Items	Balance at the

CONSOLIDATED INCOME STATEMENT

Harbin Electric Company Limited — For the year 2015 — (R m)

Items		Current period	Preceding period
I. Total operating revenue		**25,412,387,252.80**	24,258,001,497.96
Including: Operating revenue	*V.(48)*	**25,097,224,542.75**	24,026,534,303.55
Interest proceeds	*V.(4)*	**315,145,853.83**	231,452,224.06
Premium earned		**—**	—
Revenue from handling charges and commission	*V.(50)*	**16,856.22**	14,970.35
II. Total operating cost		**25,441,284,999.29**	25,232,445,794.81
Including: Operating cost	*V.(48)*	**21,770,593,897.29**	20,863,527,354.19
Interest expenses	*V.(4)*	**13,626,239.13**	8,534,303.83
Handling charges and commission expenditures	*V.(50)*	**20,456.39**	14,225.86
Surrender value		**—**	—
Net payment of insurance claims		**—**	—
Net provision of insurance reserve		**—**	—
Premium bonus expenditures		**—**	—
Reinsurance expenses		**—**	—
Taxes & surcharge for operations		**181,148,179.72**	74,903,429.09
Selling expenses		**678,797,253.41**	661,636,703.49
Administrative expenses		**2,167,130,560.65**	2,317,183,079.39
Including: research and development expense		**319,569,546.14**	370,135,952.41
Financial expense	*V.(51)*	**162,248,442.46**	183,875,620.55
Including: interest expense	*V.(51)*	**298,426,637.62**	291,475,888.71
Interest income	*V.(51)*	**128,086,160.88**	141,784,445.17
Net loss on foreign exchange (or less: losses)	*V.(51)*	**–35,544,924.95**	4,820,817.75
Assets impairment loss	*V.(52)*	**467,719,970.24**	1,122,771,078.41
Others			
Add: Gains on changes of fair value (or less: losses)	*V.(53)*	**–311,084,334.36**	1,080,807,895.32
Investment income (or less: losses)	*V.(54)*	**619,045,662.96**	270,418,645.02
Including: Investment income from associates and joint ventures	*V.(54)*	**9,682,378.19**	31,216,759.05
Gains on foreign exchange (or less: losses)			

CONSOLIDATED INCOME STATEMENT *( )*

Harbin Electric Company Limited For the year 2015 *(R m)*

Items		Current period	Preceding period
III. Operating profit (or less: losses)		**279,063,582.11**	376,782,243.49
Add: Non-operating revenue	*V.(55)*	**158,606,532.82**	316,398,330.44
Including: Gains on disposal of non-current assets	*V.(55)*	**21,677,180.96**	7,147,971.09
Gain on exchange of non-currency assets			
Government grants	*V.(55)*	**111,785,344.53**	92,918,453.61
Gain on debt restructuring	*V.(55)*	**484,221.70**	635,535.37
Less: Non-operating expenditures	*V.(56)*	**129,809,973.50**	328,270,496.73
Including: Losses on disposal of fixed assets	*V.(56)*	**7,679,596.57**	2,418,165.82
Loss on exchange of non-currency assets	*V.(56)*	**8,119.66**	
Loss on debt restructuring			
IV. Profit before tax (or less: total loss)		**307,860,141.43**	364,910,077.20
Less: income tax	*V.(57)*	**224,572,145.72**	230,744,731.21
V. Net profit (or less: net loss)		**83,287,995.71**	134,165,345.99
Net profit attributable to owners of parent company		**196,211,527.85**	566,409,377.53
Non-controlling interest income		**–112,923,532.14**	–432,244,031.54

CONSOLIDATED INCOME STATEMENT *(   )*

Harbin Electric Company Limited — For the year 2015 — *(R   m   )*

Items	Current period	Preceding period
VI. Other comprehensive income after tax	**–321,038,700.14**	–336,308,346.57
(I) Not reclassified subsequently to profit or loss		
Including: 1. Changes in remeasurement on the net defined benefit liability/asset		
2. Items attributable to investees under equity method that will not reclassified to profit or loss		
(II) To be reclassified subsequently to profit or loss	**–321,038,700.14**	–336,308,346.57
Including: 1. Items attributable to investees under equity method that may be reclassified to profit or loss		
2. Profit or loss from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets		
4. Profit or loss on cash flow hedging	**–321,399,801.87**	–336,294,846.71
5. Translation difference of financial statements in foreign currencies	**361,101.73**	–13,499.86

CONSOLIDATED INCOME STATEMENT *( )*

Harbin Electric Company Limited For the year 2015 *(R m)*

Items	Current period	Preceding period
VII. Total comprehensive income	**–237,750,704.43**	–202,143,000.58
Items attributable to owners of parent company	**–124,827,172.29**	230,101,030.96
Items attributable to minority interest	**–112,923,532.14**	–432,244,031.54
VIII. Earnings per share:		
Basic EPS	**0.1425**	0.4114
Diluted EPS	**0.1425**	0.4114

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

Harbin Electric Company Limited For the year 2015 *(R m)*

Items	Current period	Preceding period
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	**30,578,389,657.04**	28,909,099,163.95
Net increase of client deposit and interbank deposit	**834,753,116.74**	342,443,955.49
Net increase of central bank loans	**—**	
Net increase of loans from other financial institutions	**—**	
Cash receipts of original insurance contract premium	**—**	
Net cash receipts from reinsurance	**—**	
Net increase of policy-holder deposit and investment	**—**	
Net increase of trading financial assets disposal	**—**	
Cash receipts from interest, handling charges and commission	**288,677,075.84**	212,842,910.52
Net increase of loans from others	**—**	
Net increase of repurchase	**—**	
Receipts of tax refund	**425,029,296.55**	38,700,694.45
Other cash receipts related to operating activities	**449,872,253.33**	815,218,810.27
Subtotal of cash inflows from operating activities	**32,576,721,399.50**	30,318,305,534.68

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Harbin Electric Company Limited For the year 2015 (R m)

Items	row number	share capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other	sub-total	minority interest	Total equity
		Amount for current year												
		Equity attributable to parent company												
Column number		1	2	3	4	5	6	7	8	9	10	11	12	13
I. Balance at the end of prior year	1	1,376,806,000.00	–	2,777,725,426.88	–	–236,065,084.33	7,958,663.67	780,503,096.67	–	7,968,943,488.04	–	12,675,871,590.93	1,329,180,388.12	14,005,051,979.05
Add: changes of accounting policies	2											–		–
Error correction of prior period	3											–		–
Others	4											–		–
II. Balance at the beginning of current year	5	1,376,806,000.00	–	2,777,725,426.88	–	–236,065,084.33	7,958,663.67	780,503,096.67	–	7,968,943,488.04	–	12,675,871,590.93	1,329,180,388.12	14,005,051,979.05
III. Current period increase (or less: decrease)	6	–	–	–27,810,652.71	–	–84,973,615.81	3,164,190.73	6,026,849.19	–	135,112,438.66	–	31,519,210.06	–119,689,333.84	–88,170,123.78
(I) Total comprehensive income	7					–84,973,615.81				196,211,527.85		111,237,912.04	–112,923,532.14	–1,685,620.10
(II) Capital contributed or withdrew by owners	8	–	–	–27,810,652.71	–	–	–	–	–	–	–	–27,810,652.71	–312,233.02	–28,122,885.73
1. Ordinary shares contributed by owners	9											–		–
2. Capital contributed by holders of other equity instruments	10											–		–
3. Amount of share-based payment included in equity	11											–		–
4. Others	12			–27,810,652.71								–27,810,652.71	–312,233.02	–28,122,885.73
(III) Appropriation and application of special reserve	13	–	–	–	–	–	3,164,190.73	–	–	–	–	3,164,190.73	466,683.07	3,630,873.80
1. Appropriation of special reserve	14						23,634,131.12					23,634,131.12	3,294,775.21	26,928,906.33
2. Application of special reserve	15						–20,469,940.39					–20,469,940.39	–2,828,092.14	–23,298,032.53
(IV) Profit distribution	16	–	–	–	–	–	–	6,026,849.19	–	–61,099,089.19	–	–55,072,240.00	–6,920,251.75	–61,992,491.75
1. Appropriation of surplus reserve	17	–	–	–	–	–	–	6,026,849.19	–	–6,026,849.19	–	–	–	–
Including: statutory reserve	18							6,026,849.19		–6,026,849.19		–		–
Discretionary reserve	19									–		–		–
Reserve fund	20											–		–
Corporate development fund	21											–		–
Profit returned investment	22											–		–
2. Appropriation of general risk reserve	23								–	–		–		–
3. Appropriation of profit to owners (or shareholders)	24									–55,072,240.00		–55,072,240.00	–6,920,251.75	–61,992,491.75
4. Others	25											–		–
(V) Internal carry-over within equity	26	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Transfer of capital reserve to capital (or share capital)	27											–		–
2. Transfer of surplus reserve to capital (or share capital)	28											–		–
3. Surplus reserve to cover losses	29											–		–
4. Changes arising from the remeasurement of net liabilities or net assets of defined benefit scheme carried forward	30											–		–
5. Others	31											–		–
IV. Balance at the end of current period	32	1,376,806,000.00	–	2,749,914,774.17	–	–321,038,700.14	11,122,854.40	786,529,945.86	–	8,104,055,926.70	–	12,707,390,800.99	1,209,491,054.28	13,916,881,855.27

Legal representative: Person in charge of accounting function: Person in charge of accounting department:

Items	row number	share capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other	sub-total	minority interest	Total equity
		Amount of current year												
		Equity attributable to parent company												
column number		1	2	3	4	5	6	7	8	9	10	11	12	13
I. Balance at the end of prior year	1	1,376,806,000.00		2,752,367,944.17		100,243,262.24	4,484,629.05	647,740,860.93		7,645,440,826.25		12,527,083,522.64	1,767,166,362.00	14,294,249,884.64
Add: changes of accounting policies	2											–		–
Error correction of prior period	3											–		–
Others	4			24,936,955.75						–		24,936,955.75		24,936,955.75
II. Balance at the beginning of current year	5	1,376,806,000.00	–	2,777,304,899.92	–	100,243,262.24	4,484,629.05	647,740,860.93	–	7,645,440,826.25	–	12,552,020,478.39	1,767,166,362.00	14,319,186,840.39
III. Current period increase (or less: decrease)	6	–	–	420,526.96	–	–336,308,346.57	3,474,034.62	132,762,235.74	–	323,502,661.79	–	123,851,112.54	–437,985,973.88	–314,134,861.34
(I) Total comprehensive income	7					–336,308,346.57				566,409,377.53		230,101,030.96	–437,985,973.88	–202,143,000.58
(II) Capital contributed or withdrew by owners	8	–	–	420,526.96	–	–	–	–	–	–	–	25,357,482.71	6,617,431.61	7,037,958.57
1. Ordinary shares contributed by owners	9											–	6,334,035.82	6,334,035.82
2. Capital contributed by holders of other equity instruments	10											–		–
3. Amount of share-based payment included in equity	11											–		–
4. Others	12			420,526.96								420,526.96	283,395.79	703,922.75
(III) Appropriation and application of special reserve	13	–	–	–	–	–	3,474,034.62	–	–	–	–	3,474,034.62	265,555.26	3,739,589.88
1. Appropriation of special reserve	14						25,870,201.56					25,870,201.56	3,636,282.33	29,506,483.89
2. Application of special reserve	15						–22,396,166.94					–22,396,166.94	–3,370,727.07	–25,766,894.01
(IV) Profit distribution														

NOTES TO THE 2015 FINANCIAL STATEMENTS

(U , m m R m)

I. INFORMATION ABOUT THE COMPANY

(1) Company profile

Harbin Electric Company Limited (the “Company”) was initially and was formed through the restructuring of Harbin Electric Corporation (“HE Corporation”) and its three affiliates: Harbin Electrical Machinery Works, Harbin Boiler Works and Harbin Turbine Works (the“three major power factories”). The Company was established in Harbin on 6 October 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 5 November 1994.

The initial share capital of the Company was RMB 1,189,151,000, of which RMB720,000,000was held by HE Corporation, representing 60.55% of its total share capital. Offshore H Shares of RMB 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. Subsequent to the completion of the placing of H Shares, the share capital of the Company was changed to RMB 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 Administr>>BDCe8,Nf4

(II) Scope of consolidated financial statements

As at 31 December 2015, the Company's subsidiaries within the scope of consolidated financial statements are as follows:

Name of subsidiaries
Harbin Turbine Company Limited
Harbin Power Technology & Trade Inc.
Harbin Electrical Machinery Company Limited
Harbin Power Equipment National Engineering Research Centre Co., Ltd
HE Harbin Power Plant Valve Company Limited
Chengdu Sanliya Technology Company (成都三利亞科技有限公司)
Harbin Boiler Company Limited
Harbin Electric Power Equipment Company Limited
Harbin Electric Corporation (QHD) Heavy Equipment Company Limited
HE Modern Manufacturing Service Industry Company Limited
Harbin Electric Corporation Finance Company Limited
Harbin Electric International Company Limited
Harbin Electric Corporation(哈爾濱哈電電汽公司)

Details of the scope of the consolidated financial statement for the period and its changes were set out in "VI. Changes in the consolidated scope" and "VII. Equity in other entities" of this note.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

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

(II) Going concern

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

III. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(1) Monetary Capital

Items		Balance at the end of the period	Balance in the beginning of the year
Cash in hand		6,202,630.84	1,830,478.82
Dominated in:	RMB	517,978.73	405,074.71
	USD	3,049,311.06	770,415.59
	Euro	106,430.55	74,558.68
	British Pound	12,692.99	
	Others	2,516,217.51	580,429.84
Bank deposits		16,567,171,774.78	13,566,716,018.07
Dominated in:	RMB	15,830,700,363.40	13,129,189,457.21
	USD	624,644,854.97	332,474,504.62
	HKD	136,217.25	76,194.67
	Japanese Yen	—	19,770.52
	Euro	51,782,887.45	33,559,980.49
	British Pound	—	133,631.27
	Swiss franc	—	21.07
	Others	59,907,451.71	71,262,458.22
Other monetary capital		1,663,631,752.10	1,041,203,044.74
Dominated in:	RMB	1,663,631,752.10	1,041,151,407.05
	Others	—	51,637.69
Total		18,237,006,157.72	14,609,749,541.63
Among which: aggregate amount overseas		175,363,265.23	253,447,225.39

Details of monetary capital which has restricted usage due to reasons including pledges, charges or locked up and which is deposited overseas resulting in limited remittance back to China are as follow:

Items	Balance at the end of the period	Balance in the beginning of the year
Guarantee monies for bank promissory note	205,523,346.46	
Guarantee monies for letter of credit	—	
Guarantee monies for letter of guarantee	4,700,000.00	330,330,086.69
Guarantee monies for performance	15,637,992.79	
Term deposits or demand deposits for guarantee	—	
Statutory deposit reserve kept in central bank	827,070,142.98	708,304,533.63
Deposits frozen by the court	5,578,210.73	8,078,210.73
Overseas deposits of which remittance back to China is limited	—	
Total	1,058,509,692.96	1,046,712,831.05

At the end of the year, monetary capital deposited overseas was RMB 175,363,265.53, which was the remaining balance of fund for overseas construction site paid by Harbin Electric International Company Limited, a subsidiary of the Company.

IV. BILLS RECEIVABLE

1. Classified by types of bills receivable

Items	Balance at the end of the period	Balance in the beginning of the year
Bank promissory notes	2,037,440,761.81	1,952,805,863.10
Commercial promissory notes	270,968,312.13	191,986,028.62
Total	2,308,409,073.94	2,144,791,891.72

2. Pledged bills receivable of the Company at the end of the period

Items	Amount pledged at the end of the period
Bank promissory notes	22,310,000.17
Commercial promissory notes	—
Total	22,310,000.17

V. TRADE RECEIVABLE

1. Disclosure by types of trade receivables

Type	Balance at the end of the period					Balance in the beginning of the year				
	Remaining carrying amount		Provision for bad debt		Carrying Value	Remaining carrying amount		Provision for bad debt		Remaining carrying amount
	Amount	ratio(%)	Amount	Provided ratio(%)		Amount	ratio(%)	Amount	ratio(%)	
Trade receivables which are individually significant and provided for bad debt separately	703,392,234.57	4.38	228,881,340.51	32.54	474,510,894.06	748,713,167.02	4.33	167,761,128.93	22.41	580,952,038.09
Trade receivables provided for bad debt by credit risk characteristics	15,208,744,054.44	94.78	4,781,530,327.29	31.44	10,427,213,727.15	16,433,264,428.30	95.09	4,503,755,389.95	27.41	11,929,509,038.35
Trade receivables which are individually not significant but provided for bad debt separately	134,051,478.31	0.84	48,005,143.54	35.81	86,046,334.77	99,247,691.07	0.58	30,613,387.01	30.85	68,634,304.06
Total	16,046,187,767.32	/	5,058,416,811.34	/	10,987,770,955.98	17,281,225,286.39	/	4,702,129,905.89	/	12,579,095,380.50

Trade receivables which are individually significant and provided for bad debt separately at the end of the period

Trade receivables (By Unit)	Balance at the end of the period			
	Trade receivables	Provision for bad debt	Provided ratio	Reasons for provision
Ministry of Irrigation & Water Resources of Republic of Sudan (Merowe Project) (蘇丹共和國國家水利灌溉部(麥洛維項目))	371,149,663.63	164,534,908.29	44.33	Note 1
State Nuclear Power Engineering Corp, Ltd.	111,588,119.52	—		No guarantee provided
Hunan TaoHuaJiang Nuclear Power., Ltd.	78,628,000.00	—		No guarantee provided
China Nuclear Power Engineering Co., Ltd	59,708,981.20	—		No guarantee provided
VietNam Electricity(Vietnam CaoNgan Project) (越南國家電力公司(越南高岸項目))	46,375,394.22	46,375,394.22	100.00	Note 2
Minister of Electricity & Dams of Republic of Sudan (Sudan El Gaili Fuel Reform Project Phase 1) (蘇丹電力大壩部(蘇丹吉利一期燃料改造項目))	35,942,076.00	17,971,038.00	50.00	Note 1
Total	703,392,234.57	228,881,340.51	/	/

1 On 15 June 2001, 21 September 2004 and 27 December 2005, the Company signed import and export credit insurance with China Export & Credit Insurance Corporation("China Credit Insurance") in respect of Merowe Sudan, El Gaili Phase 1 and El Gaili Phase 2 projects, to avoid certain collection risks through obtaining guarantees . The relevant policy numbers were MSEC010056, LSA2004026 and LSA2005045 respectively. As at 31 December 2015, the aggregate remaining balance of trade receivables from the three projects was USD 70,491,055.19(equivalent to RMB457,740,715.98). The amount due from the three projects after deducting 85% to 90% of guarantees from China Credit Insurance was USD 52million. The Company made provisions for bad debts of USD32,208,198.23 for the past due trade receivables on aging basis.

2 It is expected that the past due balance of Vietnam CaoNgan Project cannot be recovered, the Company provided bad debt reserve for the relevant trade receivables during the period.

In the portfolio, trade receivables provided for bad debt according to aging analysis are as follows:

Age	Balance at the end of the period			Balance in the beginning of the year		
	Trade receivables	Provision for bad debt	Provided ratio	Trade receivables	Provision for bad debt	Provided ratio
Within 1 year	5,761,727,123.88	190,385,466.68	3.30	7,281,101,235.47	236,179,521.07	3.24
1–2years	3,045,834,676.27	463,978,308.95	15.23	3,098,611,515.44	673,419,105.57	21.73
2–3years	1,971,078,876.27	759,626,960.26	38.54	2,254,848,399.47	860,225,232.23	38.15
3–4years	1,762,154,770.24	1,106,046,905.53	62.77	1,466,042,519.15	824,044,437.23	56.21
4–5years	969,299,735.66	666,066,005.90	68.72	1,071,021,134.82	667,672,626.89	62.34
Over 5 years	1,698,648,872.12	1,595,426,679.97	93.92	1,261,639,623.95	1,242,214,466.96	98.46
Total	15,208,744,054.44	4,781,530,327.29		16,433,264,428.30	4,503,755,389.95	

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

Provision for bad debts of RMB 358,520,089.89 was made in the period.

3. Trade receivables effectively verified in the period

Item	Verified Amount
Trade receivables effectively verified	14,250.00

4. Trade receivables with top 5 balances at the end of the period classified by borrowers

Name of Unit	Balance at the end of the period		
	Trade receivables	Attributed share in total trade receivables (%)	Bad debt provision
Ministry of Irrigation & Water Resources of Republic of Sudan	371,149,663.63	2.31	164,534,908.29
Shenzhen Nantian Electricity Company Limited (深圳南天電力有限公司)	261,600,000.00	1.63	64,512,346.10
Beijing Gaojing Thermal Power Plant (北京高井熱電廠) of Datang International Power Generation Co.,Ltd	254,712,860.00	1.59	—
Tangzai Power Station Co., Ltd of Guizhou CHD (貴州華電塘寨發電有限公司)	251,126,588.39	1.57	169,907,570.71
CHINA NATIONAL ELECTRIC EQUIPMENT CORPORATION (中國電工設備總公司)	220,181,426.60	1.37	80,434,385.37
Total	1,358,770,538.62	8.47	479,389,210.47

VI. OTHER RECEIVABLES

1. Disclosure of other receivables classified by type:

Type	Balance at the end of the period					Balance in the beginning of the year				
	Remaining carrying amount		Provision for bad debt		Carrying Value	Remaining carrying amount		Provision for bad debt		Carrying Value
	Amount	ratio(%)	Amount	Provided ratio(%)		Amount	ratio(%)	Amount	Provided ratio(%)	
Other receivables which are individually significant and provided for bad debt separately	385,233,233.65	48.99	13,995,000.00	3.63	371,238,233.65	699,877,973.98	59.48	13,995,000.00	2.00	685,882,973.98
Other receivables provided for bad debt by credit risk characteristics	219,355,726.24	27.89	159,380,221.07	72.66	59,975,505.17	275,124,904.79	23.38	176,614,984.25	64.19	98,509,920.54
Other receivables which are individually not significant but provided for bad debt separately	181,835,564.28	23.12	12,484,013.72	6.87	169,351,550.56	201,681,612.15	17.14	12,892,561.54	6.39	188,789,050.61
Total	786,424,524.17	/	185,859,234.79	/	600,565,289.38	1,176,684,490.92	/	203,502,545.79	/	973,181,945.13

Other receivables which are individually significant and provided for bad debt separately

Other receivables(By Unit)	Balance at the end of the period			
	Other receivables	Provision for bad debt	Provided ratio(%)	Reasons for provision
Refunded export tax receivables	139,752,701.49	—		Refunded export tax receivables
Other tax receivables	71,036,526.15	—		Refunded tax receivables
HEC Industrial Development Company (哈爾濱哈電實業開發總公司)	64,076,258.36	—		No provisions for related parties
Harbin Boiler Industrial Company (哈爾濱哈鍋實業開發總公司)	55,544,192.72	—		No provisions for related parties
Sinohydro Bureau 8 Co., Ltd	23,438,893.03	—		Advances
Receivables from WanDan Project	17,389,661.90	—		Advances
Daqing Rehau Energy Technology Limited(大慶瑞好能源科技有限公司)	13,995,000.00	13,995,000.00	100	irrecoverable
Total	385,233,233.65	13,995,000.00		

Other receivables which are individually not significant but provided for bad debt separately

Other receivables(By Unit)	Balance at the end of the period Other receivables	Provision for bad debt	Provided ratio	Reasons for provision
Monies including deposits and guarantee monies	53,146,809.29	—		No provisions for guarantee monies and deposits
Reserves	79,550,529.49	—		No provisions for reserves
Key projects for high-temperature reactors	9,900,153.43	—		Capital for technology development project to be written-off with payables of the project after delivery
Jilin Power Company (吉林省送變電公司)	7,730,568.53	—	—	Advances
Demonstration series of the third generation of key component for the processing tube plate of the nuclear power steam generator (第三代核電關鍵零部件蒸汽發生器管板加工用系列化刀具應用示範重大專項)	5,270,051.92	—	—	Capital for technology development project to be written-off with payables of the project after delivery
Daqing Longjiang wind-powered Company Limited (大慶龍江風電有限責任公司)	3,920,000.00	3,920,000.00	100.00	irrecoverable
Hubei Electric Power Construction Company (湖北電建公司)	3,610,710.05	—		Advances
Jiamusi Electric Machine Co., Ltd	3,000,000.00	—		No bad debt provisions made for related parties
Harbin Sanlian Industrial Development Company Limited (哈爾濱三聯實業開發總公司)	2,000,000.00			No bad debt provisions made for related parties
Heilongjiang Power Corporation (黑龍江力源公司)	1,430,084.36	—		Advances
Shenzhen Harbin Power Huihua Trading Company Limited (深圳市哈動匯華工貿有限公司)	1,351,930.00	1,351,930.00		irrecoverable
Others	10,924,727.21	7,212,083.72	66.02	
Total	181,835,564.28	12,484,013.72		

In the portfolio, other receivables provided for bad debt according to aging analysis are as follows:

Age	Balance at the end of the period Other receivables	Provision for bad debt	Provided ratio	Balance in the beginning of the year Other receivables	Provision for bad debt	Provided ratio
Within 1 year	46,974,288.14	2,335,075.61	4.97	82,669,159.65	4,090,558.78	4.95
1-2years	8,254,574.11	2,061,174.53	24.97	7,406,326.54	1,842,212.68	24.87
2-3years	6,322,509.59	3,161,254.80	50.00	9,151,051.43	4,575,525.72	50.00
3-4years	8,436,789.86	6,749,431.88	80.00	42,950,804.06	34,360,643.25	80.00
4-5years	21,471,401.42	17,177,121.14	80.00	6,007,596.45	4,806,077.16	80.00
Over 5 years	127,896,163.12	127,896,163.11	100.00	126,939,966.66	126,939,966.66	100.00
Total	219,355,726.24	159,380,221.07		275,124,904.79	176,614,984.25	

2. **Provision, return and recovery of bad debts in this period**

Provision for bad debts of RMB-17,515,798.68 was made in this period.

3. **Other receivables effectively verified in this period**

Item	**Verified Amount**
Other receivables effectively verified	127,512.32

4. **Other receivables classified by nature**

Nature of receivables	**Carrying amount at the end of the period**	**Carrying amount in the beginning of the year**
Monies including deposits and guarantee monies	53,146,809.29	27,765,164.08
Reserves	79,550,529.49	103,473,288.79
Current account balance	520,297,261.30	433,323,449.52
Advances offered	40,842,712.93	396,527,581.10
Others	92,587,211.16	215,595,007.43
Total	786,424,524.17	1,176,684,490.92

5. **Other receivables with top 5 balances at the end of the period classified by borrowers**

Name of Unit	**Nature of receivables**	**Balance at the end of the period**	**Age**	**Attributed shares in total balance of other receivable at the end of the period (%)**	**Remaining balance of Bad debt provision**
HEC Industrial Development Company (哈爾濱哈電實業開發總公司)	Current account balance	64,076,258.36	Within 1 year, 1-2 years, 2-3 years, over 5 years	8.15	
Harbin Boiler Industrial Company (哈爾濱哈鍋實業開發總公司)	Current account balance	55,544,192.72	Within 1 year	7.06	
Sinohydro Bureau 8 Co., Ltd	Advances	23,438,893.03	Within 1 year, 1-2 years	2.98	—
Daqing Rehau Energy Technology Limited (大慶瑞好能源科技有限公司)	Current account balance	13,995,000.00	1-2 years	1.78	13,995,000.00
Xinhua Control Engineering Company(新華控制工程公司)	Current account balance	9,238,960.00	Over 5 years	1.17	9,238,960.00
Total	/	46,672,853.03	/	5.93	23,233,960.00

VII. OTHER CURRENT ASSETS

Items	Balance at the end of the period	Balance in the beginning of the year
Available-for-sale financial assets	1,350,000,000.00	
Entrusted loans	210,000,000.00	210,000,000.00
Bank financial products	1,450,000,000.00	100,000,000.00
Enterprise Income Tax paid in advance	57,294,659.76	22,189,476.31
Monetary Capital restricted in short term	—	1,040,000.00
Others	3,837.30	1,715.94
Total	3,067,298,497.06	333,231,192.25

VIII. BILLS PAYABLE

Type	Balance at the end of the period	Balance in the beginning of the year
Bank promissory notes	4,562,398,513.21	510,629,187.85
Commercial promissory notes	491,039,222.34	3,652,265,297.85
Total	5,053,437,735.55	4,162,894,485.70

IX. TRADE PAYABLES

1. List of trade payables

Items	Balance at the end of the period	Balance in the beginning of the year
Within 1 year	9,717,159,710.65	11,388,767,473.57
1-2 years	2,098,735,142.36	1,637,502,176.05
2-3 years	624,274,436.20	536,953,447.97
Over 3 years	597,774,338.88	507,974,355.98
Total	13,037,943,628.09	14,071,197,453.57

2. Significant trade payables aged over 1 year

Items	Balance at the end of the period	Reason for being outstanding or carried forward
China First Heavy Industries	324,527,171.53	Contract under performance
China Erzhong Group(Deyang) Heavy Industries Co., Ltd.	103,621,053.12	Contract under performance
INNOVIACONSULTANTSLTD	77,923,200.00	Contract under performance
State Nuclear Power Technology Company	74,550,432.00	Contract under performance
Harbin Huaqiang Electric Power Equipment Maintenance Company Limited (哈爾濱華強電力電站設備修造有限責任公司)	59,323,298.23	Contract under performance
Shanghai Heavy Machinery Plant Co., Ltd.	46,271,419.99	Contract under performance
Dalian Marine Diesel Co., Ltd	42,989,274.50	Contract under performance
Luoyang Sunrui Casting Titanium Co., Ltd.	26,455,906.88	Contract under performance
Harbin Turbine Blade Processing Company Limited (哈爾濱哈汽葉片加工有限公司)	24,995,478.42	Contract under performance
Dalian Energas Gas-System Co., Ltd	24,306,450.45	Contract under performance
Hunan Xiangtou Goldsky New Materials Co., Ltd	19,984,408.87	Contract under performance
Shanghai Yuyang Special Metal Materials Co., Ltd.	17,898,768.75	Contract under performance
Wuhan Steel Construction Engineering Group Metal Component Company Limited (武漢鋼鐵建工集團金屬結構有限責任公司)	16,033,137.00	The outstanding amount is retention monies within retention period.
SEC Electric Machinery Co., Ltd.	11,814,519.64	Contract under performance
Kasion Tech Engineering (Shanghai) Company Limited (凱能高科技工程(上海)有限公司)	11,694,000.00	The outstanding amount is retention monies within retention period.
Shenyang LiaoYE Heavy Machinery Co., Ltd	10,600,860.91	Contract under performance
Ansteel Heavy Machinery Co., Ltd.	9,180,696.73	Contract under performance
Wuxi Huashen Thermal Power Equipment Company Limited (無錫華申熱工流體設備廠有限公司)	9,047,565.23	Contract under performance
mitsubishi heavy industries (三菱重工)	8,891,558.97	Contract under performance
Shanghai Clyde Bercemann Machinery Co., Ltd.	7,910,257.89	Contract under performance
Jiangsu Huaneng Construction Engineering Group Co. Ltd.	6,970,000.00	Contract under performance
Total	934,989,459.11	

X. OTHER COMPREHENSIVE INCOME

Items	Opening balance	Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: Income tax	Net income attributable to parent company after tax	Net income attributable to minority interest after tax	Closing balance
		Current period cumulative					
1. Other comprehensive income not reclassified subsequently to profit or loss	–	–	–	–	–	–	–
Including: Changes in remeasurement on the net liability and net asset defined benefit scheme	–	–	–	–	–	–	–
Items of other comprehensive income attributable to investees under equity method that are not reclassified to profit or loss	–	–	–	–	–	–	–
2. Other comprehensive income to be reclassified subsequently to profit or loss	−236,065,084.33	−204,139,356.10	−119,165,740.29	–	–	–	−321,038,700.14
Including: Items of other comprehensive income attributable to investees under equity method that may be reclassified to profit or loss	–	–	–	–	–	–	–
Profit or loss from changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	–
Profit or loss from reclassification of held-to-maturity investments as							

XI. OPERATING REVENUE AND OPERATING COST

1. Breakdown of Operating revenue and Operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	24,926,169,195.45	21,618,225,597.35	23,795,813,104.74	20,654,600,296.44
Nuclear power	1,723,865,024.67	1,532,215,517.70	1,367,023,224.13	1,200,717,429.93
Main thermal power equipment	9,331,655,577.92	7,337,454,851.26	10,943,146,061.00	9,292,132,187.74
Main hydro power equipment	2,705,715,002.37	2,658,379,475.87	2,906,874,135.86	2,518,158,943.05
Engineering services for power stations	6,819,315,182.61	6,328,715,914.11	3,894,369,063.19	3,593,764,383.25
Ancillary equipment for power stations	1,747,543,909.54	1,466,606,265.57	1,556,342,681.06	1,195,727,675.39
AC/DC motors and other products and services	2,598,074,498.34	2,294,853,572.84		

3. Expected loss for contract work

Project	Amount of expected loss	Reason for expected loss	Remarks
2X1000MW "Replacing Small Capacity Generating Units with Large Capacity ones" construction project in HuaNeng Laiwu Power Plant 2#	10,835,489.50	Expected project cost exceeds contract revenue	
China Nuclear Tianwan 3#	44,900,413.69	Expected project cost exceeds contract revenue	
Tianwan 4#	35,719,961.70	Expected project cost exceeds contract revenue	
Miaowei 1#	10,869,923.47	Expected project cost exceeds contract revenue	
Miaowei 2#	9,471,398.51	Expected project cost exceeds contract revenue	
Miaowei 3#	9,471,398.51	Expected project cost exceeds contract revenue	
Miaowei 4#	9,471,398.51	Expected project cost exceeds contract revenue	
Inner Mongolia Jinlian 1#	544,682.01	Expected project cost exceeds contract revenue	
Inner Mongolia Jinlian 2#	41,507.37	Expected project cost exceeds contract revenue	
Thermal power project in Esmeraldas, Ecuador	147,471,284.35	Expected project cost exceeds contract revenue resulting in loss and the fluctuation in currency exchange rate affects the contracted price leading to exchange losses	
Total	278,797,457.62		

XII. INTEREST INCOME AND INTEREST EXPENSE

Items	Current period	Preceding period
Interest income	315,145,853.83	231,452,224.06
Interbank deposit	308,536,536.85	211,600,856.83
Deposit in central banks	—	
Loans to other banks	1,083,055.55	43,750.00
Loans and advances paid	5,526,261.43	19,807,617.23
Including: Individual loans and advances	—	
Company loans and advances	1,223,333.33	1,183,333.34
Discounted notes	4,302,928.10	18,624,283.89
Reverse-repo financial assets	—	
Bond investments	—	
Others	—	
Including: Impaired financial asset interest income	—	
Interest expense	13,626,239.13	8,534,303.83
Interbank deposit	—	
Borrowings from central bank	—	
Borrowings from other banks	18,861.11	
Absorbing deposit	13,607,378.02	8,529,198.40
Proceeds of REPO financial assets	—	
Issue of bonds	—	
Others	—	5,105.43
Net interest income	301,519,614.70	222,917,920.23

XIII. HANDLING CHARGES AND COMMISSION INCOME, AND HANDLING CHARGES AND COMMISSION EXPENSES

Items	Current period	Preceding period
Revenue from handling charges and commission	16,856.22	14,970.35
Settlement and clearing fees	—	
Agency services fees	—	
Credit fees and commission	—	
Bank card fees	—	
Advisory fees	—	
Custodian and other fiduciary service fees	—	
Others	16,856.22	14,970.35
Handling charges and commission expenses	20,456.39	14,225.86
Handling charges	20,456.39	14,225.86
Commission expenses	—	
Net handling charges and commission income	–3,600.17	744.49

XIV. TAXES AND SURCHARGES

Items	Current period	Preceding period
Business tax	37,707,866.88	3,950,912.13
City maintenance and construction tax	83,579,433.24	41,108,485.08
Education surcharge	35,905,917.50	17,901,155.84
Local education surcharge	23,936,662.12	11,934,103.90
Others	18,299.98	8,772.14
Total	181,148,179.72	74,903,429.09

XV. SELLING COSTS

Items	Current period	Preceding period
Quality warranty expenses	221,791,648.77	166,782,144.77
Salary cost	187,030,599.09	176,194,420.50
Traveling expenses	108,189,584.19	91,590,877.36
Transportation expenses	65,873,155.51	79,669,438.77
Advisory Fees	23,949,881.98	45,788,315.32
Tender fees	18,870,862.77	34,891,175.15
Office-related expenses	8,116,495.91	7,783,587.64
Entertainment expenses	8,009,751.33	14,519,487.69
Promotion expenses	5,764,431.65	4,812,522.50
Depreciation	4,663,530.27	5,072,434.31
Travel expenses	4,184,844.12	6,483,578.67
Labor insurance fees	142,634.57	376,075.97
Conference fees	1,137.00	57,333.04
Others	22,208,696.25	27,615,311.80
Total	678,797,253.41	661,636,703.49

XVI. ADMINISTRATIVE EXPENSES

Items	Current period	Preceding period
Salary expenses	969,581,395.40	1,039,277,450.20
Research and development expenses	319,569,546.14	370,135,952.41
Depreciation and amortization expenses	191,353,000.79	171,168,606.02
Maintenance expenses	152,120,287.52	169,562,786.62
Travelling expenses for conferences	89,604,637.91	94,220,330.83
Administrative expenses	56,390,249.81	38,354,570.86
Service contracts	54,787,449.20	51,783,127.39
Entertainment expenses	24,216,380.87	45,148,501.09
Labor expenses	21,511,872.43	28,177,597.36
Property and heating charges	19,244,574.05	35,380,365.22
Transportation expenses	12,579,080.18	6,996,783.57
Agency fees	9,185,467.48	9,061,225.15
Utility charges	3,168,081.85	5,387,910.88
Freight expenses	3,098,061.89	13,947,976.98
Labor insurance fees	1,816,809.21	3,097,403.99
Rental	1,342,950.86	1,974,938.24
Others	237,560,715.06	233,507,552.58
Total	2,167,130,560.65	2,317,183,079.39

XVII. FINANCIAL EXPENSES

Items	Current period	Preceding period
Interest expenses	298,426,637.62	291,475,888.71
Less: interest income	128,086,160.88	141,784,445.17
Exchange gain and loss	–35,544,924.95	4,820,817.75
Handling charges	27,452,890.67	29,363,359.26
Total	162,248,442.46	183,875,620.55

XVIII. INCOME TAX EXPENSES

Items	Current period	Preceding period
Current income tax calculated based on tax law and related regulations	193,786,106.61	241,301,310.30
Adjustment to deferred income tax	30,786,039.11	–10,556,579.09
Total	224,572,145.72	230,744,731.21

XIX. FOREIGN CURRENCY MONETARY ITEMS

Items	Foreign currency at the end of the year	Exchange rate	Converted into RMB at the end of the period
Cash on hand			
USD	96,663,509.61	6.4936	627,694,166.03
Euro	7,313,298.85	7.0952	51,889,318.00
HKD	20,977.15	6.4936	136,217.25
British Pound	1,320.00	9.6159	12,692.99
Others	2,315,577,618.81		62,423,669.22
Total	2,419,576,724.43		742,156,063.49
Trade receivables			
USD	80,645,145.46	6.4936	523,677,316.55
Others	1,285,856.05		1,370,555.39
Total	81,931,001.51	525,047,871.94	
Other receivables			
USD	13,325,044.21	6.4936	86,527,507.10
Euro	52,145.00	7.0952	369,979.20
Others	3,814,500,155.04		24,442,774.94
Total	3,827,877,344.25		111,340,261.24
Short-term borrowings			
USD	80,000,000.00	6.4936	519,488,000.00
Total	80,000,000.00	6.4936	519,488,000.00
Trade payables			
USD	17,658,117.73	6.4936	114,664,753.27
Others	111,220,255.10		568,575.75
Total	128,878,372.83		115,233,329.02
Other payables			
USD	1,633,782.48	6.4936	10,609,129.90
Others	3,666,334,132.00		1,903,708.24
Total	3,667,967,914.48		12,512,838.14

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Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
			Balance at the end of period			
Harbin Electrical Machinery Company Limited	10,976,126,103.12	2,152,727,424.82	13,128,853,527.94	7,567,313,304.31	292,411,128.74	7,859,724,433.05
Harbin Boiler Company Limited	18,606,310,948.64	1,673,873,860.15	20,280,184,808.79	14,882,462,358.15	227,609,560.90	15,110,071,919.05
Harbin Turbine Company Limited	10,992,135,518.01	1,580,817,401.95	12,572,952,919.96	12,513,707,354.92	193,232,365.14	12,706,939,720.06
Harbin Electric Corporation Finance Company Limited	15,856,142,346.84	83,770,831.17	15,939,913,178.01	14,197,922,055.11		14,197,922,055.11

Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
			Balance at the beginning of year			
Harbin Electrical Machinery Company Limited	11,569,285,480.86	2,256,380,821.88	13,825,666,302.74	8,152,814,124.30	217,022,988.40	8,369,837,112.70
Harbin Boiler Company Limited	18,441,911,445.24	1,758,270,784.23	20,200,182,229.47	14,993,688,796.11	309,607,664.36	15,303,296,460.47
Harbin Turbine Company Limited	10,726,329,813.20	1,708,575,588.02	12,434,905,401.22	11,977,505,859.34	202,278,688.90	12,179,784,548.24
Harbin Electric Corporation Finance Company Limited	11,575,151,940.67	245,662,883.60	11,820,814,824.27	10,184,952,359.24		10,184,952,359.24

Name of subsidiaries	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
		Current period		
Harbin Electrical Machinery Company Limited	4,658,746,647.31	−186,861,817.04	−186,861,817.04	1,048,885,752.79
Harbin Boiler Company Limited	8,006,062,128.31	337,205,720.74	337,205,720.74	2,227,600,052.99
Harbin Turbine Company Limited	4,237,321,463.63	−390,549,435.32	−390,549,435.32	1,196,116,672.86
Harbin Electric Corporation Finance Company Limited	324,907,229.64	126,741,175.94	126,741,175.94	4,178,550,032.89

Name of subsidiaries	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
		Preceding period		
Harbin Electrical Machinery Company Limited	5,249,461,849.28	−294,107,052.99	−294,107,052.99	1,246,186,969.66
Harbin Boiler Company Limited	7,666,525,059.14	353,652,714.56	353,652,714.56	257,817,648.72
Harbin Turbine Company Limited	4,089,968,401.17	−1,270,319,023.22	−1,270,319,023.22	65,186,278.11
Harbin Electric Corporation Finance Company Limited	236,404,973.26	103,062,590.34	103,062,590.34	4,772,594,399.50

XXII. RELATED PARTY TRANSACTIONS

The transaction prices of the related party transactions were agreed by the Company and related parties, and were in line with the transaction prices of non-related party transactions.

1. Purchase and sales of goods, rendering and receiving services

Purchase of goods/receiving of services

Related parties	Content of transaction	Current period	Preceding period
Harbin Qingyuan Electric Material Co., Ltd.	Purchase of goods	24,473,182.29	35,070,903.33
Harbin Electric Material Trading (holding) Company (哈爾濱哈電物資經銷總公司)	Purchase of goods	22,598,678.52	23,637,469.25
HBC Industrial Development Company	Receiving of services	33,662,298.20	16,868,135.10
Harbin Boiler Company Limited (哈爾濱哈鍋電站備件有限責任公司)	Purchase of goods	31,660,915.56	33,110,955.02
Harbin Boiler Company Limited (哈爾濱哈鍋電站備件有限責任公司)	Receiving of services	780,974.40	544,449.06
Harbin Industrial Kiln Associate (哈爾濱工業窯爐聯營公司)	Purchase of goods	1,149,854.37	2,256,519.14
Harbin Industrial Kiln Associate (哈爾濱工業窯爐聯營公司)	Receiving of services	331,068.37	
Harbin Electric Metal Component Company Limited (哈爾濱哈電金屬構件有限責任公司)	Purchase of goods	29,758,528.58	46,317,104.66
Archeng Relay Company Limited	Purchase of goods	405,032.48	9,691,018.80
Harbin Electric Industrial Development Company Limited (哈爾濱哈汽實業開發總公司)	Receiving of services	13,876,752.14	20,093,594.03
Harbin Boiler Property Company Limited (哈爾濱哈鍋物業有限責任公司)	Receiving of services	265,781.89	1,821,050.12
Harbin Electric Property Management Limited (哈爾濱哈電物業管理有限責任公司)	Receiving of services		
Harbin Sanlian Industrial Development Company Limited (哈爾濱三聯實業開發總公司)	Receiving of services	2,537,407.65	2,231,508.73
Harbin Electric Property Management Limited (哈爾濱哈電物業管理有限責任公司)	Receiving of services	7,743,040.84	7,106,460.80
Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)	Purchase of goods		19,488,180.24
HEC Industrial Development Company	Receiving of services	25,492,688.39	25,594,372.08
HEC Industrial Development Company	Purchase of goods	1,729,354.17	6,505,786.56
Harbin Boiler Maintenance Hospital (哈爾濱鍋爐廠醫院)	Receiving of services		1,583,465.10
Harbin Boiler Industrial Development (Catering Service) Company Limited (哈爾濱哈鍋實業開發公司餐飲公司)	Receiving of services		17,423,396.11
Harbin Berg Electrical Structure Company Limited (哈爾濱貝格電器設備結構有限責任公司)	Purchase of goods	1,314,511.87	1,409,439.62
Harbin Boiler Industrial Technology Limited (哈爾濱哈鍋鍋爐工程技術有限公司)	Purchase of goods		16,819,892.40
Jiamusi Electric Machine Company Limited	Purchase of goods	1,111,111.11	
Total		198,891,180.83	287,573,700.15

Sale of goods/rendering of services

Related parties	Content of transaction	Current period	Preceding period
HEC Industrial Development Company	Sales of goods	45,275.22	9,300.43
HEC Industrial Development Company	Rendering of services		319,125.40
Harbin Electric Material Trading (holding) Company (哈爾濱哈電物資經銷總公司)	Sales of goods	4,249,602.13	5,450,050.19
Harbin Electric Metal Component Company Limited (哈爾濱哈電金屬構件有限責任公司)	Sales of goods	3,151,875.96	20,365,570.71
Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)	Rendering of services		23,256.54
HBC Industrial Development Company	Rendering of services		327,731.51
Harbin Boiler Industrial Technology Limited (哈爾濱哈鍋鍋爐工程技術有限公司)	Sales of goods		2,210.68
Harbin Boiler Industrial Technology Limited (哈爾濱哈鍋鍋爐工程技術有限公司)	Rendering of services		1,034,044.60
Harbin Boiler Company Limited (哈爾濱哈鍋電站備件有限責任公司)	Rendering of services	20,000.00	
Harbin Electric Industrial Development Company Limited (哈爾濱哈汽實業開發總公司)	Sales of goods	2,017,094.00	76,923.08
Total		9,483,847.31	27,608,213.14

2. **Interest on borrowings**

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
Harbin Electric Corporation	Payment of interest	96,798,038.51	32.44	97,153,543.29	30.81
Total		96,798,038.51	32.44	97,153,543.29	30.81

3. Interest on deposits received

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
Harbin Electric Corporation	Interest on deposits	12,743,377.80	93.52	7,887,503.88	92.48
Archeng Relay Company Limited	Interest on deposits	740.74	0.01	11.14	<0.01
Harbin Qingyuan Electric Material Co., Ltd.	Interest on deposits	34,363.76	0.25	18,445.32	0.22
HBC Industrial Development Company	Interest on deposits	79,373.85	0.58	67,325.48	0.79
Harbin Electric Industrial Development Company Limited (哈爾濱哈汽實業開發總公司)	Interest on deposits	2,951.15	0.02	2,863.07	<0.01
HEC Industrial Development Company	Interest on deposits	22,151.08	0.16	25,895.09	0.30
Harbin Sanlian Industrial Development Company Limited (哈爾濱三聯實業開發總公司)	Interest on deposits	137,596.87	1.01	169,527.57	1.99
Harbin Power Equipment Logistics Company Limited (哈爾濱動力設備物流有限責任公司)	Interest on deposits			521.10	<0.01
Heilongjiang Harbin Hydropower Development Company Limited (黑龍江哈電多能水電開發有限責任公司)	Interest on deposits			12,396.69	0.15
Harbin Electric Real Estate Agency Company Limited (哈爾濱哈電房地產經紀有限責任公司)	Interest on deposits	676.12	<0.01		
Harbin Boiler Property Company Limited (哈爾濱哈鍋物業有限責任公司)	Interest on deposits	279.81	<0.01		
Harbin Electrical Machinery Hospital (哈爾濱電機廠醫院)	Interest on deposits			18,951.32	0.22
Harbin Industrial Kiln Associate (哈爾濱工業窯爐聯營公司)	Interest on deposits	1,468.22	0.01		
Harbin Boiler Power Station Equipment Company Limited (哈爾濱哈鍋電站鍋爐成套設備有限公司)	Interest on deposits	1,182.88	0.01		
Jiamusi Electric Machine Company Limited	Interest on deposits	40,258.06	0.30		
Harbin Boiler Company Limited (哈爾濱哈鍋電站備件有限責任公司)	Interest on deposits	2,837.05	0.02		
Harbin Turbine Industrial Integrated Services Management Company Limited (哈爾濱哈汽實業綜合服務管理有限公司)	Interest on deposits	925.55	0.01		
Harbin Turbine Hospital (哈爾濱汽輪機廠醫院)	Interest on deposits	577.50	<0.01		
Harbin Electric Property Management Limited (哈爾濱哈電物業管理有限責任公司)	Interest on deposits	724.33	0.01		
Harbin Electrical Machinery Kindergarten (哈爾濱電機廠幼兒園)	Interest on deposits	980.35	0.01		
Harbin Boiler Maintenance Hospital (哈爾濱鍋爐廠醫院)	Interest on deposits	5,840.24	0.04		
Harbin Turbine Logistics Company Limited (哈爾濱汽輪機物流有限責任公司)	Interest on deposits	1,038.90	0.01		
Total		13,076,305.36	95.96	8,204,479.56	96.16

4. Discounted interest income

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
Archeng Relay Company Limited	Interest income	523.57	0.01	17,910.31	0.09
Total		523.57	0.01	17,910.31	0.09

5. Handling fees and commission

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
HEC Industrial Development Company	Handling fees and commission	1,800.00	10.68	400.00	2.67
Harbin Electric Industrial Development Company Limited (哈爾濱哈汽實業開發總公司)	Handling fees and commission	1,030.50	6.11	843.50	5.63
Heilongjiang Harbin Hydropower Development Company Limited					

7. Interest income for providing entrusted loans

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
HEC Industrial Development Company	Interest income	11,259,558.33	8.79	37,575,250.00	26.50
Total		11,259,558.33	8.79	37,575,250.00	26.50

8. Entrusted management fees

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
Harbin Electric Corporation	Entrusted management fees	3,280,000.00	100.00	3,280,000.00	100.00
Total		3,280,000.00	100.00	3,280,000.00	100.00

9. Trademark royalty income

Related parties	Content of transaction	Current period Amount	Current period Proportion of similar transaction amount (%)	Preceding period Amount	Preceding period Proportion of similar transaction amount (%)
General Electric — Harbin Power Services (Qinhuangdao) Company Limited (通用電氣一哈動力能源服務(秦皇島)有限公司)	Trademark royalty income	1,359,033.62	100.00		
Total		1,359,033.62	100.00	—	—

10. Key management's emoluments

Item	Current period	Preceding period
Key management's emoluments	9,593,075.48	7,505,636.00

XXIII. BALANCE DUE TO OR FROM RELATED PARTIES

1. Balance due from related parties

Items	Related parties	Balance at the end of the period Book balance	Balance at the end of the period Provision for bad debts	Balance in the beginning of the year Book balance	Balance in the beginning of the year Provision for bad debts
Accounts receivable					
	Harbin Boiler Industrial Technology Limited (哈爾濱哈鍋鍋爐工程技術有限公司)			10,549,240.00	
	Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)			4,871,100.60	
	Jiamusi Electric Machine Company Limited	54,134.00			54,134.00
	HEC Industrial Development Company	27,072.00			
Advances paid					
	Harbin Boiler Company Limited (哈爾濱哈鍋電站備件有限責任公司)			3,417,570.00	
	Harbin Electric Metal Component Company Limited (哈爾濱哈電金屬構件有限責任公司)			12,404,336.93	
	HEC Industrial Development Company	20,999,000.00		20,000,000.00	
	Harbin Industrial Kiln Associate (哈爾濱工業窯爐聯營公司)	588,210.00		131,700.00	
	Archeng Relay Company Limited			20,522,284.30	
	Harbin Qingyuan Electric Material Co., Ltd.			849,000.00	
	Harbin Electric Material Trading (holding) Company (哈爾濱哈電物資經銷總公司)			2,200,000.00	
	Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)			22,643,000.00	
	HBC Industrial Development Company	15,000.00			
Other receivables					
	HEC Industrial Development Company	64,076,258.36		54,002,548.26	
	Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)	261,032.26			
	HBC Industrial Development Company	55,544,192.72		5,411,612.27	
	Shenzhen Harbin Power Huihua Trading Company Limited (深圳市哈動匯華工貿有限公司)	1,351,930.00		1,351,930.00	
	Harbin Sanlian Industrial Development Company Limited (哈爾濱三聯實業開發總公司)	2,000,000.00		2,300,000.00	
	Harbin Electric Industrial Development Company Limited (哈爾濱哈汽實業開發總公司)			4,400,000.00	
	Harbin Huitong Power Engineering Company Limited (哈爾濱匯通電力工程有限公司)			1,240,161.25	
	Jiamusi Electric Machine Company Limited			3,000,000.00	
	Arching Relay Company Limited			3,000,000.00	
Dividend receivable					
	Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)			720,000.00	
Interest receivable					
	HBC Industrial Development Company	280,408.33		365,750.00	
Other current assets					
	HBC Industrial Development Company	210,000,000.00		210,000,000.00	
Loans					
	HBC Industrial Development Company			20,000,000.00	

Items	Related parties	Book balance Balance at the end of the period	 Balance in the beginning of the year
Trade payables			
	Archeng Relay Company Limtied	2,092,810.90	2,571,806.70
	Harbin Electric Metal Component Company Limited (哈爾濱哈電金屬構件有限責任公司)	14,357,353.71	14,548,816.06
	Jiamusi Electric Machine Company Limited	220,558.51	90,558.51
	Harbin Industrial Kiln Associate (哈爾濱工業窯爐聯營公司)	742,239.61	74,700.00
	Harbin Electric Material Trading (holding) Company (哈爾濱哈電物資經銷總公司)	763,471.47	1,219,687.19
	Harbin Qingyuan Electric Material Co., Ltd. (哈爾濱慶緣電工材料股份有限公司)	3,931,818.50	5,479,882.55
	HEC Industrial Development Company (哈爾濱哈電實業開發總公司)	489,350.53	1,781,253.03
	Harbin Electric Property Management Limited (哈爾濱哈電物業管理有限責任公司)	1,136,328.96	580,176.96
	Harbin Boiler Industrial Company (哈爾濱哈鍋實業開發總公司)	356,000.00	356,000.00
	Harbin Boiler Company Limited (哈爾濱哈鍋電站備件有限責任公司)	5,689,565.31	5,503,315.31
	Harbin Boiler Power Station Equipment Company Limited (哈爾濱哈鍋電站鍋爐成套設備有限公司)	1,692,256.42	1,692,256.42
	Harbin Electric Industrial Development Company Limited (哈爾濱哈汽實業開發總公司)	939,077.30	4,207,662.30
	Harbin Berg Electrical Structure Company Limited (哈爾濱貝格電器設備結構有限責任公司)	43,450.00	23,685.00
	Harbin Rayleigh Technology Development Company Limited (哈爾濱瑞雷電氣科技發展有限公司)		12,508.00
	Harbin Boiler Property Company Limited (哈爾濱哈鍋物業有限責任公司)		146,266.10
	Harbin Boiler Industrial Technology Limited (哈爾濱哈鍋鍋爐工程技術有限公司)		12,300,004.35
	Harbin Boiler & Container Company Limited (哈爾濱哈鍋鍋爐容器工程有限責任公司)		20,823,517.99
	Harbin Huitong Power Engineering Company Limited (哈爾濱匯通電力工程有限公司)		11,302,882.41
	Harbin Electric Corporation	41,021.33	

XIV. SUPPLEMENTARY INFORMATION

(1) Breakdown of non-recurring profit and loss for the period

Items	Amount	Note
Gain or loss on disposal of non-current assets	13,997,584.39	
Tax refund or exemption with unauthorized approval or no formal approval document		
Government grants included in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	111,785,344.53	
Capital use fee received from non-financial enterprises recognized as gain or loss for the period		
Gain on the difference between investment cost of acquiring subsidiaries, associates and joint ventures and the share of the fair value of the investee's identifiable net assets, where investment cost is less than the share of the fair value		
Gains or losses on exchange of non-monetary assets	–8,119.66	
Gains or losses on entrusted investment or management of assets		
Provision for impairment of assets due to force majeure such as natural disasters		
Gains or losses on debt restructuring	484,221.70	
Expenses for reorganization such as expenditure for staffing and integration expenses, etc.		
Gains or losses on the excess beyond fair value in the transaction with unfair price		
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		
Gains or losses on contingencies that is in no connection with the normal operation of the Company		
Gain or loss on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale	280,790,441.71	
Reversal of provisions for impairment of trade receivables individually subjected to impairment test		
Profit or losses from external entrusted loans	2,847,534.25	
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for current period		
Trustee fee income from entrusted operations		
Other non-operating income and expenses other than the aforementioned items	–97,462,471.64	
Other items of gain or loss in accordance with the definition of non-recurring gain or loss		
Total effect of the non-recurring gain or loss on total profit	312,434,535.28	
Impact of income tax	48,087,886.93	
Impact of minority shareholders' interests	33,973,968.94	
Impact of non-recurring profit and loss attributable to the parent company	230,372,679.41	

(2) Return on net assets and earnings per share

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	1.54	0.1425	0.1425
Net profit after deducting non-recurring profit and loss attributable to ordinary shareholders of the Company	–0.27	–0.0248	–0.0248

XV. OTHER DISCLOSURES PURSUANT TO RELEVANT ACCOUNTING POLICIES

On 29 December 2009, HE Company (哈電股份公司) entered into an equity transfer agreement with China Construction Bank Corporation, Heilongjiang branch, to acquire the 2.26% equity interest of Harbin Electrical Machinery Company Limited and the 8.37% equity interest of Harbin Turbine Company Limited, both of which were the subsidiaries of HE Company (哈電股份公司), held by China Construction Bank Corporation, Heilongjiang branch, with the transfer price of RMB 58,880,000 and RMB 154,800,000 respectively, which have been fully settled by HE Company (哈電股份公司) as at 31 December 2009. The transactions have been completed and approved by Heilongjiang Property Right Exchange Center. As at 31 December 2015, changes in industrial and commercial registration for the acquisition of equity interest have not been completed.

For the acquisition of 2.26% equity interest of Harbin Electrical Machinery Company Limited and the 8.37% equity interest of Harbin Turbine Company Limited by HE Company (哈電股份公司), revenue recognized in 2015 were RMB–3,320,155.90 and RMB–32,688,987.74, and the accumulative revenue recognized in 2010 to 2014 were RMB53,572,593.39 and RMB–181,781,889.72.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MACRO ECONOMY AND INDUSTRY DEVELOPMENT

In 2015, the global economy was in deep consolidation during which period new growth drivers had yet to form and the foundation for recovery was weak. As a result, the recovery was slower than expected. The pressure of a macroeconomic downturn was gathering strength in the PRC, though still within a reasonable range. With the ongoing optimization of economic structure and the changing growth momentum, the economic development has entered a new normal. Notwithstanding the active cooperation in terms of capacity among the international players and the relatively high potential of the overseas power market, the increasingly complicated and versatile political situation around the globe as well as the rising demand and standard on technology, instabilities and uncertainties remained. Drastic changes in the demand/supply structure of the power market and energy policies of the PRC presented challenges and opportunities. In 2015, growth in power consumption slowed down with a year-on-year drop of 3.3%. Investments in hydropower fell for two consecutive years. Installed capacity and output capacity of the grid-connected wind-power and solar-power generation recorded rapid growth. Output capacity of nuclear power generation hit new high during the year. Thermal power generation recorded negative growth for two consecutive years and hit new low in terms of utilization hours. The installed capacity and output capacity of non-fossil fuel generating units grew by 8.1% and 8.3% respectively over 2010.

NEW CONTRACTS

Facing with a complex and challenging environment in both the PRC and the rest of the world during the year 2015, Harbin Electric Company Limited and its subsidiaries (hereinafter referred to as the "Group") managed to make progress in market development by adopting well-thought strategies and overcoming obstacles, thereby realizing RMB33.102 billion worth of duly signed contracts, of which RMB15.591 billion (or 47.10% of total contract value) for thermal power equipment, RMB3.386 billion (or 10.23% of total contract value) for hydropower equipment, RMB257 million (or 0.78% of total contract value) for nuclear power equipment, RMB942 million (or 2.84% of total contract value) for hybrid equipment, RMB7.938 billion (or 23.98% of total contract value) for power engineering, and RMB4.989 billion (or 15.07% of total contract value) for other products.

New breakthroughs were achieved in securing MW-grade projects. Contracts were signed in connection with the 1,000 MW double reheat generating units for Phase 3 of the Fengcheng Power Station and Guohua Qingyuan Power Plant, achieving breakthrough in MW-grade double reheat turbine generating units and taking a leading position in the double reheat boiler market.

Turnkey projects realized new growth when contracts were signed for 600 MW generating units in connection with such projects as Qixiaying, Phase II of Jinzhou, Shenhua Huaidong, Huadian Xianghuan and Xishangzhuang, enhancing customer recognition.

Progress was also made in the nuclear power market. The successful bid of 2 conventional island turbine generating units of 1,250 MW each for the nuclear power plant at Bailong, Guangxi strengthened the Group's position in the AP1000 nuclear power market while the successful bid of coolant pump support for nuclear power plants Fuqing 5 & Fuqing 6 further expanded our capacity of supplying nuclear island equipment.

New move was made in the international market and contracts were signed in respect of the turnkey projects of combined cycle power plant in Bhikki (1,180 MW) and Balloki (1,223 MW) of Pakistan with an aggregate contract value of RMB7 billion. Besides, we won the bid of Phase 1 and 2 of Hassyan clean coal power plant in Dubai, representing a bold step into the investment segment of the power market.

PRODUCTION AND SERVICES

Addressing the repeated suspension and disruption of projects and the frequent occurrence of adversities, a comprehensive analysis of the orders on hand was conducted so as to determine the production volume of major product lines for each quarter and come up with a more systematic and scientific production plan. We paid more visits to customers for a timely understanding of the projects, took necessary precautionary measures to manage risks and adjusted the production plan in a flexible manner to improve utilization rate. We exercised stricter process control to check on production targets for major product lines and procured the responsible units to take measures to accomplish the annual production targets.

In 2015, the total output of the Group's power equipment reached 20,950.3 MW, down by 7.41% over the previous year, representing 113.43% of the designed capacity. Total output of water turbine generators amounted to 5,070.3 MW, down by 21.12% over the previous year,

REFORM AND MANAGEMENT

To speed up the reform of marketing mechanism, tendering function for coal-fired steam turbine generating unit with a capacity of 600 MW and above has shifted from the manufacturing entities to corporate headquarters so as to centralize the function under the headquarters.

Management consultation is activated by engaging professional consultants to consider the functions of the headquarters as well as the division of authority between the headquarters and the entities.

For the companies engaged in modern industries, finance and research centers, management of human resources and legal affairs is centralized to enhance work standards.

Management of the nuclear power equipment design institute is further consolidated to accentuate the support of production technology and the enhancement of design capacity for nuclear island.

To integrate environmental protection with the industry , the environmental protection division was scrapped and the operation and staff of that division were transferred to the Boiler Company so as to concentrate resources on the integration of denitrification, desulfation and dust removal.

PROFIT

In 2015, net profit attributable to the shareholders of the parent was RMB196.21 million, a decrease of 65.36% over the previous year. Earnings per share were RMB0.14, a decrease of RMB0.27 over the previous year. The reduction in the Group's profits is mainly due to the fact that income from equity for the period was substantially realized through fair value in the previous year, causing a significant drop in gains from changes in fair value for the period.

OPERATING INCOME

In 2015, the Group recorded an operating income of RMB25,097.22 million, an increase of 4.46% over the corresponding period last year, of which operating income from the main thermal power equipment was RMB9,331.66 million (or 37.18% of the total operating income), representing an year-on-year decrease of 14.73%. Operating income from main hydropower equipment was RMB2,705.71 million (or 10.78% of the total operating income), representing an year-on-year decrease of 6.92%. Operating income from engineering services for power stations was RMB6,819.32 million (or 27.17% of the total operating income), representing an year-on-year increase of 75.11%. Operating income from ancillary equipment for power stations was RMB1,747.54 million (or 6.96% of the total operating income), representing an year-on-year increase of 12.29%. Operating income from AC/DC motors and other products and services was RMB2,769.13 million (or 11.04% of the total operating income), representing an year-on-year decrease of 17.56%. Operating income from nuclear power products was RMB1,723.86 million (or 6.87% of the total operating income) , representing an year-on-year increase of 26.10%.

In 2015, the Group recorded an income of export of RMB6,616.86 million (or 26.36% of the total operating income), increasing by RMB2,282.25 million over the previous year. The export was dominated by Asia and South America.

COSTS

In 2015, the operating costs of the Group were RMB21,770.59 million, representing an increase of 4.35% over the previous year, mainly attributable to the expansion of sales scale.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2015, the Group realized a gross profit from operating business of RMB3,326.63 million, representing an year-on-year increase of 5.18%. The gross profit margin was 13.25%, representing an year-on-year increase of 0.09 %. The gross profit from main thermal power equipment was RMB1,994.20 million, increasing by RMB343.19 million over the previous year. The corresponding gross profit margin was 21.37%, representing an year-on-year increase of 6.28%.The gross profit from main hydropower equipment was RMB47.33 million, decreasing by RMB341.38 million over the previous year. The corresponding gross profit margin was 1.75%, representing an year-on-year decrease of 11.62%. The gross profit from engineering services for power stations was RMB490.60 million, increasing by RMB189.99 million over the previous year. The corresponding gross profit margin was 7.19%, representing an year-on-year decrease of 0.53%. The gross profit from ancillary equipment and products for power stations was RMB280.94 10( )1(Thk8)1(decreaseng)18 by RMB279.688( )1(1

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FUNDING SOURCES AND BORROWINGS STATUS

The Group financed its operation and development with four major funding sources, namely shareholder's funds, trade receivables from customers, bank borrowings and corporate bonds. The Group arranges borrowings for each specific project. Except for some exceptions, loans are usually raised individually by the Group's subsidiaries, while prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 31 December 2015, the Group's total borrowings amounted to RMB3,297.08 million(31 December 2014:RMB3,062.62 million) all of which amounts were borrowed from various commercial banks at interest rates stipulated by the state. Among those borrowings, the amount repayable within one year was RMB3,297.08 million, representing an increase of RMB308.90 million as compared to the beginning of the year. The amount due after one year in the beginning of the year was RMB74.45 million.

MONETARY CAPITAL AND CASH FLOWS

As at 31 December 2015, the monetary capital of the Group was RMB18,237.01 million, representing an increase of RMB3,627.26 million as compared to the beginning of the year. During the period, the net cash flow generated from operating activities of the Group was RMB4,410.62 million, while investing activities generated negative net cash flow of RMB694.71 million and financing activities generated negative net cash flow of RMB116.56 million.

ASSET STRUCTURE AND MOVEMENTS

As at 31 December 2015, total assets of the Group amounted to RMB64,163.25 million, representing an increase of RMB2,001.77 million (or 3.22%) as compared to the beginning of the year, of which current assets were RMB56,129.36 million, representing 87.48% of the total assets, while non-current assets were RMB8,033.89 million, representing 12.52% of the total assets.

LIABILITIES

As at 31 December 2015, total liabilities of the Group amounted to RMB50,246.36 million, representing an increase of RMB2,089.93 million as compared to the beginning of the year, of which current liabilities were RMB45,769.74 million, representing 91.09% of49.0479 t%.ss9t%.1

GEARING RATIO

As at 31 December 2015, gearing ratio of the Group (non-current liabilities over total shareholders' equity) was 0.35:1 as compared to that of 0.36:1 at the beginning of the year.

CONTINGENT LIABILITIES AND PLEDGES

As at 31 December 2015, the Group pledged its assets of RMB127.67 million to secure loans for liquidity.

CAPITAL EXPENDITURES AND MAJOR INVESTMENTS HELD

In 2015, the Group had a total capital expenditure of RMB516 million being invested in major construction projects and technological upgrades. The progress of those projects is as follows:

Phase I of the technology research base of HE Corporation, the construction of information technology infrastructure for the technology research base in Jiangbei (江北) and the power system upgrades of Harbin Electrical Machinery Company Limited were substantially completed. HE International Trade Tower project of Harbin Power Technology & Trade Inc. has completed protection measures for the exterior of the building. The constructing technology upgrading project for nuclear turbine core capacity of Harbin Turbine Company Limited and manufacturing base improvement project for main nuclear pump motor units of Harbin Electric Power Equipment Company Limited, the manufacturing capacity enhancement project for key nuclear pump and key equipment for long-distance natural gas pipeline of Harbin Electric Power Equipment Company Limited, the technology development and product manufacturing projects of HTR steam generator, reheater and main body testing of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited proceeded as scheduled.

In 2016, the Group intends to commit an investment of RMB1.460 billion, which will mainly finance the constructing technology upgrade of nuclear turbine core capacity of Harbin Turbine Company Limited, the improvement of manufacturing base of main nuclear pump motor units for Harbin Electric Power Equipment Company Limited, the enhancement of manufacturing capacity of key nuclear pump and long distance pipe key equipment for natural gas of Harbin Electric Power Equipment Company Limited, development and product manufacturing projects of HTR steam generator, reheater and main body testing of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited, nuclear island main equipment manufacturing automation for nuclear power of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited, HE International Trade Tower project of Harbin Power Technology & Trade Inc., acquisition of properties and land items of Harbin Boiler Company Limited and the newly-built production base of HE(Harbin) Haguo Boiler Manufacturing Technology Company Limited.

As at 31 December 2015, the Company ceased to hold any shares in listed companies.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Some of the deposits of the Group are denominated in foreign currencies. As at 31 December 2015, the amount of the Group's deposits in foreign currencies was equivalent to RMB736.47

Focusing on securing orders. We will closely monitor updated market demand, investigate into the change in customer composition and analyze competitors' new moves so as to supply turnkey projects of ultra-supercritical generating unit with a capacity of 1,000MW to top five power generation group enterprises. The Group will make all-out efforts in the global market, Ongoing process of cost reduction and effectiveness enhancement. We will adhere to a two-prong approach to relieve pressure on inventory and trade receivables, targeting at a continuous reduction as compared with that of 2015. To avoid effectiveness downturn, we will have better internal support, perfect the system and reinforce the synergy. We will promote centralized procurement and complete an e-commerce platform. In 2016, online purchasing ratio will reach 50%. We will implement centralized cash management with a concentration rate of over 75%.

Innovation development powered by technology

We will perfect the technology innovation system by focusing on the establishment of R&D of nuclear main pump and improving self-initiated innovation ability. We actively seek sponsorship for projects by ensuring effective management of national research projects and exercising strict control over project risks. We will rationalize the technology development system to enhance advanced design and protection.

We will accelerate the development process of new products and new technologies, further increase technology inputs and make additional efforts to develop the clean coal power generators with a capacity of 1,000 MW, products with independent intellectual property rights such as “Hualong One”, as well as the double reheat generating units and Zhundong coal technology. We will refine the renovation plan for in-use generators to improve our technology level. The development and accumulation of new technologies, such as photovoltaic and tidal current power generation, will be speeded up.

The Group intends to accelerate the nurturing of high-level personnel of the Company and promote the implementation of the “50 talents” plan to nurture leaders for the technology industry and form an innovation team. We will build up a systematic mechanism to nurture talents, deepen the establishment of a Y-shaped channel and provide the staff with more space for development. To accelerate the growth of staff, we will strengthen talent training, raise the training standards and enhance the effects.

Focusing on emerging industries while further intensifying structure adjustment

We will formulate plans for the development of nuclear power and fuel-fired generators in light of the “13th Five-Year-Plan” to advance the development of nuclear power and fuel-fired generators business. We will complete the upgrading plan for Power Equipment Company and Turbine Company, ensure the timely delivery of Fuqing power generators no.5 and no.6, and Tianwan conventional island equipment No. 4 in order to launch the nuclear power business into the international markets. The formation of joint venture with GE in respect of the fuel-fired generator segment will be speeded up. The target for 2016 is to command a 40% market share in the fuel-fired generator product market.

To facilitate its long-term development, the Group accelerates the process of tapping into the

Meanwhile, we will put more efforts into the projects in Dubai and Indonesia as a general contractor and investor, turning ourselves into an investor in the power industry.

Regulating the system by leveraging on reforms

Exercising the overall control, the corporate headquarters are responsible for organizing the system reforms whereby functions and responsibilities are clearly defined and authority delegated to enhance the headquarters' control and efficiency. Through planning, arrangement and implementation, the optimization of workforce structure at headquarters will be accelerated and the overall service standards of headquarters can also be further improved.

We will deepen reforms in three levels. The reform in allocation is to adopt a more scientific and reasonable remuneration system instead of rigid uniformity, especially in Turbine Company, Electrical Machinery Institute, Heavy Equipment Company, Power Equipment Company, Valve Company, Modern Industry Company, etc.. The reform in labour system is to implement a skimming plan, especially in Electrical Machinery Institute and Turbine Company, laying off redundant employees and cutting management assistance positions. We will learn from the management philosophy and performance-oriented culture of GE Company in order to promote a performance assessment framework.

In order to further improve our risk management, we will closely monitor the economic and political conditions around the globe, analyze the policy and environment of the regions where the projects are located, prevent risks arising from contract performance, labor and exchange rates, especially the risks relating to HE International Company's hydropower project in Ecuador. We will step up the capital risk control measures by monitoring the opening and management of capital accounts, strictly controlling and regularly settling the guarantees provided. We will enforce financial disciplines and strictly control the collection and statistics of financial data.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in the manufacture and sales of various kinds of power equipment and power station engineering services, details of which are set out in the notes to the financial statements of the annual report.

All activities of the Group are based in the PRC, where approximately 73.64% of the turnover is derived from.

As of 31 December 2015, the turnover from export of products of the Group amounted to USD1,018.9815 million, representing 26.36% of the Group's total turnover. The Group's major regions for export included Asia and South America, which respectively accounted for 17.72% and 6.41% of the Group's total turnover while major countries for export included Turkey, Ecuador and Indonesia, which respectively accounted for 9.17%, 6.41% and 5.29% of the Group's total turnover.

SUBSIDIARIES

Details of subsidiaries of the Group as at 31 December 2015 are set out in the notes to financial statement in the annual report.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss of the annual report.

DIVIDEND

A dividend of RMB0.015 per share (appropriate tax included) for 2015 was proposed by the board of directors.

Dividends payable to shareholders of H shares will be paid in Hong Kong dollar, to be translated at the average of the exchange rates quoted by the People's Bank of China for the five days preceding 25 March 2016, which is RMB1 for HK$1.1949. Each shareholders of H shares will receive a dividend of HK$0.0179 per share.

CLOSURE OF REGISTER

The Register of members of the Company will be closed from 2 June 2016 to 6 June 2016 (both dates inclusive). Final dividend for 2015 will be distributed on 28 July 2016 to shareholders whose names appear in the Register of members of the Company on 2 June 2016. In order to qualify for the final dividend for 2015, all completed transfer documents accompanied with the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, namely Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 1 June 2016.

DIVIDEND TAX

Pursuant to the relevant requirement of "PRC Individual Income Tax Law" (《中華人民共和國個人所得稅法》), PRC Implementation Regulations of the Individual Income Tax Law" (《中華人民共和國個人所得稅法實施條例》) and"Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative)" (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法（試行)〉的通知》, the Company will withhold and pay the individual

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN THE SHARE CAPITAL

As at 31 December 2015, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or of 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 pursuant to Divisions 7 and 8 of Part XV of the SFO (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) 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.

DIRECTORS' SERVICE CONTRACTS

Each director of the Company have signed service contract with the Company. Apart from the service contract mentioned, there is no other contract between directors of the Company and the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During 2015, none of the Directors or Supervisors has any interest, whether directly or indirectly, in the contracts of significance entered into by the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

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

MAJOR LITIGATION

Details of major litigation of the Group in 2015 are set out in notes to financial statement in the annual report.

MODEL CODE

The Company, having made specific enquiry, confirms that all members of the Board 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 complied throughout the year of 2015 with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules of the Stock Exchange, details of which are set out in the "Corporate Governance Report" of the annual report.

AUDIT COMMITTEE

The Audit Committee had reviewed the audited financial statements and connected transactions of the Group for the year ended 31 December 2015, and discussed with the Board the financial reporting procedures as well as the internal control system of the Group.

AUDITORS

In 2015, the appointment of the original PRC auditor of the Company Ruihua Certified Public Accountants and the Hong Kong auditor Crowe Horwath (HK) CPA Limited has expired in accordance with the financial auditing engagement period stipulated by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China. In December 2015, BDO China Shu Lun Pan Certified Public Accountants LLP has been appointed as the auditor for the 2015 financial statement of the Company. The Company has not changed its auditor for the past three years.

By order of the Board
Harbin Electric Company Limited
Ai Li-song
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Harbin, PRC
25 March 2016

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