the Shenyang Intermediate Court for the first time. Harbin International and North Heavy Industry conducted the proof of evidence. At present, the Su Ma project litigation is awaiting the second trial of Shenyang Intermediate Court.

III CONTINGENCIES (CONTINUED)

(I) C [illegible] (C [illegible])

2. Contingent liabilities formed by providing debt guarantee for other companies

As of December 31, 2019, the companies provided loan guarantee are as follows:

N.	G [illegible]	G [illegible] N [illegible]	N [illegible]	M [illegible]	C [illegible]	A [illegible]	A [illegible]	I [illegible]	S [illegible] G [illegible]	O [illegible]	S [illegible]
Total							2,743,897,399.77	923,463,300.00			
1	Harbin Electric Machinery Co., Ltd.	Harbin Turbine Co., Ltd	State-controlled		Performance guarantee		330,000,000.00		Normal operation	None	None
2	Harbin Electric Co., Ltd.	Harbin Turbine Co., Ltd	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee guarantee	450,000,000.00	450,000,000.00	Normal operation	None	None
3	Harbin Electric Co., Ltd.	Harbin Electric Machinery (Zhenjiang) Co., Ltd	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	190,000,000.00	60,000,000.00	Normal operation	None	None
4	Harbin Electric Co., Ltd.	Harbin National Hydropower Equipment Engineering Technology Research Center Co., Ltd	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	10,000,000.00	10,000,000.00	Normal operation	None	None
5	Harbin Turbine Co., Ltd.	Harbin Boiler Company Limited	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	1,490,000.00		Normal operation	None	None
6	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	157,662,120.00		Normal operation	None	None
7	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	177,625,521.78		Normal operation	None	None
8	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	21,315,062.64		Normal operation	None	None
9	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	30,634,751.70		Normal operation	None	None
10	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	5,697,790.28		Normal operation	None	None
11	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	41,100,674.22		Normal operation	None	None
12	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	565,821,846.90		Normal operation	None	None
13	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	10,298,332.76		Normal operation	None	None
14	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	7,661,542.63		Normal operation	None	None
15	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	Other guarantee	No counter guarantee	330,887,863.85		Normal operation	None	None
16	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	loan guarantee	No counter guarantee	210,000,000.00	210,000,000.00	Normal operation	None	None
17	Harbin Electric Co., Ltd.	Harbin Electric International Co., Ltd.	State-controlled	joint responsibility guarantee	loan guarantee	No counter guarantee	151,643,300.00	151,643,300.00	Normal operation	None	None
18	Harbin Electric Co., Ltd.	Harbin Electric Group Shanxi Environmental Protection Engineering Co., Ltd.	State-controlled	joint responsibility guarantee	loan guarantee	No counter guarantee	41,820,000.00	41,820,000.00	Normal operation	None	None
19	HE Harbin Power Plant Valve Co., Ltd	Harbin Electric Power Equipment Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	4,290,000.00		Normal operation	None	None
20	HE Harbin Power Plant Valve Co., Ltd	Harbin Electric Power Equipment Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	5,220,852.00		Normal operation	None	None
21	HE Harbin Power Plant Valve Co., Ltd	Harbin Electric Power Equipment Co., Ltd.	State-controlled	joint responsibility guarantee	Performance guarantee	No counter guarantee	727,741.00		Normal operation	None	None

III CONTINGENCIES (CONTINUED)

(I) C [illegible] (C [illegible])

3. Has signed a contract but has not made a commitment to purchase and build assets

As of December 31, 2019, the company still has a large contractual expenditure of CNY24,337,032.37 that has been signed but has not incurred purchase and construction assets. The details are as follows:

C	U [illegible] *(ten thousand yuan)*	E [illegible]
Harbin Electric Co., Ltd. (headquarters)	8,473,123.50	2020
Harbin Steam Turbine Works Co., Ltd.	5,917,773.12	2020
Harbin Electric Power Equipment Co., Ltd.	9,946,135.75	2020
Total	24,337,032.37	

(II) C [illegible]

The company has no contingent assets that need to be stated at the end of year.

IV EVENTS AFTER THE BALANCE SHEET DATA

(I) S [illegible]

After the 36th meeting of the 8th Board of Directors reviewed and approved the 2019 profit distribution plan, the board of directors does not recommend to pay the company's final dividend of 2019.

(II) O [illegible]

Risk Assessment of the impact of COVID-19.

Since the outbreak of the new corona virus in china from January 2020, The Company has actively followed the requirements of the party and governments around the country to do all the prevention and control measures for COVID-19, and has actively organized the company's production bases to resume work and production, so as to ensure the stable operation of production and operation.

V OTHER IMPORTANT EVENTS

(I) S , [illegible]

1. *The determination basis and accounting policy of the report segment*

According to the company's internal organizational structure, management requirements, and internal reporting system, six reporting divisions were identified: thermal power equipment and equipment divisions, hydropower equipment and equipment divisions, power station engineering service divisions, power plant auxiliary equipment and auxiliary products. Divisions, nuclear power product divisions, and AC & DC motors and other divisions. Each of the company's reporting divisions provides different products or services or operates in different regions. Since each segment requires different technologies or marketing strategies, the management of the company separately manages the operating activities of the various reporting segments and regularly evaluates the operating results of these reporting segments in order to decide to allocate resources to them and evaluate their performance.

Inter-segment transfer prices are determined on the basis of actual transaction prices, and expenses indirectly attributable to each segment are allocated among segments based on the proportion of income. Assets are allocated based on the operation of the segment and the location of the assets. Segment liabilities include liabilities that are attributable to the segment formed by the segment's operating activities. If the expenses related to liabilities shared by multiple operating segments are allocated to these operating segments, the shared liabilities are also allocated to these operating segments.

V OTHER IMPORTANT EVENTS (CONTINUED)

(I) S , (C ,)

2. Report Division Financial Information

(1) Segment assets, liabilities and income

I	T , , H , , P , , P , , N , AC , DC , T
C	
Reportable segment assets	31,358,808,053.07 / 7,808,856,434.46 / 6,793,551,768.38 / 2,824,191,297.17 / 5,684,045,055.07 / 9,614,667,379.77 / 64,084,119,987.92
Including: increase in amount of construction in progress in the current period	243,505,116.36 / 67,505,164.81 / 188,279.09 / 43,140,760.95 / 29,009,516.81 / 204,710,812.33 / 588,059,650.35
Purchased fixed assets and intangible assets	36,334,558.22 / 4,667,982.81 / 6,105,496.94 / 7,464,322.82 / 132,098,283.12 / 318,376,782.60 / 505,047,426.51
Reportable segment liabilities	27,506,084,273.07 / 4,373,987,492.35 / 6,146,541,709.58 / 1,903,458,884.35 / 3,953,037,581.90 / 7,274,868,826.59 / 51,157,978,767.84
S , , ,	
Income form external customers	8,348,147,240.57 / 2,682,222,212.05 / 5,453,117,695.87 / 1,188,632,850.05 / 1,289,081,347.44 / 3,554,390,122.66 / 22,515,591,468.64
Income between segment	3,687,988,049.45 / / / / / 17,631,214.95 / 3,705,619,264.40
Reportable segment profits	12,036,135,290.02 / 2,682,222,212.05 / 5,453,117,695.87 / 1,188,632,850.05 / 1,289,081,347.44 / 3,572,021,337.61 / 26,221,210,733.04
Reportable segment gross profit	1,497,641,426.18 / 413,668,148.94 / 94,916,778.51 / 162,399,205.41 / 305,283,353.50 / 877,673,630.41 / 3,351,582,542.95

V OTHER IMPORTANT EVENTS (CONTINUED)

(I) S , (C ,)

2. Report Division Financial Information (Continued)

(1) Segment assets, liabilities and income (Continued)

	Thermal power equipment	Hydropower host equipment	Power station engineering services	Power station auxiliary equipment and ancillary products	Nuclear products	AC and DC motors and other	Total
0 ,							
Reportable segment assets	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
Including: increase in amount of construction in progress in the current period	166,286,437.12	33,271,531.75		3,461,068.88	48,118,232.00	122,108,436.70	373,245,706.45
Purchased fixed assets and intangible assets	37,055,011.52	5,563,549.63	3,113,450.72	3,749,449.78	41,635,536.57	32,934,371.17	124,051,369.39
Reportable segment liabilities	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
A ,							
Segment revenue							
Income from external customer	11,877,253,493.44	1,704,635,327.78	7,411,068,070.00	899,959,203.92	1,338,543,115.52	2,648,001,639.96	25,879,460,850.62
Income between segment	2,445,150,561.55					25,907,149.35	2,471,057,710.90
Reportable segment revenue	14,322,404,054.99	1,704,635,327.78	7,411,068,070.00	899,959,203.92	1,338,543,115.52	2,673,908,789.31	28,350,518,561.52
Reportable segment gross profit	1,688,416,137.54	151,307,340.39	253,427,300.43	90,244,697.64	279,757,718.61	762,349,542.38	3,225,502,736.99

V OTHER IMPORTANT EVENTS (CONTINUED)

(I) S , (C ,)

2. Report Division Financial Information (Continued)

(2) Segment assets, liabilities and income

I	C	Opening balance
A		
Reportable segment assets	**64,084,119,987.92**	63,868,728,033.88
Offset relevant contacts between divisions	**-20,159,484,964.02**	-19,044,229,265.34
Reportable segment net assets	**43,924,635,023.90**	44,824,498,768.54
Deferred tax assets	**515,639,833.88**	490,142,216.40
Other non-current assets		
Financial assets at fair value through profit or loss		
Restricted and pledged bank loans		
Bank deposit	**7,812,918,293.40**	8,730,639,860.30
Central bank deposit	**497,983,048.37**	635,145,558.72
Cash and cash equivalents	**51,260,451.60**	50,694,420.76
Unallocated headquarters and company assets	**2,280,229,877.62**	1,810,861,851.34
Total assets	**55,082,666,528.77**	56,541,982,676.06
L		
Reportable segment liabilities	**51,157,978,767.84**	50,537,687,451.61
Offset relevant contacts between divisions	**-12,837,672,374.26**	-12,683,916,496.00
Net reportable segment liabilities	**38,320,306,393.58**	37,853,770,955.61
Taxes payable	**330,384,742.00**	374,043,503.79
Deferred income tax liabilities		
Unallocated headquarters and corporate liabilities	**575,811,208.52**	2,005,137,618.23
Total liabilities	**39,226,502,344.10**	40,232,952,077.63

V OTHER IMPORTANT EVENTS (CONTINUED)

(I) S , (C ,)

2. Report Division Financial Information (Continued)

(2) Segment assets, liabilities and income (Continued)

I	A	Amount for previous period
R , ,		
Income from external customers	**22,515,591,468.64**	25,879,460,850.62
Inter-segment revenue	**3,705,619,264.40**	2,471,057,710.90
Reportable segment revenue	**26,221,210,733.04**	28,350,518,561.52
Reportable segment gross profit	**3,351,582,542.95**	3,225,502,736.99
Offset segment losses	**27,303,095.99**	33,572,806.15
Reportable segment gross profit from customers outside the group	**3,324,279,446.96**	3,191,929,930.84
Long-term equity investment income accounted for by the equity method	**20,512,794.76**	33,832,648.30
Interest income	**447,844,950.49**	485,064,692.65
Chinese government grant	**114,827,314.06**	179,653,758.71
Financial assets at fair value through profit or loss for the current period		
Financial liabilities measured at fair value and whose changes are charged to profit or loss for the current period – cash flow hedges		
Interest expenses	**133,684,660.89**	145,030,891.91
Impairment losses for long-term assets such as fixed assets and intangible assets		
Unallocated other income and net income	**142,279,453.02**	151,370,514.79
Unallocated headquarters and corporate expenses	**3,698,916,530.88**	3,739,966,519.15
Total profit	**217,142,767.52**	156,854,134.23

V OTHER IMPORTANT EVENTS (CONTINUED)

(I) S , (C)

2. Report Division Financial Information (Continued)

(3) Regional information

	2019	2018
1. Domestic (China))	**17,057,967,494.47**	18,482,059,253.38
2. Overseas:		
– Pakistan Islamic Community	**394,242,772.71**	940,501,828.49
– Republic of Turkey	**45,352,307.63**	292,124,872.39
– The United Arab Emirates	**4,330,026,595.62**	5,275,085,949.28
– Republic of Ecuador	**223,988,213.93**	382,959,581.28
– Bangladesh People's Republic	**11,504,657.21**	139,432,199.33
– Republic of India	**118,253,384.76**	38,195,592.42
– Other countries	**334,256,042.31**	329,101,574.05
Overseas subtotals	**5,457,623,974.17**	7,397,401,597.24
Total	**22,515,591,468.64**	25,879,460,850.62

(II) O

None.

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES

(I) A

T	C		B		Opening balance			
	C A	R (%)	A P	(%)	Carrying Amount Amount	Rate (%)	Bad debt provision Amount	Provision rate (%)
Accounts receivable with individual significance and accruing bad debt provision individually								
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	1,542,524,697.67	100.00	377,247,903.82	24.46	1,145,527,296.60	100.00	263,329,378.05	22.99
Accounts receivable with individual insignificance but individually accruing bad debt provision	45,000.00				45,000.00			
Total	1,542,569,697.67		377,247,903.82		1,145,572,296.60		263,329,378.05	

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) A, , (C , ,)

1. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

(1) Accounts receivables accruing bad debt provision by applying aging analysis:

A ,	C A		B , ,	Opening balance		
				Carrying Amount		Bad debt provision
		(%)		Amount	proportion *(%)*	
Within 1 year	821,259,844.01	53.24	41,062,992.19	648,907,084.80	56.65	32,445,354.23
1–2 years	381,644,851.82	24.74	95,411,212.96	304,288,486.50	26.56	76,072,121.62
2–3 years	175,238,276.54	11.36	87,619,138.27	33,980,470.52	2.97	16,990,235.26
3–4 years	33,980,470.52	2.20	27,184,376.42	25,105,353.96	2.19	20,084,283.17
4–5 years	22,155,353.96	1.44	17,724,283.17	77,542,585.25	6.77	62,034,068.20
Over 5 years	108,245,900.82	7.02	108,245,900.82	55,703,315.57	4.86	55,703,315.57
Total	1,542,524,697.67		377,247,903.82	1,145,527,296.60		263,329,378.05

2. Receivables that are not individually significant at the end of the period but are individually provisioned for bad debts:

D ,	C A	B , , , A ,	B , , P ,	
			(%)	
Harbin Electric International Co., Ltd.	45,000.00	3–4 years		Related parties are not accrued
Total	45,000.00			

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) A , (C)

3. Current provision, reversal or recovery of bad debts

D	R A	A R
China Nuclear Power Engineering Co., Ltd.	14,816.39	809,779.00 P
Sanmen Nuclear Power Co., Ltd	82,500.00	82,500.00 P
Hainan Nuclear Power Co., Ltd	6,365,693.01	14,519,378.20 P
Shandong Nuclear Power Co., Ltd	134,311.95	134,311.95 P
Total	6,597,321.35	15,545,969.15

4. The top five receivables according to the closing balance of arrears

D	Carrying Amount	Proportion *(%)*	Bad debt provision
Luoyang Wanzhong Geely Thermal Power Co., Ltd.	231,362,444.00	15.00	57,826,992.20
Huadian (Shandong) Materials Co., Ltd.	221,260,310.00	14.34	106,700,730.00
Shandong Ludian International Technology and Trade CO., LTD	207,504,759.03	13.45	10,375,237.95
Gansu Power Investment Changle Power Generation Co. LTD	183,517,999.98	11.90	9,175,900.00
China Resources Power (Jinzhou) Co., Ltd.	133,513,045.46	8.66	30,497,879.39
Total	977,158,558.47	63.35	214,576,739.54

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) O

I	C	Opening balance
Interest receivable		
Dividend receivable	**179,624,995.11**	103,848,325.26
Other receivables	**2,053,356,411.03**	1,712,642,997.30
Total	**2,232,981,406.14**	1,816,491,322.56

1. Dividend receivable

I	C	Opening balance	non recovery reason	Impairment or not
Within 1 year	**104,500,000.00**	28,723,330.15		
1. Harbin Power Technology and Trade Co., Ltd.		300,000.00		
2. General Electric Harbin power energy service (Qinhuangdao) Co., Ltd		28,423,330.15		
3. Harbin Boiler Valve Co., Ltd	**104,500,000.00**		Unsettled	NO
Over 1 years	**75,124,995.11**	75,124,995.11		
1. Harbin Electric Machinery Co., Ltd	**17,323,540.23**	17,323,540.23	Unsettled	NO
2. Harbin Power Technology and Trade Co., Ltd.	**1,050,000.00**	1,050,000.00	Unsettled	NO
3. Chengdu Sanya China Ceramics Co., Ltd	**2,912,863.76**	2,912,863.76	Unsettled	NO
4. Harbin Power Group Harbin Power Station Valve Co., Ltd.	**2,324,550.43**	2,324,550.43	Unsettled	NO
5.Harbin Boiler Valve Co., Ltd	**51,514,040.69**	51,514,040.69	Unsettled	NO
Total	**179,624,995.11**	103,848,325.26		

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) O , (C)

2. Other receivables

	C				Opening balance			
	C A		B A		Carrying Amount		Bad debt provision	
,	A		A		Amount	proportion	Amount	proportion
		(%)		(%)		(%)		(%)
Other receivables that are individually significant and individually provided for bad debt provision	2,019,092,080.20	97.75			1,652,073,093.34	95.90		
Other receivables with bad debt provision according to credit risk characteristics	34,695,621.89	1.68	5,836,884.02	16.82	26,927,135.05	1.56	4,205,971.56	15.62
Other receivables with insignificant single amounts but with separate provision for bad debts	11,699,755.29	0.57	6,294,162.33	53.80	43,726,896.15	2.54	5,878,155.68	13.44
Total	2,065,487,457.38		12,131,046.35		1,722,727,124.54		10,084,127.24	

(1) Other receivables that are individually significant and individually provided for bad debt provision

D	C A	B A ,	, (%)
Harbin Electric Machinery Co., Ltd.	213,000,000.00	Within 1 year; 3–4 years	Related parties are not accrued
Harbin Boiler Company Limited	400,340,871.59	Within 1 year; 1–2 years; 3–4 years	Related parties are not accrued
Harbin Power Technology and Trade Co., Ltd.	10,168,577.33	3–4 years; Over 5 years	Related parties are not accrued
Harbin Steam Turbine Works Co., Ltd.	390,662,888.56	1–3 years; Over 5 years	Related parties are not accrued
Chengdu Sanliya Technology Company	16,386,473.85	Over 5 years	Related parties are not accrued
Harbin Electric Power Equipment Co., Ltd.	276,630,783.76	Over 1–5 years	Related parties are not accrued
Harbin Power Group Harbin Power Station Valve Co., Ltd.	21,669,316.10	1–2 years; Over 5 years	Related parties are not accrued
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited (Qinhuangdao branch)	27,222,939.09	4–5 years; Over 5 years	Related parties are not accrued
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited	663,010,229.92	Within 1 year; over 3–5 years;	Related parties are not accrued
Total	2,019,092,080.20		

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) O (C)

2. Other receivables (Continued)

(2) Other receivables with bad debt provision according to credit risk characteristics

In the portfolio, other receivables with provision for bad debts based on aging analysis:

A ,	C A		B	Opening balance		
	C A	(%)		Carrying Amount Amount	proportion (%)	Bad debt provision
Within 1 year	**27,761,645.00**	**80.01**	**1,388,082.25**	19,865,750.16	73.78	993,287.50
1–2 years	**172,592.00**	**0.50**	**43,148.00**	4,831,215.87	17.94	1,207,803.97
2–3 years	**4,531,215.87**	**13.06**	**2,265,607.94**	442,322.49	1.64	221,161.25
3–4 years	**442,322.49**	**1.28**	**353,857.99**	8,293.45	0.03	6,634.76
4–5 years	**8,293.45**	**0.02**	**6,634.76**	12,345.00	0.05	9,876.00
Over 5 years	**1,779,553.08**	**5.13**	**1,779,553.08**	1,767,208.08	6.56	1,767,208.08
Total	**34,695,621.89**		**5,836,884.02**	26,927,135.05		4,205,971.56

(3) Other receivables with insignificant single amount at the end of the period and separately provision for bad debts

D	C A	B A ,	(%)	R
Provision	6,404,199.03	2,220,209.95	Within 1 year; Over 5 years	34.67	Longer age
Gas Engine Division Deposit	2,696,105.38	2,696,105.38	Over 5 years	100.00	Estimated uncollectible
Harbin Jinxin Electric Co., Ltd.	25,917.00	25,917.00	Over 5 years	100.00	Estimated uncollectible
Shenzhen Hadong Huihua Industry and Trade Co., Ltd.	1,351,930.00	1,351,930.00	Over 5 years	100.00	Estimated uncollectible
Harbin Power Equipment National Engineering Research Centre Co., Ltd	104,217.90		Within 1 year		Related parties are not accrued
Harbin Sanlian Industrial Development Corporation	1,100,000.00		Within 1 year		Related parties are not accrued
Harbin Electric International Engineering Co., Ltd	17,385.98		Within 1 year		Related parties are not accrued
Total	11,699,755.29	6,294,162.33			

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) O , , , (C ,)

2. Other receivables (Continued)

(4) The top five other receivables by year-end balance of arrears

D		C A	A	B (%)
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd.	Exchanged	663,010,229.90	Within 1 year; over 3–5 years	32.10
Harbin Boiler Company Limited	Exchanged	400,340,871.60	Within 1 year; 1–2 years; 3–4 years	19.38
Harbin Turbine Co., Ltd	Exchanged	400,340,871.60	Less than a year, 1–2 years, 2–3 years, over 5 years	19.38
Harbin Electric Power Equipment Co., Ltd.	Exchanged	276,630,783.80	over1–5 years	13.39
Harbin Electric Machinery Co., Ltd.	Exchanged	213,000,000.00	Within 1 year; 3–4 years	10.31
Total		1,953,322,756.90		94.57

(III) L , , , ,

1. Long term equity investment shown as classification

	Opening balance	C ,	C ,	C
Investment in subsidiaries	5,343,528,202.22	650,678,293.78		**5,994,206,496.00**
Investment in joint ventures		41,901,021.78		**41,901,021.78**
Investment in associates and joint ventures	125,762,839.36	31,578,817.50		**157,341,656.86**
Subtotal	5,469,291,041.58	724,158,133.06		**6,193,449,174.64**
less: impairment for long term equity investments	3,000,000.00			**3,000,000.00**
Total	5,466,291,041.58	724,158,133.06		**6,190,449,174.64**

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) L , , , (C ,)

2. Investment in Subsidiary

I , ,	, , ,	Opening balance	C , ,	C ,	C	I , ,	C
Harbin Electric Group Finance Co., Ltd.	833,787,946.00	837,122,531.11			**837,122,531.11**		
Harbin Boiler Factory Co., Ltd	679,203,892.28	716,178,892.28	233,662,474.72		**949,841,367.00**		
Harbin Turbine Co., Ltd	692,422,891.68	692,422,891.68	7,688,262.83		**700,111,154.51**		
Harbin Electric Power Equipment Co., Ltd.	87,206,900.00	1,022,652,962.04			**1,022,652,962.04**		
Harbin Electric Machinery Co., Ltd.	678,546,878.74	678,546,878.74	273,327,556.23		**951,874,434.97**		
Harbin Electric Group (Qinhuangdao) Heavy Equipment Co., Ltd.	171,624,440.08	571,568,274.86			**571,568,274.86**		
Harbin Electric International Co., Ltd.	136,000,000.00	500,000,000.00			**500,000,000.00**		
Harbin Power Equipment National Engineering Research Centre Co., Ltd	30,000,000.00	120,004,550.35			**120,004,550.35**		
Harbin Power Group Harbin Power Station Valve Co., Ltd.	97,002,844.08	97,002,844.08			**97,002,844.08**		
Harbin Electric (H.E) Corporation	27,804,100.00	25,780,234.61			**25,780,234.61**		
Harbin Power Technology & Trade Inc.	15,000,000.00	15,000,000.00			**15,000,000.00**		
Chengdu Sanliya China Porcelain Co., Ltd.	14,268,142.47	14,268,142.47			**14,268,142.47**		
Shenzhen Hadong Huihua Industry and Trade Co., Ltd.	3,000,000.00	3,000,000.00			**3,000,000.00**		3,000,000.00
Hadian Group Shanxi Environmental Protection Engineering Co., Ltd.	49,980,000.00	49,980,000.00			**49,980,000.00**		
Harbin Electric leasing (Tianjin) Co., Ltd	136,000,000.00		136,000,000.00		**136,000,000.00**		
Total	3,651,848,035.33	5,343,528,202.22	650,678,293.78		**5,994,206,496.00**		3,000,000.00

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) L , , (C ,)

3. Investment in associates and joint ventures

I ,	T,	Opening balance	A ,	R ,	I ,	O	C ,	D ,	P ,	O	C	C
Total	80,110,600.00	125,762,839.36	56,370,800.00		17,109,039.28						199,242,678.64	
1.Joint venture	42,620,800.00		42,620,800.00		-719,778.22						41,901,021.78	
Harbin electric general gas turbine (Qinhuangdao) Co., Ltd	42,620,800.00		42,620,800.00		-719,778.22						41,901,021.78	
2.Affiliates	37,489,800.00	125,762,839.36	13,750,000.00		17,828,817.50						157,341,656.86	
GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	17,739,800.00	119,762,839.36			17,828,817.50						137,591,656.86	
Harbin Ruifeng New Energy Co., Ltd.	19,750,000.00	6,000,000.00	13,750,000.00								19,750,000.00	

(IV) O , , ,

I	C , ,		The amount of the previous period	
	I ,	C	Income	Cost
1. M , , ,	**3,767,781,748.76**	**3,621,500,527.00**	3,065,361,504.82	2,974,211,430.68
Thermal power equipment	**3,261,614,025.97**	**3,115,465,084.41**	2,460,464,620.38	2,369,675,273.59
Nuclear Power Project	**506,167,722.79**	**506,035,442.59**	604,896,884.44	604,536,157.09
2. O , , ,	**13,834,602.30**	**5,241,825.45**	12,637,622.12	5,092,994.64
Use license fee			796,927.13	
Other	**13,834,602.30**	**5,241,825.45**	11,840,694.99	5,092,994.64
Total	**3,781,616,351.06**	**3,626,742,352.45**	3,077,999,126.94	2,979,304,425.32

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(V) I , , , ,

1. Details of investment income

I	C , , ,	The amount of the previous period
Long-term equity investment income accounted for by the equity method	**17,109,039.28**	30,101,873.64
Long-term equity investment income calculated by cost method	**131,234,304.45**	422,663,832.17
Total amount	**148,343,343.73**	452,765,705.81

(VI) C F S ,

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities by Indirect Method

I	C , , ,	The amount of the previous period
1. Adjust the Net Profit to the Cash Flow of Operating Activities		
Net Profit	**-540,636,685.53**	226,067,036.09
Add: Provision of Impairment Loss of Asset	**143,924,840.67**	34,304,222.60
Credit impairment loss	**171,490,284.38**	53,638,920.10
Depreciation of Fixed Asset, DDA of Oil & Gas Asset, Depreciation of Productive Biological Asset	**36,804,019.72**	53,003,746.71
Amortisation of Intangible Asset	**16,831,070.42**	2,729,829.05
Amortisation of Long-term Prepaid Expense		
Loss on Disposal of Fixed Asset, Intangible Asset and Other Non-Current Asset (Gain present with '-')	**-18,504,805.82**	
Loss on Fixed Asset Written-off (Gain present with '-')		
Loss on Change of Fair Value (Gain present with '-')		
Finance Cost (Gain present with '-')	**55,962,506.45**	79,194,497.72
Investment Loss (Gain present with '-')	**-148,343,343.73**	-452,765,705.81
Decrease in Deferred Tax Asset (Increase present with '-')		
Increase in Deferred Tax Liability (Decrease present with '-')		
Decrease in Inventory(Increase present with '-')	**331,570,717.13**	262,618,944.08
Decrease in Operational Receivable Items (Increase present with '-')	**-1,156,829,241.15**	-596,952,122.83
Increase in Operational Payable Items (Decrease present with '-')	**671,000,315.30**	179,676,325.53
Others		
Net Cash Flow of Operating Activities	**-436,730,322.16**	-158,484,306.76

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(VI) C F S (C)

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities by Indirect Method (Continued)

	C	The amount of the previous period
2. Significant Investment and Financing Activities which do not Involve Cash Receipt and Payment:		
Liability Converts to Capital		
Convertible Bonds due Within 1 Year		
Fixed Asset under Finance Lease		
3. Net Change of Cash and Cash Equivalent:		
Cash Amount at the end of the Year	**1,064,083,576.16**	1,390,590,030.37
Less: Cash Amount at the beginning of the Year	**1,390,590,030.37**	3,481,580,580.67
Add: Cash Equivalent Amount at the end of the Year		
Less: Cash Equivalent Amount at the beginning of the Year		
Net Increased Amount of Cash and Cash Equivalent	**-326,506,454.21**	-2,090,990,550.30

2. Net cash received and disposed of subsidiaries in the current period

	A
(I) Cash and cash equivalents paid for combination in the current period	483,559,694.40
Add: Cash and cash equivalents paid for combination in the previous period	
Net cash paid to acquire subsidiaries	483,559,694.40
(II) Cash and cash equivalents received from disposal of subsidiaries in the current period	
Add: Cash and cash equivalents received from disposal of subsidiaries in the previous period	
Net cash received from disposal of subsidiaries	

VI PARENT COMPAN FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(VI) C F S (C)

3. Information of cash and cash equivalents

I	C	Opening balance
(I) Cash	**1,064,083,576.16**	1,390,590,030.37
Including: Cash in Hand	**584,557.61**	210,911.87
Bank Deposit	**1,063,499,018.55**	1,390,379,118.50
Other Monetary Funds		
Central bank deposits available for payment		
Deposits in other banks		
Loans to other banks		
(II) Cash Equivalent		
Including: Investment in Debt Security due within 3 Months		
(III) Closing Balance of Cash and Cash Equivalent	**1,064,083,576.16**	1,390,590,030.37
Including: Cash and Cash Equivalent that Restricted to the Parent Company and Group Subsidiary		

VII ADDITIONAL MATERIALS

(I) C -

I	A	E
Profit of non-current asset disposal	5,127,355.58	
Tax refunds, deductions for unauthorized or non-approved documents		
The government subsidies included in the current profit and loss (except for government subsidies that are closely related to the business of the company and are rationed or quantified according to national uniform standards)	114,827,314.06	
Including funds occupation fees charged to non-financial enterprises included in current profits and losses		
The investment costs of the subsidiaries, joint ventures and joint ventures obtained by the enterprise are less than the gains from the fair value of the identifiable net assets of the investee when the investment is obtained.		
Non-monetary assets exchange gains and losses		
Gains or losses from entrusting others to invest in or manage assets		

VII ADDITIONAL MATERIALS (CONTINUED)

(I) C [illegible] (C [illegible])

I[illegible]	A[illegible]	E[illegible]
Due to irresistible factors, such as the provision for the impairment of assets that are subject to natural disasters		
Debt restructuring gains and losses		
Corporate restructuring costs, such as expenditures for resettlement of employees, integration costs, etc.		
The fair value of the transaction price exceeds the fair value gain or loss from the fair value of the transaction.		
Net profit and loss for the current period from the beginning of the company's business combination to the combined date under the same control		
Gains and losses from contingent events that are not related to the normal business of the company		
Except for the effective hedging business related to the company's normal business operations, the fair value changes arising from held-for trading financial assets and held-for trading financial liabilities and the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets.		
Investment income obtained	4,824,755.65	
Reversal of impairment provision for receivables that was individually tested for impairment	1,104,362.43	
External gains and losses from entrusted loans		
Gains and losses arising from changes in the fair value of investment real estate subsequently measured using the fair value model		
According to the requirements of laws and regulations such as taxation and accounting, the one-off adjustment of current profit and loss will affect the current profit		
Trustee income from trusteeship		
Other non-operating income and expenses	9,135,579.89	
Other profit and loss Items that meet the definition of non-recurring profit and loss	83,423,620.66	
Income tax impact	37,312,999.70	
The impact of minority shareholders' equity	1,656,390.44	
total	179,473,598.13	

VII ADDITIONAL MATERIALS (CONTINUED)

(II) R

P		E *(yuan)*	
	(%)	B	D
Net profit attributable to common shareholders of the company	0.69	0.06	0.06
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	-0.48	-0.04	-0.04

Harbin Electric Co., Ltd
April 24, 2020

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTION AND OPERATION EVENTS

In March 2019, the Gasifier for the Shenhua Yulin CTC-1 Project of Circulating and Comprehensive Utilization of Economic Coal, a water slurry gasifier with the largest coal-feeding capacity in the world, was successfully manufactured in the Boiler Company.

In April 2019, "the Development and Manufacturing of VVER-1000 Nuclear Turbine Generators" conducted by the Turbine Company and "the Localized Development and Manufacturing of 1200 MW-Class Nuclear Power Plant Semi-Speed Turbine Generator and the Auxiliary System" conducted by the Electric Machinery Company were appraised by China Machinery Industry Federation to have reached the international advanced level.

In May 2019, the first runner with long and short blades for the 1,000 MW hydropower unit manufactured by the Electric Machinery Company in Baihetan Project, the world's largest single unit capacity, was successfully manufactured, which meet the standard of top-quality.

In June 2019, Si Ze-fu, the chairman of the Company, attended the 23rd St Petersburg International Economic Forum and the Second China-Russia Energy Business Forum, and the Company signed cooperation agreements with local governments and various energy and electricity enterprises in Russian.

In December 2019, the project of "the Localized Development and Manufacturing of 1200 MW-class Nuclear Turbine Generators" conducted by the Turbine Company was honored with the First Prize for the Energy Innovation Award by China Energy Research Society.

In December 2019, the Datang Leizhou Unit 1# for China's first 1,000 MW-class Ultra-supercritical Two-stage Reheating π-type Boiler being developed and manufactured by the Boiler Company successfully passed the 168-hour trial operation test.

In December 2019, the first demonstration project on biomass coupled power generation in China developed and manufactured by the Boiler Company – the demonstration project of the 660MW ultra-supercritical coal power generator units coupling 20MW biomass power generation in Datang Changshan successfully passed the 168-hour trial operation test.

OTHER EVENTS

On 24 December 2018, the board of directors of Harbin Electric Corporation Co., Ltd. ("HE") 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. As of 19 July 2019, HE received a valid acceptance of 88.32% of the total issued H shares, and the conditions of the offer to acquire H shares were not yet met. As a result, the offer to acquire H shares did not become unconditional and was invalid on 19 July 2019.

On 28 November 2019, the Company entered into an Equity Transfer Agreement with China Huarong Asset Management Co., Ltd. to acquire, in cash, 10.37%, 5.22% and 26.96% equity interests it held respectively in the Electric Machinery Company, the Boiler Company and the Turbine Company, at a purchase price of RMB432.83 million.

On 3 December 2019, BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) sent a letter to the Company to resign as our auditor. On 10 December 2019, the Board of Directors approved the appointment of Da Hua Certified Public Accountants (Special General Partnership) as the new auditor of the Company, to fill the casual vacancy following the resignation of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), and it shall hold office until the conclusion of the next annual general meeting of the Company.

On 17 December 2019, the Company entered into an Equity Transfer Agreement with China Great Wall Asset Management Co., Ltd. to acquire, in cash, 2.70% equity interests it held in the Boiler Company, at a purchase price of RMB79.28 million.

On 23 December 2019, the Company entered into an Equity Cooperation Agreement with Tianjin Lingang Investment Holding Co., Ltd. to jointly make capital contribution to establish a Finance Lease Company, with the Company contributing RMB400.00 million, which accounts for 80% shareholding.

INFORMATION ON THE COMPAN

REGISTERED NAME OF THE COMPAN

哈爾濱電氣股份有限公司

ENGLISH NAME OF THE COMPAN

Harbin Electric Company Limited

REGISTERED ADDRESS OF THE COMPAN

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The People's Republic of China
Unified social credit code: 91230100127575573H

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AUTHORISED REPRESENTATIVES

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COMPAN SECRETAR

Mr. Ai Li-song

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LISTING INFORMATION

H Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1133

DEPOSITAR

The Bank of New York
American Depositary Receipts
22nd Floor West
110 Barclay Street
New York, NY 10286 USA

SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

INFORMATION ON THE COMPAN

A [illegible], S [illegible], B [illegible] D [illegible]
H [illegible] E [illegible] C [illegible] L [illegible]
1399 Chuangxinyi Road
Songbei District
Harbin
The PRC

SHAREHOLDERS RECEPTION TIME

On 8th, 18th, and 28th (the following day in case a holiday)
From 9:00 a.m. to 11:00 a.m. and
From 2:00 p.m. to 4:00 p.m.
Tel: 86-451-82135727 or 58590070
Fax: 86-451-82162088

DOCUMENTS AVAILABLE FOR INSPECTION

1. The original copy of the 2019 Annual Report of the Company

2. The original copy of the Company's audited financial statements

哈电集团
HARBIN ELECTRIC CORPORATION
哈尔滨电气股份有限公司
HARBIN ELECTRIC COMPANY LIMITED