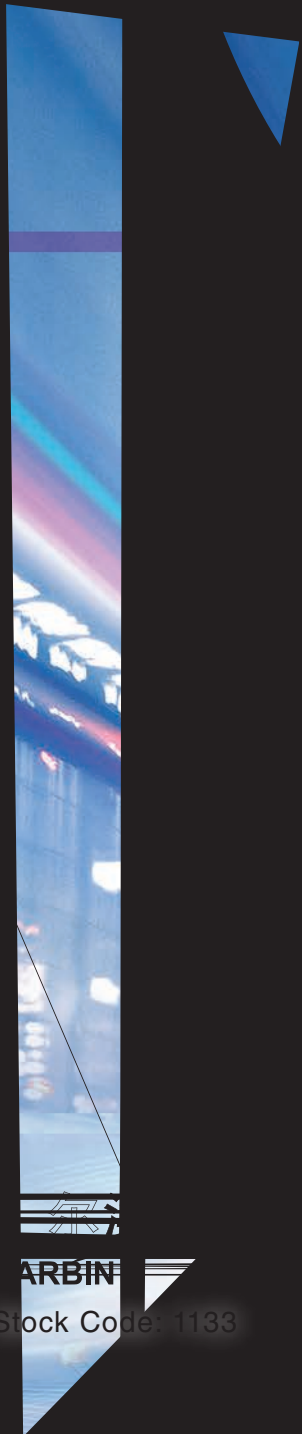


ANNUAL REPORT 2018



ARBIN

Stock Code: 1133

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OVERVIEW OF THE COMPANY

Harbi Electric Company Limited (the Company) was founded in 1994 and is a public company listed on the Hong Kong Stock Exchange, Harbi Building, Harbi Road and Harbi Tower (the main office).

The company was established on October 6, 1994 and is a public company listed on the Hong Kong Stock Exchange since December 16, 1994. The company's registration number is 011133.

As at December 31, 2018, the company's total assets were 1,706,523,000 and the total liabilities were 675,571,000. The company is listed on the Hong Kong Stock Exchange.

The company's main business is to provide power generation services. The company has a total capacity of 20,000 MW and a total installed capacity of 30,000 MW. The company's main business is to provide power generation services.

The company's main business is to provide power generation services. The company has a total capacity of 1,000 MW and a total installed capacity of 30,000 MW.

The company's main business is to provide power generation services. The company has a total capacity of 1,000 MW and a total installed capacity of 30,000 MW.

The company's main business is to provide power generation services. The company has a total capacity of 1,400 MW and a total installed capacity of 30,000 MW.

The company's main business is to provide power generation services. The company has a total capacity of 9F/9H and a total installed capacity of 30,000 MW.

The company's main business is to provide power generation services. The company has a total capacity of R&D and a total installed capacity of 30,000 MW.

The company's main business is to provide power generation services. The company has a total capacity of AC/DC and a total installed capacity of 30,000 MW.

OVERVIEW OF THE COMPANY (CONTINUED)

Technical services; and

Contract manufacturing services; and

Import and export services;

After-sales services; and

R&D services; and

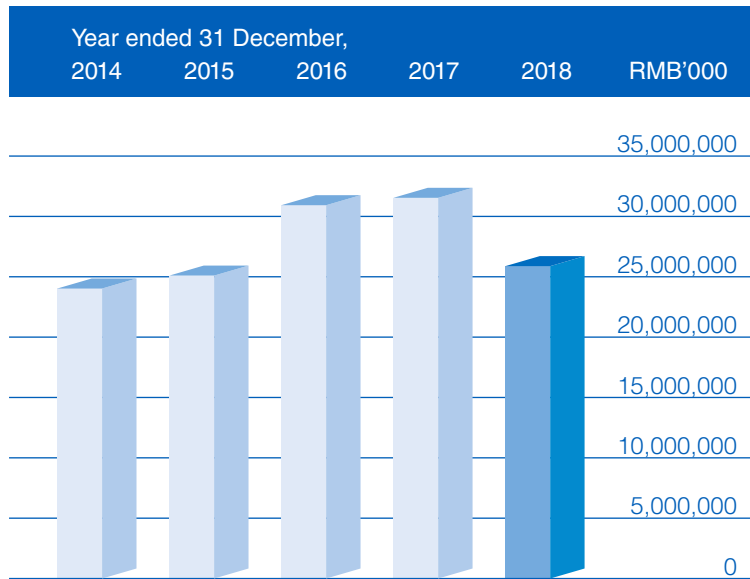
R&D services provided to customers;

Engineering services, construction, installation, and maintenance.

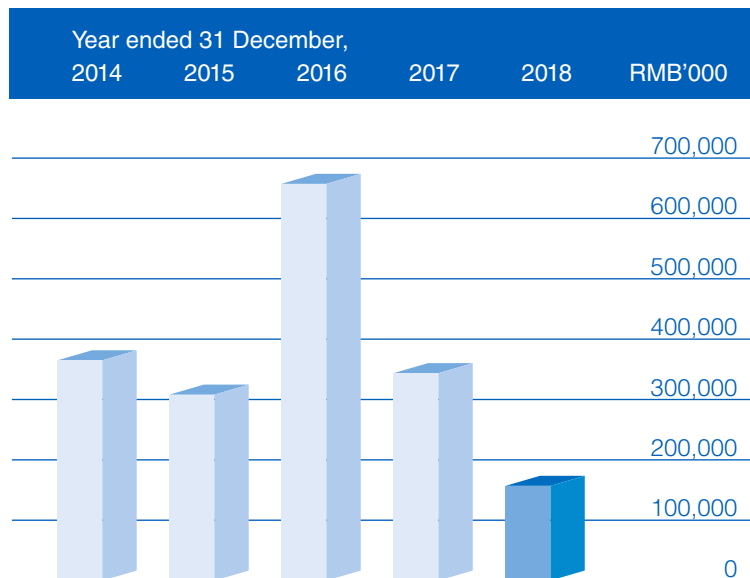
Principal subsidiaries include: Guangdong Axiada Electronics Co., Ltd. (Axiada), an unlisted company incorporated in the People's Republic of China, with its principal place of business in Guangzhou, Guangdong, P.R. China; Axiada (Brazil) Co., Ltd. (Axiada Brazil), an unlisted company incorporated in Brazil, with its principal place of business in Botucatu, São Paulo, Brazil; and Axiada (USA) Co., Ltd. (Axiada USA), an unlisted company incorporated in the United States of America, with its principal place of business in Chicago, Illinois, USA.

The Group's subsidiaries are engaged in manufacturing, sales and distribution of electronic components, electronic products, electronic equipment, and electronic systems, and provide technical services, contract manufacturing services, import and export services, after-sales services, and R&D services. The Group's subsidiaries are also engaged in providing engineering services, construction, installation, and maintenance.

OPERATING INCOME



TOTAL PROFITS



FINANCIAL HIGHLIGHTS (CONTINUED)

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

	Unit	Year ended 31 December				
		2018	2017	2016	2015	2014
Operating Income	RMB'000	25,879,461	31,540,324	30,929,421	25,097,225	24,026,534
Total Profit	RMB'000	156,854	343,366	657,169	307,860	364,910
Non-current assets disposal income	RMB'000	71,317	194,227	413,283	196,212	566,409
Total Assets	RMB'000	56,541,983	64,838,093	65,867,508	64,163,245	62,161,482
Total Liabilities	RMB'000	40,232,952	48,695,941	51,225,093	50,246,364	48,156,430
Long-term interest-bearing liabilities	RMB'000	1,282,749	1,271,401	1,209,321	1,209,491	1,329,180
Long-term assets disposal income	RMB'000	15,026,282	14,870,751	13,433,093	12,707,391	12,675,872
Net interest	RMB	8.805	8.714	9.757	9.230	9.207
Exchange rate	RMB	0.042	0.141	0.300	0.143	0.411

FINANCIAL HIGHLIGHTS (CONTINUED)

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of Board, I represent the 2018 annual report of Harbin Electric Company Limited to you.

In 2018, the Company made a steady progress in business operations, and achieved significant results. The Company's operating income increased by 17.95% compared with the same period last year. The Company's operating profit increased by 54.32% compared with the same period last year.

After the year-end audit, the Company's financial position is stable, and the company's financial position is stable. The company's total assets are RMB25.879 billion, an increase of 17.95% compared with the same period last year; total liabilities are RMB157 million, an increase of 54.32% compared with the same period last year.

During the year, the Company continued to implement the strategy of "focus on the main business, expand the business, and develop the business". The company's business operations are stable and the company's financial position is stable. The company's operating income increased by 17.95% compared with the same period last year. The company's operating profit increased by 54.32% compared with the same period last year. The company's total assets are RMB25.879 billion, an increase of 17.95% compared with the same period last year; total liabilities are RMB157 million, an increase of 54.32% compared with the same period last year.

In 2019, the Company will continue to implement the strategy of "focus on the main business, expand the business, and develop the business". The company will continue to implement the strategy of "focus on the main business, expand the business, and develop the business". The company will continue to implement the strategy of "focus on the main business, expand the business, and develop the business". The company will continue to implement the strategy of "focus on the main business, expand the business, and develop the business".



MANAGEMENT DISCUSSION AND ANALYSIS

Para ad i c i i c c i f i a c i a a m a d i c i i a a r .
U i a d , a a n a r d m i a d i R m i b i .

MACRO-ECONOMY AND INDUSTRY DEVELOPMENT

A r , d m i a r i z a i a d c m i c b a i z a i a r m i f a d i a d r , b a c m .
a d r a a a c , c r a i i f b a c m a r i c r a i , a d d i f a c i a
c a a r i c d i a c , i c m b i d i b r i a d r i i . T b a r c r

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

T ́m a ́ d ́ :T ́ a m a ́ i ́ c i d d c i , m a i a i a ́ m a ́ i a i . I 2018, ́ m a ́ c ́ a c ́ a ́ f ́ G ́ ́ ́ m a ́ ́ i m ́ d ́ a d b 17.82% ́ ́ i ́ a ́ .

S a ́ ́ d ́ :A ́ ́ , d ́ m i c m a ́ d m a d f ́ a ́ ́ i d m i a d b F-c a ́ b i ́ , ́ i a f ́ H-c a ́ b i ́ ́ c a ́ m ́ i . I 2018, ́ m a ́ c ́ a ́ f ́ G ́ ́ a ́ ́ i m ́ d ́ a d b 92.13% ́ ́ i ́ a ́ .

I ́ a i a m a ́ :D ́ f f i c i a ́ m a i f ́ G ́ ́ c ́ a c ́ i i a i d a d ́ c a ́ d d i 2017, ́ m a ́ c ́ a ́ f ́ G ́ ́ i ́ a i a m a ́ i 2018 ́ a RMB14.35 b i i , ́ ́ i a i c a ́ f 377.6% ́ ́ i ́ a ́ .

Production & service

I ́ m ́ f ́ m a i ́ d c , a f f c d b a i a i c i d -c a a c i f ́ m a ́ a d ́ a d ́ i c i i 2018, c a i f ́ G ́ ́ - i ́ m a ́ ́ c ́ a ́ d d , a d ́ d c i f ́ m a ́ ́ d c ́ a d c ́ a d ́ ́ i ́ a ́ , ́ i b i d d i ́ c c i d d c ́ a i l ́ d ́ m i h i ́ a ́ a i a i , G ́ m a d i ́ d c i a i a c i f i c a d ́ a a b m a ́ b a i i f a c c i ́ a a d ́ a i a i , ́ a c a d a d ́ c ́ m m a i ́ i a d ́ f a c ́ i . I 2018, ́ G ́ ́ ́ a i ́ m a ́ d 14,190 MW, ́ b 0.1% ́ a ́ i d a ́ a , f ́ i c 2,260 MW ́ d c d b ́ a ́ b i ́ a ́ i , ́ b 18.9% ́ a ́ i d a ́ a a d 11,930 MW b a ́ b i ́ a ́ , d ́ b 2.8% ́ a ́ i d a ́ a . O ́ f a ́ b i f ́ a i ́ a i ́ a 10,030 MW, b 2.0% ́ a ́ i d a ́ a a d a f b i f ́ a i ́ a i ́ a 14,180 MW, d ́ b 17.0% ́ a ́ i d a ́ a . T ́ d c i c a ́ a d ́ a d ́ d i ́ a a d ́ a ́ a i d ́ .

I ́ m ́ f ́ d c ́ i c , i 2018, ́ G ́ ́ f f i c i a ́ a c d i ́ a i ́ i c a f ́ m , a i a i ́ i ́ + i ́ ́ + ́ i c ́ b i ́ m d ; a c i ́ d ́ d m a ́ i m d ́ c a ́ c i c a ́ m ́ m + a a ́ ́ r a d i ́ c i c a ́ m + ́ a a d ́ c i c a ́ m + c a i a ́ ; a b i d J i a & Z i a S ́ i c C ́ a d m a d b a ́ ́ i ́ a ́ i c ; ́ i d d - i ́ i c ́ f 1,167 ́ /d a f ́ ́ a , a d ́ f ́ m d - i ́ i a d c ́ ; a d ́ m a d H a d b ́ P ́ S a i S ́ i c S a d a d a d i c ́ m d ́ c i f i c a i , G ́ ́ i c m a ́ a b ́ d c a ́ .

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, Group's total comprehensive income of RMB506 million increased significantly from the previous year's total comprehensive income of RMB317 million, RMB182 million and RMB7 million, respectively. Total comprehensive income increased due to the increase in Group's profit.

Major acquisitions and sales of subsidiaries, associates and joint ventures

In 2018, Company carried out major acquisitions of subsidiaries, associates and joint ventures.

MAJOR FINANCIAL INDEXES

In 2018, Group's total assets increased by 10.23% to RMB1,010.14 billion, mainly due to the acquisition of subsidiaries, associates and joint ventures. Total liabilities increased by 10.23% to RMB610.14 billion, mainly due to the acquisition of subsidiaries, associates and joint ventures. Total equity increased by 10.23% to RMB399.99 billion, mainly due to the acquisition of subsidiaries, associates and joint ventures.

Total comprehensive income of 2018 according to the provisions of the Company Law of the PRC is RMB506 million.

Profit

In 2018, Group's profit attributable to shareholders increased by 63.28% to RMB71.32 million, compared with RMB0.04 million and RMB0.10 million, respectively. Total comprehensive income attributable to shareholders increased by 63.28% to RMB71.32 million, compared with RMB0.04 million and RMB0.10 million, respectively.

Operating income

In 2018, Group's total operating income of RMB25,879.46 million increased by 17.95% from the previous year's total operating income of RMB22,000.00 million (including the total operating income of RMB11,877.25 million (↑45.89% from the previous year's total operating income), operating income of subsidiaries of RMB1,704.64 million (↑6.59% from the previous year's total operating income), operating income of associates of RMB7,411.07 million (↑28.64% from the previous year's total operating income), operating income of joint ventures of RMB7,411.07 million (↑28.64% from the previous year's total operating income), operating income of AC/DC of RMB899.96 million (↑3.48% from the previous year's total operating income), operating income of RMB2,648.00 million (↑10.23% from the previous year's total operating income), operating income of RMB1,338.54 million (↑5.17% from the previous year's total operating income), respectively. The increase in total operating income was mainly due to the increase in the operating income of subsidiaries, associates and joint ventures. The increase in the operating income of subsidiaries, associates and joint ventures was mainly due to the increase in the operating income of subsidiaries, associates and joint ventures. The increase in the operating income of subsidiaries, associates and joint ventures was mainly due to the increase in the operating income of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gearing ratio

As at 31 December 2018, the Group's gearing ratio (i.e. net liabilities divided by total assets) was 0.12:1, compared with a ratio of 0.11:1 as at 31 December 2017.

Contingent liabilities and pledges

As at 31 December 2018, the Group did not have any contingent liabilities.

Exposure to fluctuations in exchange rate

Since the end of the Group's reporting period, the exchange rate of the Renminbi against the Hong Kong dollar has fluctuated. As at 31 December 2018, the exchange rate of the Renminbi against the Hong Kong dollar was RMB722.76 per HK dollar. The Group's exposure to fluctuations in exchange rates is detailed in Note 23.

Use of fund-raising proceeds

The Company has not used any proceeds from its public offerings for any fund-raising activities since the end of the reporting period.

Dividend

The Board does not recommend a final dividend for 2018.

OUTLOOK

During the reporting period, the Company has continued to focus on its core business, and has achieved significant progress in various aspects. The Company has successfully completed the acquisition of the 100% equity interest in Harbin Electric Company Limited, which is a leading manufacturer of high-voltage electrical equipment in China. This acquisition has significantly enhanced the Company's product portfolio and market presence in the high-voltage electrical equipment market. The Company has also completed the acquisition of the 100% equity interest in Harbin Electric (Hubei) Company Limited, which is a leading manufacturer of low-voltage electrical equipment in Hubei. This acquisition has significantly enhanced the Company's product portfolio and market presence in the low-voltage electrical equipment market. The Company has also completed the acquisition of the 100% equity interest in Harbin Electric (Guangdong) Company Limited, which is a leading manufacturer of low-voltage electrical equipment in Guangdong. This acquisition has significantly enhanced the Company's product portfolio and market presence in the low-voltage electrical equipment market.

In 2019, the Group will continue to focus on its core business and will continue to expand its market presence in the high-voltage electrical equipment market. The Group will also continue to expand its market presence in the low-voltage electrical equipment market. The Group will continue to invest in research and development to develop new products and technologies. The Group will also continue to invest in marketing and sales to expand its market presence. The Group will continue to focus on improving its operational efficiency and reducing its costs. The Group will continue to focus on improving its financial performance and increasing its profitability. The Group will continue to focus on improving its corporate governance and transparency. The Group will continue to focus on improving its environmental, social and governance performance. The Group will continue to focus on improving its risk management and internal control systems. The Group will continue to focus on improving its human resources management and training programs. The Group will continue to focus on improving its information technology systems and data security. The Group will continue to focus on improving its legal and compliance systems. The Group will continue to focus on improving its public relations and investor relations. The Group will continue to focus on improving its brand image and reputation. The Group will continue to focus on improving its overall performance and creating long-term value for its shareholders.

Harbin, PRC
7 March 2019

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Si Ze-fu, born in 1958, holds a MBA degree and is a senior professional director, chairman and director of China National Petroleum Administration (CNPA), chairman and director of HE. Mr. Si graduated from Tianjin University School of Economics and Management, majoring in Management Science and Management. He has worked in various positions in the oil and gas industry, including Director of Sales, Director of Marketing, Director of Finance, Director of Human Resources, Director of Information Management, Director of Logistics, Director of Quality Management, Director of Safety Management, Director of Environmental Management, Director of Legal Affairs, Director of Public Relations, Director of Corporate Social Responsibility, Director of Investor Relations, Director of External Affairs, Director of International Cooperation, Director of Technical Management, Director of Research and Development, Director of Production Management, Director of Operation Management, Director of Maintenance Management, Director of Safety Management, Director of Environmental Management, Director of Quality Management, Director of Logistics Management, Director of Information Management, Director of Human Resources Management, Director of Finance Management, Director of Marketing Management, Director of Sales Management, Director of Customer Service, Director of After-sales Service, Director of Technical Support, Director of Training, Director of Education, Director of Culture and Sports, Director of Publicity, Director of Media Relations, Director of Public Affairs, Director of Social Responsibility, Director of Environmental Protection, Director of Safety Management, Director of Risk Management, Director of Compliance Management, Director of Internal Control, Director of Audit, Director of Legal Affairs, Director of Dispute Resolution, Director of Arbitration, Director of Litigation, Director of Bankruptcy, Director of Insolvency, Director of Reorganization, Director of Liquidation, Director of Bankruptcy Administration, Director of Insolvency Administration, Director of Reorganization Administration, Director of Liquidation Administration, Director of Bankruptcy Administration, Director of Insolvency Administration, Director of Reorganization Administration, Director of Liquidation Administration.

Mr. Wu Wei-zhang, born in July 1962, is a senior professional director and a senior director, Chairman and Director of the Board of Directors of China National Petroleum Administration (CNPA), Chairman and Director of HE. Mr. Wu graduated from Tianjin University in 1988 and worked in various positions in the oil and gas industry, including Director of Sales, Director of Marketing, Director of Finance, Director of Human Resources, Director of Information Management, Director of Logistics, Director of Quality Management, Director of Production Management, Director of Operation Management, Director of Maintenance Management, Director of Safety Management, Director of Environmental Management, Director of Quality Management, Director of Logistics Management, Director of Information Management, Director of Human Resources Management, Director of Finance Management, Director of Marketing Management, Director of Sales Management, Director of Customer Service, Director of After-sales Service, Director of Technical Support, Director of Training, Director of Education, Director of Culture and Sports, Director of Publicity, Director of Media Relations, Director of Public Affairs, Director of Social Responsibility, Director of Environmental Protection, Director of Safety Management, Director of Risk Management, Director of Compliance Management, Director of Internal Control, Director of Audit, Director of Legal Affairs, Director of Dispute Resolution, Director of Arbitration, Director of Litigation, Director of Bankruptcy, Director of Insolvency, Director of Reorganization, Director of Liquidation, Director of Bankruptcy Administration, Director of Insolvency Administration, Director of Reorganization Administration, Director of Liquidation Administration, Director of Bankruptcy Administration, Director of Insolvency Administration, Director of Reorganization Administration, Director of Liquidation Administration.

Mr. Zhang Ying-jian, born in November 1964, is a senior professional director and a senior director, Chairman and Director of the Board of Directors of China National Petroleum Administration (CNPA), Chairman and Director of HE. Mr. Zhang graduated from Tianjin University in 1988 and worked in various positions in the oil and gas industry, including Director of Sales, Director of Marketing, Director of Finance, Director of Human Resources, Director of Information Management, Director of Logistics, Director of Quality Management, Director of Production Management, Director of Operation Management, Director of Maintenance Management, Director of Safety Management, Director of Environmental Management, Director of Quality Management, Director of Logistics Management, Director of Information Management, Director of Human Resources Management, Director of Finance Management, Director of Marketing Management, Director of Sales Management, Director of Customer Service, Director of After-sales Service, Director of Technical Support, Director of Training, Director of Education, Director of Culture and Sports, Director of Publicity, Director of Media Relations, Director of Public Affairs, Director of Social Responsibility, Director of Environmental Protection, Director of Safety Management, Director of Risk Management, Director of Compliance Management, Director of Internal Control, Director of Audit, Director of Legal Affairs, Director of Dispute Resolution, Director of Arbitration, Director of Litigation, Director of Bankruptcy, Director of Insolvency, Director of Reorganization, Director of Liquidation, Director of Bankruptcy Administration, Director of Insolvency Administration, Director of Reorganization Administration, Director of Liquidation Administration, Director of Bankruptcy Administration, Director of Insolvency Administration, Director of Reorganization Administration, Director of Liquidation Administration.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Chen Guang, born in April 1964, a Chinese citizen, a graduate of Harbin Institute of Technology, a senior engineer, a senior technical expert, a senior professional title holder, a senior member of the Party Committee and a member of the United Front Work Department of the Communist Group. Mr. Chen graduated from Xi'an Jiaotong University in 1987 and received a PhD degree from Harbin Institute of Technology in 2001. He worked in Harbin Institute of Technology for 20 years, creating a scientific and technical team and creating a design of Laboratory of Nonlinear Physics, creating a design of Dynamic System, and director of Scientific Department and creator of Nonlinear Physics. He has also worked as a design of Safety Technology and Engineering Practice Office, and director of creation of China Manufacturing Design Department. He has also worked as a design of Party Committee and a member of the United Front Work Department of the Communist Group since 2016. He has also worked as a design of Communist Party since 2009.

Mr. Zhu Peng-tao, born in April 1973, aged 44, a Chinese citizen, a graduate of Harbin Institute of Technology, a senior engineer, a senior technical expert, a senior professional title holder, a senior member of the Party Committee and a member of the United Front Work Department of the Communist Group since 2016. He has also worked as a design of Communist Party since 2009.

SENIOR MANAGEMENT

Mr. Liu Zhi-quan, born in July 1968, is a senior accountant and certified public accountant in China. He graduated from Harbin Institute of Technology, majoring in Electrical Engineering. He has worked for Beijing Electric Power Company Limited since HEI 1991. He has been a director of Beijing Electric Power Company Limited since his appointment in 2011. He has also worked as a director and deputy chairman of the board of directors of Harbin Electric Power Company Limited since HEI 2001. Mr. Liu has been a director of China Electric System since 2006, Vice-President of China Electric March 2013 and director of China Electric Network since 2014. He has also worked as a chairman of China Electric since January 2012 to January 2013.

Mr. Xie Wei-jiang, born in January 1973, is a graduate of Tsinghua University, a senior engineer and a senior technical expert. He graduated from Tsinghua University, majoring in Power Engineering. He has worked for China National Water & Electric Power Corporation since HEI 1997. He has worked as a director of Beijing Guodian Electric Power Company Limited (北京國電工程招標有限公司), chairman of Beijing Zhongtang Electric Engineering Consulting Company Limited (北京中唐電工程諮詢有限公司), and deputy chairman of China Daa Corporation, chairman of Beijing Guodian Electric Power Corporation, and chairman of China National Water & Electric Power Corporation since HEI 2001. He has also worked as a director of China Daa Corporation since December 2016, director of China Daa Corporation since December 2017, and chairman of China National Water & Electric Power Corporation since HEI 2018, and a director of China National Water & Electric Power Corporation since 2018.

Mr. Lu Zhi-qiang, born in September 1973, is a graduate of Harbin Institute of Technology. He has worked for Harbin Institute of Technology since HEI 1995. He has worked as a director of Harbin Institute of Technology since HEI 2009, and chairman of Harbin Electric Power Company Limited since HEI 2011, chairman of Harbin Electric Power Company Limited since March 2015, chairman of Harbin Electric Power Company Limited since January 2016, chairman of Harbin Electric Power Company Limited since March 2017, and chairman of Harbin Electric Power Company Limited since HEI 2018, and a director of Harbin Electric Power Company Limited since 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

COMPANY SECRETARY

Mr. Ai Li-song, born in March 1970, is a Chinese national and a resident of the People's Republic of China. He is currently a senior manager and a director of the Board of Directors of the Company. Mr. Ai graduated from Jilin University of Technology, majoring in Mechanical Engineering, and obtained a master's degree from Harbin Institute of Technology. Mr. Ai has also worked for Harbin Electric Machinery Works, a subsidiary of the Company, and General Manager of the Sales Office of Shanghai & Wafangdian Securities Co., Ltd. (申銀萬國證券公司) in Nanhai Road, Harbin, and has also worked for the management and administration of the Company. Mr. Ai has also worked for the Company as a director of the Board of Directors of the Company, and as a director of the Board of Directors of the Company. Mr. Ai was appointed as a director of the Board of Directors of the Company in February 2016, and as a director of the Board of Directors of the Company in May 2015.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The Group mainly engaged in manufacturing and sales of various types of power transformers, including oil-immersed, dry-type, cast resin, and air-cooled, and also engaged in manufacturing of various types of power transformers, including oil-immersed, dry-type, cast resin, and air-cooled. The Group also engaged in manufacturing and sales of various types of power transformers, including oil-immersed, dry-type, cast resin, and air-cooled.

In 2018, the total revenue of the Group was RMB7,397.40 million, an increase of 28.58% from the total revenue of RMB5,753.25 million in 2017. The Group's main revenue sources were the sale of power transformers, including oil-immersed, dry-type, cast resin, and air-cooled, with a total revenue of RMB6,841.70 million and RMB382.96 million, respectively.

BUSINESS REVIEW

During the reporting period of 2018, the Group has achieved a significant increase in revenue and profit, which is mainly due to the expansion of the Group's business and the improvement of the operating performance of the Group's subsidiaries.

Major Risks and Uncertainties

In 2018, the Group's operations were characterized by the following major risks and uncertainties: (1) the risk of changes in the market environment; (2) the risk of changes in the operating performance of the Group's subsidiaries; (3) the risk of changes in the operating performance of the Group's subsidiaries; (4) the risk of changes in the operating performance of the Group's subsidiaries; (5) the risk of changes in the operating performance of the Group's subsidiaries.

REPORT OF THE DIRECTORS (CONTINUED)

Risk type	Risk description	Countermeasures
<p>Bilişim teknolojilerinde ve finansal sistemlerdeki değişiklikler nedeniyle oluşabilecek riskler.</p>	<p>Wikipedia'de yer alan, "radikal" (1) "Pamukçü" ile ilgili; "radikal" ifadesi yanlışlıkla "radikalizm" olarak algılanmış ve "radikalizm" ifadesi "radikalizm" olarak algılanmış. Tarihçe bölümünde yer alan "radikalizm" ifadesi "radikalizm" olarak algılanmış ve "radikalizm" ifadesi "radikalizm" olarak algılanmış.</p>	<p>(1) Pamukçü ile ilgili; (2) "Radikalizm" ifadesi yanlışlıkla "radikalizm" olarak algılanmış ve "radikalizm" ifadesi "radikalizm" olarak algılanmış.</p>
<p>Çalışma ortamının güvenliği.</p>	<p>İl 2018, "Güvenli çalışma ortamı" (1) "Rahatsızlık" ifadesi yanlışlıkla "Rahatsızlık" olarak algılanmış ve "Rahatsızlık" ifadesi "Rahatsızlık" olarak algılanmış. İl 2019, "Aydınlatma" ifadesi yanlışlıkla "Aydınlatma" olarak algılanmış ve "Aydınlatma" ifadesi "Aydınlatma" olarak algılanmış.</p>	<p>(1) "Rahatsızlık" ifadesi yanlışlıkla "Rahatsızlık" olarak algılanmış ve "Rahatsızlık" ifadesi "Rahatsızlık" olarak algılanmış; (2) "Çalışma ortamı" ifadesi yanlışlıkla "Çalışma ortamı" olarak algılanmış ve "Çalışma ortamı" ifadesi "Çalışma ortamı" olarak algılanmış; (3) "Fotograf" ifadesi yanlışlıkla "Fotograf" olarak algılanmış ve "Fotograf" ifadesi "Fotograf" olarak algılanmış; (4) "Çalışma ortamı" ifadesi yanlışlıkla "Çalışma ortamı" olarak algılanmış ve "Çalışma ortamı" ifadesi "Çalışma ortamı" olarak algılanmış; (5) "Aydınlatma" ifadesi yanlışlıkla "Aydınlatma" olarak algılanmış ve "Aydınlatma" ifadesi "Aydınlatma" olarak algılanmış.</p>
<p>İnsan kaynakları ve maliyetler.</p>	<p>Tümleşik yapılandırma (1) "İnsan kaynakları" ifadesi yanlışlıkla "İnsan kaynakları" olarak algılanmış ve "İnsan kaynakları" ifadesi "İnsan kaynakları" olarak algılanmış; (2) "Maliyetler" ifadesi yanlışlıkla "Maliyetler" olarak algılanmış ve "Maliyetler" ifadesi "Maliyetler" olarak algılanmış; (3) "Finansal" ifadesi yanlışlıkla "Finansal" olarak algılanmış ve "Finansal" ifadesi "Finansal" olarak algılanmış; (4) "Maliyetler" ifadesi yanlışlıkla "Maliyetler" olarak algılanmış ve "Maliyetler" ifadesi "Maliyetler" olarak algılanmış.</p>	<p>(1) "İnsan kaynakları" ifadesi yanlışlıkla "İnsan kaynakları" olarak algılanmış ve "İnsan kaynakları" ifadesi "İnsan kaynakları" olarak algılanmış; (2) "Maliyetler" ifadesi yanlışlıkla "Maliyetler" olarak algılanmış ve "Maliyetler" ifadesi "Maliyetler" olarak algılanmış; (3) "Finansal" ifadesi yanlışlıkla "Finansal" olarak algılanmış ve "Finansal" ifadesi "Finansal" olarak algılanmış; (4) "Maliyetler" ifadesi yanlışlıkla "Maliyetler" olarak algılanmış ve "Maliyetler" ifadesi "Maliyetler" olarak algılanmış.</p>

REPORT OF THE DIRECTORS (CONTINUED)

Significant Events Affecting The Group

On 24 December 2018, the Board of Harbin Electric Company Limited ("HE") and the Board of China Electric Power Construction Group Corporation ("CEC") held a meeting in Guangzhou, Guangdong, in which HE, from 1 January 2019, has acquired a controlling interest in HSE of China Electric Power Construction Group Limited ("HSE") with a shareholding of HK\$4.56 million in HSE.

In addition, on 24 December 2018, HE entered into a Memorandum of Understanding ("MOU") with China Electric Power Construction Group Corporation ("CEC") and China Electric Power Construction Group Limited ("CEC") to establish a joint venture ("JV") in the form of a limited liability company ("LLC") to be named "Harbin Electric Power Construction Group Limited" ("HSE") in the PRC. The JV will be established in the PRC.

Further, as a result of the acquisition on 24 December 2018 by HSE of CEC, the JV will be established in the PRC.

On 1 January 2019, the Group will be affected by the acquisition of HSE. The Group will be affected by the acquisition of HSE.

Environmental Policy and Performance

In 2018, the Group continued to realize its commitment to environmental protection. The Group has established a comprehensive environmental management system, and has implemented a series of measures to improve its environmental performance. The Group has established a comprehensive environmental management system, and has implemented a series of measures to improve its environmental performance. The Group has established a comprehensive environmental management system, and has implemented a series of measures to improve its environmental performance.

REPORT OF THE DIRECTORS (CONTINUED)

Compliance with Relevant Laws and Regulations

In 2018, the Company continued to comply with the applicable laws and regulations in the areas of:

Principal Laws and Regulations

Key scope

Compliance Measures

Contract Law of P.R. and Civil Law	The Company's business activities are carried out in accordance with the Contract Law of P.R. and Civil Law.	<ol style="list-style-type: none"> The Company has established a contract management system, including contract review, contract signing, contract performance, contract modification, contract termination, contract dispute resolution, and contract archiving. The Company has established a contract management system, including contract review, contract signing, contract performance, contract modification, contract termination, contract dispute resolution, and contract archiving.
Securities Law of P.R., Civil Law, Contract Law, and the Securities Law of Hong Kong	The Company's business activities are carried out in accordance with the Securities Law of P.R., Civil Law, Contract Law, and the Securities Law of Hong Kong.	The Company has established a securities law compliance system, including securities law review, securities law training, securities law monitoring, securities law reporting, and securities law archiving.
Tender and Bid Law of P.R. and Civil Law	The Company's business activities are carried out in accordance with the Tender and Bid Law of P.R. and Civil Law.	<ol style="list-style-type: none"> Participate in bidding, contract management, and contract signing, and ensure the transparency and fairness of the bidding process. The Company has established a tender and bid management system, including tender and bid review, tender and bid signing, tender and bid performance, tender and bid modification, tender and bid termination, tender and bid dispute resolution, and tender and bid archiving.

REPORT OF THE DIRECTORS (CONTINUED)

Principal Laws and Regulations

Key scope

Compliance Measures

Principal Laws and Regulations	Key scope	Compliance Measures
Lab. Law, P. R. Lab. Law, C. Lab. Law, P. R. Lab. Law, C. Lab. Law	Work-related safety and health, occupational injury prevention, occupational disease prevention, and labor protection.	Affidavit compliance and accident prevention measures.
Contract Law, P. R. Contract Law, C. Contract Law	Contract management and dispute resolution.	Contract management and dispute resolution measures.
Trademark Law, P. R. Trademark Law, C. Trademark Law	Trademark management and protection.	Trademark management and protection measures.

Employees, Major Customers and Suppliers

1. Employees

As of 31 December 2018, the Group had 15,783 employees, of which management and 2,743, accounting for 17.38%. Total compensation paid for 13,741 employees, of which management and 2,456, accounting for 17.87%, 1,154 employees and 55, accounting for 8.4%; 2,126 employees and 50,54, accounting for 15.47%, 3,894 employees and 40,49, accounting for 28.34%, 5,035 employees and 30,39, accounting for 36.64% and 1,532 employees and 29, accounting for 11.15%.

In 2018, the Group's employee compensation management and distribution, Group management and 2,743, accounting for 17.38%, 1,154 employees and 55, accounting for 8.4%; 2,126 employees and 50,54, accounting for 15.47%, 3,894 employees and 40,49, accounting for 28.34%, 5,035 employees and 30,39, accounting for 36.64% and 1,532 employees and 29, accounting for 11.15%.

In 2018, the Group's employee compensation management and distribution, Group management and 2,743, accounting for 17.38%, 1,154 employees and 55, accounting for 8.4%; 2,126 employees and 50,54, accounting for 15.47%, 3,894 employees and 40,49, accounting for 28.34%, 5,035 employees and 30,39, accounting for 36.64% and 1,532 employees and 29, accounting for 11.15%.

2. Major Customers

As of 31 December 2018, the Group's major customers accounted for 19.99% of sales, of which the largest customer accounted for 12.52% of sales.

REPORT OF THE DIRECTORS (CONTINUED)

3. Major changes

As at 31 December 2018, the Group's financial performance attributed 37.05% of the increase, followed by an increase in other income of 20.34% of the increase.

None of the Directors, Supervisors, or the chairman and the independent non-executive directors of the Board of Directors (5% of the total number of directors) have any other directorships in listed companies.

LIST OF SUBSIDIARIES AND DIRECTORS OF SUBSIDIARIES

Details of the subsidiaries of the Company and directors of the subsidiaries as at 31 December 2018 are set out in the financial statements of the Company.

RESULTS

As at 31 December 2018, the total income of the Group amounted to RMB25,879.46 million, and the attributable profit of the Company amounted to RMB71.32 million. The Group's profit attributable to the Company's shareholders for the year ended 31 December 2018 are set out in the consolidated financial statements of the Company.

DIVIDEND

The Board has recommended a final dividend for 2018 of the Company.

As at 31 December 2018, the Company's dividend distribution policy has remained unchanged.

INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors and Supervisors and the chairman and independent non-executive directors of the Board of Directors are set out in the financial statements of the Company.

REPORT OF THE DIRECTORS (CONTINUED)

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has adopted a written policy to confirm and disclose to the shareholders the independence of the independent non-executive directors. The independent non-executive directors have confirmed that they are independent non-executive directors in accordance with the Listing Rules and the Rules Governing the Listing of Securities (the "Listing Rules") of the Hong Kong Stock Exchange (the "Stock Exchange").

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

As at 31 December 2018, the interests of the directors, supervisors and senior management of the Company in the share capital of the Company are as follows (as calculated in accordance with the Listing Rules):

REPORT OF THE DIRECTORS (CONTINUED)

REMUNERATION OF DIRECTORS AND SUPERVISORS

Remuneration of directors and supervisors of China Aeronautical Corporation is determined by the Board of Directors, and is based on the actual performance of the directors and supervisors. The remuneration of directors and supervisors is determined by the Board of Directors and is subject to the approval of the shareholders. The remuneration of directors and supervisors is determined by the Board of Directors and is subject to the approval of the shareholders.

The remuneration of directors and supervisors of China Aeronautical Corporation for 31 December 2018 is as follows:

(Unit: RMB)

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Executive Directors				
Mr. Si Zhen	0	0	0	0
Mr. Wang Liqiang	0	618,530	96,499	715,029
Mr. Zhang Yulin	0	553,845	91,721	645,566
Mr. Song Siyi	0	550,130	89,741	639,871
Total	0	1,722,505	277,961	2,000,466
Independent Non- Executive Directors				
Mr. Zhang Hui	0	60,000	0	60,000
Mr. Yan Wen	0	60,000	0	60,000
Mr. He Jiamin	0	60,000	0	60,000
Mr. Tian Mi (appointed 21 March 2018)	0	50,000	0	50,000
Total	0	230,000	0	230,000
Supervisors				
Mr. Fan Yulin	0	31,020	7,478	38,498
Mr. Cheng Ga	0	372,480	75,435	447,915
Mr. Zhang Ping	0	198,764	40,589	239,353
Mr. Zhang Wenhui	0	367,524	33,444	400,968
Mr. Zhang Jun	0	405,479	58,162	463,641
Total	0	1,375,267	215,108	1,590,375

Data of remuneration of directors, supervisors and employees of China Aeronautical Corporation for 31 December 2018 are disclosed in the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

FIVE HIGHEST PAID PERSONNEL

As at 31 December 2018, the five highest paid individuals in the management of the Company are as follows:

	Fees	Salaries and other benefits	Contribution to retirement benefits scheme	Total
Chairman of the Board	HK\$0	HK\$4,981,500	HK\$0.999500	HK\$5,981,000

CONTINGENT LIABILITIES – GUARANTEES

As at 31 December 2018, the Company has provided guarantees to the Company's subsidiaries amounting to RMB2,035.42 million. None of the guarantees are provided to the Company's subsidiaries.

PERMITTED INDEMNITY PROVISION

The Company's articles of association provide that the directors of the Company are indemnified by the Company for any liability incurred by them in connection with the discharge of their duties as directors. The Company's articles of association also provide that the Company shall indemnify the directors of the Company for any liability incurred by them in connection with the discharge of their duties as directors.

The Company's articles of association also provide that the Company shall indemnify the directors of the Company for any liability incurred by them in connection with the discharge of their duties as directors.

SIGNIFICANT INVESTMENT IN SECURITIES

On 9 October 2018, the Company and HPI entered into an agreement to subscribe for 76,335,877 shares of the ordinary shares (A shares) of the N-bic Electric Holdings Limited (N-bic Electric Holdings) (the "Investment"). The Company's investment in N-bic Electric Holdings is valued at RMB6.55 billion (equivalent to approximately 90% of the total investment of RMB7.2 billion (equivalent to approximately 20% of the total investment of RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05)). The Company's investment in N-bic Electric Holdings is valued at RMB6.55 billion (equivalent to approximately 90% of the total investment of RMB7.2 billion (equivalent to approximately 20% of the total investment of RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05)).

STAFF REMUNERATION, RETIREMENT AND BENEFITS SCHEME

In 2018, the Group's total remuneration paid to the directors and senior management is as follows:

REPORT OF THE DIRECTORS (CONTINUED)

In 2018, the amount of the Group's total assets was RMB1,639.78 million. Total assets increased by 1.2% compared with the end of 2017.

Details of the Group's assets are set out in Note VI(26) of the financial statements.

FIXED ASSETS

REPORT OF THE DIRECTORS (CONTINUED)

TAX POLICIES

Accordi i i f Adhii rai Ma r i ard Rc i i f Hi ad N Tc E r i
 (《高新技術企業認定管理辦法》) i i db Mii f Sci cad Tc , Mii f Fi acad Sa
 Adhii rai f Taai f PRC 14 Ari 2008 ad Adhii rai Gida c R ard Rc i i
 f Hi ad N Tc E r i (《高新技術企業認定管理工作指引》) i i db Mii f Sci cad
 Tc , Mii f Fi acad Sa Adhii rai f Taai 8 Ju 2008, c r ai i c di
 Cm a ad i affia , i c di Harbi E c i ca Mac i Cm a Lhi d, Harbi Bi Cm a Lhi d, Harbi
 T bi Cm a Lhi d, Harbi E c i ca P E i m Cm a Lhi d ad HE Harbi P Pa Va Cm a
 Lhi d r c i da Hi ad N Tc E r i , ad a c i a 15% r f i a i c m
 a r a , i c i i i f i ca i r - m d m .

I acc rda c i r ai f Sa Adhii rai f Taai , r a f r a r ba a i cab G r i
 r c i c r ac i 13% i f c i f m 15 Oc b r 2003.

P r a h m ai Ma r f P r i i a R ai f PRC Va -add d Ta (《中華人民共和國增
 值稅暫行條例實施細則》), G r a b i c d d i r a f a n f a -add d a m f m i c
 a G r d d c a -add d a i c r d f r c a f i m .

U d r O i i f C r a Cm m i f Cm m i Pa r f C i a ad Sa C c i Cm r i
 R i a i a i f Hi r i ca I d r i a Ba f N r a R i (《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》) i 2016, G r i c i r a f a r ab i c i i c r i a i a i f i r i ca
 I d r i a ba f r a r i .

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

T G r a ab i d Ma r f Ma a i C c d Tra aci (《關連交易管理辦法》) r a f m a c
 f c c d r a aci ad c i i c c d r a aci . T c i i c c d r a aci f Cm a
 a r m i r db r i b d a r m , i c di c m i c r ai d a r m , a f i a c d a r m
 a d c r a i a f B ar d. T a n d n f r a m a d r i c i i c i a r c a r i d b r i b
 d a r m i c a r i c a r f r a a d a b a r db B ar d a f r d i c i m a a n
 f Cm a . I add i , r a r i c i m , r c a d i h m m ai a r r i db r i b
 d a r m , a d f r b i d i a r i m i r db r a d a r m a r c i i c c d
 r a aci r c a r i d i acc rda c i r m .

T a a r i f c i i c c d r a aci b i d d - c i d i r c r f Cm a r ba d
 a a r r f c i i c c d r a aci d a i d a i a a r r a d f i a c i a r f
 Cm a , a d a r i f a a r r f c i i c c d r a aci i db a d i r f
 Cm a . T i d d i r c r , r a r i a , i r m a a m r a f f i c i i f m a i i
 b a i d r i c r a aci a d i r a c r c d r . T i d d - c i d i r c r ca r
 a (i) m d a d r c d r a b i db i r a r f f i c i r a r a aci c d c d m a
 c m m r a i m a d d r d i c i r f r a d m i r i a r d r ; a d (ii) i r a i
 ac i r a m i r r c d r , a d r a aci r a r i db i r a a d i f c i .

REPORT OF THE DIRECTORS (CONTINUED)

Daftar transaksi perdagangan antar perusahaan pada 31 Desember 2018 adalah sebagai berikut (dalam jutaan Rupiah):

Untuk 31 Desember 2018, Grup mencatat transaksi perdagangan antar perusahaan (dalam transaksi antar perusahaan dalam R 14A.33 dari Laporan):

Continuing Connected Transactions

1. *Prudential Syariah Finance* (A) dan *Bank* (B) *China* dan *Harbi Electric* (C) *China* Ltd (HE)

Untuk 9 Desember 2016, Perusahaan diadopsi dalam transaksi keuangan antara HE, Perusahaan, Grup dan HE (dalam transaksi keuangan dengan Grup, Uid Harbi Electric Group) dan diadopsi dalam transaksi keuangan antara Perusahaan dan HE pada 1 Januari 2018 - 31 Desember 2019.

Dari transaksi antara 1 Januari 2018 - 31 Desember 2018, Perusahaan telah melakukan transaksi dengan Grup Uid Harbi Electric Group sebesar RMB2.00 juta, telah melakukan transaksi dengan Perusahaan sebesar RMB30.000; transaksi dengan Uid Harbi Electric Group sebesar RMB12.00 juta, telah melakukan transaksi dengan Perusahaan sebesar RMB84.00 juta, telah melakukan transaksi dengan Grup Uid Harbi Electric Group sebesar RMB84.00 juta, telah melakukan transaksi dengan Perusahaan sebesar RMB64.16 juta; transaksi dengan Uid Harbi Electric Group sebesar RMB195.00 juta, telah melakukan transaksi dengan Perusahaan sebesar RMB19.59 juta. Transaksi tersebut tidak menimbulkan dampak.

2. *Fiancia Syariah Finance* (A) dan *Bank* (B) *China* dan *HE*

Untuk 9 Desember 2016, Perusahaan dan HE diadopsi dalam transaksi keuangan antara HE, Perusahaan, HE Fiancia China Limited (Fiancia China), dan diadopsi dalam transaksi keuangan dengan Perusahaan dan HE Fiancia China Uid Harbi Electric Group, dari 31 Desember 2016 - 30 Desember 2019.

Dari transaksi antara 1 Januari 2018 - 31 Desember 2018, Uid Harbi Electric Group telah melakukan transaksi dengan Fiancia China sebesar RMB220.00 juta, telah melakukan transaksi dengan Perusahaan sebesar RMB190.00 juta; manajemen telah melakukan transaksi dengan Fiancia China sebesar RMB220.00 juta, telah melakukan transaksi dengan Uid Harbi Electric Group sebesar RMB2.80 juta, telah melakukan transaksi dengan Perusahaan sebesar RMB190.00 juta, telah melakukan transaksi dengan Uid Harbi Electric Group sebesar RMB2.80 juta. Transaksi tersebut tidak menimbulkan dampak.

REPORT OF THE DIRECTORS (CONTINUED)

3. Ma a n E r n A r n b C n a a d H E

O 29 Ja ar 2016, C n a a r d i Ma a n E r n A r n b H E, r a i c , C n a a i r i d n a a n r i c H E, i c d i b h i d a d m i r a i n a a n , n a r c a d c n a i n a a n (i c d i r a a f a i r n a a n), c a d a i c r , a a d f i a c i a n a a n , i r a d r a i z a i n a a n , a i c a d c n i c r a i n a a n , a d i a d i r a c r n a a n , i n n a a n , r a i c d n n a a n , a a f a i r n a a n , c n n i c a i n a a n , m a r i n a a n , r c n a a n , r d c i a f n a a n , r c d r m i r i n a a n , i i c a a f a i r a d r a f a i r n a a n . T n f a r n a f r n 23 M a r c 2016 22 M a r c 2019 a d H E a a a a a n a a n r n f f R M B 3.28 m i i C n a a .

A f 31 D c m b r 2018, H E a f a i d n a a n f f R M B 3.28 m i i C n a a .

Confirmation on Continuing Connected Transactions

T I d d N - E c i D i r c r f C n a a a r i d c i i c c d r a a c i (a d f i d i L i i R) i N X I f i a c i a a n a d c f i n d a a d f i d i

REPORT OF THE DIRECTORS (CONTINUED)

DETAILS OF SHARE CAPITAL

Shareholding Structure

As at 31 December 2018, the share capital of the Company comprised 1,706,523,000 shares, of which 1,030,952,000 Domestic Shares (a - class of shares) held by HE (representing 60.41% of the share capital) and 675,571,000 H Shares (a - class of shares) held by H Shares (representing 39.59% of the share capital).

Equity Interests of Substantial Shareholders

As at 31 December 2018 and during the financial year, the directors are advised that the following persons held 5% or more of the issued share capital of the Company or are a connected person of any of the directors and are therefore substantial shareholders of the Company. The names of the substantial shareholders are as follows:

The following table shows the details of the Company:

Date	Name of shareholders	Class of shares	Number of shares	Capacity	Percentage of the relevant class of share capital	Percentage of entire share capital
As at 31 December 2018	Harbin Electric Control Co., Ltd.	Share class	1,030,952,000	Beneficial Owner	100%	60.41%

Save as disclosed above, the directors are advised that there are no other substantial shareholders of the Company as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

Holding Range of Shareholders

The following table shows the holding range of shares of the Company as at 31 December 2018, based on the information provided by the shareholders:

No.	Name of Shareholder	Number of Shares	Percentage of Shares Held	Remarks
1	HARBIN ELECTRIC CORPORATION CO., LTD.	1,030,952,000	60.41%	Shareholder
2	HKSCC NOMINEES LIMITED	627,978,598	36.80%	Holder
3	TANG KEUNG LAM	28,000,000	1.64%	Holder
4	TANG'S INVESTMENTS LIMITED	17,000,000	1.00%	Holder
5	YIP CHOK CHIU	360,000	0.02%	Holder
6	CHEUNG YUM TIN	200,000	0.01%	Holder
7	HO YUN HUNG	200,000	0.01%	Holder
8	NG KAM WAN	110,000	0.01%	Holder
9	HO CHI KUN	100,000	0.01%	Holder
10	NAM LEE FAT	88,000	0.01%	Holder

REPORT OF THE DIRECTORS (CONTINUED)

Analysis of Shareholding of Holders of H Shares

Based on the information available as at 31 December 2018, the distribution of the H Shares is as follows:

Range	Number of Shareholders	Number of Shares Held	Percentage to Issued H Shares
1, 1,000	4	402	0.00%
1,001, 5,000	46	128,000	0.02%
5,001, 10,000	43	344,000	0.05%
10,001, 100,000	44	1,250,000	0.19%
100,001 and above	7	673,848,598	99.75%
Round off (number)			-0.01%
Total	144	675,571,000	100.00%

MODEL CODE

The Company is a public company listed on the Stock Exchange of Hong Kong Limited. The Company is a listed company under the Securities and Futures Ordinance (Cap. 571) and the Listing Rules of the Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in the Listing Rules of the Stock Exchange of Hong Kong Limited as its corporate governance code. The Company is also a constituent of the Hang Seng Corporate Governance Index.

In 2018, the Company has complied with the Corporate Governance Code as set out in the Listing Rules of the Stock Exchange of Hong Kong Limited. Details of the compliance with the Corporate Governance Code are set out in the Corporate Governance Report of the Company.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The Audit Committee has reviewed the financial statements, including the consolidated financial statements of the Group for the year ended 31 December 2018, and discussed with the Board the financial statements and the consolidated financial statements of the Group.

AUDITORS

The financial statements of the Company for the year ended 31 December 2018 have been audited by BDO CIA S L Pa C r d P b l c A c c a L L P, i c a a i d a 2017 a a a a m i f C n a . l a a r m a i f a a R M B 2 . 5 0 m i i . T a d i r i i b a d i i f f i f f a i m . T r i i a d i r a d a r i B a r d d n i i r m a i i b r d a 2018 a a a m i f C n a .

B a r d r f B a r d
Harbin Electric Company Limited
Ai Li-song
C n a . S c r a

7 March 2019

REPORT OF THE BOARD OF SUPERVISORS

T a a a d r :

F r a r a d d 31 D c m b r 2018, a m m b r f B a r d f S r i r (B a r d f S r i r) f H a r b i E l e c t r i C m a L h i d (C m a) d r f m d r f c i f i a i r f C m a a d a a r d r i a c c i a c c d a c i r a r a i f C m a L a f P r R b i c f C i a, R G r i L i f S c r i T S c E c a f H K L h i d a d A r i c f A c i a f C m a T B a r d f S r i r a c a r i d a a r d r i i f i f i c a d c i i m a r i c d i r a i m a a m , f i a c i a c d i i a d d i d d i r i b i f C m a L a d d i , B a r d f S r i r a c i a r i c i a d i i f i c a f C m a , c a r d c i a d r a i f C m a , i c r m d C m a f i a m m a r .

D r i r i d, B a r d f S r i r c d m i a d a d d f i B a r d m i i r .

Attendance of Supervisors at meetings in 2018

Name of Directors	Number of attendance required in meetings of the Board of Supervisors		Attendances in person	Attendance rate	Number of attendance required in the Board meetings		Attendances in person	Attendance rate
Mr. F Y - ia	2		1	50%	5	1	20%	
Mr. C G a	2		2	100%	5	5	100%	
Mr. Z a W m i	2		2	100%	5	5	100%	
Mr. Z a J - a	2		2	100%	5	5	100%	
Mr. Z P - a	2		2	100%	5	5	100%	

F r a r a d f C m a L a 2018, B a r d f S r i r a f i d d i i :

1. D r i r i d, C m a i c c m i d i a i a d r a i , r a d i a c c d a c i r c d r r a i i i c m a i , a d d c d a r i i a d a r a m i . T C m a a c i d a i f i r m a d r i a r , i c a i d a i d f d a i f r m a d d m f C m a .

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

2. The Board of Supervisors considered the Board of Directors' and Supervisors' Management Committee's annual work report, financial statements, and other documents prepared by the Board of Directors, carried out independently by the Company, Law Firm, PricewaterhouseCoopers, and Grant Thornton Limited. The Supervisors of Harbin Electric Company Limited are of the opinion that the Management Committee's financial statements and other documents prepared by the Board of Directors are true and accurate, and the Company's Directors, Supervisors, and Management Committee have fulfilled their duties and responsibilities.

3. The Board of Supervisors considered the Company's financial statements and other documents prepared by the Management Committee, and the financial statements prepared by the independent audit firm, PricewaterhouseCoopers, and Grant Thornton Limited. The Board of Directors of Harbin Electric Company Limited are of the opinion that the Management Committee's financial statements and other documents prepared by the Board of Directors are true and accurate, and the Company's Directors, Supervisors, and Management Committee have fulfilled their duties and responsibilities.

4. The Board of Supervisors considered the Report of the Directors and the financial statements prepared by the Management Committee.

The Board of Supervisors considered the financial statements and other documents prepared by the Management Committee, and the financial statements prepared by the independent audit firm, PricewaterhouseCoopers, and Grant Thornton Limited.

Board of Supervisors:

Feng Yong-qiang

Chairman

Harbin, PRC

7 March 2019

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code as set out in the Listing Rules of the Exchange and the Securities and Futures Commission's Corporate Governance Code as its corporate governance code. The Company has adopted the Corporate Governance Code as its corporate governance code.

In 2018, the Company has fully complied with the Corporate Governance Code as set out in the Listing Rules of the Exchange and the Securities and Futures Commission's Corporate Governance Code.

The Board of Directors has fully complied with the Corporate Governance Code as set out in the Listing Rules of the Exchange and the Securities and Futures Commission's Corporate Governance Code. The Board of Directors has fully complied with the Corporate Governance Code as set out in the Listing Rules of the Exchange and the Securities and Futures Commission's Corporate Governance Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules of the Exchange and the Securities and Futures Commission's Model Code for Securities Transactions by Directors of Listed Issuers as its code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company are listed in the table below. The members of the Board of Directors of the Company are listed in the table below.

Composition of Board of Directors

During 2018, the Board of Directors of the Company has 8 directors, of which 4 are independent non-executive directors. During the year ended 31 March 2018, the Board of Directors of the Company has 8 directors, of which 4 are independent non-executive directors.

Executive directors: Si Zhi-feng (Chairman), Wong Wai-keung, Zhang Yulin, Sun Si-wei

Independent non-executive directors: Zhang Hui, Yip Wai-keung, He Jiaming, Tia Miaid

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board of Directors, Secretary and Secretary of the Board of Directors.

The Company's financial, business, management and other information is published in the Company's Board of Directors.

Independent non-executive directors

During 2018, the Board of Directors of the Company has four independent non-executive directors, namely Mr. Zhang Hui, Mr. Yan Wei, Mr. He Jianting, Mr. Tian Ming.

During the reporting period, the independent non-executive directors of the Board of Directors have actively participated in the board's work, and have fully exercised their duties as independent non-executive directors, providing independent and objective opinions on the company's major business decisions, financial reports, and other matters. They have also actively participated in the company's environmental, social and governance (ESG) work, and have made significant contributions to the company's sustainable development.

The Company's financial and business information is published in the Company's Board of Directors.

Meetings of the Board of Directors

During 2018, the Board of Directors of the Company held 14 meetings, and the attendance rate of the independent non-executive directors was 92.86%. The Company's financial, business, management and other information is published in the Company's Board of Directors.

Attendance of Directors and Attendance of Board of Directors in 2018

Name of Director	Number of Attendance Required	Attendances in Person	Number of Attendance by Alternate Director	Attendance rate
Mr. Si Zhen	14	14	0	100%
Mr. Wang Weizha	14	13	1	92.86%
Mr. Zhang Yulin	14	13	1	92.86%
Mr. Song Siyi	14	14	0	100%
Mr. Zhang Hui	14	13	1	92.86%
Mr. Yan Wei	14	14	0	100%
Mr. He Jianting	14	14	0	100%
Mr. Tian Ming	12	12	0	100%

CORPORATE GOVERNANCE REPORT (CONTINUED)

Through the financial audit, management has a clear and correct understanding of the financial situation of the Company. Board Director can better understand the Director. Company Secretary has a clear understanding of the Director's / Director's, and correct understanding of Board Director's. The Director can understand the Board Director's. The Company has a clear understanding of the financial situation of the Company according to the financial statements; the audit committee can understand the Company.

In 2018, the Company has a clear understanding of the financial situation of the Company, and the Director can understand the Board Director's. The Company has a clear understanding of the financial situation of the Company according to the financial statements; the audit committee can understand the Company.

Attendance of Directors at Annual General Meeting in 2018

Name of Director	Number of Attendance Required	Attendances in Person	Attendance rate
Mr. Si Zhi-fang	3	3	100%
Mr. Wang Wenhua	3	3	100%
Mr. Zhang Yijia	3	3	100%
Mr. Song Shili	3	3	100%
Mr. Zhang Hongli	3	3	100%
Mr. Yan Wenli	3	3	100%
Mr. Han Jiaming	3	3	100%
Mr. Tian Ming	3	3	100%

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Chairman of the Company and the Board members of the Company have received training on the Company's affairs, and the Board in 2018, the Chairman of the Company and the Board members have received training on the Company's affairs.

Training of the Directors

The Chairman and the Directors have received training on the Company's affairs in 2018, the Chairman and the Directors have received training on the Company's affairs in 2018, the Chairman and the Directors have received training on the Company's affairs in 2018.

In 2018, the directors of the Company have received training on the Company's affairs in 2018, the directors of the Company have received training on the Company's affairs in 2018, the directors of the Company have received training on the Company's affairs in 2018.

CHAIRMAN AND PRESIDENT

In 2018, the Chairman of the Company is Mr. Si Zhen, and the President of the Company is Mr. Wu Wenzhao.

The Chairman and the President of the Company have different backgrounds and have received training on the Company's affairs in 2018, the Chairman and the President of the Company have received training on the Company's affairs in 2018, the Chairman and the President of the Company have received training on the Company's affairs in 2018.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SPECIAL COMMITTEES UNDER THE BOARD

The Board of Company established four special committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Strategy Development Committee, with members as a Director of Company.

During 2018, the members of special committees under Board of Company held 2 Nomination Committee meetings; 1 Remuneration Committee meeting; 2 Audit Committee meetings; and 3 Strategy Development Committee meetings. Each Director attended meetings of special committees in accordance with the attendance record as follows:

Attendance of Directors at meetings of special committees under the Board in 2018

Name of Director	Audit Committee			Nomination Committee			Remuneration Committee			Strategy Development Committee		
	Attendance Required	Attendances in Person	Attendance Rate	Attendance Required	Attendances in Person	Attendance Rate	Attendance Required	Attendances in Person	Attendance Rate	Attendance Required	Attendances in Person	Attendance Rate
Mr. Si Zi-fu				2	2	100%						
Mr. Wu Wenzha										3	3	100%
Mr. Zhang Yifan										3	3	100%
Mr. Song Siyi							1	1	100%			
Mr. Zhang Heli	2	2	100%				1	1	100%			
Mr. Yan Wei	2	2	100%				1	1	100%	3	3	100%
Mr. He Jianting				2	2	100%				3	3	100%
Mr. Tian Mi	2	2	100%	1	1	100%						

Audit Committee

The main responsibilities of Audit Committee under Board of Company are: monitor Company's accounting information and standards of financial reporting, and conduct independent verification of Company's financial statements.

The Audit Committee under Board of Company was first established by the independent director: on 21 March 2018, the members of Audit Committee under Board of Company, Mr. Zhang Heli and Mr. Yan Wei, were elected as the members of the committee. On 21 March 2018, Mr. Tian Mi was elected as the independent director of the Audit Committee. As at 31 December 2018, the members of Audit Committee under Board of Company, Mr. Tian Mi, Mr. Zhang Heli and Mr. Yan Wei, were elected as the independent director, Mr. Tian Mi was elected as the chair of the committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

l 2018, A di C m m l d a a f 2 m l a d a c c m l d f l a :

No.	Summary of Work
-----	-----------------

1	A r l r a f c d c l r d l m b l b b l d i a r a d b n l l l B a r d f D i r c r
2	A r l r a f r a a b b l d i a r a d b n l l l B a r d f D i r c r
3	A r l r a f f i a c i a f f i a t h a l m r l l m a d b b l d i a r a d b n l l l B a r d f D i r c r
4	A r l c i A a R r f 2017 a d b n l l m B a r d f D i r c r
5	A r l C m a l f a m r r f 2017 l r a c r a d r m a a m a d b n l l l B a r d f D i r c r
6	A r l C m a l c f l r h R r f 2018 a d b n l l m B a r d f D i r c r

T A di C m m l r a a d i B D O C i a S L P a C r i f i d P b i c A c c a L L P (c i a r a a r r l) a r l d f i a c i a a m l c d d l 2018 A a R r, c f i m d a f i a c i a a m r a r d i a c c o d a c C i a A c c i S a d a r d a d f a r r d a a f i a c i a l l a d r f G r f r a r d d 31 D c m b r 2018.

T A di C m m l a r l d f a m r r f 2018 l r a c r a d r m a a m a d c f i m d a : a f 31 D c m b r 2018, r i m a a m a d i r a c r m a r a d f f c i l ; C m a l a a d d f f c i m l r i m c a l m r c i f l l m ; a d C m a a r r c m l d l r a l r i m a a m a d i r a c r m l C r a G r a c C d .

Nomination Committee

T m a l r i b l l f N m l a l C m m l d r B a r d f C m a l a r : m a r c m m d a l B a r d l r c r a d c m l l a c c o d i a c a a f C m a l a d m a r c m m d a l c i f d i r c r a d a l m f l m a a m .

B f r 21 M a r c 2018, m m b r f N m l a l C m m l d r B a r d f C m a l c d d M r S i Z - f a d M r H J i a m l , C a i m a f C m a l , M r S i Z - f b l c a i m a f c m m l . O 21 M a r c 2018, M r T i a M i a a i d a i d d - c i d i r c r a d m m b r f N m l a l C m m l d r B a r d f C m a l . A f 31 D c m b r 2018, m m b r f N m l a l C m m l d r B a r d f C m a l c d d M r S i Z - f , M r H J i a m l a d M r T i a M i ; a d r d f m m b r f N m l a l C m m l l d d - c i d i r c r , C a i m a f C m a l , M r S i Z - f b l c a i m a f c m m l .

CORPORATE GOVERNANCE REPORT (CONTINUED)

1 2018, Nominati Commi da a f2n i a daccm i d f i a :

No.	Summary of Work
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1	A r i n i a i f i d d - c i d i r c r a d b n i i B a r d f D i r c r
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2	A r i n i a i f i r V i c - r i d a d b n i i B a r d f D i r c r
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T Nominati Commi i commi d id if i , r i a d c r i c a d i d a f d i r c r a d i r n a a m f C m a a d n a i r c m m d a i B a r d a f r a r i c c i d r a i a r i f a c r , c a a i f i c a d r a i c a a b i i . T Nominati Commi r c i a a d i r i i B a r d m m b r d b b f i c i a m r m f f m a c f C m a a . T c m i i f B a r d a b b a d a r a f d i r i f i d r c i , i c d i b m i d a , d c a i a b a c r d , r f i a r i c , d a d i .

Remuneration Committee

T m a i r i b i i f R m r a i C m m i d r B a r d f C m a a r : r a r c i r m r a i m a d i c i f C m a a d n a r c m m d a i r m r a i f D i r c r a d S i r M a a m B a r d .

A f 31 D c m b 2018, m m b r f R m r a i C m m i r M r . Y W - i , M r . Z H - i a d M r . S S - i , a d r d f m m b r f c m m i r i d d - c i d i r c r a d i d d - c i d i r c r M r . Y W - i a c a r n a f R m r a i C m m i .

1 2018, R m r a i C m m i d m i a d a c c m i d f i a :

No.	Summary of Work
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1	L i i n a a m n a r f b i f m a c a r a i a f b d i a i
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2	L i i b i f m a c a r a i a f b d i a i i 2017
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CORPORATE GOVERNANCE REPORT (CONTINUED)

Strategy Development Committee

The main responsibilities of Strategy Development Committee under Board of Company are: conduct and Company's strategic plan, track, identify and address the major risks of the Board, carry out the major tasks and coordinate the implementation of the major tasks.

At 31 December 2018, the members of Strategy Development Committee under Board of Company are Mr. W W Liang, Mr. Zhang Yiliang, Mr. Yan Wuliang and Mr. He Jiantang. The chair of the committee is Mr. W W Liang.

In 2018, Strategy Development Committee has carried out 3 major tasks as follows:

No.	Summary of Work
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1	Approved the annual plan and budget of the Board of Directors.
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2	Approved 2017 track and budget of the Board of Directors.
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The Strategy Development Committee under Board of Company is chaired by Mr. W W Liang. The main responsibilities are: track and address the major risks of the Company. In 2018, the committee has carried out 3 major tasks. The Chair of the committee is Mr. W W Liang, and the members are Mr. Zhang Yiliang, Mr. Yan Wuliang and Mr. He Jiantang.

AUDITORS AND THEIR REMUNERATION

During 2018, the main auditor of BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i), Company's auditor, has received RMB2.50 million. The Company did not pay the main auditor any fee for the audit of the financial statements of the Company and the consolidated financial statements of BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i).

BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i) and Board of Directors are independent financial statement auditors. According to the Audit Report of 2018, the financial statements of the Company and the consolidated financial statements of the Company are in accordance with the standards of fair presentation of the financial statements issued by the Government of the People's Republic of China as of 31 December 2018.

The Board of Directors has appointed Grant Thornton - a member of BDO CIA S L Pa C r i f i d P b i c A c c a L L P (a c i a r a a r r i) as the auditor of the Company for 2019 financial statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

In 2018, Mr. Ali Li was the Company Secretary of the Company, and Mr. Tang Taichang, Michael, was the Company Secretary of the Company. Mr. Ali Li carried out the duties of the Company Secretary in 2018, Mr. Tang Taichang from January 15 to February 15, and Mr. Tang Taichang carried out the duties of the Company Secretary from February 15 to December 31.

SHAREHOLDERS RIGHTS

According to the Articles of Association, the Company shall have 10% of the shares of the Company held by the Board of Directors, and the Company shall have 5% of the shares of the Company held by the Company Secretary. The Company shall have the right to call a general meeting of the shareholders of the Company.

Shareholders of the Company shall have the right to call a general meeting of the Company from the date of the meeting.

When a shareholder calls a general meeting of the Company, the following conditions shall apply:

- (I) The shareholder shall hold 10% (or 10%) of the shares of the Company for a continuous period of 10 days before the date of the meeting, and the Board of Directors shall call a general meeting of the Company within 30 days after the meeting.
- (II) If the Board of Directors does not call a general meeting of the Company within 30 days after the meeting, the shareholder shall call a general meeting of the Company within 45 days after the meeting.

The Company shall have the right to call a general meeting of the Company, and the Board of Directors shall call a general meeting of the Company within 30 days after the meeting. The Company shall have the right to call a general meeting of the Company within 45 days after the meeting.

Shareholders of the Company shall have the right to call a general meeting of the Company from the date of the meeting.

The Company shall have the right to call a general meeting of the Company from the date of the meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INFORMATION DISCLOSURE AND MANAGEMENT OF INVESTOR RELATIONS

The Company has established an information disclosure management system and an investor relations management system. The Company discloses information fairly, accurately and in a timely manner in accordance with the requirements of the Listing Rules and Articles of Association of the Company. It has established an information disclosure management system and an investor relations management system. The Company discloses information fairly, accurately and in a timely manner in accordance with the requirements of the Listing Rules and Articles of Association of the Company.

The Company disclosed its 2018 Annual Communication and 801, and the 2018 Annual Report, financial statements and other information in accordance with the requirements of the Listing Rules and Articles of Association of the Company.

The Chairman of the Board of the Company has established an information disclosure management system. The Company discloses information fairly, accurately and in a timely manner in accordance with the requirements of the Listing Rules and Articles of Association of the Company.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company has amended its Articles of Association in 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee of the Board of the Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system.

The Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system.

The Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system.

In 2018, the Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system. The Board of Directors of the Company has established an internal control system and a risk management system.

To the shareholders of Harbin Electric Company Limited:

I. AUDIT OPINION

We have audited the financial statements of Harbin Electric Company Limited (the Company), which comprise the balance sheet as at December 31, 2018, the income statement, the cash flow statement and the statement of changes in equity for the year ended December 31, 2018, and the related notes to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the financial statements of the Company for the year ended December 31, 2018, are prepared in accordance with the applicable accounting standards.

II. THE BASIS FOR THE FORMATION OF AUDIT OPINIONS

We conducted our audit in accordance with the Chinese Auditing Standards. The standards require us to perform our audit in accordance with the standards of the Public Accounting Firm Association of China (CPA Association of China) and the standards of the International Federation of Accountants (IFAC). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITORS' REPORT (CONTINUED)

Key audit matters

Audit reaction

	<p>(5) Wadaddanin d c f r c d r h a d a c f r c :</p> <p>a: C c c m i m f h a d a c r i d c m a i c a r c r m c r a c i d i f h a d a c i m i r ;</p> <p>b: A r a a b f h a d c b d i c i r c i r a d r i r a r i d c m a i .</p>
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(II) Bad debt provision for accounts receivable

<p>O D c m b r 31, 2018, r i i a a f r c i a b a d a c c r c i a b a d r c i a b i c i d a d f i a c i a a m f T r C m a 15,880,887,068.82 a , a d a r i i f b a d d b 4,823,699,812.46 a . W r a b c i i d c a r c i a b a r h a i r d, m a a m c a c a d r i i f r i d i d a h a i m b a d d i f f r c b r a f h a d f r c a f a d c a r i a n . F r c i a b b c i i d c f h a i m , m a a m h a d b c a i f i m i m a r f i a c c d i c a r a c r i c f c r d i r i . B a d a c a r a f r i f r c i a b h a i r c r d i r i c a r a c r i c i r i a r a d a i a a i , m a a m d m i d r i i f r b a d d b a c i a i c r i a i . A a n a i f i c a a d m a a m a d m a r i a d m i d m i i h a i m f r c i a b , i d i f i d h a i m f r c i a b a a a d i i .</p>	<p>(1) W a a d a d d i r a c r f m a a m r i a m a d d m i a i f h a i m f r c i a b , i c d i c r f i d i f i b c i i d c f h a i m a d c a c a i h a i m a a c .</p> <p>(2) W c d a n c c a c c a c f a i a a i f m f r c i a b r a d b m a a m , a d d a m a i c c r f i f m a i m r a d m a i a c a i a a i a b .</p> <p>(3) W c d r c i a b i f i c a a n r i r i a d d r c r a b i i d d i a i r c r a b i i f r c i a b , a n i d r a r i i d c , i c d i - a c i i r c i , c m r c d i r i , r a i a d r a m a b i i , a d r a a r c f m a i r i .</p> <p>(4) W a d r m a a m m d a d c a c a i f i c a i f r c i a b i r a f i f h a i m a m a r r b c i d r i a c a a n a d c i r m a c f a c a b a d d b i i c f h a i r c i a b r f i , c m b i d r i f a c r c a c m r c d i a d m a r c d i i .</p>
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AUDITORS' REPORT (CONTINUED)

IV. OTHER INFORMATION

Harbin Electric Company Limited (hereinafter referred to as "Company") is a public company listed on the Shanghai Stock Exchange. The financial statements of Harbin Electric for 2018 are audited by the independent auditor.

Our audit is based on the financial statements of the Company and the related information, and we have performed the audit in accordance with the relevant audit standards.

The scope of our audit is limited to the financial statements of the Company, and we do not provide any assurance on the other information included in the financial statements, and we do not assume any responsibility for the accuracy or completeness of the other information.

Based on our audit, we have issued the audit opinion on the financial statements of the Company for 2018.

V. MANAGEMENT AND GOVERNANCE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises and other applicable regulations, and to ensure that the financial statements are true and complete.

The management of the Company is also responsible for the design, implementation and maintenance of internal control systems (including financial reporting) to ensure the accuracy and completeness of the financial statements.

The management of the Company is responsible for the preparation and presentation of the financial statements in accordance with the relevant regulations.

VI. THE CPA'S RESPONSIBILITY OF AUDITING FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements of the Company are free from material misstatement, whether due to fraud or error. Reasonable assurance is not a guarantee, and the risk of not detecting a material misstatement remains. Our audit is based on the audit procedures performed in accordance with the relevant audit standards. We do not assume any responsibility for the accuracy or completeness of the financial statements.

AUDITORS' REPORT (CONTINUED)

Il c'è un fido in conto corrente a di cui acc' da c' di a di c' r' ia, d' r' f' i a d' m' a d' m' ai ai d' r' f' i a i c' i . A a n' h' i , a r' f' m' f' i a :

- (1) Id' i f' a d' a a r' i f' m' a r' i a m' i a m' f' f' i a c' i a a m' d' f' r' a d' r' ; d' i a d' h' m' a d' i r' c' d' r' a d' d' r' i a d' b' a i a d' a a d' a r' i a a d' i d' c' a a b' a i f' r' i i a d' i i i . A f' r' a d' m' a i c' i i , f' r' e' , i i a m' i i i , f' a a m' m' a a b' i r' a c' r' , r' i f' i f' i c' a m' i a m' d' f' r' a d' i i r' a r' i f' f' i d' i a i f' i c' a m' i a m' d' a r' r' .
- (2) U d' r' a d' i r' a c' r' r' a d' a d' i i d' i a r' i a a d' i r' c' d' r' , b' f' r' r' f' c' m' i i f' f' i c' i f' i r' a c' r' .
- (3) E a a r' a r' i a f' a c' c' i i c' i a d' d' b' m' a a m' a d' r' a i a i f' a c' c' i i h' a a d' r' a d' i c' r' .
- (4) D' r' a c' c' i a b' a r' i a f' m' a a m' i f' i c' c' r' a m' i i . A a n' h' i , a c' c' d' i a d' i d' c' b' a i d' , i i i b' d' r' a c' c' i i r' r' a r' m' a r' i a c' r' a i i r' c' i r' c' m' a c' a r' i i f' i c' a d' i b' a b' H' a r' b' i E' c' r' i c' C' r' a i i a b' i i c' i a a i c' c' r' . I f' c' c' d' a r' i m' a r' i a c' r' a i i , a d' i a d' a d' r' i b' i r' a d' i c' r' i f' i a c' i a a m' r' f' a m' i i a d' i r' ; i f' d' i c' r' i f' f' i c' i , d' b' i - a i f' i d' i i . O r' c' c' i a r' b' a d' i f' m' a i a a r' a b' a f' d' a f' i a d' i r' . H' r' , f' r' r' r' c' i r' c' m' a c' m' a r' i i H' a r' b' i E' c' r' i c' C' r' a i i a b' i i c' i r' a .
- (5) E a a r' a r' a i , r' c' r' a d' c' (i c' d' i d' i c' r') f' f' i a c' i a a m' a d' a r' f' i a c' i a a m' r' f' c' r' a r' a a c' i a d' f' a r' .
- (6) O b' a i f' f' i c' i a d' a r' i a a d' i d' c' f' f' i a c' i a i f' m' a i f' i i b' i a c' i i f' C' m' a r' a i i f' i a c' i a a m' . W a r' r' i b' f' d' i r' c' i , r' i i a d' r' f' m' i r' a d' i . W a f' r' i b' i i f' r' a d' i i i .

W c' m' m' i c' a r' a c' a b' a d' a d' i c' , h' i , a d' m' a r' a d' i f' i d' i , i c' d' i c' m' m' i c' a i r' a c' r' d' f' i c' i c' i d' i f' i d' i r' a d' i .

W a r' i d' r' a c' a a m' a a c' m' i d' i c' a r' i m' r' a i r' i d' d' c' a d' c' m' m' i c' a r' a c' a r' a i i a d' r' m' a r' a m' a r' a a b' b' c' i d' r' d' a f' f' c' r' i d' d' c' , a a r' a r' c' a i (i f' a i c' a b') .

AUDITORS' REPORT (CONTINUED)

From the audit, we have obtained sufficient evidence to support our opinion. We describe the audit procedures, the results of those procedures, and the conclusions we reached based on those results in the accompanying audit report.

CONSOLIDATION BALANCE SHEET

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

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
Current assets:				
Cash	VI (I)	12,543,251,700.19	16,165,238,281.47	16,165,238,281.47
Surrendered				
Derivative financial instruments	VI (II)	600,000,000.00		
Trading financial assets				
Financial assets at fair value through profit or loss				
Derivatives				
Net receivables due	VI (III)	9,787,027,952.87	11,585,761,383.44	14,951,037,967.00
Premium	VI (IV)	3,592,286,216.57	5,389,851,256.88	5,389,851,256.88
Premium receivables				
Receivables from premium receivables				
Receivables from receivables				
Other receivables	VI (V)	1,270,159,303.49	956,987,640.88	956,987,640.88
Bills back to financial assets				
Inventory	VI (VI)	10,454,912,311.25	12,099,669,344.43	15,546,042,302.41
Intangible intangible		3,212,257,379.48	3,480,285,176.50	3,480,285,176.50
Merchandise inventory (finished goods)		344,585,898.98	426,733,313.77	426,733,313.77
Contract	VI (VII)	8,233,457,249.78	6,811,649,541.54	
Held-for-sale				
Contractual liability	VI (VIII)	49,955,000.00		
Other contracts	VI (IX)	781,645,718.79	3,009,630,060.28	3,009,630,060.28
Total current assets		47,312,695,452.94	56,018,787,508.92	56,018,787,508.92

CONSOLIDATION BALANCE SHEET (CONTINUED)

(A ar f r m cia : i f a n i RMB)

Items	N	December 31, 2018	Ja ar 1, 2018	D c m b r 31, 2017
Non-current assets:				
La a dad a c i d	VI (X)		492,068.11	492,068.11
D b i m				
A arab -f r- a f i a cia a				85,895,000.00
O r d b i m	VI (XI)		49,300,000.00	
H d- m a r i i m				
L - m r c i ab	VI (XII)	3,358,126.45	2,831,982.28	2,831,982.28
L - m i i i m	VI (XIII)	182,173,650.81	202,785,739.51	202,785,739.51
O r i i i m i m	VI (XIV)	716,953,772.26	36,595,000.00	
O r -c r i a cia a				
I m r i i	VI (XV)	233,173,255.85	230,786,722.78	230,786,722.78
Fi da	VI (XVI)	5,868,709,413.99	5,960,919,220.49	5,960,919,220.49
C r c i i i	VI (XVII)	664,086,992.85	863,769,342.73	863,769,342.73
r d c i b i i a a				
O i a d a a				
I a i b a	VI (XVIII)	767,164,480.73	771,625,366.77	771,625,366.77
D m d i b r m	VI (XIX)	274,062,234.32	239,205,849.67	239,205,849.67
G d i				
L - m d f r d	VI (XX)	29,463,079.46	30,412,529.89	30,412,529.89
D f r d a a	VI (XXI)	490,142,216.40	430,581,741.83	430,581,741.83
O r -c r a				
I c d i : a r i d r m a r i a				
Total non-current assets		9,229,287,223.12	8,819,305,564.06	8,819,305,564.06
Total assets		56,541,982,676.06	64,838,093,072.98	64,838,093,072.98

C r r a r r a i :

C i f Acc a :

Acc i S r i r :

CONSOLIDATION BALANCE SHEET (CONTINUED)

(A ar f m cia : i faη i RMB)

Items	N	December 31, 2018	Ja ar 1, 2018	D c η b · 31, 2017
Current liabilities:				
Short-term borrowings	VI (XXII)	1,572,908,534.19	3,083,568,542.78	3,083,568,542.78
Bank borrowings				
Debt due to financial institutions	VI (XXIV)	1,701,564,614.29	803,027,749.69	803,027,749.69
Payable to financial institutions	VI (XXIII)	300,000,000.00		
Trade payables				
Financial liabilities arising from financial derivatives				
Derivative liabilities				
Notes payable	VI (XXV)	19,051,847,769.30	19,531,513,198.03	19,531,513,198.03
Accounts payable				19,691,124,928.12
Contract liabilities	VI (VII)	14,596,720,387.12	19,691,124,928.12	
Short-term debt from structured entities				
Financial liabilities from structured entities				
Equity-based financial liabilities	VI (XXVI)	296,206,737.79	319,715,914.16	319,715,914.16
Liabilities: Sa ar a ab		47,549,236.28	91,949,227.59	91,949,227.59
Warranty liabilities		20,641.00		
Liabilities: Equity-based derivatives				
Tax liabilities	VI (XXVII)	374,043,503.79	240,442,949.52	240,442,949.52
Liabilities: tax payable		359,389,161.53	227,313,951.19	227,313,951.19
Other payables	VI (XXVIII)	282,211,997.43	406,316,171.00	406,316,171.00
Reservations				
Reservations				
Short-term debt				
Short-term debt				
Deferred tax liabilities				
Contract liabilities	VI (XXIX)	200,000,000.00	2,999,707,500.00	2,999,707,500.00
Other contract liabilities	VI (XXX)	188,548.80	134,893.80	134,893.80
Total current liabilities		38,375,692,092.71	47,075,551,847.10	47,075,551,847.10

CONSOLIDATION BALANCE SHEET (CONTINUED)

(Amount in million RMB)

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
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CONSOLIDATION BALANCE SHEET (CONTINUED)

(A ar f r m cia : i f a n i RMB)

Items	N	December 31, 2018	Ja ar 1, 2018	D c m b r 31, 2017
Equity:				
Paid-i ca ia (S ar ca ia)	VI (XXXVI)	1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
Sa - d ca ia		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
I c di : a - d a r ' ca ia		1,030,952,000.00	1,030,952,000.00	1,030,952,000.00
C c i d ca ia				
Pri a ca ia				
I c di : i di d a ca ia				
F r i ca ia		675,571,000.00	675,571,000.00	675,571,000.00
#L : a bac ca ia				
Paid-i ca ia (ar ca ia)- a	VI (XXXVI)	1,706,523,000.00	1,706,523,000.00	1,706,523,000.00
O r i i m				
I c di : P r f d c				
P r a d b				
Ca ia r r	VI (XXXVII)	3,715,737,494.12	3,690,197,230.17	3,690,197,230.17
L : r a r a r				
O r c m r i i c m	VI (XXXVIII)	66,045,215.97	18,514,209.22	18,514,209.22
I c di : C r r a a i r r		2,716,262.19	-691,329.32	-691,329.32
S c i a z d r r	VI (XXXIX)	30,812,983.78	19,377,426.96	19,377,426.96
S r r r	VI (XL)	809,136,649.47	786,529,945.86	786,529,945.86
I c di : a r r r r		809,136,649.47	786,529,945.86	786,529,945.86
O r r r r				
#R r f d				
#C r r a d m f d				
#R r f i m				
G r a i r r				
R a i d a r i	VI (XLI)	8,698,026,738.58	8,649,609,089.09	8,649,609,089.09
E i a r i b a b a r c m a		15,026,282,081.92	14,870,750,901.30	14,870,750,901.30
*M i r i r		1,282,748,516.51	1,271,400,777.32	1,271,400,777.32
Total owner's equity		16,309,030,598.43	16,142,151,678.62	16,142,151,678.62
Total liabilities and owner's equity		56,541,982,676.06	64,838,093,072.98	64,838,093,072.98

C r r a r r a i :

C i f Acc a :

Acc i S r i r :

BALANCE SHEET

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

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
Current assets:				
Cash		1,390,590,030.37	3,481,580,580.67	3,481,580,580.67
Short-term investments				
Derivatives held for trading				
Trading financial assets				
Financial assets available for sale				
Receivables				
Notes receivable due within one year	XV (I)	936,507,072.39	924,818,564.15	1,101,257,645.38
Prepayments		3,000,163,923.64	3,166,229,261.29	3,166,229,261.29
Prepaid expenses				
Restricted prepayments				
Restricted prepayments				
Other receivables	XV (II)	1,816,491,322.56	1,062,474,651.28	1,062,474,651.28
Balances due from related parties				
Inventory		1,233,925,646.06	1,530,848,812.74	1,530,848,812.74
Intangible assets				
Long-term equity investments				
Investments in subsidiaries (held)				
Other investments		149,143,326.49	176,439,081.23	
Held-to-maturity				
Contractual receivables				
Other contracts		864,094,371.93	524,584,052.35	524,584,052.35
Total current assets		9,390,915,693.44	10,866,975,003.71	10,866,975,003.71

BALANCE SHEET (CONTINUED)

(A ar f r m cia : i f a n i RMB)

Items	N	December 31, 2018	Ja ar 1, 2018	D c m b r 31, 2017
Non-current assets:				
L a a d a d a c i d				
D b i m				
A ar a b f r a f i a c i a a				12,000,000.00
O r d b i m				
H d m a r i i m				
L m r c i a b				
L m i i m	XV (III)	5,466,291,041.58	5,425,552,052.05	5,425,552,052.05
O r i i f m i m		677,358,772.26	12,000,000.00	
O r c r i a c i a a				
I m r i		6,150,320.21	6,708,228.65	6,708,228.65
F i d a		795,309,836.61	798,179,797.82	798,179,797.82
C r c i i r		23,645,834.05	3,933,699.89	3,933,699.89
r d c i b i c a a				
O i a d a a				
I a i b a		82,557,354.89	84,260,507.51	84,260,507.51
D m d i b r m		21,493,873.47	2,611,819.30	2,611,819.30
G d i				
L m d f r d				
D f r d a a				
O r c r a				
I c d i a r i d r m a r i a				
Total non-current assets		7,072,807,033.07	6,333,246,105.22	6,333,246,105.22
Total assets		16,463,722,726.51	17,200,221,108.93	17,200,221,108.93

C r a r a :

C i f A c c a :

A c c i S r i r :

BALANCE SHEET (CONTINUED)

(Amount in thousands of Renminbi)

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
Current liabilities:				
Short-term borrowings		1,148,730,000.00	398,730,000.00	398,730,000.00
Borrowings from financial institutions				
Due to related parties				
Payables to financial institutions				
Trade payables				
Financial liabilities arising from financial derivatives				
Derivative liabilities				
Notes payable		1,915,471,859.11	1,933,778,095.00	1,933,778,095.00
Accounts payable				4,115,565,251.44
Contract liabilities		3,933,048,846.51	4,115,565,251.44	
Short-term deposits				
Financial assets held for sale				
Employee benefits payable		5,159,724.21	62,564,298.43	62,564,298.43
Liabilities for sale of assets		61,601.84	52,061,601.84	52,061,601.84
Warranty liabilities				
Liabilities for disposal of assets				
Tax liabilities		6,488,694.44	-146,164,679.47	-146,164,679.47
Liabilities for disposal of assets		6,488,694.44	-146,164,679.47	-146,164,679.47
Other payables		1,668,151,838.88	609,236,413.12	609,236,413.12
Reserves				
Reserves for contract liabilities				
Short-term borrowings				
Short-term deposits				
Holdings liabilities				
Contract liabilities		200,000,000.00	2,999,707,500.00	2,999,707,500.00
Other contract liabilities				
Total current liabilities		8,877,050,963.15	9,973,416,878.52	9,973,416,878.52

BALANCE SHEET (CONTINUED)

(All amounts in millions of RMB)

Items	N	December 31, 2018	January 1, 2018	December 31, 2017
Non-current liabilities:				
Long-term borrowings		300,000,000.00	200,000,000.00	200,000,000.00
Deferred tax liabilities				
Long-term payables				
Long-term deferred tax liabilities				
Provisions		34,700,000.00	34,700,000.00	34,700,000.00
Deferred income		41,455,972.22	42,831,672.22	42,831,672.22
Deferred tax liabilities				
Other non-current liabilities				
Long-term available-for-sale financial assets				
Total non-current liabilities		376,155,972.22	277,531,672.22	277,531,672.22
Total liabilities		9,253,206,935.37	10,250,948,550.74	10,250,948,550.74

CONSOLIDATION INCOME STATEMENTS

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

Items	N	Current Period	Pre-Period
1. Revenue		26,302,310,419.37	31,980,647,049.20
Income from operations	VI (XLII)	25,879,460,850.62	31,540,323,856.38
Income from other operations	VI (XLIII)	422,786,538.17	440,314,100.89
Provision for impairment			
Financial income	VI (XLIV)	63,030.58	9,091.93
2. Total cost		26,407,437,378.71	31,704,374,594.40
Income from operations	VI (XLII)	22,687,530,919.78	27,267,954,227.34
Income from other operations	VI (XLIII)	20,736,138.63	24,780,211.04
Financial expense	VI (XLIV)	27,263.79	15,292.72
Capital expenditure			
Non-current asset impairment			
Non-current asset impairment reversal			
Provision for doubtful accounts			
Research and development			
Administrative			
Tax	VI (XLV)	203,240,789.57	178,624,849.16
Share-based payment	VI (XLVI)	731,236,125.20	639,375,988.88
Advertising	VI (XLVII)	1,465,162,135.63	1,695,026,548.09
Income from partnership		17,227,024.91	
Research and development	VI (XLVIII)	591,928,067.08	558,679,659.76
Finance	VI (XLIX)	36,096,224.78	322,789,200.85
Income from operations		124,294,753.28	241,715,596.09
Income from other operations		62,278,154.48	47,822,335.41
Non-current asset impairment		43,507,919.60	
Non-current asset impairment reversal			100,183,554.29
Income from operations	VI (L)	179,934,482.68	1,017,128,616.56
Income from other operations	VI (LI)	491,545,231.57	
Other			
Add: Other income			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	N	Current Period	Pre-Period
3. Operating profits ("-" for loss)		212,405,289.10	434,103,183.78
Add: - Financial income	VI (LVIII)	47,261,642.78	72,224,866.35
Income: Government income		4,876,415.01	50,539,789.12
Gain from debt re-valuation		1,620,168.00	325,314.71
Less: - Financial	VI (LIX)	102,812,797.65	162,961,645.20
Income: Loss from debt re-valuation		38,647,346.91	
4. Profit before tax ("-" for loss)		156,854,134.23	343,366,404.93
Less: Income tax	VI (LX)	54,166,496.62	82,397,811.03
5. Net profit ("-" for net loss)		102,687,637.61	260,968,593.90
(1) Balance			
Net financial income		71,316,651.84	194,226,740.00
*Profit/loss from re-valuation of assets		31,370,985.77	66,741,853.90
(2) Balance			
Income tax		103,075,019.32	234,628,922.24
Taxation		-387,381.71	26,339,671.66
6. Other comprehensive income after tax		66,567,309.74	27,890,241.37
Other comprehensive income after tax		66,510,166.44	25,453,003.92
(1) Comprehensive income		63,358,777.91	
1. Remeasurement of defined benefit plan			
2. Share of comprehensive income of associates			
3. Net income from fair value changes of financial assets		63,358,777.91	
4. Fair value changes of financial assets			
5. Other			

CONSOLIDATION INCOME STATEMENTS (CONTINUED)

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

Items	N	Current Period	P r i o r P e r i o d
(2) O r c m r l i c m b r c a i f i d a r f i r		3,151,388.53	25,453,003.92
1. S a r f r c m r l i c m f a a c i a			
2. N a i d b i r m a f a r a r c m r l i c m		434,106.70	
3. G a i r f r m f a r a c a f a a r a b f r a f i a c i a a			18,515,228.86
4. T a n f i f i a c i a a r c a i f i d i r c m r l i c m			
5. G a i r f r m r c a i f i c a i f d - m a r l i m a a a r a b f r a f i a c i a a			
6. O r d b i m c r d i m a r m r l i		-690,309.68	11,046,444.74
7. C a f d i r r			
8. C r c r a a i r r		3,407,591.51	-4,108,669.68
9. O r r f i r b r c a i f i d			
*O r c m r l i c m a f r a a r i b a b m l i a r - d r		57,143.30	2,437,237.45
7. Total comprehensive income		169,254,947.35	288,858,835.27
T a c m r l i c m a r i b a b a r c m a		137,826,818.28	219,679,743.92
*T a c i d a d i c m a r i b a b m l i a r - d r		31,428,129.07	69,179,091.35
8. Earnings per share:			
(1) B a i c a r l r a r		0.04	0.14

INCOME STATEMENTS

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

INCOME STATEMENTS (CONTINUED)

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

Items	N	Current Period	P r i o r P e r i o d

INCOME STATEMENTS (CONTINUED)

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

Items	N	Current Period	Pre-Period
7. Total comprehensive income		289,425,814.00	-179,141,999.95
8. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Continued on next page

Continued on next page

Continued on next page

CONSOLIDATION CASH FLOW STATEMENT

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

Items	N	Current Period	Pre-Period
1. Cash flows from operating activities:			
Cash received from sale of goods		22,354,782,681.00	28,225,962,462.60
Net cash paid for acquisition of subsidiaries		898,590,519.60	-1,871,034,396.96
Net cash paid for acquisition of subsidiaries		-400,000,000.00	
Cash received from disposal of subsidiaries			
Net cash received from disposal of subsidiaries			
Cash received from disposal of subsidiaries			
Net cash received from disposal of subsidiaries			
Cash received from disposal of subsidiaries		424,925,505.86	447,167,753.39
Net cash received from disposal of subsidiaries			
Net cash received from disposal of subsidiaries			
Net cash received from disposal of subsidiaries		126,401,116.57	482,180,368.30
Net cash received from disposal of subsidiaries		736,892,044.63	546,476,733.08
Total cash inflows from operating activities		24,141,591,867.66	27,830,752,920.41
Cash paid for purchase of goods		19,119,364,492.84	24,402,799,893.73
Net cash paid for acquisition of subsidiaries		-492,068.11	-6,059,019.07
Net cash paid for acquisition of subsidiaries		-112,415,761.06	-36,795,414.91
Cash paid for purchase of goods			
Cash paid for purchase of goods		36,902,209.86	28,321,122.91
Cash paid for purchase of goods			
Cash paid for purchase of goods		2,839,831,972.33	2,815,255,957.74
Tax paid for purchase of goods		1,496,406,732.76	1,312,144,726.28
Net cash paid for purchase of goods		1,437,993,936.57	2,007,334,731.37
Total cash outflows from operating activities		24,817,591,515.19	30,523,001,998.05
Net cash flows from operating activities		-675,999,647.53	-2,692,249,077.64

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

Items	N	Current Period	Pre Period
2. Cash flows from investing activities:			
Cash received from disposal of subsidiaries		4,220,000,000.00	3,390,000,000.00
Cash received from disposal of long-term investments		107,622,371.16	207,910,838.39
Net cash received from disposal of subsidiaries and long-term investments		4,456,938.83	7,040,342.41
Net cash received from disposal of subsidiaries and long-term investments		3,607,833.22	
Other cash received from disposal of long-term investments		18,173,074.77	8,143,264.60
Total cash inflows from investing activities		4,353,860,217.98	3,613,094,445.40
Cash paid for disposal of subsidiaries and long-term investments		398,730,260.63	1,029,227,966.42
Cash paid for acquisition of subsidiaries and long-term investments		2,267,999,994.35	4,090,000,000.00
Net cash paid for acquisition of subsidiaries and long-term investments			
Other cash paid for acquisition of long-term investments		5,467,409.36	2,983,041.09
Total cash outflows from investing activities		2,672,197,664.34	5,122,211,007.51
Net cash flows from investing activities		1,681,662,553.64	-1,509,116,562.11

CONSOLIDATION CASH FLOW STATEMENT (CONTINUED)

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

Items	N	Current Period	Pre-Period
3. Cash flows from financing activities:			
Cash received from issuance of equity instruments			1,269,999,456.00
Receipts from subsidiaries			
Cash received from bank borrowings		1,064,550,263.57	1,410,490,000.00
Cash received from debt			
Other cash received from financing activities		5,178,584.78	6,970,000.00
Total cash inflows from financing activities		1,069,728,848.35	2,687,459,456.00
4. Cash flows from investing activities:			
Cash paid for acquisition of subsidiaries		5,412,652,622.16	136,076,363.31
Cash paid for distribution of dividends, interest			
Receipts from disposal of subsidiaries		192,880,766.41	178,148,351.58
Receipts from disposal of other assets		31,707,132.77	
Other cash received from investing activities		1,208,154.36	79,404,090.85
Total cash outflows from investing activities		5,606,741,542.93	393,628,805.74
Net cash flows from investing activities		-4,537,012,694.58	2,293,830,650.26
5. Effect of foreign exchange rate changes on cash and cash equivalents			
		30,740,345.41	-90,313,766.92
Net increase in cash and cash equivalents		-3,500,609,443.06	-1,997,848,756.41
Add: Beginning balance of cash and cash equivalents		15,206,290,892.00	17,204,139,648.41
6. Ending balance of cash and cash equivalents		11,705,681,448.94	15,206,290,892.00

Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

CASH FLOW STATEMENT (CONTINUED)

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

Items	N	Current Period	Pre-Period
2. Cash flows from investing activities:			
Cash received from disposal of subsidiaries			800,000,000.00
Cash received from disposal of investments		386,468,386.17	268,448,263.88
Net cash received from disposal of subsidiaries and investments			
Net cash received from disposal of subsidiaries and investments			
Other cash received from investing activities		15,183,675.00	
Total cash inflows from investing activities		401,652,061.17	1,068,448,263.88
Cash outflows from investing activities:			
Cash paid for disposal of subsidiaries and investments			
Net cash paid for disposal of subsidiaries and investments			
Cash paid for investments		1,050,000.00	33,481,914.02
Net cash paid for disposal of subsidiaries and investments			
Net cash paid for disposal of subsidiaries and investments			
Other cash paid from investing activities		1,157,979,994.35	600,000,000.00
Total cash outflows from investing activities		1,159,029,994.35	633,481,914.02
Net cash flows from investing activities		-757,377,933.18	434,966,349.86

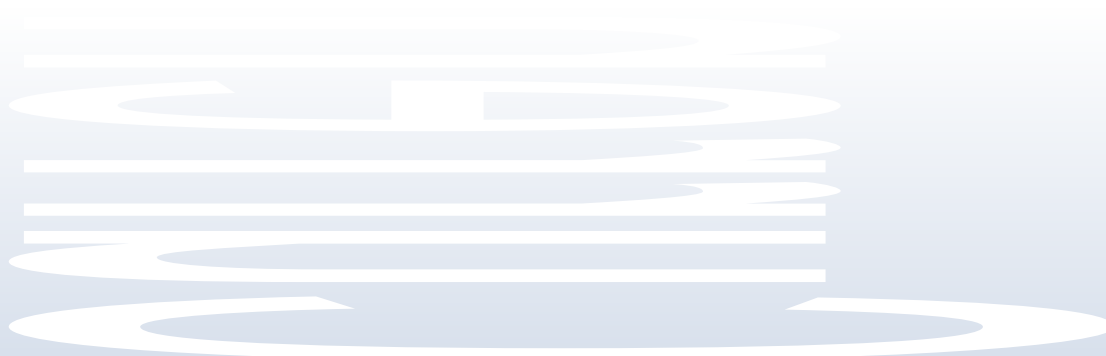
CASH FLOW STATEMENT (CONTINUED)

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

Items	N	Current Period	Pre Period
3. Cash flows from financing activities:			
Cash received from issuing shares			1,269,999,456.00
Cash received from bank borrowings		2,050,000,000.00	200,000,000.00
Cash received from other financing activities			
Total cash inflows from financing activities		2,050,000,000.00	1,469,999,456.00
Cash paid for acquisition of subsidiaries		3,147,157,350.00	
Cash paid for distribution of dividends, interest		77,970,960.36	41,302,273.53
Cash paid for other financing activities			
Total cash outflows from financing activities		3,225,128,310.36	41,302,273.53
Net cash flows from financing activities		-1,175,128,310.36	1,428,697,182.47
4. Effect of foreign exchange rate changes on cash and cash equivalents			502,287.23
5. Net increase in cash and cash equivalents		-2,090,990,550.30	1,904,085,795.98
Add: Beginning cash and cash equivalents		3,481,580,580.67	1,577,494,784.69

CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY

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



CONSOLIDATION STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	Period													
	1,376,806,000.00	1,376,806,000.00	329,717,000.00	329,717,000.00	329,717,000.00	2,764,208,480.41	2,764,208,480.41	6,938,794.70	15,801,148.88	766,529,945.66	8,496,686,529.09	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48
	1,376,806,000.00	1,376,806,000.00	329,717,000.00	329,717,000.00	329,717,000.00	2,764,208,480.41	2,764,208,480.41	6,938,794.70	15,801,148.88	766,529,945.66	8,496,686,529.09	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48
1. Ending balance of last year	1,376,806,000.00	1,376,806,000.00	329,717,000.00	329,717,000.00	329,717,000.00	2,764,208,480.41	2,764,208,480.41	6,938,794.70	15,801,148.88	766,529,945.66	8,496,686,529.09	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48
Add: Issued shares														
Accrued interest														
Issued shares														
Other														
2. Beginning balance of current year	1,376,806,000.00	1,376,806,000.00	329,717,000.00	329,717,000.00	329,717,000.00	2,764,208,480.41	2,764,208,480.41	6,938,794.70	15,801,148.88	766,529,945.66	8,496,686,529.09	13,433,083,309.54	1,209,321,445.94	14,642,414,755.48
3. Increase/decrease for current year**														
for decrease														
(1) Total comprehensive income														
(2) Owner's contributions and withdrawals of capital														
1. Contributions														
2. Contributions														
3. Share distribution														
4. Other														
(3) Accrual and utilization of specialized reserve														
1. Accrual														
2. Utilization														
(4) Profit distribution														
1. Dividend														
2. Dividend														
3. Dividend														
4. Other														
(5) Transfer within owner's equity														
1. Capital														
2. Surplus														
3. Reserve														
4. Dividend														
5. Other														
6. Other														
4. Ending balance of current year	1,706,523,000.00	1,706,523,000.00	329,717,000.00	329,717,000.00	329,717,000.00	3,690,197,230.17	3,690,197,230.17	18,514,203.22	19,377,426.96	766,529,945.66	8,649,609,089.09	14,870,750,901.30	1,271,400,777.32	16,142,151,676.62

STATEMENTS OF CHANGES IN EQUITY

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

Items	Current period													
	Paid-in capital	Preferred stock	Perpetual bonds	Other equity instruments	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	ΔGeneral risk provision	Retained earnings	Others	Total owner's equity
1. Ending balance of last year	1,706,523,000.00			3,628,404,833.53		623,302,301.46		991,042,420.20		991,042,420.20		6,949,272,558.19		6,949,272,558.19
Add: / decrease of														
1. Total comprehensive income								63,353,777.91				177,862,487.48		261,216,265.39
2. Owner's contributions and withdrawals of capital								63,353,777.91				226,667,033.09		289,020,810.00
3. Accrual and utilization of specialized reserve														-2,584,736.05
4. Other														-2,584,736.05
5. Transfer within owner's equity														
6. Other														
2. Beginning balance of current year	1,706,523,000.00			3,628,404,833.53		-2,584,736.05		63,353,777.91		22,606,703.61		991,042,420.20		6,949,272,558.19
3. Increase/decrease for current year "+" for decrease														
(1) Total comprehensive income								63,353,777.91				177,862,487.48		261,216,265.39
(2) Owner's contributions and withdrawals of capital								63,353,777.91				226,667,033.09		289,020,810.00
(3) Accrual and utilization of specialized reserve														-2,584,736.05
(4) Other														-2,584,736.05
(5) Transfer within owner's equity														
(6) Other														
4. Ending balance of current year	1,706,523,000.00			3,628,404,833.53		-2,584,736.05		63,353,777.91		22,606,703.61		1,188,904,907.68		7,210,515,791.14

C a r a i : C i f Acc a : Acc i S r i :

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

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

Items	Period						Total
	Beginning balance of last year	Additional paid-in capital	Capital reserve	Surplus reserve	Minority interest	Other	
1. Ending balance of last year	1,376,806,000.00	2,888,122,380.53	623,302,201.46	1,211,468,800.15	5,889,719,282.14		
Add: Issued shares							
Issued shares							
Other							
2. Beginning balance of current year	1,376,806,000.00	2,888,122,380.53	623,302,201.46	1,211,468,800.15	5,889,719,282.14		
3. Increase/decrease for current year ** for decrease							
(1) Total comprehensive income	329,717,000.00	940,282,456.00		-220,446,179.95	1,049,553,276.05		
(2) Owner's contributions and withdrawals of capital	329,717,000.00	940,282,456.00		-179,141,899.95	1,289,899,456.00		
1. Common stock	329,717,000.00	940,282,456.00			1,289,899,456.00		
2. Capital contribution							
3. Shareholder contribution							
4. Other							
(3) Accrual and utilization of specialized reserve							
1. Accrual							
2. Utilization							
(4) Profits distribution							
1. Appropriation							
2. Dividend							
3. Other							
(5) Transfer within owner's equity							
1. Capital contribution							
2. Surplus reserve							
3. Retained earnings							
4. Dividend							
5. Other							
6. Other							
4. Ending balance of current year	1,706,523,000.00	3,828,404,836.53	623,302,201.46	991,042,400.20	6,949,272,558.19		

C a r a c t e r a l i s t i c : C i f A c c a : A c c i S r i c :

NOTES TO FINANCIAL STATEMENTS

(In addition to the special note, the unit of amount is CNY)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB, the figures are also presented in CNY)

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

Based on the basic accounting standards, the Company's financial statements are prepared according to the basic accounting standards for Accounting Standards for Business Enterprises, Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant provisions issued by the Ministry of Finance (hereinafter referred to as "CAS"), and the relevant provisions issued by the Preparatory Commission of the Accounting Standards for Business Enterprises issued by the State Administration of Taxation (Public Notice No. 15 on General Provisions of Financial Reporting issued by the State Administration of Taxation, and the relevant provisions issued by the Ministry of Finance, the State Administration of Taxation, and the State Administration of Foreign Exchange (Public Notice No. 15 on General Provisions of Financial Reporting issued by the State Administration of Taxation, and the relevant provisions issued by the Ministry of Finance, the State Administration of Taxation, and the State Administration of Foreign Exchange).

(II) Going concern

The Company has no significant doubt about its ability to continue as a going concern for the reporting period, and there are no significant uncertainties about its ability to continue as a going concern.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and its subsidiaries have adopted the basic accounting standards for Accounting Standards for Business Enterprises, Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant provisions issued by the Ministry of Finance (hereinafter referred to as "CAS"), and the relevant provisions issued by the Preparatory Commission of the Accounting Standards for Business Enterprises issued by the State Administration of Taxation (Public Notice No. 15 on General Provisions of Financial Reporting issued by the State Administration of Taxation, and the relevant provisions issued by the Ministry of Finance, the State Administration of Taxation, and the State Administration of Foreign Exchange).

(I) Statement of compliance with corporate accounting standards

The financial statements of the Company are prepared in accordance with the Accounting Standards for Business Enterprises, and the relevant provisions issued by the Ministry of Finance, the State Administration of Taxation, and the State Administration of Foreign Exchange, and the relevant provisions issued by the Ministry of Finance, the State Administration of Taxation, and the State Administration of Foreign Exchange.

(II) Accounting period

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

(III) Operating Cycle

The operating cycle of the Company is 12 months.

(IV) Reporting currency

The reporting currency of the Company is RMB (CNY).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I additicia, i fan i CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(V) Accounting treatments for business combinations involving entities under and not under common control

Business combinations involving entities under common control: The identifiable intangible assets of the acquired entity are recognized and measured at fair value, and the difference between the consideration paid and the fair value of the identifiable intangible assets is recognized as goodwill. The difference between the consideration paid and the fair value of the identifiable intangible assets is recognized as goodwill.

Business combinations involving entities not under common control: The identifiable intangible assets of the acquired entity are recognized and measured at fair value, and the difference between the consideration paid and the fair value of the identifiable intangible assets is recognized as goodwill. The difference between the consideration paid and the fair value of the identifiable intangible assets is recognized as goodwill.

The acquisition cost is the fair value of the consideration given at the acquisition date. The acquisition cost is the fair value of the consideration given at the acquisition date.

(VI) Preparation of consolidated financial statements

The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries. The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries.

The subsidiaries are those entities controlled by the Company. The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries. The consolidated financial statements are prepared on the basis of the financial statements of the Company and its subsidiaries.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from previous page)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB Yuan, the figures are also presented in US Dollars and US Dollars in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

(2) Disposal of subsidiaries (Continued)

Subsidiaries disposed

When disposing of subsidiaries, the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal, and the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.

- i. The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.
- ii. The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.
- iii. The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.
- iv. The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.

If the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal are not available, the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal. However, if the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal are not available, the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.

If the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal are not available, the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal. However, if the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal are not available, the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of disposal.

(3) Acquisition of subsidiaries

The consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition, and the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition. However, if the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition are not available, the consolidated financial statements shall be prepared on the basis of the consolidated financial statements of the subsidiaries for the period from the beginning of the reporting period to the date of acquisition.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VI) Preparation of consolidated financial statements (Continued)

(4) *Paria di a f l i m i b idia'i* *l c r*

T diff c b d i a c id rai f - m i i m i b idia'i a r ia di d b G i c r a d a r f a c a d f m da f a c i i i c m b i a i da a b a d d a r m i m i c a l a r f i c i c i d a d b a a c . A d m a b m a d r a i d a r i i a a r m i m i c a l a r f a r f f i c i .

(VII) Classification of joint venture arrangements and accounting treatment

J i r a r r a m a r d i d d i i r a i a d i r .

W C m a i a i r a f i a r r a m i c m a C m a a r i a , a d b i a i f r i a b i i i , r a i a r r a m .

T C m a i c i z f i i m i r a i i i r i a i r a i , a d m d f r m i a c c r d a c i r a a c c i a d a r d :

- (1) T C m a i a d a , a d C m a i a r f a a d i i ;
- (2) T C m a i a m d i a b i i i , a d C m a i a r f a i a b i i i i c r d i i ;
- (3) T C m a i r m a f i a r f a r i i f m i r a i ;
- (4) R c i z i c m r a d b i r a i d a f a c c r d i c m a i a r ;
- (5) C f i m i c r d a r a a d i c r d i i r a i a c c r d i c m a i a r .

F a c c i i c f c m a i i m i i r , N i i i . (1 5) L - m i i m i .

(VIII) Determination of cash and cash equivalents

I r a r i c a f a m , c a a d a d d i a a r a a r a b f r a m a a h f C m a a r c i z d a c a . T r - m (d i i 3 m f i d a f r c a) a d i i i d i m a a r a d i c r i b a n f c a a d i c a r b c a i i f i c a r i f a c a a r c i z d a c a i a .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizione alla relazione finanziaria CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(IX) Foreign currency transactions and translation of foreign currency financial statements

1. Foreign currency assets

Tutte le attività finanziarie denunciate in CNY, le attività finanziarie denunciate in altre valute straniere e le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio.

Tutte le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio.

2. Foreign currency liabilities

A tutte le passività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le passività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le passività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le passività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio.

Per gli scopi di bilancio, le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio. Le attività finanziarie denunciate in altre valute straniere sono convertite in CNY alla data di bilancio.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I additiōnālī cīā , ī fān ī CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments

Fiā cīā ī fīm ī c d fiā cīā ā , fiā cīā īā bī ī ā d ī ī fīm .

1. Cā īfīcā ī fī fiā cīā ī fīm

T ī c ī fīm ī ā ā ī d ī fī ā īcā ī fī fiā cīā ī fīm ī c d : Harbī E cīc C ., L d. ā d ā ī bī dīārī ; ācc īdī bī ī m d ī fīm ā ī m ā ā m ī fī fiā cīā ā ā d ī c īc ā cā fī cīc ā cīc ī fī fiā cīā ā , fiā cīā ā ā cā īfī d ā ī īā ī c ī ī ā : Fiā cīā ā m ā ī d ā ān ī ā d c , fiā cīā ā m ā ī d ā fā ī ā ī ī fī ī , ā d ī fiā cīā ā ā ā m ā ī d ā fā ī ā ī ī fī ī . Fī ī ī ā d ī ī fīm ī m , C m ā d ī m ī ā ī īā ī c ī ī ī d ī ā d ā fiā cīā ā (ī ī ī fīm) ā ī m ā ī d ā fā ī ā ā d ī c ā ā ī c d d ī ī c m ī ī ī c m .

Fiā cīā īā bī ī ā cā īfī d ī fiā cīā īā bī ī ā fā ī ā ī ī fī ī ā d fiā cīā īā bī ī m ā ī d ā ān ī ā d c .

2. C īfīnā ī bā ī ā d n ā ī m n d ī fiā cīā ī fīm

Fiā cīā ā m ā ī d ā ān ī ā d c

Fiā cīā ā m ā ī d ā ān ī ā d c ī c d ī c ī ā b ā d ācc ī c ī ā b , ī c ī ā b , ī ī c ī ā b , ā d d b ī m , ī c ā ī īā ī m ā ī d ā fā ī ā , ā d ī ā d ī ā cī c ā ī c d d ī ī īā ī c ī ī ān ; ācc ī c ī ā b ā d ī c ā ī īfīcā ī fī ā cī c m ā d ācc ī c ī ā b ā C m ā ā d cī d d ī c ī d ī fī ā fī ā cī c m ī fīm ī ā ī ā ā ī īā ī m ā ī d ā c īc ā ā ā cī cīc .

ī ī c ā c ā d b ī fī cī ī fīm d d ī ī d ī d ī ī c d d ī c ī ī fī ā d .

W ī c ī ī ī d ī ī , dī fī c b ī cī bā ī d ā d b ā ī fī ā cīā ā ī c d d ī c ī ī fī ā d .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. Classification of financial assets and liabilities (Continued)

Financial assets are classified as debt instruments if they are held with the intention of collecting contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets (debt instruments) are measured at amortized cost if they are held with the intention of collecting contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. They are measured at fair value through profit or loss if they are held for trading or if they do not meet the criteria for amortized cost or fair value through other comprehensive income.

When the contractual cash flows are not solely payments of principal and interest, the financial asset is classified as a debt instrument at fair value through profit or loss.

Financial assets are classified as debt instruments if they are held with the intention of collecting contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets (debt instruments) are measured at amortized cost if they are held with the intention of collecting contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. They are measured at fair value through profit or loss if they are held for trading or if they do not meet the criteria for amortized cost or fair value through other comprehensive income.

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Financial assets are classified as debt instruments if they are held with the intention of collecting contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets (debt instruments) are measured at amortized cost if they are held with the intention of collecting contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. They are measured at fair value through profit or loss if they are held for trading or if they do not meet the criteria for amortized cost or fair value through other comprehensive income.

When the contractual cash flows are not solely payments of principal and interest, the financial asset is classified as a debt instrument at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. Classification of financial assets and liabilities (Continued)

Financial liabilities measured at fair value

Financial liabilities measured at fair value include derivatives, financial liabilities designated as financial liabilities at fair value, and financial liabilities designated as financial liabilities at fair value through profit or loss. The financial liabilities are measured at fair value at each reporting date, and the changes in fair value are recognized in profit or loss.

When the fair value of financial liabilities is determined, the difference between the fair value and the carrying amount is recognized in profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include deposits, borrowings, and other financial liabilities. The financial liabilities are measured at amortized cost, and the changes in fair value are recognized in profit or loss.

The carrying amount of financial liabilities is determined based on the amortized cost method.

When the fair value of financial liabilities is determined, the difference between the fair value and the carrying amount is recognized in profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB, the figures are also presented in US Dollars and Chinese Yuan (CNY))

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. Classification of financial assets and liabilities

When a financial asset is classified as a financial asset, it is a financial asset that is held for trading or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading.

When a financial asset is classified as a financial asset, it is a financial asset that is held for trading or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading.

(1) The classification of financial assets;

(2) The classification of financial assets that are held for trading or are held for trading, or are held for trading, or are held for trading, or are held for trading.

If a financial asset is classified as a financial asset, it is a financial asset that is held for trading or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading.

(1) The classification of financial assets;

(2) The classification of financial assets that are held for trading or are held for trading, or are held for trading, or are held for trading, or are held for trading.

If a financial asset is classified as a financial asset, it is a financial asset that is held for trading or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading, or is a financial asset that is held for trading.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizi... cia ... f... CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. *T... d... ad acc... m... d... h... a... f... a... a... (c... acc... c... ab...)*

T... a... a... c... a... f... a... a... a... a... f... a... a... f... a... a... b... a... c... d... f... i... b... c... i... d... c... a... f... a... a... i... h... a... i... d... C... a... a... m... a... f... i... f... a... h... a... i... m... .

T... C... a... c... i... d... r... a... r... a... b... a... d... i... d... c... d... i... f... m... a... i... , i... c... d... i... f... a... r... d... i... i... f... m... a... i... , h... a... c... d... c... d... i... f... f... i... a... c... i... a... m... a... r... d... a... a... n... i... z... d... c... a... d... f... i... a... c... i... a... (d... b... i... r... m...)... m... a... r... d... a... f... a... r... a... r... c... m... f... i... i... c... m... , i... r... i... d... i... d... a... r... i... c... m... b... i... a... i... . T... m... a... r... m... f... i... c... d... c... d... i... d... d... f... i... a... c... i... a... a... i... c... r... a... d... i... f... i... c... a... i... i... a... r... c... i... i... .

T... c... d... c... d... i... r... f... i... d... a... r... a... f... c... d... i... f... i... a... c... i... a... i... r... m... a... a... r... i... d... b... i... r... i... f... d... f... a... . C... d... i... r... f... i... d... i... f... f... c... b... a... c... r... a... c... a... c... a... f... r... c... i... a... b... f... m... c... r... a... c... a... d... a... c... a... f... c... d... b... r... c... i... d... b... G... r... a... r... i... a... f... f... c... i... i... r... a... , a... i... , r... a... f... a... c... a... r... a... . A... n... m... f... i... a... c... i... a... a... a... a... b... c... d... i... d... r... c... i... a... d... b... G... r... r... c... a... d... b... G... r... a... b... d... i... c... d... a... c... c... d... i... a... c... a... i... r... a... a... d... d... b... f... i... a... c... i... a... .

T... G... r... m... a... r... m... f... i... c... d... c... d... i... r... f... c... f... m... :

- (1) a... b... i... a... d... r... b... a... i... i... d... a... r... a... a... n... d... m... i... d... b... a... a... i... a... a... f... i... b... c... m... ;
- (2) h... a... f... m... ;
- (3) R... a... b... a... d... i... d... c... -b... a... d... i... f... m... a... i... , c... r... c... d... i... , a... d... f... r... c... m... i... c... c... d... i... a... a... r... a... a... i... a... b... a... b... a... a... c... d... a... c... a... r... a... d... d... i... a... c... r... f... f... .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi cia , i faη i CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

6. T i m d a d acc i m d f i η a i η f i a c i a a
(c d i acc r c i a b) (C i d)

F i a c i a i m i c d d i m a m f c d c d i , G a
c d i r i f a f i a c i a i m a i c a d i f i c i a
T a η a η m d i d m a r i a d c f i η
c d c d i :

P a 1: I f c d i r i f i a c i a i m a i c a d i f i c i a
i a c d c d i f i a c i a i m i 12
m ;

P a 2: I f c d i r i f i a c i a i m a i c a d i f i c i a
i a c c d , G a m a r i i b a d a η i a
c d c d i f i r d r a i f i a c i a i m ;

P a 3:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Provision for bad debt of the accounts receivable (Continued)

(1) Accounts receivable

For accounts receivable, the Company identifies the Company's accounts receivable as the primary source of credit risk. The Company's accounts receivable are primarily from the sale of goods and services to customers. The Company's accounts receivable are primarily from the sale of goods and services to customers.

The Company's accounts receivable are primarily from the sale of goods and services to customers. The Company's accounts receivable are primarily from the sale of goods and services to customers.

Aging	Accounts receivable accrual ratio (%)
Within 1 year (including 1 year)	0.5
1-2 years	5.25
2-3 years	50
3-4 years	80
4-5 years	80
Over 5 years	100

If the Company identifies accounts receivable as a credit risk, the Company's accounts receivable are primarily from the sale of goods and services to customers.

The Company's accounts receivable are primarily from the sale of goods and services to customers. The Company's accounts receivable are primarily from the sale of goods and services to customers.

1) The standard for accounts receivable impairment:

The Company's accounts receivable are primarily from the sale of goods and services to customers. The Company's accounts receivable are primarily from the sale of goods and services to customers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I additio... cia... i f aη... i CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XI) Provision for bad debt of the accounts receivable (Continued)

(1) *Acc... r c i ab (C i d)*

II) *T acc' a η d f i i i l i c a a η* *↙* *a' a r i i f b a d d b :*

T C η a c d c η a i η a' a r i i f r c i a b a a r i i f i c a i i η f i d i d a a η b a f *↙* c a r a c i c i f r i b c i d c a i a b η a i d, η a i η i r c i z a d a d r i i f b a d d b i η a d b a d d i f f r c b *↙* r a f i f r c a f *↙* a d i c a r i a η ;

III) *T c i f a η r c i a b a' acc' d f b a d d b .*

Acc R c i a b b *↙* *r a d a r i ;*

O r c i a b r a a i a i d r a r i a d i d r a c i a i , c, *↙* i c b a r f d i i d i a d i r a r c i a b f r i r i i - r i c m f b i r a i , m r a b *↙* , r r f d a d r c i a b . E c r i i d c *↙* η a i η , η a i η r i i i m a d .

(2) *O r c i a b*

T η a r m f η a i η f r r c i a b i r a d i a c c d a c *↙* η a r m η d f η a i η f a f r m i d f i a c i a a (c d i r c i a b) .

T a d a r d f r c i a b *↙* a i i i f i c a a η :

O r c i a b *↙* a a η f CNY10 η i i (i c d i CNY10 η i i) a r r c i z a d a r c i a b *↙* i i f i c a i a η .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XII) Inventories

1. Cash and cash equivalents

The cash and cash equivalents include the cash, deposits with banks, and other financial assets that are readily convertible into cash and whose value is stable.

2. Valuation of inventory

The inventory is measured at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal.

Acacac : C f i i d m i d i i d a r a m d .

I d d c : d i f f c b i d d c a d a c a c b c a c a d b c a r i a c a c c , a d c d i f f c a m d f i i b a b i a m , a a d i d c a c a c .

3. Derivatives used for hedging

At the end of the reporting period, the company has not entered into any derivatives contracts for hedging purposes.

Net assets are measured at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs of disposal. The company has not entered into any derivatives contracts for hedging purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIII) Contract assets and contract liabilities

The Company's contract assets and contract liabilities are based on the contract terms and conditions. The contract assets (contract receivables) are the amounts of the contract price that the Company has the right to receive from the customer; The contract liabilities (contract payables) are the amounts of the contract price that the Company has the obligation to pay to the customer.

For contract assets, the Company recognizes a provision for expected credit loss, which is determined based on the historical loss experience and the current and expected credit risk. For contract liabilities, the Company recognizes a provision for expected credit loss, which is determined based on the historical loss experience and the current and expected credit risk.

(XIV) Classified as assets held for sale

The Company's classified as assets held for sale (including the related liabilities) are as follows:

- (1) Bad debt provision for the receivables of the related parties, including the related parties' receivables;
- (2) The amount of the receivables, which are classified as assets held for sale, are the receivables of the related parties, which are classified as assets held for sale. The amount of the receivables of the related parties, which are classified as assets held for sale, are the receivables of the related parties, which are classified as assets held for sale.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments

1. Significant influence and control

Long-term equity investments are accounted for using the cost method, and the investment cost is determined based on the actual cost of the investment. If the investee is a company, the investment cost is determined based on the actual cost of the investment, and the investment cost is determined based on the actual cost of the investment.

Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee, but not to control or jointly control the investee. When the Company holds less than 10% of the equity of the investee, it is considered that the Company does not have significant influence over the investee.

2. Derivative financial instruments

(1) Foreign exchange rate derivatives

Foreign exchange rate derivatives are used to hedge the foreign exchange risk of the Company's foreign currency assets and liabilities. The Company uses forward contracts, futures contracts, and options contracts to hedge its foreign exchange risk. The Company's foreign exchange rate derivatives are classified as financial assets or liabilities. The Company's foreign exchange rate derivatives are measured at fair value. The change in fair value of the Company's foreign exchange rate derivatives is recognized in the profit or loss account. The Company's foreign exchange rate derivatives are used to hedge the foreign exchange risk of the Company's foreign currency assets and liabilities. The Company's foreign exchange rate derivatives are classified as financial assets or liabilities. The Company's foreign exchange rate derivatives are measured at fair value. The change in fair value of the Company's foreign exchange rate derivatives is recognized in the profit or loss account.

Foreign exchange rate derivatives are used to hedge the foreign exchange risk of the Company's foreign currency assets and liabilities. The Company uses forward contracts, futures contracts, and options contracts to hedge its foreign exchange risk. The Company's foreign exchange rate derivatives are classified as financial assets or liabilities. The Company's foreign exchange rate derivatives are measured at fair value. The change in fair value of the Company's foreign exchange rate derivatives is recognized in the profit or loss account. The Company's foreign exchange rate derivatives are used to hedge the foreign exchange risk of the Company's foreign currency assets and liabilities. The Company's foreign exchange rate derivatives are classified as financial assets or liabilities. The Company's foreign exchange rate derivatives are measured at fair value. The change in fair value of the Company's foreign exchange rate derivatives is recognized in the profit or loss account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan, unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

2. Dividends receivable (Continued)

(2) Long-term equity investments

The dividends receivable from the investee are recorded as long-term equity investments. When the dividends are received, they are recorded as income.

The dividends receivable from the investee are recorded as long-term equity investments. When the dividends are received, they are recorded as income.

If the investee is a subsidiary, the dividends receivable are recorded as long-term equity investments. When the dividends are received, they are recorded as income. If the investee is not a subsidiary, the dividends receivable are recorded as long-term equity investments. When the dividends are received, they are recorded as income.

The dividends receivable from the investee are recorded as long-term equity investments. When the dividends are received, they are recorded as income.

3. Share-based payments (Continued)

(1) Long-term equity investments

Long-term equity investments are recorded as long-term equity investments. When the dividends are received, they are recorded as income.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. Subsequent measurement method (Continued)

(2) Long-term equity investments measured at cost

Long-term equity investments measured at cost are those investments in which the investor has significant influence over the investee but does not have control or joint control over the investee. The initial investment cost is the fair value of the investment at the time of acquisition. Subsequent measurement is based on the investment cost, and the carrying amount is adjusted for the investor's share of the investee's net profit or loss and other comprehensive income. Dividends received from the investee are recognized as income.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. Subsequent measurement method (Continued)

(2) Long-term equity investment method (Continued)

For the long-term equity investment method, the Company shall determine whether it has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. For the long-term equity investment method, the Company shall determine whether it has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. For the long-term equity investment method, the Company shall determine whether it has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control.

(3) Dividend method

For the dividend method, the Company shall determine whether it has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. For the dividend method, the Company shall determine whether it has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. For the dividend method, the Company shall determine whether it has significant influence over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control.

When the Company's shareholding percentage in the investee is reduced, but still has significant influence, the Company shall continue to use the long-term equity investment method. When the Company's shareholding percentage in the investee is reduced, but still has significant influence, the Company shall continue to use the long-term equity investment method. When the Company's shareholding percentage in the investee is reduced, but still has significant influence, the Company shall continue to use the long-term equity investment method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizionale, in milioni di CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XV) Long-term equity investments (Continued)

3. *Sb* *m a r n a d r c* *ll f r f i r* (C i d)

(3) *Di a f - n* *ll n* (C i d)

W G c r r i d a r i a d i a f i l i m a d r r a , m a l i l i a f r d i a a b a c c d f r d r i m d i r a r i f i d i d a f i a c i a a m r i d d a c m m c r m a r i a i f c r i c a b h n d a d a b a d d a f i c m a l i l i a b a c c d f r d r i m d i c a r b a i d. W r m a l i l i a f r d i a c a h n c m m c r m a r i a i f c r i l i , i a b a c c d f r a c c d i r a r i l i f a d a r d r c i l i a d m a r m f i a c i a i r m , a d d i f f c b f a i r a a d c a r i a a d a f i c r a b i c d d i c r f i r .

T d i d i l i r a a c r d i a b i c m b i a r a r d f m c a m a l i a d d i a i m , m a l i l i r a f r d i a b a c c d f r i c m d r i m d r a r i a a f i a c i a a m . O r c m r i c m a d r r i c i z d l i r d a c i l l d a i a c c d f r i l i m d a d a b r a f r d r a a b a i ; F r m a l i l i r a f r d i a a c c d f r i r c i l i a d m a r m a d a d f i a c i a i r m , r c m r i c m a d r r i l i a b f r a f r d .

(XVI) Investment property

I m r r i d a r r a f r c a i a a r c i a i r b i c i c d a d a d r i ; a d r i d f r a a f r a r c i a i ; a d b i d i (i c d i b i d i a f r f c m i f c r c i r d m f r r f a i a d b i d i a i b i c r c d r d d f r r f a i i f r) .

T C m a l i l i m r r i m a r d a c . I m r r i m a r d a c b i d i d f r a i a a d a n d r c i a i i c f r f i d a f i c m a l i a d r i d f r a i a a d a n a n i z a i i c f r i a i b a .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets

1. Cost of fixed assets

Fixed assets are initially recorded at cost. The cost includes purchase price, related taxes, and other directly attributable costs. The cost of fixed assets is determined as follows:

(1) For purchased fixed assets, the cost is the purchase price plus related taxes and other directly attributable costs;

(2) For self-constructed fixed assets, the cost is the actual cost.

2. Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis. The depreciation rate is determined based on the estimated useful life and residual value. The depreciation method is as follows: For purchased fixed assets, the depreciation is calculated based on the straight-line method. For self-constructed fixed assets, the depreciation is calculated based on the straight-line method. The depreciation rate is determined based on the estimated useful life and residual value.

For fixed assets, the depreciation is calculated based on the straight-line method. The depreciation rate is determined based on the estimated useful life and residual value. The depreciation method is as follows: For purchased fixed assets, the depreciation is calculated based on the straight-line method. For self-constructed fixed assets, the depreciation is calculated based on the straight-line method. The depreciation rate is determined based on the estimated useful life and residual value.

The depreciation rate is determined based on the estimated useful life and residual value.

Categories	Depreciation period	Estimated residual value (%)	Annual depreciation rate (%)	Depreciation method
Household	15-30	3	3.23-6.47	Straight-line
Machinery	7-15	3	6.47-13.86	Straight-line
Transportation	5-6	3	16.17-19.40	Straight-line
Electronic equipment	5-10	3	9.70-19.40	Straight-line
Office equipment	5-9	3	10.78-19.40	Straight-line
Others	5-9	3	10.78-19.40	Straight-line

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets (Continued)

3. Intangible assets (Continued)

Intangible assets are identified and recognized when the following conditions are met:

(1) The intangible asset is identifiable. Identifiable intangible assets are those that are separable from the company, or arise from contractual arrangements. Identifiable intangible assets are those that can be separated from the company, or arise from contractual arrangements.

(2) The intangible asset is controllable. Controllable intangible assets are those that the company can control. Controllable intangible assets are those that the company can control.

(3) The intangible asset is reliable. Reliable intangible assets are those that the company can reliably measure. Reliable intangible assets are those that the company can reliably measure.

Once the intangible asset is identified and recognized, it is measured at cost. Once the intangible asset is identified and recognized, it is measured at cost.

When the intangible asset is identified and recognized, it is measured at cost. When the intangible asset is identified and recognized, it is measured at cost.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVII) Fixed assets (Continued)

4. *Right of use assets*

When the company enters into a lease contract, it shall determine whether the lease is a finance lease or an operating lease. The lease is classified as a finance lease if it meets any of the following conditions:

- (1) The lease term is almost equal to the economic life of the leased asset;
- (2) The present value of the minimum lease payments is almost equal to the fair value of the leased asset at the beginning of the lease term;
- (3) The lessee has the right to purchase the leased asset at the end of the lease term;
- (4) The leased asset is so specialized that it is difficult to be transferred to other parties without major modifications.

On the balance sheet, the right of use assets are measured at the cost of the lease liability plus the initial direct costs. The right of use assets are measured at the cost of the lease liability plus the initial direct costs, less accumulated depreciation and impairment losses. The right of use assets are measured at the cost of the lease liability plus the initial direct costs, less accumulated depreciation and impairment losses. The right of use assets are measured at the cost of the lease liability plus the initial direct costs, less accumulated depreciation and impairment losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Construction in progress

1. Construction in progress

Construction in progress is measured at cost less accumulated depreciation and impairment losses. It includes the cost of materials, labor, and other direct costs, and the cost of indirect costs that are directly attributable to the construction project.

2. Standard and method for cost of construction in progress

The cost of construction in progress is determined by the actual cost of construction. The cost of construction in progress is determined by the actual cost of construction, including the cost of materials, labor, and other direct costs, and the cost of indirect costs that are directly attributable to the construction project. The cost of construction in progress is determined by the actual cost of construction, including the cost of materials, labor, and other direct costs, and the cost of indirect costs that are directly attributable to the construction project. The cost of construction in progress is determined by the actual cost of construction, including the cost of materials, labor, and other direct costs, and the cost of indirect costs that are directly attributable to the construction project.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the English text is in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XVIII) Construction in progress (Continued)

3. *Construction in progress*

At the end of the reporting period, the construction in progress is as follows:

When the construction in progress is completed, it will be transferred to the fixed assets. When the construction in progress is completed, it will be transferred to the fixed assets. When the construction in progress is completed, it will be transferred to the fixed assets.

The construction in progress is measured at cost. The cost includes the purchase price of the materials, the wages of the workers, and the other costs incurred in the process of construction.

When the construction in progress is completed, it will be transferred to the fixed assets. When the construction in progress is completed, it will be transferred to the fixed assets. When the construction in progress is completed, it will be transferred to the fixed assets.

Other details of the construction in progress are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB Yuan, the figures are also presented in US Dollars and Chinese Yuan (CNY))

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs

1. Capitalized borrowing costs

Borrowing costs are capitalized as part of the cost of the related asset only when the asset is a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

For borrowing costs incurred during the construction period of a qualifying asset, the amount of borrowing costs capitalized is determined by the amount of capital expenditures for the asset multiplied by the capitalization rate. The capitalization rate is the weighted average of the borrowing rates applicable to the borrowings of the company that are used to finance the qualifying asset during the period of capitalization.

At the end of each reporting period, the amount of borrowing costs capitalized shall not exceed the amount of borrowing costs that have accrued during the period.

Capitalized borrowing costs are included in the cost of the related asset:

- (1) directly related to the acquisition, construction or production of the asset;
- (2) borrowing costs incurred on the acquisition, construction or production of the asset;
- (3) accrued during the period of construction of the asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

2. Capitalized borrowing costs

The capitalized borrowing costs are determined by the actual interest incurred on the borrowings, less the amount of any investment income earned on the temporary investment of the borrowed funds.

Capitalized borrowing costs are determined by the actual interest incurred on the borrowings, less the amount of any investment income earned on the temporary investment of the borrowed funds.

If the actual interest rate is not a fixed rate, the capitalized borrowing costs are determined by the actual interest rate, less the amount of any investment income earned on the temporary investment of the borrowed funds.

If the actual interest rate is not a fixed rate, the capitalized borrowing costs are determined by the actual interest rate, less the amount of any investment income earned on the temporary investment of the borrowed funds.

3. Specific capitalized borrowing costs

Capitalized borrowing costs are determined by the actual interest incurred on the borrowings, less the amount of any investment income earned on the temporary investment of the borrowed funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all amounts are in RMB Yuan unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XIX) Borrowing costs (Continued)

4. Capitalization of borrowing costs

Specific borrowing costs directly related to the acquisition, construction or production of qualifying assets, which are necessary to bring those assets to the location and condition necessary for them to be capable of generating future economic benefits, are capitalized. Other borrowing costs are expensed as incurred.

For the purpose of capitalization, the amount of borrowing costs eligible for capitalization is determined as the amount of actual borrowing costs incurred during the period multiplied by the capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period for which capitalization is required, excluding borrowings for which the borrowing costs are expensed as incurred.

If the weighted average of the borrowing costs applicable to the borrowings of the entity is not available, the borrowing cost rate used for capitalization purposes shall be the market borrowing rate of the entity at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets

1. Valuation of identifiable intangible assets

(1) Identifiable intangible assets are those that are identifiable and measurable.

They are recognized as identifiable intangible assets if they are identifiable and measurable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

2. *Enhanced software and other intangible assets*

When an intangible asset is identified as an identifiable intangible asset, it is recognized as an intangible asset. The recognition criteria are: (1) The intangible asset is identifiable; (2) The intangible asset is separable; (3) The intangible asset is controlled; (4) The intangible asset is measurable; (5) The intangible asset is reliable; (6) The intangible asset is available for sale; (7) The intangible asset is available for sale.

An identifiable intangible asset is an identifiable intangible asset that is separable from the related identifiable intangible asset.

An identifiable intangible asset is an identifiable intangible asset that is separable from the related identifiable intangible asset.

3. *Judgmental software and other intangible assets*

The intangible asset is an identifiable intangible asset that is separable from the related identifiable intangible asset.

Judgmental software and other intangible assets: 1. The intangible asset is identifiable; 2. The intangible asset is separable; 3. The intangible asset is controlled; 4. The intangible asset is measurable; 5. The intangible asset is reliable; 6. The intangible asset is available for sale; 7. The intangible asset is available for sale.

An identifiable intangible asset is an identifiable intangible asset that is separable from the related identifiable intangible asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

4. Patents and other intangible assets

Patents and other intangible assets are acquired through purchase, exchange, or other means, and are recorded at cost. The cost includes the purchase price, related taxes, and other directly attributable costs.

Patents and other intangible assets are amortized on a straight-line basis over their useful lives. The useful life is determined based on the nature of the asset and the expected economic benefits.

Intangible assets with an indefinite useful life are not amortized. Instead, they are tested for impairment annually or more frequently if there are indicators of impairment. If the carrying amount of the intangible asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the net present value of the cash flows expected to be derived from the asset and its fair value less costs of disposal.

Intangible assets with a finite useful life are amortized over their useful lives. The useful life is determined based on the nature of the asset and the expected economic benefits. The amortization expense is recognized in the profit and loss account.

When an intangible asset is sold or otherwise disposed of, the gain or loss is calculated as the difference between the net proceeds from the disposal and the carrying amount of the asset. The gain or loss is recognized in the profit and loss account.

At the end of each reporting period, the carrying amount of intangible assets is reviewed. If there are indicators of impairment, the carrying amount is tested for impairment. If the carrying amount exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the net present value of the cash flows expected to be derived from the asset and its fair value less costs of disposal.

Other intangible assets are amortized on a straight-line basis over their useful lives. The useful life is determined based on the nature of the asset and the expected economic benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB Yuan, the figures are also presented in US Dollars and Chinese Yuan Renminbi (CNY))

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XX) Intangible assets (Continued)

5. Scientific and technological innovation intangible assets

The scientific and technological innovation intangible assets are added to the intangible assets of the Company at the time of acquisition.

Recognition: Scientific and technological innovation intangible assets are recognized when the following conditions are met:

1. The scientific and technological innovation intangible assets are identifiable; 2. The scientific and technological innovation intangible assets are controllable by the Company; 3. The scientific and technological innovation intangible assets are expected to generate economic benefits in the future.

6. Goodwill

The goodwill is the difference between the purchase price and the fair value of the identifiable intangible assets.

(1) The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets.

(2) The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets.

(3) The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets. The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets.

(4) The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets.

(5) The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets.

The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets. The goodwill is measured as the difference between the purchase price and the fair value of the identifiable intangible assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXI) Impairment of long-term assets

Long-term assets, including long-term investments, fixed assets, intangible assets, etc., are tested for impairment at the end of each reporting period. If the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the asset's fair value less costs of disposal and its value in use. The value in use is the present value of the estimated future cash flows expected to be received from the asset. The carrying amount of an asset is written down to its recoverable amount. The impairment loss is recognized in the profit or loss account. The impairment loss is reversed in the profit or loss account if the carrying amount of the asset increases and the impairment loss is not permanent.

Long-term assets are tested for impairment at the end of each reporting period.

When the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the asset's fair value less costs of disposal and its value in use. The value in use is the present value of the estimated future cash flows expected to be received from the asset. The carrying amount of an asset is written down to its recoverable amount. The impairment loss is recognized in the profit or loss account. The impairment loss is reversed in the profit or loss account if the carrying amount of the asset increases and the impairment loss is not permanent.

When the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is the maximum of the asset's fair value less costs of disposal and its value in use. The value in use is the present value of the estimated future cash flows expected to be received from the asset. The carrying amount of an asset is written down to its recoverable amount. The impairment loss is recognized in the profit or loss account. The impairment loss is reversed in the profit or loss account if the carrying amount of the asset increases and the impairment loss is not permanent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXII) Long-term prepaid expenses

Long-term prepaid expenses are recognized as assets when the related benefits are expected to be realized over more than one accounting period.

Long-term prepaid expenses are recognized as liabilities when the related benefits are expected to be realized over more than one accounting period. For long-term prepaid expenses, the balance sheet is adjusted to reflect the amount of the prepaid expenses that have expired.

(XXIII) Employee Remuneration

1. Method of accounting for employee remuneration

Directly accrued remuneration, including wages, commissions, bonuses, and other benefits, is recognized as liabilities when the related benefits are expected to be realized over more than one accounting period.

The Commission's remuneration is recognized as liabilities when the related benefits are expected to be realized over more than one accounting period. Directly accrued remuneration, including wages, bonuses, and other benefits, is recognized as liabilities when the related benefits are expected to be realized over more than one accounting period.

Wages and salaries are recognized as liabilities when the related benefits are expected to be realized over more than one accounting period.

2. Method of accounting for employee remuneration

(1) Direct contribution

The Commission's remuneration is recognized as liabilities when the related benefits are expected to be realized over more than one accounting period. Directly accrued remuneration, including wages, bonuses, and other benefits, is recognized as liabilities when the related benefits are expected to be realized over more than one accounting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIII) Employee Remuneration (Continued)

2. *Deferred Compensation* (continued)

(2) *Deferred Compensation*

The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future. The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future.

The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future. The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future.

The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future. The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future.

The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future. The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future.

The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future. The Company's deferred compensation liability is based on the amount of the deferred compensation award that is expected to be paid to the employee in the future.

For details, see Note VI (XXVI) E₁ to the financial statements.

3. *Accumulated Other Comprehensive Income*

The Company's accumulated other comprehensive income is primarily composed of the Company's share of other comprehensive income of its subsidiaries. The Company's accumulated other comprehensive income is primarily composed of the Company's share of other comprehensive income of its subsidiaries.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the accompanying notes, the financial statements are presented in Chinese and Renminbi Yuan (RMB), with the English translation presented in US Dollars (USD) and Chinese Yuan (CNY).)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Estimated liabilities

Wangjiacai's estimated liabilities, including but not limited to, are as follows: (1) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

1. Recognition of estimated liabilities

Wangjiacai's recognition of estimated liabilities is as follows: (1) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

(1) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

(2) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

(3) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

2. Measurement of estimated liabilities

The measurement of estimated liabilities is as follows: (1) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

Wangjiacai's measurement of estimated liabilities is as follows: (1) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

The measurement of estimated liabilities is as follows: (1) Estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

If the acquisition of the target company is completed, the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company, including the estimated liabilities for the completion of the acquisition of the target company.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese, the financial statements are presented in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIV) Estimated liabilities (Continued)

2. Modified impairment allowance for expected liabilities (Continued)

The Company's expected liabilities (including but not limited to), such as the expected liabilities (including but not limited to), are estimated based on the Company's historical experience, current conditions, and other factors. The Company's expected liabilities (including but not limited to) are estimated based on the Company's historical experience, current conditions, and other factors.

When the Company's expected liabilities (including but not limited to) are estimated based on the Company's historical experience, current conditions, and other factors, the Company's expected liabilities (including but not limited to) are estimated based on the Company's historical experience, current conditions, and other factors.

(XXV) Safety production fee

The Company's safety production fee is estimated based on the Company's historical experience, current conditions, and other factors. The Company's safety production fee is estimated based on the Company's historical experience, current conditions, and other factors.

1. Operating expenses of CNY10 million and below, accrued 2%;
2. Operating expenses of CNY10 million to CNY100 million, accrued 1%;
3. Operating expenses of CNY100 million to CNY1,000 million, accrued 0.2%;
4. Operating expenses of CNY1,000 million to CNY5,000 million, accrued 0.1%;
5. Operating expenses above CNY5,000 million, accrued 0.05%.

The Company's safety production fee is estimated based on the Company's historical experience, current conditions, and other factors. The Company's safety production fee is estimated based on the Company's historical experience, current conditions, and other factors.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVI) Share-based payments (Continued)

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(XXVII) Revenue

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English and Renminbi (RMB) Yuan)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(2) If the company provides services to customers, it shall recognize revenue when the customer obtains control of the service. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of real estate when the customer obtains control of the real estate. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of intangible assets when the customer obtains control of the intangible assets. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

(3) The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

For the sale of goods, the company shall recognize revenue when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

The company shall recognize revenue from the sale of goods when the customer obtains control of the goods. The amount of revenue recognized shall be the amount of the transaction price that is expected to be received from the customer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan unless otherwise stated)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVII) Revenue (Continued)

(4) Construction contracts

For construction contracts, the Company recognizes revenue over the period of construction, based on the percentage of completion. The percentage of completion is determined by the ratio of the cost incurred to the total contract cost. The Company recognizes revenue based on the percentage of completion, and the contract cost is recognized as an expense. For construction contracts, the Company recognizes revenue based on the percentage of completion, and the contract cost is recognized as an expense.

When the construction contract is completed, the Company recognizes revenue based on the percentage of completion, and the contract cost is recognized as an expense.

(5) Sales of electricity

The Company's electricity sales are 600MW (including 600MW) in 2017, and the Company recognizes revenue based on the percentage of completion, and the contract cost is recognized as an expense.

The Company's electricity sales are 600MW (including 600MW) in 2017, and the Company recognizes revenue based on the percentage of completion, and the contract cost is recognized as an expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English and CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXVIII) Contractual costs

Contractual costs are defined as the costs incurred by the company in the process of providing services.

The company's contractual costs are classified into the following categories:

1. The costs incurred in the process of providing services.
2. The costs incurred in the process of providing services, including the costs of providing services.
3. The costs incurred in the process of providing services.

As a result of the company's contractual costs, the company's contractual costs are classified into the following categories:

The company's contractual costs are classified into the following categories:

1. The company's contractual costs are classified into the following categories:
2. The company's contractual costs are classified into the following categories:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXIX) Government grant

1. Intangible assets

Government grants related to intangible assets are accounted for as intangible assets. The related intangible assets are recorded as intangible assets.

Government grants related to intangible assets are accounted for as intangible assets. Government grants related to intangible assets are recorded as intangible assets.

2. Accruals and provisions

The company's specific criteria for identifying intangible assets are:

Government grants related to intangible assets are accounted for as intangible assets. Government grants related to intangible assets are recorded as intangible assets. (Accruals and provisions for intangible assets, including intangible assets, are recorded as intangible assets, including intangible assets, including intangible assets);

Government grants related to intangible assets are accounted for as intangible assets. Government grants related to intangible assets are recorded as intangible assets. (Accruals and provisions for intangible assets, including intangible assets, including intangible assets); If intangible assets are recorded as intangible assets, including intangible assets, including intangible assets; If intangible assets are recorded as intangible assets, including intangible assets, including intangible assets; If intangible assets are recorded as intangible assets, including intangible assets, including intangible assets).

When the company's specific criteria for identifying intangible assets are met, the company's specific criteria for identifying intangible assets are met. When the company's specific criteria for identifying intangible assets are met, the company's specific criteria for identifying intangible assets are met. When the company's specific criteria for identifying intangible assets are met, the company's specific criteria for identifying intangible assets are met.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXX) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are measured at the best estimate of the tax benefits to be realized from the future utilization of the deductible temporary differences.

For a deferred income tax liability, deferred income tax assets are recognized to the extent that the company is confident that it will have sufficient taxable income to utilize the deductible temporary differences.

Since the company is confident that it will have sufficient taxable income to utilize the deductible temporary differences, it has recognized deferred income tax assets in the amount of RMB 1,114,900,000; for a deferred income tax liability, the company has recognized deferred income tax liabilities in the amount of RMB 1,114,900,000.

When the company is confident that it will have sufficient taxable income to utilize the deductible temporary differences, it has recognized deferred income tax assets in the amount of RMB 1,114,900,000; for a deferred income tax liability, the company has recognized deferred income tax liabilities in the amount of RMB 1,114,900,000.

When the company is confident that it will have sufficient taxable income to utilize the deductible temporary differences, it has recognized deferred income tax assets in the amount of RMB 1,114,900,000; for a deferred income tax liability, the company has recognized deferred income tax liabilities in the amount of RMB 1,114,900,000.

(XXXI) Leases

1. Operating lease

- (1) The company has entered into operating lease contracts with various lessors for the use of office buildings, equipment, and vehicles. The lease terms are generally 1 to 5 years. The company recognizes lease liabilities at the present value of the lease payments to be made over the lease term.

When the company enters into operating lease contracts, it recognizes lease liabilities at the present value of the lease payments to be made over the lease term. The company also recognizes lease assets for the right-of-use of the leased assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXII) Discontinued Operation

Discarded operation is a business that is being disposed of or is being discontinued. The disposal of a business is considered to be completed when the business has been sold, transferred, or otherwise disposed of.

- (1) The disposal of a business is considered to be completed when the business has been sold, transferred, or otherwise disposed of.
- (2) The disposal of a business is considered to be completed when the business has been sold, transferred, or otherwise disposed of.
- (3) The disposal of a business is considered to be completed when the business has been sold, transferred, or otherwise disposed of.

(XXXIII) Hedge accounting

1. Cash flow hedge:

- (1) A fair value hedge of a firm's net income (or other comprehensive income) is a hedge of a firm's net income (or other comprehensive income) that is a firm's net income (or other comprehensive income).
- (2) Cash flow hedge of a firm's net income (or other comprehensive income) is a hedge of a firm's net income (or other comprehensive income) that is a firm's net income (or other comprehensive income).
- (3) Hedge accounting is a firm's net income (or other comprehensive income) that is a firm's net income (or other comprehensive income).

2. Derivative financial instrument:

As a result of the firm's net income (or other comprehensive income) that is a firm's net income (or other comprehensive income) that is a firm's net income (or other comprehensive income).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB Yuan, the figures are also presented in US Dollars and Chinese Yuan Renminbi (CNY))

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Hedge accounting (Continued)

2. Derivative financial instruments used for hedging (Continued)

Hedging instruments used for hedging are derivative financial instruments that are designated as hedging instruments at the time of their recognition. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument.

(1) The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument.

(2) The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument. The hedging instrument must be a derivative financial instrument.

3. Method of hedge accounting (Continued)

(1) Fair value method

The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging.

The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging.

The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging.

The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging. The fair value method is used for hedging.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi cia , i faη i CNY)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(XXXIII) Hedge accounting (Continued)

3. M d f H d acc i : (C i d)

(2) Ca f d

T ff ci i f ai , d i i m i c i z d d i c a c m i c m , i ff ci i i c i z d h m dia i i f i f c " i d.

I f d d r a a c i a f f c " r f i a d , d d f i a c i a i c m f i a c i a a r c i z d r c d a c c s , a η r c i z d i c m i c m i r a f " d c " r f i a d . I f d d i m i c f a - f i a c i a a - f i a c i a i a b i l i , a η r c i z d i c m i c m i r a f " d a d i c d d i i i a r c i i a η f - f i a c i a a - f i a c i a i a b i l i (r f i i r c i z d i c m i c m , i i r a f " d i a η r i d i i c - f i a c i a a - f i a c i a i a b i l i a f f c r f i , a d i c d d i c " r f i a d) .

I f c d r a a c i r d m i d c m m i m i c d c c s , a c c m a d a i f d i i m i c d d i a r d r i r a f " d a d i c d d i c " r f i a d .

I f d i i m a i r d , b d , c r a c i m i a d r a b r c i d (b r a c d r d d) , r d i a i f d i r a i i r d , a η r i c d d i c m i c m i r a f " d i c d r a a c i r d m i a i f c m m i m a f f c c " r f i a d .

(3) N i m d i f r a r a i

T d i f i m i f f r a i , i c d i d i f m a r i m a a r f a i m , i h i a c a f d . T r i f a i f d i i m a i d m i d b a f f c i d i c d d i c m i c m , a d r i f i f f c i d i r c i d i r f i f c " i d . W d i i f a r a r a i , a c c m a d a i r c i d i i r a f " d r f i f c " i d .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, see the notes to the financial statements on pages 137 and 138 of this report.)

IV.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

IV. DESCRIPTION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS (CONTINUED)

(I) Changes in accounting policies (Continued)

2. Effect of Accounting Policy (2018) Circular 15 on the consolidated financial statements

Number	Item	December 31, 2017	Consolidated balance sheet		January 1, 2018
			Amount of reclassification	Adjustment amount under remeasurement	
1	Non-current assets	4,362,451,678.86	-4,362,451,678.86		
2	Accumulated depreciation	7,223,309,704.58	-7,223,309,704.58		
3	Non-current assets and accumulated depreciation		11,585,761,383.44		11,585,761,383.44
4	Intangible assets	3,277,397.20	-3,277,397.20		
5	Deferred tax assets	144,453.39	-144,453.39		
6	Other non-current assets	953,565,790.29	3,421,850.59		956,987,640.88
7	Financial assets	5,960,718,217.02	201,003.47		5,960,919,220.49
8	Liabilities for financial assets	201,003.47	-201,003.47		
9	Current liabilities	860,049,881.44	3,719,461.29		863,769,342.73
10	Current liabilities	3,719,461.29	-3,719,461.29		
11	Non-current liabilities	5,479,804,293.43	-5,479,804,293.43		
12	Accumulated depreciation	14,051,708,904.60	-14,051,708,904.60		
13	Non-current liabilities and accumulated depreciation		19,531,513,198.03		19,531,513,198.03
14	Intangible assets	125,099,549.75	-125,099,549.75		
15	Deferred tax assets	3,569,638.20	-3,569,638.20		
16	Other non-current assets	277,646,983.05	128,669,187.95		406,316,171.00
17	Shareholders' equity	484,953,994.29	-484,953,994.29		
18	Liabilities	1,000,000.00	484,953,994.29		485,953,994.29

Number	Item	Consolidated income statement (year of 2017)			After adjustment
		Before adjustment	Amount of reclassification	Adjustment amount under remeasurement	
1	Administrative expenses	2,253,706,207.85	-558,679,659.76		1,695,026,548.09
2	Research and development expenses		558,679,659.76		558,679,659.76

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

IV. DESCRIPTION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS (CONTINUED)

(I) Changes in accounting policies (Continued)

3. Affected items and their impact on the consolidated balance sheet

The following table shows the impact of the change in accounting policy on the consolidated balance sheet as of December 31, 2017, and the consolidated balance sheet as of January 1, 2018.

(1) Affected items and their impact on the consolidated balance sheet

Consolidated balance sheet					
Number	Items	December 31, 2017	Amount of reclassification	Adjustment	
				Amount of reclassification	January 1, 2018
1	Accounts receivable	85,895,000.00		-85,895,000.00	
2	Income			36,595,000.00	36,595,000.00
3	Other items			49,300,000.00	49,300,000.00

(2) Affected items and their impact on the consolidated balance sheet

Consolidated balance sheet					
Number	Items	December 31, 2017	Amount of reclassification	Adjustment	
				Amount of reclassification	January 1, 2018
1	Accounts payable	10,588,586,288.14	-3,365,276,583.56		7,223,309,704.58
2	Contract assets		6,811,649,541.54		6,811,649,541.54
3	Income	15,546,042,302.41	-3,446,372,957.98		12,099,669,344.43
4	Ad assets	19,691,124,928.12	-19,691,124,928.12		
5	Contract liabilities		19,691,124,928.12		19,691,124,928.12

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

IV. DESCRIPTION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS (CONTINUED)

(II) Change in accounting estimates

There are no changes in accounting estimates.

(III) Important corrections of prior period errors

There are no important corrections of prior period errors.

(IV) Other matters adjustment

None.

V. TAXATION

(I) Main types of taxes and corresponding tax rates

Tax Type	Tax basis	Tax rate
Value-added Tax (VAT)	<p>Taxable sales and taxable services</p> <p> Taxable sales: Sales of goods, labor services, intangible assets, and real estate services, and sales of goods and labor services with VAT. </p> <p> Taxable services: Sales of intangible assets and real estate services, and sales of goods and labor services with VAT. </p> <p> Taxable sales: Sales of goods, labor services, intangible assets, and real estate services, and sales of goods and labor services with VAT. </p> <p> Taxable services: Sales of intangible assets and real estate services, and sales of goods and labor services with VAT. </p>	3%, 6%, 10%, 11%, 16%, 17%
Corporate Income Tax	<p>Base tax on taxable income, VAT on sales</p>	7%
Enterprise Income Tax	<p>Base tax on taxable income</p>	25%, 15%

According to the Circular of the Ministry of Finance and State Administration of Taxation (Cai Shui [2018] No. 32), from March 1, 2018, the VAT rate for the sale of goods is 17%, 16%, and the VAT rate for the sale of services, intangible assets, and real estate services is 11% and 10%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

V. TAXATION (CONTINUED)

(I) Main types of taxes and corresponding tax rates (Continued)

Company's basic different income tax rates are as follows:

Name of the companies	Income tax rate
Harbi Electric Company Limited (N 1)	15%
Harbi Trading Company Limited and Subsidiary (N 2)	15%
Harbi Power Trading & Trading Co.	25%
Harbi Electric Macau Company Limited and Subsidiary (N 3)	15%
Harbi Power Engineering National Energy Research Center Co., Ltd (N 4)	15%
HE Harbi Power Plant Company Limited (N 5)	15%
China Sina Technology Company	25%
Harbi Biotech Company Limited and Subsidiary (N 6)	15%
Harbi Electric Power Engineering Company Limited (N 7)	15%
Harbi Electric Company (QHD) Hainan Energy Company Limited (N 8)	15%
Harbi Electric Company Financial Company Limited	25%
Harbi Electric International Company Limited (N 9)	15%
Harbi Electric (H.E) Company	25%
Hadia Group Sino Energy International Project Engineering Co., Ltd.	25%

(II) Tax Preferences

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

2. Harbi T'bi Cη a Lηi da di b idia'i

O 28 A 2017, Harbi T'bi Cη a Lηi da di b idia'i H i a d N T c E r i c r i f i c a (N η b : GR201723000107) i i d b H i i a S c i c a d T c B r a (黑龍江省科學技術廳), H i i a F i a c B r a (黑龍江省財政廳), H i i a S a T a B r a (黑龍江省國家稅務局), a d H i i a L c a T a B r a (黑龍江省地方稅務局), f r a f f c i r i d f r a r , r a i c r i i c η a b c a r d a r a f 15% d r i d .

O 28 A 2017, Harbi T'bi A c i a r E i η E i r i C η a L η i d (哈爾濱汽輪機廠輔機工程有限公司), b idia'i f Harbi T'bi C η a L η i d b a i d H i a d N T c E r i c r i f i c a (N η b : GR201723000051) i i d b H i i a S c i c a d T c B r a (黑龍江省科學技術廳), H i i a F i a c B r a (黑龍江省財政廳), H i i a S a T a B r a (黑龍江省國家稅務局), a d H i i a L c a T a B r a (黑龍江省地方稅務局), f r a f f c i r i d f r a r , r a i c r i i c η a b c a r d a r a f 15% d r i d .

3. Harbi E c r i c a M a c i r C η a L η i da di b idia'i

O 28 A 2017, Harbi E c r i c a M a c i r C η a L η i d b a i d H i a d N T c E r i c r i f i c a (N η b : GR201723000101) i i d b H i i a S c i c a d T c B r a (黑龍江省科學技術廳), H i i a F i a c B r a (黑龍江省財政廳), H i i a S a T a B r a (黑龍江省國家稅務局), a d H i i a L c a T a B r a (黑龍江省地方稅務局), f r a f f c i r i d f r a r , r a i c r i i c η a b c a r d a r a f 15% d r i d .

O 28 A 2017, Harbi E c r i c M a c i r C ., L d. b idia'i Harbi N a i a H d E i η E i r i T c R a r c C r C ., L d. b a i d H i a d N T c E r i c r i f i c a (N η b : GR201723000137) i i d b H i i a S c i c a d T c B r a (黑龍江省科學技術廳), H i i a F i a c B r a (黑龍江省財政廳), H i i a S a T a B r a (黑龍江省國家稅務局), a d H i i a L c a T a B r a (黑龍江省地方稅務局), f r a f f c i r i d f r a r , r a i c r i i c η a b c a r d a r a f 15% d r i d .

4. Harbi P E i η N a i a E i r i R a r c C r C ., L d

O 28 A 2017, Harbi P E i η N a i a E i r i R a r c C r C ., L d b a i d H i a d N T c E r i c r i f i c a (N η b : GR201723000350) i i d b H i i a S c i c a d T c B r a (黑龍江省科學技術廳), H i i a F i a c B r a (黑龍江省財政廳), H i i a S a T a B r a (黑龍江省國家稅務局), a d H i i a L c a T a B r a (黑龍江省地方稅務局), f r a f f c i r i d f r a r , r a i c r i i c η a b c a r d a r a f 15% d r i d .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi cia , i faη i CNY)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

5. *HE Harbi P Pa Va Cη a Lη i d*

O 28 A 2017, HE Harbi P Pa Va Cη a Lη i d bai d Hi a d N Tc E c i c i f i c a (N η b : GR201723000181) i d b Hi i a Sci c a d T c B a (黑龍江省科學技術廳), Hi i a Fi a c B a (黑龍江省財政廳), Hi i a Sa Ta B a (黑龍江省國家稅務局), a d Hi i a L ca Ta B a (黑龍江省地方稅務局), f a f f c i d f a , a i c i c η a i b c a r d a a f 15% d i d .

6. *Harbi Bi r Cη a Lη i d a d i b i d i a r*

O 28 A 2017, c η a bai d Hi a d N Tc E c i c i f i c a (N η b : GR201723000081) i d b Hi i a Sci c a d T c B a (黑龍江省科學技術廳), Hi i a Fi a c B a (黑龍江省財政廳), Hi i a Sa Ta B a (黑龍江省國家稅務局), a d Hi i a L ca Ta B a (黑龍江省地方稅務局), f a f f c i d f a , a i c i c η a i b c a r d a a f 15% d i d .

O 11 N η b 2018, Harbi Bi r P a r C η a L η i d (哈爾濱鍋爐廠預熱器有限責任公司) b i d i a r f Harbi Bi r C η a L η i d bai d Hi a d N Tc E c i c i f i c a (N η b : GR201823000093) i d b Hi i a Sci c a d T c B a (黑龍江省科學技術廳), Hi i a Fi a c B a (黑龍江省財政廳), Hi i a Sa Ta B a (黑龍江省國家稅務局), a d Hi i a L ca Ta B a (黑龍江省地方稅務局), f a f f c i d f a , a i c i c η a i b c a r d a a f 15% d i d .

7. *Harbi E c i c P E i η C η a L η i d*

O 24 N η b 2017, Harbi E c i c P E i η C η a L η i d bai d Hi a d N Tc E c i c i f i c a (N η b : GR201723000424) i d b Hi i a Sci c a d T c B a (黑龍江省科學技術廳), Hi i a Fi a c B a (黑龍江省財政廳), Hi i a Sa Ta B a (黑龍江省國家稅務局), a d Hi i a L ca Ta B a (黑龍江省地方稅務局), f a f f c i d f a , a i c i c η a i b c a r d a a f 15% d i d .

8. *Harbi E c i c C r a i (QHD) H a E i η C η a L η i d*

Harbi E c i c C r a i (QHD) H a E i η C η a L η i d c i d Hi a d N Tc E c i c i f i c a (高新技術企業證書) i d b H b i P r i c i a D a r η f Sci c a d T c , D a r η f Fi a c f H b i P r i c i , H b i P r i c i a Sa Ta a i B a , a d H b i P r i c i a L ca Ta a i B a 2 N η b 2016. T r a c i f i c a η b r i GR20161300235, i c i f f c i f 3 a r a d i c η a a E c i c i c η Ta a a a f 15% i d .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB, figures in CNY)

V. TAXATION (CONTINUED)

(II) Tax Preferences (Continued)

9. Harbin Electric Information Technology Co., Ltd.

Harbin Electric Information Technology Co., Ltd. is a high-tech enterprise and has been recognized as a High-tech Enterprise (技術先進型服務企業). Recognition number: JF20162301100003. The company is entitled to a preferential tax rate of 15% on its taxable income according to the Circular Letter of the State Tax Administration [2009] No. 63 (財稅(2009)63號文件).

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(I) Cash and bank

Item	Closing balance	Original balance
Cash	7,192,181.04	6,045,527.87
Bank deposits	11,698,489,267.90	15,200,245,364.13
Other currencies	837,570,251.25	958,947,389.47
Total	12,543,251,700.19	16,165,238,281.47
Amount of cash and bank deposits	327,018,286.13	340,192,598.89

The details of the cash and bank deposits are as follows:

Item	Closing balance	Original balance
Time deposits	201,259,458.54	170,732,122.63
Term deposits		35,000,000.00
Guaranteed deposits	1,165,233.99	653,947.06
Time deposits	635,145,558.72	747,561,319.78
Time deposits		5,000,000.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Due from banks and other financial institutions

Item	Closing balance	O r i g i n a l b a l a n c e
Ca a r b a	500,000,000.00	
Ca a d m i n i c b a	500,000,000.00	
Ca a -b a f i a c i a i i i	200,000,000.00	
Ca a d m i n i c -b a f i a c i a i i i	200,000,000.00	
T a	700,000,000.00	
L i a b i l i t i e s	100,000,000.00	
T b a l a n c e	600,000,000.00	

(III) Notes receivable and accounts receivable

Item	Closing balance	O r i g i n a l b a l a n c e
N o t e r e c i a b l e	3,112,281,635.68	4,362,451,678.86
A c c o u n t s r e c i a b l e	6,674,746,317.19	7,223,309,704.58
T a	9,787,027,952.87	11,585,761,383.44

1. D a i r y f o r n o t e r e c i a b l e

(1) N o t e r e c i a b l e a c a u s e d b y

Type	Closing balance			O r i g i n a l b a l a n c e		
	Carrying Amount	Bad debt Provision	Book value	Carrying Amount	Bad debt Provision	Book value
B a n k a c c o u n t s	2,549,245,442.79		2,549,245,442.79	3,456,249,576.99		3,456,249,576.99
B i l l a c c o u n t s	563,036,192.89		563,036,192.89	906,202,101.87		906,202,101.87
T a	3,112,281,635.68		3,112,281,635.68	4,362,451,678.86		4,362,451,678.86

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

1. Due receivable (Continued)

(2) The amount of receivable and accounts receivable that has not been terminated at the end of the period

Type	The amount has been terminated at the end of the period	The amount has not been terminated at the end of the period
Balance	1,756,160,895.09	729,407,365.00
Balance	236,861,472.38	3,420,000.00
Total	1,993,022,367.47	732,827,365.00

2. Due receivable

The balance of receivable and accounts receivable is mainly composed of receivable and accounts receivable. The amount of receivable and accounts receivable is mainly composed of receivable and accounts receivable. The amount of receivable and accounts receivable is mainly composed of receivable and accounts receivable.

(1) The amount of receivable

Age	Closing balance	Opening balance
Within 1 year	4,020,608,853.48	4,325,601,379.58
Over 1 year	1,646,863,673.80	1,479,843,186.24
Total	5,674,472,527.28	5,805,444,565.82
Total	6,674,746,317.19	7,223,309,704.58

The amount of receivable and accounts receivable is mainly composed of receivable and accounts receivable. The amount of receivable and accounts receivable is mainly composed of receivable and accounts receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. Where there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(2) Accounts receivable by category

Type	Closing balance					Opening balance				
	Carrying Amount		Bad debt Provision		Book value	Carrying Amount		Bad debt Provision		Balance
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable by geographical area and credit terms	553,412,455.91	4.92	486,347,205.91	87.88	67,065,250.00	553,776,164.56	4.66	423,986,138.19	76.56	129,790,026.37
Accounts receivable by geographical area and credit terms	10,500,832,091.75	93.44	3,954,467,935.12	37.66	6,546,364,156.63	11,137,045,595.65	93.70	4,122,223,365.09	37.01	7,014,822,230.56
Accounts receivable by geographical area and credit terms	183,927,379.38	1.64	122,610,468.82	66.66	61,316,910.56	195,384,697.98	1.64	116,687,250.33	59.72	78,697,447.65
Total	11,238,171,927.04		4,563,425,609.85		6,674,746,317.19	11,886,206,458.19		4,662,896,753.61		7,223,309,704.58

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Debtors' accounts receivable (Continued)

(3) Accounts receivable impairment identification and identification of accounts receivable bad debt reasons:

Debtor	Closing balance			Reason (%)
	Accounts receivable	Bad debt provision	Percentage	
Nanjing Water Conservancy Development (Group) Co., Ltd. Nanjing Water Conservancy Development (Group) Co., Ltd. Nanjing Water Conservancy Development (Group) Co., Ltd.	271,370,288.28	271,370,288.28	100.00	Note 1
Xinjiang HIZAF Electric Co., Ltd.	95,570,000.00	95,570,000.00	100.00	Involved in litigation, may not be able to recover
Idia Land Project (Africa)	77,889,355.63	77,889,355.63	100.00	Involved in litigation, may not be able to recover
China Electric Power Co., Ltd.	70,595,000.00	3,529,750.00	5.00	For item accounting, the company conducts the impairment test separately as the bad debt allowance from aging analysis method cannot reflect the actual situation
Sida Power Development (2012 Sida Group Power Finance)	37,987,812.00	37,987,812.00	100.00	According to the future recyclability of judgment
Total	553,412,455.91	486,347,205.91		

Note: The company has identified the debtors' credit risk as N. MSEC010056, N. LSA2004026 and N. LSA2005045. The company and E. Credit Risk Management Committee on July 15, 2001, September 21, 2004 and December 27, 2001 for M. Sida Group Power Finance and G. Power Finance, and identified the credit risk as A. According to the company's financial statements for December 31, 2018, the bad debt allowance for accounts receivable is USD47,124,405.58, which is based on the standard of CNY324,902,081.81. The company has made a provision for bad debt of USD47,124,405.58 for the debtors' accounts receivable, which is based on the standard of CNY323,424,220.37.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is also presented in English. Where there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(4) Accounts receivable aging and bad debt provision by aging category

Accounts receivable aging and bad debt provision by aging category:

Age	Closing balance			Opening balance		
	Accounts receivable	Bad debt Provision	Percentage (%)	Accounts receivable	Bad debt Provision	Percentage (%)
Within 1 year	4,164,547,707.60	197,754,132.56	4.75	4,406,744,809.75	209,614,941.43	4.76
Over 1 year	2,091,223,697.23	512,422,687.69	24.50	1,825,034,756.23	380,758,298.83	20.86
Two to three years	1,011,291,538.11	484,229,103.95	47.88	1,249,224,915.03	445,798,448.81	35.69
Three to four years	802,848,457.94	525,640,567.92	65.47	973,915,556.76	600,431,937.21	61.65
Four to five years	593,043,790.37	423,225,754.91	71.37	618,374,889.71	441,509,862.41	71.40
Over five years	1,837,876,900.50	1,811,195,688.09	98.55	2,063,750,668.17	2,044,109,876.40	99.05
Total	10,500,832,091.75	3,954,467,935.12		11,137,045,595.65	4,122,223,365.09	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable impairment identification based on aging analysis:
 Details are as follows:

Debtor	Closing balance			Reason (%)
	Accounts receivable	Bad debt provision	Percentage	
Sida Group (Sida Group Public)	27,167,830.53	26,083,155.92	96.01	Note 1
Sida Group (Sida Group Public)	26,363,963.00	25,970,776.17	98.51	Note 1
Taiwan Biotech Pharmaceutical Co., Ltd.	24,820,291.00	1,342,788.70	5.41	There is objective evidence that the receivables have been impaired. The provision for bad debts based on the aging analysis method cannot reflect the actual situation. The company conducts impairment test separately.
Imperial Healthcare Technology Co., Ltd.	17,510,000.00	17,510,000.00	100.00	Unable to take back
EREN Electric Utility A.S. (2017 Turkey Ziraat Bankası)	17,281,971.01	925,422.56	5.35	There is objective evidence that the receivables have been impaired. The provision for bad debts based on the aging analysis method cannot reflect the actual situation. The company conducts impairment test separately.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable impairment identification table based on aging analysis (Continued)

Debtor	Closing balance			
	Accounts receivable	Bad debt provision	Percentage (%)	Reason
Sida daan D arman n a c m a	15,626,395.25	7,813,197.62	50.00	According to the future recyclability of judgment
Erd r c ic C L d	8,420,000.00	8,420,000.00	100.00	Project suspended
SUN YUMIN	7,794,033.23	7,794,033.23	100.00	Unable to take back
B ii Xi i C r Sci c a d T c C L d	7,303,000.00	7,303,000.00	100.00	Unable to take back
Acc r c i ab f Br Jia S r c	6,265,180.82	6,063,248.22	96.78	According to the future recyclability of judgment
Pa i a G dd P Pa (2017 G dd S ar Par P r c)	3,924,711.31	196,235.57	5.00	There is objective evidence that the receivables have been impaired. The provision for bad debts based on the aging analysis method cannot reflect the actual situation. The company conducts impairment test separately.
Sic a C a E r m a E i i C ., L d.	3,277,239.74	1,711,089.99	52.21	According to the future recyclability of judgment

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB, unless otherwise specified)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(5) Accounts receivable impairment loss identification table according to bad debt ratio

Debtor	Closing balance			Reason (%)
	Accounts receivable	Bad debt provision	Percentage	
K-Electric Limited (2018 Beijing Shengde Electric)	1,269,692.00	63,484.60	5.00	There is objective evidence that the receivables have been impaired. The provision for bad debts based on the aging analysis method cannot reflect the actual situation. The company conducts impairment test separately.
Yizha	2,637,632.48	2,082,605.98	78.96	According to the future recyclability of judgment
Lih	2,528,079.44	2,022,463.55	80.00	According to the future recyclability of judgment
Zazha	959,295.02	767,436.02	80.00	According to the future recyclability of judgment
Practical Committee (197 Company)	945,280.00	756,224.00	80.00	According to the future recyclability of judgment
Tianbiao Electric Co., Ltd.	939,000.00	939,000.00	100.00	unable to take back
Other	8,893,784.55	4,846,306.69	54.49	According to the future recyclability of judgment
Total	183,927,379.38	122,610,468.82		

(6) Total impairment loss according to bad debt ratio

Total bad debt loss according to bad debt ratio: CNY175,642,144.92, RMB bad debt loss: CNY266,333,218.77.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Details of accounts receivable (Continued)

(7) Details of accounts receivable written off

Debtor	Nature of accounts receivable	Write-off amount	Reasons for writing off	Fulfilment of verification procedures	Is it due to a related transaction
Zha Tian Trade Co., Ltd.	Trade receivable	2,440,000.00	Material loss	Completed	N
Xin Tianpa	Trade receivable	2,320,434.14	Material loss	Completed	N
Bili Han Company, Ltd.	Trade receivable	2,233,790.00	Material loss	Completed	N
Sunpa Finance Company (Shanghai)	Trade receivable	1,343,154.00	Material loss	Completed	N
HZ Aidi Sun JS Scientific and Technology	Patent	1,059,000.00	Patent infringement	Completed	N
Acimen Pharmaceutical Company, Ltd.	Trade receivable	1,021,121.40	Material loss	Completed	N
Sunpa Finance Company Credit Distribution Office	Trade receivable	601,672.00	Material loss	Completed	N
Paizhi Alread Company, Ltd.	Trade receivable	417,000.00	Material loss	Completed	N
Others		13,410,464.93	Material loss	Completed	N
Total		24,846,636.47			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in million RMB)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes receivable and accounts receivable (Continued)

2. Debtors' accounts receivable (Continued)

(8) Total debtors' accounts receivable and bad debt provision

Debtor	Closing balance		
	Amount	Proportion of total account receivable (%)	Bad debt provision
703 Rongsheng Electric Co., Ltd.	648,080,507.44	5.77	106,616,050.37
Luoyi Wanzhou Jintan Power Co., Ltd.	281,294,350.00	2.50	14,064,717.50
Sany Heavy Industry (Beijing) Co., Ltd.	271,370,288.28	2.41	271,370,288.28
Hainan Laca Rongsheng Electric Co., Ltd.	164,685,894.02	1.47	8,234,294.70
Haidian Electric Machinery Co., Ltd.	145,237,060.00	1.29	33,165,725.00
Total	1,510,668,099.74	13.44	433,451,075.85

(9) Receivable due to related parties

None

(10) Trade receivable due to subsidiaries

None

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all amounts are in RMB Yuan unless otherwise specified)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Prepayments

1. Liabilities

Age	Closing balance			Opening balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Less than 1 year	2,381,280,356.71	66.14		4,033,563,401.69	74.72	
1 to 2 years	563,658,004.90	15.66		746,833,483.66	13.83	279,869.02
2 to 3 years	315,869,144.06	8.77	279,869.02	357,438,347.29	6.62	279,905.13
Over 3 years	339,606,555.43	9.43	7,847,975.51	260,459,984.07	4.83	7,884,185.68
Total	3,600,414,061.10	100.00	8,127,844.53	5,398,295,216.71	100.00	8,443,959.83

Significant advance payment over 1 year

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbin Shuangtong Water Treatment Engineering Co., Ltd.	Jiayuan Machinery Co., Ltd.	165,084,997.53	12 months; 23 months	Trade receivable; bad debt
Harbin Electric Machinery Co., Ltd.	China Petroleum & Chemical Corporation Gubei Shengda Diesel Engine Co., Ltd.	56,923,019.00	23 months	Trade receivable; bad debt
Harbin Electric Group (QHD) Heavy Equipment Co., Ltd.	Shandong S.M.T.	41,392,919.33	23 months; 33 months	Trade receivable; bad debt
Harbin Electric Industrial Equipment Co., Ltd.	Northeast Heavy Industry Group Co., Ltd.	41,120,410.00	12 months	Trade receivable; bad debt
Harbin Electric Group (QHD) Heavy Equipment Co., Ltd.	VALINOX NUCLEAIRE	39,398,157.16	23 months; 33 months	Trade receivable; bad debt
Harbin Electric Power Equipment Co., Ltd.	Henan Industrial Equipment Co., Ltd.	37,882,218.20	12 months	Trade receivable; bad debt
Harbin Electric Power Equipment Co., Ltd.	China West Energy Engineering Co., Ltd.	33,464,282.39	Over 3 months	Trade receivable; bad debt
Harbin Electric Machinery Co., Ltd.	Zhejiang Nansha Shipbuilding and Design Research Co., Ltd.	29,819,881.35	12 months	Trade receivable; bad debt

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Prepayments (Continued)

1. Liabilities (Continued)

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbin Saqun Tribi W... C., Ltd.	Gr... E... R... arc	25,379,772.48	0-3 ar	T c r a c a b c m d
Harbin Electric Mac... C., Ld.	Zia Had Mcaica & E...ica E...i C., Ltd.	22,505,407.50	1-2 ar	T c r a c a b c m d
Harbin Electric P... E...m C., Ltd.	Mi...i Ha...i d...i, Ld.	22,157,339.75	1-2 ar	T c r a c a b c m d
Harbin Electric I...a...a E...i C., Ltd.	Ha...i Fr... T...na P... C...r...i C...m...a...	16,130,218.05	0-3 ar	T c r a c a b c m d
Harbin B...r Fac...r C., Ltd.	Ha...i Ji... C...r...i C., Ltd.	15,745,666.00	1-2 ar	T c r a c a b c m d
Harbin Electric Mac...r C., Ld.	Hi...ia C...r...i I...a...i Gr... C., Ltd.	15,655,131.62	1-2 ar; 2-3 ar	T c r a c a b c m d
Harbin Electric I...a...a E...i C., Ltd.	Zia Fida E...r...m...a P...r...i T...c... C., Ld.	13,560,000.00	1-2 ar	T c r a c a b c m d
Harbin B...r Fac...r C., Ltd.	Zia Ga...a E...r...m...a P...r...i T...c... C., Ltd.	12,620,000.00	1-2 ar	T c r a c a b c m d
Harbin Electric P... E...m C., Ltd.	U...ra E...c...r...ic N...c...a...r SES...r & P...r...c I...r...m...a...i	12,447,638.56	1-2 ar	T c r a c a b c m d
Harbin Saqun Tribi W... C., Ltd.	Mi...i Ha...i d...i, Ld.	12,256,742.40	0-3 ar	T c r a c a b c m d
Harbin Electric I...a...a E...i C., Ltd.	S...a...i Ka...b P...m... C., Ld.	11,022,500.00	2-3 ar	T c r a c a b c m d
Harbin Electric Mac...r C., Ld.	Na...r...i Gr... C., Ltd.	15,830,374.24	1-2 ar	T c r a c a b c m d
Harbin B...r Fac...r C., Ltd.	Jia... M...i...a...i S I...d...r... C., Ltd.	10,288,816.50	1-2 ar	T c r a c a b c m d
Harbin B...r Fac...r C., Ltd.	H... K... Y...a...i C...m...a... L...h...i d	9,094,774.74	1-2 ar	T c r a c a b c m d

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, all amounts are in CNY)

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbi Electric Power Electricity Co., Ltd.	Harbi Electric Power Construction Electricity Co., Ltd.	9,060,365.55	1.2 years	Technical backlog
Harbi Electric Group (QHD)				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million RMB unless otherwise specified)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Prepayments (Continued)

1. Liabilities (Continued)

Creditor Name	Debtor Name	Closing balance	Aging	Unliquidated Reason
Harbin Electric (China) Ltd.	China Electric Power Group Zibo Electric Power Distribution	5,947,500.00	1-2 years; 2-3 years	Technical agreement
Harbin Santribi Water Co., Ltd.	Fructus Macma	5,499,952.80	0-3 years	Technical agreement
Harbin Boiler Factory Co., Ltd.	Jiamen Boiler Works Electric Co., Ltd.	5,400,000.00	1-2 years	Technical agreement
Harbin Electric (China) Ltd.	W. Standard	4,813,328.00	0-3 years	Technical agreement
Harbin Electric (China) Ltd.	Li. Li. Li. (H.K.) Co., Ltd.	4,739,047.92	1-2 years; 2-3 years; 3-5 years	Technical agreement
Total		790,484,495.33		

(V) Other receivables

Item	Closing balance	Overdue balance
Prepaid expenses	1,378,322.24	3,277,397.20
Dividend receivable	28,606,172.42	144,453.39
Other receivable	1,240,174,808.83	953,565,790.29
Total	1,270,159,303.49	956,987,640.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. All amounts are in RMB Yuan unless otherwise specified.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Other receivables (Continued)

1. *Debtors' receivables*

(1) *Capital debtors' receivables*

Item	Closing balance	Opening balance
Trade receivables	197,637.31	2,096,712.27
Other receivables	1,180,684.93	1,180,684.93
Total	1,378,322.24	3,277,397.20

2. *Debtors' receivables*

Investee	Closing balance	Opening balance
Harbin East Far East Real Estate Development Co., Ltd.	144,453.39	144,453.39
Harbin Xinrenbei Property Co., Ltd.	38,388.88	
Guangdong Haipin Real Estate Service (Qiongzhou) Co., Ltd.	28,423,330.15	
Total	28,606,172.42	144,453.39

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Other receivables (Continued)

3. Details of other receivables

Type	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	proportion (%)	Amount	proportion (%)		Amount	proportion (%)	Amount	proportion (%)	
Other receivables										
Identifiable										
Identifiable, accrued										
Identifiable, accrued, bad debt provision	786,652,979.71	52.43	24,510,676.92	3.12	762,142,302.79	553,432,092.48	45.78	24,513,082.20	4.43	528,919,010.28
Other receivables										
accrued										
Identifiable, accrued, bad debt provision										
Identifiable, accrued, bad debt provision, characteristic										
Identifiable, accrued, bad debt provision, characteristic	295,444,167.53	19.69	218,020,020.29	73.79	77,424,147.24	260,950,334.75	21.58	204,569,695.20	78.39	56,380,639.55
Other receivables										
Identifiable										
Identifiable, accrued										
Identifiable, accrued, bad debt provision	418,351,864.20	27.88	17,743,505.40	4.24	400,608,358.80	394,585,307.53	32.64	26,319,167.07	6.67	368,266,140.46
Total	1,500,449,011.44		260,274,202.61		1,240,174,808.83	1,208,967,734.76	/	255,401,944.47	/	953,565,790.29

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, the financial statements are presented in English. All amounts are in RMB Yuan unless otherwise specified.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(1) Other receivables with specific identification as to the nature of the debtors' ability to pay

Debtor	Closing balance			Reason
	Accounts receivable	Bad debt provision	Percentage (%)	
Harbin Electric Group Co., Ltd.	162,095,125.59			Related parties don't accrue
Harbin Hadia International Co., Ltd.	20,000,000.00			- Related parties don't accrue
Harbin Electric Macao International Electric Co., Ltd.	10,515,676.92	10,515,676.92	100.00	It cannot be recovered
Ecuadorian Power Transmission and Trading Co., Ltd.	99,914,573.35			- Advance Ecuadorian hydropower owners on-site costs
Ecuadorian Power Development Co., Ltd.	65,006,872.04			- Advance Ecuadorian hydropower owners on-site costs
China Water Resources and Hydro-Electricity Engineering Consulting Co., Ltd.	33,987,149.29			- Advance project funds
Jilin Power Project Transmission and Trading Co., Ltd.	29,328,435.35			- Advance project funds
LID ENERGY HOLDINGS LTD	25,942,841.57			- Suma project guarantee deposit
National Power Pakistan (P) Limited	25,715,220.83			- Advance Pakistani Bailukai project owner's customs clearance fee
China Water Resources and Hydro-Electricity Engineering Consulting Co., Ltd. (Beijing Branch)	15,348,947.92			- Advance project funds
Pakistan Federal Government Office	14,944,959.01			- Pakistan Bailukai project owners withhold income tax
China Electric Construction Group Nanjing Electric Power Co., Ltd.				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the consolidated financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(2) Other receivables accrued bad debt based on credit characteristics

Other receivables accrued bad debt based on aging analysis:

Age	Closing balance			Other receivables		
	Other receivables	Bad debt provision	Proportion (%)	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	63,476,369.59	3,670,209.91	5.78	49,738,479.97	2,486,866.91	5.00
Over 1 year	5,856,051.88	1,464,012.97	25.00	2,392,280.13	595,243.75	24.88
Over 2 years	544,508.39	272,254.20	50.00	104,718.50	52,359.25	50.00
Over 3 years	49,888,513.58	39,910,810.87	80.00	23,298,484.26	18,638,787.41	80.00
Over 4 years	14,879,958.77	11,903,967.02	80.00	13,099,670.06	10,479,736.05	80.00
Over 5 years	160,798,765.32	160,798,765.32	100.00	172,316,701.83	172,316,701.83	100.00
Total	295,444,167.53	218,020,020.29		260,950,334.75	204,569,695.20	

Note: According to the aging analysis, the closing balance of other receivables is 295,444,167.53, and the accrued bad debt is 218,020,020.29. The closing balance of other receivables is 260,950,334.75, and the accrued bad debt is 204,569,695.20.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information provided in the financial statements, the following information is provided in Chinese)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(3) Other receivables with identifiable individual accrued bad debts:

Other receivables (By company)	Closing balance			
	Amount	Bad debt provision	Proportion	Reason

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(V) Other receivables (Continued)

3. Details of other receivables (Continued)

(4) Bad debt provision details

Total bad debt provision at the end of the year is CNY35,145,712.61, and the bad debt provision at the beginning of the year is CNY30,381,739.20.

(5) Details of other receivables based on aging

Debtor	Nature	Closing balance	Aging	Proportion	Bad debt provision Closing balance
CELECT	advance payment	164,921,445.39	1 year; 1-2 years	10.99	
Harbin Electric Group Co., Ltd.	contract receivable	162,095,125.59	2-3 years	10.80	
Dalian Haifa Power Equipment Co., Ltd.	advance payment	62,883,282.59	1 year; 2-3 years	4.19	
Nanjing East Automation Co., Ltd.	Nanjing East Automation Co., Ltd. receivable	59,076,370.11	1 year; 1-2 years; 2-3 years	3.94	
China Water Resources Research Institute	advance payment	33,987,149.29	1 year	2.27	
Total		482,963,372.97		32.19	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English and CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) Inventories

1. Classification of inventories

Item	Closing balance			Opening balance		
	Book balance	Inventory impairment provision	Book value	Book balance	Inventory impairment provision	Book value
Raw materials	3,437,551,118.48	225,293,739.00	3,212,257,379.48	3,727,697,142.78	247,411,966.28	3,480,285,176.50
Goods in process	7,061,775,611.69	247,641,332.74	6,814,134,278.95	8,463,181,236.95	293,228,903.93	8,169,952,333.02
Finished goods	401,273,724.46	56,687,825.48	344,585,898.98	515,370,202.24	88,636,888.47	426,733,313.77
Trade receivables (accrued, receivable, etc.)	19,677,509.81	-	19,677,509.81	15,283,495.99	23,010.35	15,260,485.64
Contract receivables	56,460,746.28		56,460,746.28			
Goods sold	7,796,497.75		7,796,497.75	7,438,035.50		7,438,035.50
Total	10,984,535,208.47	529,622,897.22	10,454,912,311.25	12,728,970,113.46	629,300,769.03	12,099,669,344.43

Notes:

1. A detailed account of the classification of inventories is provided in the notes to the consolidated financial statements, and the accounting policy is consistent with the accounting policy of the parent company.
2. A detailed account of the closing balance of inventories as of December 31, 2018, is provided in the notes to the consolidated financial statements. The closing balance of inventories as of December 31, 2018, is CNY529,622,897.22, which is 4.82% of the total assets of CNY10,984,535,208.47.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VI) Inventories (Continued)

2. Provision for inventory impairment

Item	Opening balance	Increase			Decrease		Closing balance
		Provision	Others	Turn Back	Resell	Others	
Raw materials	247,411,966.28	62,578,655.44		1,678,630.00	83,018,252.72		225,293,739.00
Goods in process	293,228,903.93	80,107,047.89			118,915,719.08		254,420,232.74
Finished goods	88,636,888.47	37,254,485.22			75,982,448.21		49,908,925.48
Trade receivables (including receivables from related parties)	23,010.35	1,672,924.13			1,695,934.48		-
Total	629,300,769.03	181,613,112.68		1,678,630.00	279,612,354.49		529,622,897.22

Raw materials inventory impairment: According to the accounting policy, if the cost of raw materials exceeds the net realizable value, the cost of raw materials should be reduced to the net realizable value, and the difference should be recognized as an impairment loss.

Raw materials inventory impairment: When the cost of raw materials exceeds the net realizable value, the cost of raw materials should be reduced to the net realizable value, and the difference should be recognized as an impairment loss.

Raw materials inventory impairment: When the cost of raw materials exceeds the net realizable value, the cost of raw materials should be reduced to the net realizable value, and the difference should be recognized as an impairment loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. All amounts are in RMB Yuan unless otherwise specified.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VII) Contractual assets and contractual liabilities

1. *Deferred tax assets and deferred tax liabilities*

	Contractual assets
Other receivables	8,042,694,649.96
Prepaid expenses	8,979,557,673.69
Contract receivables	7,340,262,717.42
Other receivables	9,681,989,606.23
Contract assets	1,448,532,356.45
Net other receivables	8,233,457,249.78
Contract receivables	8,233,457,249.78
Deferred tax assets	
Deferred tax liabilities	

	Contractual liabilities
Other payables	19,588,274,771.42
Prepaid expenses	11,459,274,863.15
Other payables	
Contract liabilities	16,450,829,247.45
Other payables	14,596,720,387.12
Contract liabilities	14,596,720,387.12
Deferred tax liabilities	
Deferred tax assets	

2. *Provision for impairment of financial assets*

Item	Accrual	Turn back	Resale/ Write off	Reasons
Contract assets	478,534,302.39	1,050,000.00	259,997,054.36	Expected credit loss
Total	478,534,302.39	1,050,000.00	259,997,054.36	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(VIII) Current portion of non-current assets

Item	Closing balance	Opening balance
Long-term receivables		
Accounts receivable		
Due from related parties		
Due from other parties	49,955,000.00	
Other		
Total	49,955,000.00	

Note: The due from other parties in 2016 balance sheet represents the amount of the receivables from the related parties of the subsidiaries of the Company, totaling CNY49,955,000.00.

(IX) Other current assets

Item	Closing balance	Opening balance
Accounts receivable		2,538,636,621.75
Prepaid expenses	190,000,000.00	200,000,000.00
Due from related parties - VAT	591,645,718.79	270,993,438.53
Other		
Total	781,645,718.79	3,009,630,060.28

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(X) Loans and advances issued (Continued)

5. Loans and advances issued

Items	Current period		La	
	Individual	Combination	Individual	Combination

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XI) Other debt investment

1. Debt investment

Item	Closing balance			Original balance	
	Book balance	Inventory impairment provision	Book value	Original balance	Original balance
Naïve				49,300,000.00	49,300,000.00
Total				49,300,000.00	49,300,000.00

2. Debt investment

Item	Date of purchase	Expiry date	Cost of purchase	Closing fair value	Changes in fair value	Current interest
2016 bond investment (RMB)	2016.1.27	2019.1.28	50,000,000.00	49,955,000.00	-45,000.00	1,180,684.93
Total			50,000,000.00	49,955,000.00	-45,000.00	1,180,684.93

Note: On January 27, 2016, the Company purchased 2016 bond investment (RMB) with a face value of 50 million RMB. The interest rate is 2.55% per annum. The maturity date is January 28, 2019. The interest is paid on January 28 of each year. The interest is paid on January 28, 2019 and January 28, 2018. The interest is paid on January 28, 2019 and January 28, 2018. The interest is paid on January 28, 2019 and January 28, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XII) Long term receivables

Item	Closing balance			Original balance	
	Book balance	Bad debt provision	Book value	Book balance	Book value
Financial assets	3,358,126.45		3,358,126.45	2,831,982.28	2,831,982.28
Financial assets	275,946.69		275,946.69	233,855.62	233,855.62
Long term receivables					
Total	3,358,126.45		3,358,126.45	2,831,982.28	2,831,982.28

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English and CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIV) Other equity instruments investments

1. Details of investments

Item	Closing balance	Opening balance
Harbin International Property Co., Ltd. ()	563,358,772.26	
China United Gas Turbine Turbine Co., Ltd.	114,000,000.00	12,000,000.00
Jiangsu Fertilizer NE Chemicals Co., Ltd.	30,000,000.00	15,000,000.00
Harbin Xiaohua Hadia NE Chemicals Co., Ltd.	2,000,000.00	2,000,000.00
Beijing F3DP Energy Co., Ltd.	400,000.00	400,000.00
Harbin Xirid Chemical Co., Ltd.	695,000.00	695,000.00
Beijing Haili Gas Turbine and Gasification Co., Ltd.		
China Eastern Turbine Co., Ltd.	5,500,000.00	5,500,000.00
Harbin Power Energy Limited Co., Ltd.	1,000,000.00	1,000,000.00
Total	716,953,772.26	36,595,000.00

Note: According to the provisions of the 14th meeting of the 8th Board of Directors of Harbin Electric, Harbin Electric has issued a total of 76,335,877.00 shares, accounting for 0.49% of Harbin International Property Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XV) Investment property

1. Investment property owned

Item	Housing and buildings	Total
1. Original investment		
(1) Original investment	297,731,265.23	297,731,265.23
(2) Investment property acquired	11,865,249.33	11,865,249.33
Investment property acquired from related parties	7,546,012.79	7,546,012.79
(3) Depreciation	4,319,236.54	4,319,236.54
(4) Construction	309,596,514.56	309,596,514.56
2. Acquisition of investment property		
(1) Original investment	66,944,542.45	66,944,542.45
(2) Investment property	9,478,716.26	9,478,716.26
Investment property acquired from related parties	9,338,773.00	9,338,773.00
(3) Depreciation	139,943.26	139,943.26
(4) Construction	76,423,258.71	76,423,258.71
3. Property held for sale		
(1) Original investment		
(2) Investment property		
(3) Depreciation		
(4) Construction		
4. Carrying value		
(1) Carrying value of investment property	233,173,255.85	233,173,255.85
(2) Carrying value of investment property held for sale	230,786,722.78	230,786,722.78

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the following information is provided in Chinese)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XV) Investment property (Continued)

2. Investment property (Continued)

Item	Closing balance	Opening balance
Investment property	121,364,993.17	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVI) Fixed assets (Continued)

2. Data disclosed

Item	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office facilities	Others	Total
1. Original value							
(1) Original value	4,534,069,928.59	7,636,725,613.13	381,045,726.78	591,310,339.72	283,259,590.94	9,361,706.93	13,435,772,906.09
(2) Accumulated depreciation	111,120,262.64	422,251,729.45	6,687,731.60	35,360,460.75	34,630,441.61		610,050,626.05
(3) Accumulated depreciation	550.00	55,144,602.12	3,608,462.99	7,345,270.46	9,274,589.55		75,373,475.12
(4) Accumulated depreciation	111,119,712.64	367,107,127.33	2,632,541.77	22,936,060.70	25,355,852.06		529,151,294.50
(5) Accumulated depreciation			446,726.84	5,079,129.59			5,525,856.43
(6) Accumulated depreciation	5,987,455.67	115,148,672.67	11,289,126.63	20,498,976.30	17,938,705.64		170,862,936.91
(7) Accumulated depreciation	1,668,219.13	115,148,672.67	11,289,126.63	20,498,976.30	17,881,074.61		166,486,069.34
(8) Accumulated depreciation	4,319,236.54						4,319,236.54
(9) Accumulated depreciation					57,631.03		57,631.03
(10) Accumulated depreciation	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. Accumulated value							
(1) Original value	1,417,499,822.57	5,028,958,955.08	316,405,948.69	458,081,554.78	198,388,315.43	7,199,137.47	7,426,533,734.02
(2) Accumulated depreciation	142,974,309.44	457,182,773.67	19,576,032.61	46,659,406.30	25,030,506.81	8,953.92	691,431,982.75
(3) Accumulated depreciation	142,974,309.44	457,182,773.67	19,576,032.61	46,659,406.30	25,030,506.81	8,953.92	691,431,982.75
(4) Accumulated depreciation	1,593,076.45	111,093,004.70	10,260,034.31	19,868,361.84	17,342,800.58		160,157,277.88
(5) Accumulated depreciation	1,453,133.19	111,093,004.70	10,260,034.31	19,868,361.84	17,342,800.58		160,017,334.62
(6) Accumulated depreciation	139,943.26						139,943.26
(7) Accumulated depreciation	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
3. Prepaid expenses							
(1) Original value	11,369,595.89	35,976,097.29	1,172,424.50	2,837.37			48,520,955.05
(2) Accumulated depreciation				1,897,670.88			1,897,670.88
(3) Accumulated depreciation				1,897,670.88			1,897,670.88
(4) Accumulated depreciation		1,973,305.50	2,372.94				1,975,678.44
(5) Accumulated depreciation		75,634.62	2,372.94				78,007.56
(6) Accumulated depreciation		1,897,670.88					1,897,670.88
(7) Accumulated depreciation	11,369,595.89	34,002,791.79	1,170,051.56	1,900,508.25			48,442,947.49
4. Carriage							
(1) Carriage	3,068,952,084.11	2,534,777,154.07	49,552,333.20	119,398,716.68	93,875,305.25	2,153,615.54	5,868,709,208.85
(2) Carriage	3,105,200,510.13	2,571,790,560.76	63,467,353.59	133,225,947.57	84,871,275.51	2,162,569.46	5,960,718,217.02

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English and CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVI) Fixed assets (Continued)

3. *Fixed assets under construction*

Part of the fixed assets under construction are completed and ready for use. They are included in the fixed assets under construction.

4. *Buildings under construction*

Items	Closing balance	Original balance
Buildings	2,969,773,193.36	3,004,776,277.22
- Under construction (100%)	2,969,773,193.36	3,004,776,277.22
Buildings	99,178,890.75	100,424,232.91
- Under construction (100%)	99,178,890.75	100,424,232.91
Total	3,068,952,084.11	3,105,200,510.13

5. *Fixed deposits*

Items	Closing balance	Original balance
Fixed deposits	205.14	201,003.47
Total	205.14	201,003.47

6. *Others*

Fixed assets under construction are included in the fixed assets under construction. (See Note VI. (LXII) A for details.)

(XVII) Construction in process

1. *Construction in process*

Item	Closing balance	Original balance
Construction in process	657,712,233.72	860,049,881.44
Construction in process	6,374,759.13	3,719,461.29
Total	664,086,992.85	863,769,342.73

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVII) Construction in process (Continued)

2. Construction in process

Item	Closing balance			Opening balance		
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment	Carrying amount
Construction in process	269,877,098.08		269,877,098.08	447,354,691.76		447,354,691.76
Construction in process	150,023,516.03		150,023,516.03	181,332,226.29		181,332,226.29
Construction in process	69,953,800.02		69,953,800.02	40,912,277.76		40,912,277.76
Construction in process - Domestic						
Aircraft Manufacturing CAP1400						
Siddhanta Project (M)						
Rosa	35,088,821.55		35,088,821.55	35,086,357.66		35,086,357.66
Gara	23,599,353.83		23,599,353.83	18,113,041.24		18,113,041.24
Construction in process - Overseas						
Scientific Research Base	20,509,921.48		20,509,921.48	2,551,577.19		2,551,577.19
EPC	19,946,322.14		19,946,322.14			
Construction in process	13,709,276.81		13,709,276.81	13,445,465.12		13,445,465.12
Construction in process - Domestic						
E-commerce						
Manufacturing						
(N. 1813)	7,198,439.98		7,198,439.98	17,760,396.32		17,760,396.32
FX-030 CAP1400 T						
Manufacturing (Foreign)	6,484,453.74		6,484,453.74	5,214,776.45		5,214,776.45
17 42302						
Construction in process	2,468,686.98		2,468,686.98			
Jiaji Research Base Upgrade						
Gara, Research and Development						
Project	1,298,349.11		1,298,349.11	1,298,349.11		1,298,349.11
PMS						
Manufacturing						
Manufacturing	11,915.08		11,915.08	3,271,985.13		3,271,985.13
4050				29,405,143.51		29,405,143.51
Harbin Aircraft BII						
Manufacturing				11,684,618.51		11,684,618.51
ERP				10,679,437.44		10,679,437.44
813 16 1 1				8,401,709.40		8,401,709.40
HQC-D15 2017, EQ006 CNC						
Manufacturing				2,051,282.07		2,051,282.07
Ca				1,173,273.26		1,173,273.26
Domestic				708,240.47		708,240.47
Overseas	29,913,960.02	569,610.88	29,344,349.14	30,174,643.63	569,610.88	29,605,032.75
Total	658,281,844.60	569,610.88	657,712,233.72	860,619,492.32	569,610.88	860,049,881.44

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, this financial statement is presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVII) Construction in process (Continued)

3. Significant assets in construction in process

Project	Budget	Original balance	Increase in the period	Amount transfer to fixed assets in the period	Other decreased amount in the period	Closing balance	Ratio of accumulated contribution to the construction to budget (%)	Construction process	Interest on the accumulative amount of the capitalization	Including: the amount of interest capitalization in the current period	Current interest capitalization rate (%)	Sources of funds
Nuclear construction	913,800,000.00	447,354,691.76	47,442,244.09	220,539,564.66		274,257,371.19	93.83	95	65,136,494.28	20,622,944.28	3.56	State-owned
Infrastructure	457,000,000.00	181,332,226.29		31,308,710.26		150,023,516.03	42.88	42.88				State-owned
Construction	183,400,000.00	40,912,277.76	34,914,756.09	5,873,233.83		69,953,800.02	89.14	89.14				State-owned
Manufacturing	41,880,000.00	35,086,357.66	2,980,745.72	2,978,281.83		35,088,821.55	90.90	90.90				State-owned
CPA1400												
4050	40,500,000.00	29,405,143.51		29,405,143.51		-	72.61	100				Government
Energy	23,599,353.83	18,113,041.24	26,218,549.76	20,732,237.17		23,599,353.83	100	99				State-owned
Engineering	31,250,000.00	17,760,396.32	2,000,313.57	12,562,269.91		7,198,439.98	67.23	67.23				State-owned
Nuclear	768,000,000.00	13,445,465.12	263,811.69			13,709,276.81	2.15	2.15				State-owned
Building	14,589,100.58	11,694,618.51	2,200,081.42	388,451.00	13,496,248.93	-	95.17	100				State-owned
ERP	39,000,000.00	10,679,437.44	12,525,673.40	23,205,110.84		-	67.58	100				State-owned
8131611	18,000,000.00	8,401,709.40		8,401,709.40		-	46.68	100				State-owned
CAP1400 Safety	8,500,000.00	5,214,776.45	7,547.17			5,222,323.62	61.44	61.44				State-owned
Energy	4,210,000.00	3,271,985.13	806,254.70		4,066,324.75	11,915.08	96.87	96.87				State-owned
Infrastructure	590,000,000.00	2,551,577.19	31,752,002.33	13,613,462.71	73,435.90	20,616,680.91	10.88	10.88				State-owned
HQC D15 2017 EQ006	2,400,000.00	2,051,282.07		2,051,282.07		-	85.47	100				State-owned
Jia Bi R arc Ba		1,298,349.11				1,298,349.11						State-owned
Construction	16,850,000.00	1,173,273.26	1,863,021.70	3,036,294.96		-	80.99	100				State-owned
State-owned	35,000,000.00	83,773.59	34,738,051.60	33,697,130.25		1,124,694.94	99.49	99				State-owned
Energy	36,942,110.28		27,697,157.78	27,697,157.78		-	74.97	100				State-owned
EPC			19,946,322.14			19,946,322.14	66.49	66.49				State-owned
Other		30,799,110.51	118,169,288.04	93,661,254.32	19,076,164.84	36,230,979.39						
Total	3,224,920,564.69	860,619,492.32	363,525,821.20	529,151,294.50	36,712,174.42	658,281,844.60			65,136,494.28	20,622,944.28		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVII) Construction in process (Continued)

4. *Prepaid expenses and other receivables*

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Other	569,610.88			569,610.88	Id a d c a b d
T a	569,610.88			569,610.88	

5. *Construction materials*

Items	Closing balance	Opening balance
Electric materials	6,374,759.13	3,719,461.29
T a	6,374,759.13	3,719,461.29

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XVIII) Intangible assets

Item	Software	Land use rights	Non-patented				Total
			Patent	technology	Franchise	Others	
1. Originated							
(1) Intangible	61,115,654.00	732,718,657.25	22,223,425.59	221,535,036.33	323,861,418.15	5,558,308.09	1,367,012,499.41
(2) Intangible	21,927,254.15			6,566,100.60	26,014,915.99	369,706.02	54,877,976.76
- acquired	17,171,274.22			5,186,100.60	26,014,915.99	305,603.46	48,677,894.27
- internally developed				1,380,000.00		64,102.56	1,444,102.56
- Trademark	4,755,979.93				18,758,496.16		23,514,476.09
(3) Deceased			18,758,496.16				18,758,496.16
- dea			18,758,496.16				18,758,496.16
(4) Intangible	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. accumulated							
(1) Intangible	39,966,414.79	246,223,562.25	19,008,276.49	184,242,643.14	90,508,924.16	4,806,560.43	584,756,381.26
(2) Intangible	4,855,174.30	15,305,957.31	1,993.44	10,237,272.94	44,258,002.68	237,802.62	74,896,203.29
- Patent	4,855,174.30	15,305,957.31	1,993.44	10,237,272.94	28,700,662.19	237,802.62	59,338,862.80
- other					15,557,340.49		15,557,340.49
(3) Deceased			15,557,340.49				15,557,340.49
- dea			15,557,340.49				15,557,340.49
(4) Intangible	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
3. Patent							
(1) Intangible	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(2) Intangible							
- Patent							
- other							
(3) Deceased							
- dea							
- other							
(4) Intangible	2,137,376.41			8,402,511.71		90,863.26	10,630,751.38
(1) Carried forward	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
(2) Carried forward	19,011,862.80	486,495,095.00	3,215,149.10	28,889,881.48	233,352,493.99	660,884.40	771,625,366.77

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB Yuan, the figures are also presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XIX) Development disbursements

Item	Original balance	Increase		Decrease		Closing balance
		Internal development expenditure	Confirmed as intangible assets	Recorded into the profits and losses of the current period	Recognized as fixed assets	
K. Specific Project CAP1400 Research and Development (Phase 1) (Phase 1)	231,354,185.98	30,789,141.87		13,479,598.76		248,663,729.09
SAPS (Phase 1) Project SAP (Phase 1) Ltd.		7,640,639.65				7,640,639.65
ERP Phase 1 Project SAP (Phase 1) Ltd.		3,447,169.82				3,447,169.82
17.33002 India Biodata Analysis (Phase 1)		2,334,905.67				2,334,905.67
17.12001 Simulation Analysis (Phase 1)		2,205,128.21				2,205,128.21
National Engineering Laboratory for Biodata Analysis and Control (Phase 1) Ltd.	592,901.37	631,898.76				1,224,800.13
Human Resource Management (Phase 1)	1,039,614.59					1,039,614.59
Domestic 282 18012019 Aircraft (Phase 2G) Ltd.		764,957.28				764,957.28
Domestic 282 18012019 Aircraft (Phase 2G) Ltd.		1,260,155.56		715,543.50		544,612.06
Research and Development of the Ultra-precision Manufacturing Technology (Phase 1) Ltd.	418,341.03	102,372.13		102,372.13		418,341.03
Architectural Design (Phase 1)	68,119.66	103,060.35				171,180.01
Domestic AP1000MSR (Phase 1)	1,380,000.00	239,852.60	1,380,000.00	239,852.60		-
High Precision Processing (Phase 1) Ltd.	64,102.56		64,102.56			-
Capital Expenditure	4,288,584.48	14,441,255.93		12,086,572.52	1,036,111.11	5,607,156.78
Total	239,205,849.67	63,960,537.83	1,444,102.56	26,623,939.51	1,036,111.11	274,062,234.32

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XX) Long-term deferred expenses

Items	Opening balance	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Intangible assets	28,352,487.66	12,849,505.90	13,032,049.77		28,169,943.79
Long-term prepaid expenses	1,341,072.28		232,014.00		1,109,058.28
Share-based payments	718,969.95		566,634.84		152,335.11
Reservations		47,940.00	16,197.72		31,742.28
Total	30,412,529.89	12,897,445.90	13,846,896.33		29,463,079.46

(XXI) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and deferred tax liabilities

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Debt tax differences	Deferred tax liabilities
Intangible assets	2,524,558,462.32	402,681,885.24	2,288,839,814.82	355,361,036.47
Capital expenditures	45,000.00	11,250.00	700,000.00	175,000.00
Employee benefits	506,767,962.00	76,015,194.31	433,726,050.43	65,058,907.57
Debt tax differences	76,225,912.28	11,433,886.85	66,578,651.89	9,986,797.79
Total	3,107,597,336.60	490,142,216.40	2,789,844,517.14	430,581,741.83

2. Bad debt provision and deferred tax assets

Items	Closing balance	Opening balance
Debt tax differences	4,343,180,142.33	4,756,702,688.95
Debt tax	1,560,246,340.60	1,848,661,159.85
Total	5,903,426,482.93	6,605,363,848.80

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXI) Deferred tax assets and deferred tax liabilities (Continued)

3. Non-current deferred tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable differences	Deferred tax liabilities
Carrying amount of intangible assets			29,448,750.79	7,280,974.79
Total			29,448,750.79	7,280,974.79

(XXII) Short-term borrowings

1. Short-term borrowings by category

Item	Closing balance	Opening balance
Prepaid		
Trade payables	15,900,000.00	15,900,000.00
Guarantees		330,000,000.00
Current payables	1,557,008,534.19	2,737,668,542.78
Total	1,572,908,534.19	3,083,568,542.78

(XXIII) Placement from banks and other financial institutions

Item	Closing balance	Opening balance
Deferred income tax	300,000,000.00	
Deferred income tax - balance sheet		
Total	300,000,000.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the following information is provided in Chinese)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXIV) Deposits and placements from other financial institutions

Item	Closing balance	Original balance
Current deposits	1,537,676,986.58	632,131,884.34
Fixed-term deposits	41,123,100.00	1,600,000.00
Call deposits	122,764,275.35	169,264,275.35
L/G (for foreign currency)	252.36	31,590.00
Other deposits (including deposits from other financial institutions, deposits from other financial institutions)		
Total	1,701,564,614.29	803,027,749.69

(XXV) Notes payable and accounts payable

Item	Closing balance	Original balance
Notes payable	5,836,028,015.25	5,479,804,293.43
Accounts payable	13,215,819,754.05	14,051,708,904.60
Total	19,051,847,769.30	19,531,513,198.03

1. Notes payable

Type	Closing balance	Original balance
Bank accounts payable	4,611,567,962.08	4,570,861,423.55
Bill accounts payable	1,224,460,053.17	908,942,869.88
Total	5,836,028,015.25	5,479,804,293.43

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in million RMB)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXV) Notes payable and accounts payable (Continued)

2. Accounts payable

(1) Liabilities payable

Items	Closing balance	Opening balance
With 1 year	10,003,805,732.84	11,359,184,726.32
1-2 years	1,811,999,790.23	1,328,277,162.52
2-3 years	597,497,973.67	586,962,812.92
Over 3 years	802,516,257.31	777,284,202.84
Total	13,215,819,754.05	14,051,708,904.60

(2) Significant accounts payable

Item	Closing balance	Reason for outstanding or not paying back
China Fire & Marine Insurance Co., Ltd.	174,185,644.45	Trade payable
Harbin Electric Equipment Co., Ltd.	80,418,000.00	Trade payable
INNOVIA CONSULTANTS LTD	78,410,400.00	Trade payable
Harbin Electric Group Co., Ltd.	48,482,399.98	Trade payable
Beijing Electric Power Equipment Manufacturing Co., Ltd.	40,319,161.93	Trade payable
Harbin Electric Group Co., Ltd.	29,068,515.76	Trade payable
Harbin Electric Co., Ltd.	27,041,703.09	Trade payable
Jiangyin Power System Technology Co., Ltd.	24,419,617.44	Trade payable
Nanjing Daily Technology Manufacturing Co., Ltd.	24,395,779.34	Trade payable
Zhejiang Bafa Power Equipment Co., Ltd.	21,235,319.12	Trade payable
Saanid Holdings Co., Ltd.	18,876,004.00	Trade payable
Saanid Holdings Co., Ltd.	18,403,689.00	Trade payable
Zhejiang Zhaopu Equipment Co., Ltd.	17,703,716.72	Trade payable
Alibaba Group Co., Ltd. (former Alibaba Group Electric Co., Ltd.)	15,785,023.20	Trade payable
Zhejiang Electric Holdings Co., Ltd.	15,321,935.00	Trade payable
Wintac Hardware Equipment Co., Ltd.	13,914,116.01	Trade payable
Wuxi Sincere Equipment Co., Ltd.	13,614,905.32	Trade payable
Zhejiang Fida Equipment Co., Ltd.	13,608,497.80	Trade payable
Tec Co., Ltd.		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXV) Notes payable and accounts payable (Continued)

2. Accounts payable (Continued)

(2) Significant accounts payable (Continued)

Item	Closing balance	Reason for outstanding or not paying back
Chongqing Chongqing-Nac	13,101,307.19	Trade payable
Chongqing Xida Trading Co., Ltd.	12,832,605.00	Trade payable
Jilin Provincial Power Transmission and Trading Company	12,752,249.39	Trade payable
Yi He Ha Ha Holdings (Austria) Co., Ltd.	12,452,132.82	Trade payable
Zhejiang Dafa Holdings Macao Co., Ltd.	12,163,330.00	Trade payable
Wuhan Tianfa Investment Finance Co., Ltd.	12,059,783.28	Trade payable
China National Petroleum and Natural Gas Company Co., Ltd.	11,200,270.71	Trade payable
Saudi Electric Power Sales Company, Ltd.	11,100,000.00	Trade payable
Saudi Taia Company Limited	11,004,997.44	Trade payable
Saudi Xilai Macao Finance Co., Ltd.	10,607,644.51	Trade payable
Esica DMDI Limited YS Co., S.A.	10,117,113.18	Trade payable
Total	804,595,861.68	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVI) Employee benefits payable

1. Liabilities

Items	Opening balance	Increase	Decrease	Closing balance
Short-term liabilities	280,737,082.11	2,325,357,908.92	2,357,695,024.49	248,399,966.54
Retirement benefits payable		405,083,233.59	405,083,233.59	-
Trade payables	38,978,832.05	55,483,336.30	46,655,747.10	47,806,421.25
Other payables		20,328,382.77	20,328,032.77	350.00
Total	319,715,914.16	2,806,252,861.58	2,829,762,037.95	296,206,737.79

2. Long-term liabilities

Item	Opening balance	Increase	Decrease	Closing balance
(1) Long-term payables	91,949,227.59	1,667,980,232.96	1,712,380,224.27	47,549,236.28
(2) Employee benefits payable		190,050,537.88	190,029,896.88	20,641.00
(3) Social payables	-2,268,071.29	147,601,619.72	147,890,417.75	-2,556,869.32
Other long-term payables	-2,266,923.86	124,824,005.22	125,113,950.68	-2,556,869.32
Warranty payables	-1,147.43	13,915,845.95	13,914,698.52	-
Maintenance payables		8,861,768.55	8,861,768.55	-
Other				
(4) Housing fund	93,720.00	174,866,032.97	174,829,792.97	129,960.00
(5) Staff Union fund	190,962,132.81	57,169,437.36	44,874,644.59	203,256,925.58
(6) Short-term payables				
(7) Short-term payables				
(8) Other long-term liabilities	73.00	87,690,048.03	87,690,048.03	73.00
Total	280,737,082.11	2,325,357,908.92	2,357,695,024.49	248,399,966.54

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the following information is provided in Chinese)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVI) Employee benefits payable (Continued)

3. Employee benefits payable (Continued)

Item	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance		332,990,376.12	332,990,376.12	
Unemployment insurance		9,578,456.86	9,578,456.86	
Medical insurance		62,514,400.61	62,514,400.61	
Total		405,083,233.59	405,083,233.59	

(XXVII) Taxes and surcharges payable

Item	Closing balance	Opening balance
VAT	310,087,172.65	140,541,678.44
Business tax	76,081.15	76,081.15
Enterprise income tax	2,123,722.13	38,661,221.39
Individual income tax	17,852,719.32	20,126,038.31
Urban maintenance and construction tax	21,559,872.23	18,096,722.54
Property tax	3,015,942.09	2,747,772.58
Educational surcharge	15,414,905.66	12,926,156.31
Land use tax	1,869,130.30	2,354,056.33
Other	2,043,958.26	4,913,222.47
Total	374,043,503.79	240,442,949.52

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVIII) Other payables

Item	Closing balance	Original balance
Interest payable	5,447,152.31	125,099,549.75
Dividend payable	3,573,003.94	3,569,638.20
Other payable	273,191,841.18	277,646,983.05
Total	282,211,997.43	406,316,171.00

1. Interest payable

Item	Closing balance	Original balance
Interest payable - bank deposit		
Interest payable - bank deposit		120,866,666.66
Interest payable - bank deposit	184,875.00	
Interest payable - bank deposit	5,262,277.31	4,232,883.09
Total	5,447,152.31	125,099,549.75

2. Dividend payable

Item	Closing balance	Original balance
Common dividend payable	3,573,003.94	3,569,638.20
Total	3,573,003.94	3,569,638.20

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVIII) Other payables (Continued)

2. Deferred tax liabilities

The deferred tax liabilities are as follows:

Company name	Closing balance	Opening balance	Reasons for not paying over 1 year
Ensheng Electronic Company	2,767,274.60	2,767,274.60	Has not been paid
Harbin Daimon Zhiyuan Corporation	297,135.61	297,135.61	Has not been paid
Daimon Company, Ltd	217,506.73	217,506.73	Has not been paid
Ningxia Caifa Aipu Advertising & Trade Company, Ltd	150,471.74	150,471.74	Has not been paid
Harbin Haoma Micro-arc Technology Company, Ltd	95,893.91	90,621.70	Has not been paid
Total	3,528,282.59	3,523,010.38	

3. Other payables

(1) Other payables by nature

Items	Closing balance	Opening balance
Withholding tax	171,010,251.61	190,556,798.03
1.2% tax	22,028,670.48	26,684,096.20
2.3% tax	20,864,766.48	11,932,973.46
Other 3% tax	59,288,152.61	48,473,115.36
Total	273,191,841.18	277,646,983.05

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million RMB unless otherwise specified)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXVIII) Other payables (Continued)

3. Other payables (Continued)

(2) Significant other payables as at 12/31/2018

Creditors	Amount owed	Age	Reasons for
Zhejiang Qidong Zhenma Power Co., Ltd.	8,700,000.00	2-3 years	None
Harbin Electric Co., Ltd.	6,818,750.00	1-3 years	None
Urbara Power Co., Ltd.	5,765,200.00	1-2 years	None
Total	21,283,950.00		

(XXIX) Current portion of non-current liabilities

Items	Closing balance	Original balance
Long-term borrowings	200,000,000.00	
Deferred tax liabilities		2,999,707,500.00
Total	200,000,000.00	2,999,707,500.00

Note: On February 18, 2013, the Company issued RMB 200 million of short-term financing with a term of 12 months, with an interest rate of 4.9% and a maturity date of March 11, 2014. The Company has not yet repaid the principal and interest as of December 31, 2018. The Company has not yet repaid the principal and interest as of December 31, 2018. The Company has not yet repaid the principal and interest as of December 31, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXX) Other current liabilities

Items	Closing balance	Opening balance
Financial accounts payable	188,548.80	134,893.80
Total	188,548.80	134,893.80

(XXXI) Long-term borrowings

Items	Closing balance	Opening balance
Corporation	300,000,000.00	200,000,000.00
Total	300,000,000.00	200,000,000.00

(XXXII) Long-term payables

Items	Closing balance	Opening balance
Long-term payable	1,000,000.00	1,000,000.00
Shareholders payable	483,843,694.29	484,953,994.29
Total	484,843,694.29	485,953,994.29

1. Long-term payable

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance	Reason of formation
Harbin Electric Corporation	1,000,000.00			1,000,000.00	Guaranteed
Total	1,000,000.00			1,000,000.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan, unless otherwise specified in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXII) Long-term payables (Continued)

2. Significant items

Items	Opening balance	Increase in this period	Decrease in this period	Closing balance	Reason of formation
Dynamic Scientific and Technological Major Scientific Projects	380,589,200.00	2,799,700.00	1,640,000.00	381,748,900.00	Natural formation
Research and Development	53,590,000.00			53,590,000.00	Natural formation
Scientific and Technological Innovation	22,420,000.00			22,420,000.00	Natural formation
High-end CNC Machine Tools	5,665,000.00			5,665,000.00	Natural formation
Other	22,689,794.29		2,270,000.00	20,419,794.29	Natural formation
Total	484,953,994.29	2,799,700.00	3,910,000.00	483,843,694.29	

(XXXIII) Long-term employee benefits payable

Items	Closing balance	Opening balance
1. Pension benefits		
2. Tuition and training	142,308,359.65	141,039,180.93
3. Other long-term employee benefits		
Total	142,308,359.65	141,039,180.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(If additional information is required, refer to the notes to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXIV) Provisions

Items	Closing balance	Opening balance
Provision for doubtful accounts (1)	116,035,464.40	101,605,443.95
Provision for contract losses (2)	669,137,522.09	520,896,015.25
Other (3)		8,857,323.34
Total	785,172,986.49	631,358,782.54

Note 1: The provision for doubtful accounts is calculated based on the aging of accounts receivable at 0.3% to 0.5% for Company's accounts receivable.

Note 2: The provision for contract losses is calculated based on the historical data of contract losses. The Company's contract losses are calculated based on the historical data of contract losses.

Note 3: Other provisions are provided for the Company's liabilities. The Company's liabilities are provided for the Company's liabilities. The Company's liabilities are provided for the Company's liabilities.

(XXXV) Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reason
Government grants	154,756,614.71	22,242,402.96	32,064,073.18	144,934,944.49	/
Total	154,756,614.71	22,242,402.96	32,064,073.18	144,934,944.49	/

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXV) Deferred income (Continued)

Item description and unit:

Liabilities items	Original balance	New addition	Accounted for as non-operating income amount	Other changes	Closing balance	Associated with the asset/related to earnings
Grant for research and development						
Jiabao	39,104,038.89		1,363,566.66		37,740,472.23	Related to earnings
Nuclear power generation equipment						
Construction	14,894,523.04	5,390,000.00	896,152.57		19,388,370.47	Related to earnings
Domestic 600MW nuclear power generation	16,917,876.42		10,080.10		16,907,796.32	Related to earnings
Tengmen nuclear power generation	22,500,000.00		5,625,000.00		16,875,000.00	Related to earnings
Laboratory equipment	8,346,800.00				8,346,800.00	Related to earnings
Power generation equipment						
Manufacturing	7,400,000.00				7,400,000.00	Related to earnings
Natural Gas Science and Technology						
Project (Minghuo)	5,290,000.00				5,290,000.00	Related to earnings
Shanghai Nuclear Power 820 00 1705	5,000,000.00		356,412.92		4,643,587.08	Related to earnings
Financial research and development						
Development of new materials	4,236,600.00			-712,400.00	3,524,200.00	Related to earnings
Laboratory equipment						
Research and development	3,727,633.33		212,133.34		3,515,499.99	Related to earnings
Other	27,339,143.03	16,852,402.96	13,018,327.59	-9,870,000.00	21,303,218.40	
Total	154,756,614.71	22,242,402.96	21,481,673.18	-10,582,400.00	144,934,944.49	

Note: Other categories of deferred income include research and development grants, etc. The amount of research and development grants is 144,934,944.49.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in English and Renminbi (RMB) Yuan (CNY))

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXVI) Share capital

Shareholder's name	Original balance	Capital increase	Scrip share	Increase(+) Decrease(-)		Subtotal	Closing balance
				Conversion of the accumulation funds into shares	Conversion of the undistributed profit into shares		
Harbi Electric Corporation	1,030,952,000.00						1,030,952,000.00
Other shareholders	675,571,000.00						675,571,000.00
Total	1,706,523,000.00						1,706,523,000.00

(XXXVII) Capital reserve

Item	Original balance	Increase during the period	Decrease during the period	Closing balance
Capital reserve (accumulation)	3,690,197,230.17		2,584,736.05	3,687,612,494.12
Other capital reserve		28,125,000.00		28,125,000.00
Total	3,690,197,230.17	28,125,000.00	2,584,736.05	3,715,737,494.12

Note: Total amount of capital reserve is RMB 3,715,737,494.12 as at December 31, 2017, and it is all in the form of capital reserve of Harbi Electric Group Co., Ltd.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XXXIX) Specialized reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Provision for impairment of financial assets	19,377,426.96	23,194,591.55	11,759,034.73	30,812,983.78
Total	19,377,426.96	23,194,591.55	11,759,034.73	30,812,983.78

(XL) Surplus reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Surplus reserve	786,529,945.86	22,606,703.61		809,136,649.47
Total	786,529,945.86	22,606,703.61		809,136,649.47

(XLI) Retained earnings

Item	Current period	Last period
Balance brought forward	8,649,609,089.09	8,496,686,529.09
Add: Income tax adjustment (credit)		
Opening balance of retained earnings	8,649,609,089.09	8,496,686,529.09
Add: Net profit attributable to equity holders of the company	71,316,651.84	194,226,740.00
Other comprehensive income	25,305,546.26	
Less: Available for sale financial assets	22,606,703.61	
Available for sale financial liabilities		
Available for sale financial assets		
Dividend payable	25,597,845.00	41,304,180.00
Dividend payable to non-controlling interests		
Other		
Closing balance	8,698,026,738.58	8,649,609,089.09

Note: The Company distributed cash dividends to its shareholders in 2017 after the annual general meeting held on May 25, 2018. Based on the Company's articles of association, the 2017 cash dividend is distributed to the shareholders of the Company as of the record date of 2017 (October 31, 2017) at the rate of CNY 0.015 per share (including the cash dividends of 2017 financial year of CNY 25,597,845.00 per share).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLII) Operating revenue and operating cost

Details of operating revenue and operating cost

Item	Current period		Last period	
	Revenue	Cost	R	C
1. Main business	25,673,513,488.27	22,523,020,468.15	31,345,884,860.70	27,104,569,528.75
Main business income	11,877,253,493.44	10,207,039,797.58	13,871,644,397.96	11,571,125,295.18
Main business other income	1,704,635,327.78	1,553,327,987.39	1,146,212,806.36	963,884,354.15
Engineering and construction income	7,411,068,070.00	7,157,640,769.57	10,704,840,383.96	10,207,510,174.17
Provisional income and other income	899,959,203.92	809,714,506.28	1,339,075,625.77	1,143,869,453.69
AC and DC transmission	2,442,054,277.61	1,736,512,010.42	2,251,536,060.95	1,704,961,907.44
Network	1,338,543,115.52	1,058,785,396.91	2,032,575,585.70	1,513,218,344.12
2. Other business	205,947,362.35	164,510,451.63	194,438,995.68	163,384,698.59
Simulation	141,183,469.08	127,700,038.61	122,103,672.33	120,804,124.13
Technical service	11,959,643.48	73,540.76	15,291,425.41	1,228,080.11
Other	52,804,249.79	36,736,872.26	57,043,897.94	41,352,494.35
Total	25,879,460,850.62	22,687,530,919.78	31,540,323,856.38	27,267,954,227.34

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, this financial statement is presented in English (CNY))

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLII) Operating revenue and operating cost (Continued)

(Continued from page 100)

Total cost recognized in current period (CNY)

Project item	Contracted value	Total Cost of the project	Progress of Completion (%)	Accumulated revenue recognized	Accumulated cost recognized	Accumulated gross profit recognized	Settlement price	Revenue recognized in current period	Cost recognized in current period
1. Fixed cost									
Daba Haia CACP									
Project	16,024,280,541.38	15,990,956,366.35	43.39	6,952,581,307.29	6,938,122,683.97	14,458,623.32	5,323,707,141.71	5,264,932,220.70	5,224,944,849.51
Hadia J #4	598,450,000.00	442,565,524.68	100.00	515,905,172.41	442,565,524.68	73,339,647.73	598,450,000.00	515,905,172.41	442,565,524.68
Daa Li #1	573,660,000.00	430,732,629.66	100.00	494,534,482.76	430,732,629.66	63,801,853.10	573,660,000.00	494,534,482.76	430,732,629.66
Paial 1223MW									
CombidCPC	3,633,172,621.03	3,803,045,690.80	96.08	3,490,644,098.55	3,653,853,087.04	-163,208,988.49	3,094,668,118.51	456,861,914.29	474,274,884.50
Daa Li #2	573,660,000.00	430,730,000.00	83.12	408,686,677.98	358,022,410.71	50,664,267.27	451,368,900.00	408,686,677.98	358,022,410.71
WPa II#1	435,110,000.00	311,481,119.96	100.00	372,347,480.01	311,481,119.96	60,866,360.05	435,110,000.00	372,347,480.01	311,481,119.96
Paial Biail1180MW									
CombidCPC	3,483,995,495.45	3,530,297,219.39	94.9	3,306,347,557.64	3,350,288,369.87	-43,940,812.23	2,774,289,592.38	234,273,658.20	237,117,138.83
EcdMia									
Project	3,653,488,740.85	3,569,210,762.78	84.87	3,100,618,270.84	3,029,093,802.81	71,524,468.03	3,653,488,740.85	217,125,572.76	218,297,037.98
CiaP									
Ba #1	334,745,000.00	231,721,800.00	69.75	201,279,859.91	161,626,920.13	39,652,939.78	200,635,250.00	201,279,859.91	161,626,920.13
N Xi #1	359,760,000.00	265,709,400.00	63.25	196,162,241.38	168,061,210.67	28,101,030.71	197,880,000.00	196,162,241.38	168,061,210.67
Total	29,670,322,398.71	29,006,450,513.62		19,039,107,148.77	18,843,847,759.50	195,259,389.27	17,303,257,743.45	8,362,109,280.40	8,027,123,726.63

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIII) Interest income and interest expense

Item	Current period	La	Period
Interest income	422,786,538.17		440,314,100.89
Deposits	405,729,913.62		426,929,921.87
Discounts	11,223,948.75		12,832,809.58
Loans	4,172,777.80		194,444.44
Leasing	1,474,198.55		129,816.62
Interest income on financial assets at fair value through profit or loss			
Commodity leasing			
Discounts	1,467,212.25		129,816.62
Bank deposits	6,986.30		
Bank loans			
Other	185,699.45		227,108.38
Interest income on financial assets at fair value through profit or loss			
Interest expense	20,736,138.63		24,780,211.04
Deposits			
Bank discounts			
Bank loans			
Deposits	20,736,138.63		24,780,211.04
Proceeds from REPO			
Interest expense			
Other			
Net interest income	401,168,108.21		415,533,889.85

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the following information is provided in Chinese Yuan (CNY))

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLIV) Handling charges and commission income, and handling charges and commission expenses

Item	Current period	Last period
Revenue from handling charges and commission	63,030.58	9,091.93
Selling and distribution		
Administrative		
Credit and commission		
Bank card		
Advertising		
Credit and distribution		
Other	63,030.58	9,091.93
Handling charges and commission expenses	27,263.79	15,292.72
Handling charges	27,263.79	15,292.72
Commission		
Net handling charges and commission income	35,766.79	-6,200.79

(XLV) Taxes and surcharges

Item	Current period	Last period
Corporate income tax	72,358,108.72	52,668,666.68
Education surcharge	37,354,742.20	27,697,758.47
Local education surcharge	14,500,164.28	9,982,015.83
Stamp duty	12,520,941.52	20,126,937.74
Property tax	41,059,101.89	37,861,675.67
Taxes	25,319,648.15	29,709,121.47
VAT and other	87,136.80	68,060.42
Other	40,946.01	510,612.88
Taxes	203,240,789.57	178,624,849.16

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLVI) Selling expenses

Item	Current period	Last period
Salar y	263,792,484.72	199,437,711.67
Quar y	229,446,765.75	228,295,986.87
Travel	97,092,202.25	71,646,606.53
Travel	35,019,917.90	49,182,240.75
Accommodation	20,785,591.44	14,302,815.74
Office	13,659,803.47	26,198,056.33
Contract	20,093,739.06	15,117,553.31
Interest	101,494.57	507,309.43
Benefit	16,743,132.67	1,644,148.22
Office	3,470,830.90	2,847,602.77
Printing	354,623.35	1,177,655.50
Advertising	3,884,431.00	5,528,203.24
Other	26,791,108.12	23,490,098.52
Total	731,236,125.20	639,375,988.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(If additional information is required, refer to the notes to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLVII) Administrative expenses

Item	Current period	Last period
Salary	789,422,392.92	912,691,025.61
Participating in social insurance	17,227,024.91	
Director's administrative expenses	151,454,472.32	156,185,688.65
Material	125,539,743.24	131,225,125.14
Travel and entertainment expenses	39,888,582.14	73,558,640.36
Service charges	40,943,234.05	44,800,268.99
Office rent	32,076,274.80	39,732,877.44
Office supplies	25,395,351.75	19,297,468.58
Material consumption	8,750,990.78	12,270,270.49
Utilities	12,079,776.60	14,108,527.82
Health insurance	18,744,051.84	15,482,229.12
Freight	9,969,050.03	9,396,518.27
Entertainment	16,370,855.98	28,137,684.13
Debt management consulting fees	13,776,452.68	12,733,794.34
Accommodation	4,751,285.17	11,297,272.97
Advertising and promotion	2,358,490.57	2,358,490.57
Administrative fees and commissions	4,347,388.20	3,916,929.16
Consulting fees	3,949,919.82	7,547,220.37
Verification fees	4,105,810.23	4,492,751.60
Insurance	5,705,010.46	8,333,349.96
Liability	2,825,157.26	969,067.47
Transportation and freight	33,677.19	99,321.87
Board fees	488,867.32	297,032.38
Shareholder	3,146,262.12	3,897,940.28
Others	131,812,013.25	182,197,052.52
Total	1,465,162,135.63	1,695,026,548.09

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (Currency: RMB Yuan, unless otherwise specified)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(XLVIII) Research and development expenses

Item	Current period	La 'i d
R a r c a d d e m e n t	591,928,067.08	558,679,659.76
T a l	591,928,067.08	558,679,659.76

(XLIX) Financial expenses

Category	Current period	La 'i d
I n t e r e s t	124,294,753.28	241,715,596.09
L o s s e s o n f i n a n c i n g	62,278,154.48	47,822,335.41
E c a r n i n g s	-43,507,919.60	100,183,554.29
H a n d i c a p e d	16,125,922.94	22,693,862.71
O t h e r	1,461,622.64	6,018,523.17
T a l	36,096,224.78	322,789,200.85

(L) Impairment on assets

Item	Current period	La 'i d
B a d d e b t		496,943,368.14
I n v e n t o r y	179,934,482.68	485,214,814.27
L a n g u a g e		-92,236.44
h a n d l e d a s s e t s		4,000,000.00
L i a b i l i t y		1,419,804.00
F i x e d a s s e t s		27,048,626.92
h a n d l e d a s s e t s		366,000.00
h a n d l e d a s s e t s		2,228,239.67
T a l	179,934,482.68	1,017,128,616.56

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. All amounts are in RMB unless otherwise specified.)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LI) Credit impairment losses

Item	Current period
Net credit impairment loss	-90,691,073.85
Bad debt loss	4,763,973.41
Adjustment	-7,000.00
Other items	
Other items	
Other items	
Other items	
Other items	477,484,302.39
Other items	99,995,029.62
Total	491,545,231.57

(LII) Other income

Item	Current period	Last period
Government subsidies	174,777,343.70	45,731,908.93
Total	174,777,343.70	45,731,908.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LII) Other income (Continued)

Other income (Continued)

Item	Current period	Related to assets/related to income
Diminished value of investment property	61,620,000.00	Related income
Company's share of net income of equity-accounted investees	40,529,271.91	Related income
Company's share of net income of equity-accounted investees	21,133,864.94	4,832,981.66 Related income
Harbin Machinery Finance Bureau 2017 Annual Interest Income	8,000,000.00	Related income
Share of net income	6,253,411.44	Related income
Company's share of net income of CAP1400 Ha-f-S	5,877,588.50	Related income
Company's share of net income of 820.00 1104	5,625,000.00	5,625,000.00 Related income
Company's share of net income of 5,000,000.00	5,000,000.00	Related income
Company's share of net income of 4,030,000.00	4,030,000.00	Related income
Company's share of net income of 2,017,145.99	2,017,145.99	2,553,566.00 Related income
Company's share of net income of 1,363,566.66	1,363,566.66	Related income
Company's share of net income of 1,249,946.18	1,249,946.18	Related income
Company's share of net income of 1,245,218.03	1,245,218.03	Related income
Company's share of net income of 1,106,200.00	1,106,200.00	1,768,865.63 Related income
Company's share of net income of 833,928.45	833,928.45	Related income
Company's share of net income of 799,553.65	799,553.65	Related income
Company's share of net income of 750,000.00	750,000.00	Related income
Company's share of net income of 700,000.00	700,000.00	Related income
Company's share of net income of 644,620.19	644,620.19	Related income
Company's share of net income of 600,000.00	600,000.00	Related income
Company's share of net income of 508,616.08	508,616.08	Related income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the Company has provided the following information in Chinese Yuan (CNY))

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LII) Other income (Continued)

Gross amount before deducting related expenses (Continued)

Item	Current period	La	Related to assets/related to income
Traffic Ticket Revenue (Harbin Municipal Traffic Bureau (Economic Traffic Research Center))	500,000.00		Related income
Traffic Ticket Revenue	450,000.00		Related income
Income from advertising (Income from advertising)	450,000.00		Related income
Income from advertising (Income from advertising)	356,412.92		Related income
Subsidy income (Subsidy income)	320,000.00		Related income
Academic research (Academic research)	300,000.00		Related income
Enterprise research (Enterprise research)	280,000.00		Related income
Ministry research (Ministry research)	266,666.64	266,666.64	Related income
Local government research (Local government research)	212,133.34		Related income
Traffic Ticket Revenue (Traffic Ticket Revenue)	200,000.00		Related income
Prize income (Prize income)	200,000.00		Related income
Local government research (Local government research)	183,244.00		Related income
Local government research (Local government research)	165,674.56	165,674.63	Related income
PDM (PDM)	159,760.52	159,760.52	Related income
Copyright (Copyright)	100,500.00		Related income
Software research (Software research)	100,000.00		Related income
Harbin Municipal Traffic Bureau (Harbin Municipal Traffic Bureau)	96,750.00		Related income
Enterprise research (Enterprise research)	69,999.97		Related income
Prize income (Prize income)	55,000.00		Related income
Local government research (Local government research)	50,000.00		Related income
Local government research (Local government research)	49,105.50		Related income

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

Item	Current period	Related to assets/related La	to income
2011BAF03B03 (Ya Kai) ...	45,461.45	45,461.46	R a d i c m
D ...	36,690.00		R a d i c m
Harbi Wa ...	27,757.35		R a d i c m
M ...	26,320.18		R a d i c m
M ...	23,276.04		R a d i c m
Harbi ...	21,709.10		R a d i c m
H Y C ...	20,794.09		R a d i c m
R ...	20,779.29	9,216.00	R a d i c m
R ...	18,000.06		R a d i c m
D ...	17,302.93		R a d i c m
H ...	15,359.22		R a d i c m

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addi... cia... i fa... i CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LII) Other income (Continued)

G... m... b id i c d d i c ... r f i a d (C i d)

Item	Current period	La... r i d to income
H b i P... i cia D... a r... n... f F i a c... dia AP1000... a n... r a... r... m a... f a c... r i c... r... a r c... f		500,000.00 R a d i c m
T r a... f... CAP1400... cia... f... d... f... H a... r... b i... S... c i... c a... d... T... c... B... r... a		700,000.00 R a d i c m
T r a... f... ... i... cia... a... c... ... cia f... d... f... H a... r... b i... S... c i... c... a... d... T... c... B... r... a... i 2016		8,000.00 R a d i c m
T r a... f... H a... r... b i... F i... a... c i... a... T... r... a... r... P a... m... C... C... i... A... i... d... T... c... R... a... r... c... D... m... P... r... c... G... r... a... (D... m... f... CAP1400... N... c... a... r... P... U... i... M... a... i... W... a... S... C... c... V... a...)		285,000.00 R a d i c m
R... a... r... c... P... r... a... r... i... T... c... ... a... d A... i... c... a... i... f... C... a... S... r... a...		2,986,453.00 R a d i c m
S... d... H... i... T... m... r... a... r... P... r... f... m... a... c... f... H... i T... m... r... a... r... A... M... a... r... i... a... f... G... a... T... r... b i		1,616,226.61 R a d i c m
N... c... a... r... ... c... b... i... d... f... d		12,575,700.00 R a d i c m
M... a... r... E... r... l... r... a... d... T... c... i... c... a... S... r... i... c... P... a... f... m... C... r... c... i... 820 00 1401		3,871.41 R a d i c m
D... m... f... i... f... f... i... c... c... 660,000... W... r... a... r... c... i... c... a... a... n... r... b i		100,000.00 R a d i c m
J... i... d... m... f... i... f... f... i... c... c... r... a... r... m... a... r... a... i... c...		1,868,913.40 R a d i c m
h... a... c... r... a... r... c i... a... b... i... d		8,100,000.00 R a d i c m
D... m... f... d... r... a... i... c... f... m... a... c... f... 700... r... a... d... m... d... r... a... i... 820 00 1501		442,728.38 R a d i c m
2017 a... a... m... i... c i... a... r... i... c... r... c i d... m... c i... a... f... d		800,000.00 R a d i c m
2016 P... i... c i... a... P a... T... c... F... d		91,000.00 R a d i c m
T a	174,777,343.70	45,731,908.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizionale, in milioni di CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIII) Investment income

Item	Current period	La 'ri d
L - m I L I m I c m c a c a d b I m d	33,832,648.30	26,360,761.31
I m I c m f r m d i a f - m I	-408,962.33	25,721,172.72
I m I c m f r a d i f i a c i a a d r i d i	55,459,397.94	
I m I c m f f i a c i a a m a r d a f a r a		
I m I c m f r m d i a f r a d i f i a c i a a	49,367,161.06	
I m I c m f r m f i a c i a a m a r d a f a r a		
I r I c m a r d d r i d i f d b I m	1,275,000.00	
I m I c m f a a r a b - f r - a f i a c i a a d r i d i		69,195,981.50
I m I c m f r m d i a f d b I m		
I m I c m f r m d i a f a a r a b - f r - a f i a c i a a		271,077.79
I r I c m a r d d r i d i f r d b I m		
I m I c m f r m d - m a r i I m d r i d i		
I m I c m f r m d i a f r d b I m		
D i d d i c m a r d d r i r i d f i m I r I L I f m	138,342.61	
I m I c m f r m - c r f i a c i a a d r i d i		
I m I c m f r m d i a f r - c r f i a c i a a		
A f r I c r , f m a l I L I f m a r d a f a r a		
R f r m d i a f d i a r a c i b I		
F r i c a d i b i d i r f i a d		-82,275.23
T a	139,663,587.58	121,466,718.09

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIV) Gain on foreign exchange

Item	Current period	Last period
Exchange rate	-4,285.22	496.06
Total	-4,285.22	496.06

(LV) Net exposure hedging returns

Sources of net exposure hedging gains	Current period	Last period
Transaction of accommodation fair value change of derivative instruments		
Transaction of cash flow hedge of derivative instruments	812,129.03	
Total	812,129.03	

(LVI) Gain from fair-value changes

Sources of income from changes in fair value	Current period	Last period
Fair value change of available-for-sale financial assets		-12,995,817.33
Income from changes in fair value of derivative financial instruments		-12,995,817.33
Fair value change of available-for-sale financial liabilities		
Income from changes in fair value of available-for-sale financial assets		
Total		-12,995,817.33

Note: Fair value change of available-for-sale financial assets refers to the fair value change of available-for-sale financial assets measured at the end of the reporting period compared with the fair value at the beginning of the reporting period. Fair value change of available-for-sale financial liabilities refers to the fair value change of available-for-sale financial liabilities measured at the end of the reporting period compared with the fair value at the beginning of the reporting period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVII) Proceeds from asset disposal

Items	Current period	La	ri	d	Amount included in current non-recurring gains and losses
Disposal of fixed assets	2,283,473.35	3,627,423.23			2,283,473.35
Disposal of financial assets					
Total	2,283,473.35	3,627,423.23			2,283,473.35

(LVIII) Non-operating income

1. Non-recurring income

Items	Current period	La	ri	d	Included in the amount of the non-recurring gains and losses of the current period
Transaction income	3,598,537.20				3,598,537.20
Disposal of fixed assets	3,598,537.20				3,598,537.20
Disposal of financial assets					
Gain from disposal of non-current assets	1,620,168.00	325,314.71			1,620,168.00
Gain from disposal of non-current assets					
Gain from disposal of non-current assets	4,876,415.01	50,539,789.12			4,876,415.01
Other	37,166,522.57	21,359,762.52			37,166,522.57
Total	47,261,642.78	72,224,866.35			47,261,642.78

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all figures are in RMB unless otherwise specified)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVIII) Non-operating income (Continued)

2. Government grants (Continued)

Items	Current period	Related to assets/ La i d r e l a t e d t o i n c o m e
Harbi Xiaofa District Urban and Rural Construction Bonus	960,000.00	R a d i c m
Research and development	880,000.00	R a d i c m
Harbi Trade Promotion Center Technology Service Fund	179,000.00	R a d i c m
Qizha Harbi Science and Technology Harbi Trade Promotion Center Fund	150,000.00	R a d i c m
La d a r	110,289.48	R a d i c m
La d a r	79,968.64	R a d i c m
Harbi Science and Technology 2017 Trade Promotion Fund	50,000.00	R a d i c m
Harbi Engineering and Technology Office (Laboratory Science and Technology)	50,000.00	R a d i c m
Hi-tech	50,000.00	R a d i c m
Laboratory	38,400.00	R a d i c m
Harbi Sa Taai Bureau Laboratory	34,584.63	R a d i c m
Key Laboratory	31,150.00	R a d i c m
Government	20,000,000.00	R a d i c m
Citizenship	12,060,000.00	R a d i c m
Sabbatical	311,869.69	6,244,713.39 R a d i c m
Industrial	3,283,000.00	R a d i c m
Trade	415,000.00	1,215,000.00 R a d i c m
Harbi Mici Ma Science Award	1,000,000.00	R a d i c m
Patent	677,500.00	R a d i c m
National	896,152.57	671,569.24 R a d i c m
Union	553,722.11	R a d i c m
Central Economic Trade Bureau Research and Development	501,200.00	R a d i c m
Harbi Union Management Center	496,995.16	R a d i c m
Medical	460,000.00	R a d i c m
Widow	443,042.56	R a d i c m

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LVIII) Non-operating income (Continued)

2. Government grants received (Continued)

Items	Current period	Related to assets/ Laundry related to income
Rice and other subsidies		
Military Scientific and Technological Innovation		250,000.00 RMB
Enterprise Scientific and Technological Innovation		239,880.74 RMB
Xi'di District Economic and Technological Innovation		
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		213,500.00 RMB
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		200,000.00 RMB
Harbin Science and Technology Innovation		200,000.00 RMB
Harbin Science and Technology Innovation		130,000.00 RMB
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		100,000.00 RMB
Harbin Science and Technology Innovation		100,000.00 RMB
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		50,000.00 RMB
Harbin Science and Technology Innovation		43,000.00 RMB
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		38,250.00 RMB
Harbin Science and Technology Innovation		
Harbin Science and Technology Innovation		30,500.00 RMB
Harbin Science and Technology Innovation		12,000.00 RMB
Other	640,000.00	1,325,915.92 RMB
Total	4,876,415.01	50,539,789.12

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LIX) Non-operating expenses

Item	Amount for this period	Amount for the period	Including the amount of non-recurring gains and losses of the current period
Taxation	3,066,608.59	3,695,842.30	3,066,608.59
Interest income	3,066,608.59	3,695,842.30	3,066,608.59
Losses on disposal of assets	38,647,346.91		38,647,346.91
Non-current assets			
Exchange gains	500,000.00		500,000.00
Other	60,598,842.15	156,360,284.89	60,598,842.15
		2,905,518.01	
Total	102,812,797.65	162,961,645.20	102,812,797.65

(LX) Income tax

1. Deferred income tax

Item	Amount for this period	Amount for the period
Current tax	113,890,721.19	163,258,837.00
Deferred tax	-59,724,224.57	-80,861,025.97
Total	54,166,496.62	82,397,811.03

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LX) Income tax (Continued)

2. Accounting for deferred income tax assets and liabilities

Item	Amount for this period
Trade receivables	156,854,134.23
Inventory	23,528,120.13
Subsidiaries' deferred income tax assets	15,925,333.85
Deferred income tax assets	1,153,478.29
Deferred income tax liabilities	-20,420,104.44
Net deferred income tax assets	47,332,548.18
Deferred income tax liabilities	-43,244,399.28
Net deferred income tax assets	29,162,082.87
Other	729,437.02
Inventory	54,166,496.62

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LXI) Cash flow statement supplementary information

1. Cash flow statement supplementary information

Item	Amount for this period	Amount for the period ended
1. Receivables from related parties		
Net	102,687,637.61	260,968,593.90
Add: Increase in receivables from related parties	179,934,482.68	1,017,128,616.56
Decrease in receivables from related parties	491,545,231.57	
Decrease in receivables from related parties, net of allowance for doubtful accounts	700,770,755.75	696,372,060.51
Increase in receivables from related parties	59,338,862.80	50,953,111.61
Increase in receivables from related parties, net of allowance for doubtful accounts	13,846,896.33	12,017,505.45
Decrease in receivables from related parties, net of allowance for doubtful accounts	-2,283,473.35	-3,627,423.23
Loss on disposal of receivables from related parties	-531,928.61	3,695,842.30
Loss on disposal of receivables from related parties, net of allowance for doubtful accounts		12,995,817.33
Finance income (net of allowance for doubtful accounts)	93,554,407.87	439,256,686.96
Loss on disposal of receivables from related parties, net of allowance for doubtful accounts	-139,663,587.58	-121,466,718.09
Decrease in receivables from related parties, net of allowance for doubtful accounts	-59,724,224.57	-80,861,025.97
Decrease in receivables from related parties, net of allowance for doubtful accounts		
Decrease in receivables from related parties, net of allowance for doubtful accounts (add back)	1,744,434,904.99	579,269,657.41
Decrease in receivables from related parties, net of allowance for doubtful accounts (add back)	3,992,977,723.18	-1,274,536,453.37
Increase in receivables from related parties, net of allowance for doubtful accounts	-7,860,180,988.23	-4,275,691,999.21
Other	7,293,652.03	-8,723,349.80
Net change in receivables from related parties	-675,999,647.53	-2,692,249,077.64
2. Marketable securities available for sale		
Increase in marketable securities		
Decrease in marketable securities		
Change in fair value of marketable securities		
Finance income		
3. Net cash and cash equivalents		
Beginning balance	11,705,681,448.94	15,206,290,892.00
Ending balance	15,206,290,892.00	17,204,139,648.41
Beginning balance		
Ending balance		
Net change in cash and cash equivalents	-3,500,609,443.06	-1,997,848,756.41

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LXI) Cash flow statement supplementary information (Continued)

2. Cash flow statement supplementary information:

Item	Closing balance	Opening balance
1. Cash	11,705,681,448.94	15,206,290,892.00
Included: Cash	7,192,181.04	6,045,527.87
Balance of cash and cash equivalents	11,426,169,264.16	14,826,342,631.29
Other cash and cash equivalents		
Cash and cash equivalents	50,692,260.02	107,027,977.01
Derivatives	221,627,743.72	266,874,755.83
Loans		
2. Cash		
Included: Borrowings		
3. Cash and cash equivalents	11,705,681,448.94	15,206,290,892.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the following information is provided in Chinese)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LXII) Assets with limited ownership or use rights

Item	Closing book value	Reason
Mortgage	837,570,251.25	Accounts receivable, prepaid expenses, and other receivables, etc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

VI. NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(LXIII) Foreign Currency Items

Items	Closing balance	Exchange rate	Closing balance
Ca			722,756,490.94
I c d i : USD	100,018,947.34	6.8632	686,450,039.32
EUR	726,853.71	7.8473	5,703,839.12
P a i a R	149,836,502.72	0.0495	7,424,398.71
U i d A r a b E n i a D i r a n	12,214,529.68	1.8679	22,815,519.99
S d a d	2,516,435.21	0.1441	362,693.80
Acc r c i ab			442,839,296.91
I c d i : USD	63,591,390.03	6.8632	436,440,428.04
EUR	791,805.90	7.8473	6,213,538.44
S d a d	1,285,856.05	0.1441	185,330.43
O r c i ab			409,509,843.09
I c d i : USD	46,330,802.15	6.8632	317,977,561.32
EUR	4,000.00	7.8473	31,389.20
P a i a R	1,502,209,869.69	0.0495	74,434,498.77
D i r a n	2,592,900.26	1.8679	4,843,278.40
I d i a R i a	25,841,681,551.45	0.0005	12,223,115.40
Acc a ab			312,157,496.59
I c d i : USD	45,482,791.78	6.8632	312,157,496.59
O r m a r			
O r a ab			28,450,922.11
I c d i : USD	4,145,431.01	6.8632	28,450,922.11
O r m a r			
Ab r b d d i			7,700,344.38
I c d i : USD	1,121,975.81	6.8632	7,700,344.38
I r a ab			129,688.61
I c d i : USD	18,896.23	6.8632	129,688.61

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

VII. CHANGE OF SCOPE

(I) Entities newly included in and no longer included in the scope of consolidation in this period

1. Entities newly included in the scope of consolidation in this period

No.	Name	Way of forming control	Net assets at the end of the period	Current new profit
1	Yi Li Raimalim Co., Ltd.	Establishment		
2	India Raimalim Co., Ltd.	Establishment		
3	Harbi Economic Macroeconomic (Brazil) Co., Ltd.	Establishment	3,366,331.60	-91,868.39
4	Hadia Group Saimalim Economic Co., Ltd.	Establishment	98,000,000.00	

2. Entities no longer included in the scope of consolidation in this period

(1) Basic information of the subsidiary

No.	Name	Registration	Nature	Shareholding rate (%)	Proportion of voting rights (%)	Reason why it is no longer a subsidiary this period
1	Harbi Hadia Economic Co., Ltd.	Harbi	Wholly owned	94.06	94.06	Discontinued

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Total investment

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Harbi Bili Co., Ltd.	Harbi	Harbi	China	Manufacturing	92.08		Shareholding
Harbi Electric Machinery Co., Ltd.	Harbi	Harbi	China	Manufacturing	89.63		Shareholding
Harbi Textile Co., Ltd.	Harbi	Harbi	China	Manufacturing	70.91		Shareholding
Harbi Electric Industrial Co., Ltd.	Harbi	Harbi	China, Ecuador, Turkey, etc.	Manufacturing	100		Shareholding
Harbi Power Equipment National Electric Research Co., Ltd.	Harbi	Harbi	China	Service	75		Shareholding
Harbi Power Equipment & Trade Co., Ltd.	Harbi	Harbi	China	Trading	55.56	41.82	Shareholding
Harbi Electric Group (Qaida) Holding Co., Ltd.	Qaida	Qaida	China	Manufacturing	34.15	55.45	Shareholding
Harbi Electric Power Equipment Co., Ltd.	Harbi	Harbi	China	Manufacturing	100		Shareholding
Harbi Power Equipment Co., Ltd.	Harbi	Harbi	China	Manufacturing	100		Shareholding
Harbi Electric Finance Co., Ltd.	Harbi	Harbi	China	Finance	55.00	33.16	Shareholding

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

1. Total amount of equity in subsidiaries (Continued)

Name	Main operating place	Registration	Main business country	Nature	Share holding proportion (%)		Method
					Direct	Indirect	
Chongqing Saikat Chemical Co., Ltd. (Note 4)	Chongqing	Chongqing	China	Manufacturing	40.7		Liability
Shanghai Haide Chemical Industry & Trade Co., Ltd. (Note 5)	Shanghai	Shanghai	China	Trading	60		Liability
Harbin Electric (H.E) Co., Ltd.	Harbin	Harbin	China	Operating and trading	100		Bank deposit
Haidia Chemical Sales Enterprise Co., Ltd.	Yancheng	Yancheng	China	Wholesale and trade	51	45.12	Liability

Total indirect amount of equity in subsidiaries is as follows:

Li Zhen, Zhang Wei, Zhang Ya, Fan Xiaofeng, Tian Zhen, Wang Qian, Chen Dong, Xu Wei, Song Ba, Tang Ximin, Qian Xiaoli, Li Guo, Wang Ha, Zhang Zhen, Wang Yi, Li Chang, Yan Hong, Chen Yi, Yan Ha, Zhang Wubi, Li Widi, Li Miao, Zhang Ji, Jiang Qian, Wang Guo, Yan Qian, Zhang Hua, Gao Cao, Wang Xia, Qian

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese language version, the financial statements are presented in CNY)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

2. 哈爾濱市城市建設集團有限公司之子公司

Name	Share holding of minority shareholders (%)	Gain and loss attributable to minority shareholders during the current period	Distribute dividends to minority shareholders in this period	Balance of Minority Interests at the End of the Period
Harbin Economic Macroeconomic Consulting Co., Ltd.	10.37	2,962,129.01	463,002.77	545,932,566.49
Harbin Biotechnology Co., Ltd.	7.92	14,619,560.64	4,244,130.00	461,470,522.03
Harbin Technology Co., Ltd.	29.09	1,498,204.66		8,950,812.99
Harbin Economic Consulting Co., Ltd.	9.00	15,627,859.16	27,000,000.00	173,428,062.08

3. 哈爾濱市城市建設集團有限公司之其他子公司

Subsidiary's name	Closing balance					
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Harbin Economic Macroeconomic Consulting Co., Ltd.	10,016,741,264.15	1,731,974,128.75	11,748,715,392.90	6,187,910,897.84	296,266,727.54	6,484,177,625.38
Harbin Biotechnology Co., Ltd.	16,171,678,617.49	1,926,171,653.20	18,097,850,270.69	11,876,201,512.78	360,678,289.37	12,236,879,802.15
Harbin Technology Co., Ltd.	9,258,213,246.30	2,147,774,247.65	11,405,987,493.95	11,112,173,064.45	263,045,048.32	11,375,218,112.77
Harbin Economic Consulting Co., Ltd.	10,067,827,591.59	2,401,548,555.19	12,469,376,146.78	10,542,397,679.23		10,542,397,679.23

Subsidiary's name	Opening balance						
	Current asset	Non-current asset	Total asset	Current liabilities	Non-current liabilities	Total liabilities	
Harbin Economic Macroeconomic Consulting Co., Ltd.	10,490,823,587.40	1,801,738,581.52	12,292,562,168.92	6,756,004,877.38	297,120,641.27	7,053,125,518.65	
Harbin Biotechnology Co., Ltd.	18,749,066,406.17	1,883,282,508.24	20,632,348,914.41	14,599,932,353.09	310,304,139.72	14,910,236,492.81	
Harbin Technology Co., Ltd.	9,794,830,023.87	2,255,535,355.09	12,050,365,378.96	11,901,780,374.67	125,219,559.21	12,026,999,933.88	
Harbin Economic Consulting Co., Ltd.	14,040,276,749.79	779,739,011.95	14,820,015,761.74	12,767,757,747.47	12,767,757,747.47	12,767,757,747.47	10,357,014,425.51

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(I) Equity in subsidiaries (Continued)

3. Main subsidiaries (Continued)

Subsidiary's name	Amount for this period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Harbin Electric Macao Co., Ltd.	3,751,901,632.19	28,564,407.00	28,564,407.00	898,401,430.76
Harbin Electric Macao Ltd.	7,044,365,518.45	186,520,492.48	186,520,492.48	-475,981,061.89
Harbin Electric Co., Ltd.	4,700,442,718.76	5,150,239.48	5,150,239.48	-410,584,118.89
Harbin Electric Co. (Financial)	485,520,811.01	173,642,879.52	174,134,129.52	-4,240,206,294.16

Subsidiary's name	Amount for this period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Harbin Electric Macao Co., Ltd.	3,546,878,139.25	29,662,689.14	29,662,689.14	349,981,865.72
Harbin Electric Macao Ltd.	8,679,103,061.65	298,044,238.05	298,044,238.05	-820,381,815.30
Harbin Electric Co., Ltd.	6,103,657,734.41	103,178,857.61	103,178,857.61	-938,163,638.30
Harbin Electric Co. (Financial)	458,653,543.63	198,669,768.59	219,622,234.90	-818,606,504.20

(II) Equity in joint venture arrangements or associates

1. Joint ventures

Name	Main operation location	Registration	Nature	Share holding (%)		Accounting for investments in joint ventures or associates method
				Direct	Indirect	
GE-Harbin Electric (Qinghai) Co., Ltd.	Qinghai	Qinghai	Equity	41		Equity
Harbin Electric Power Co., Ltd.	Harbin	Harbin	Equity	50		Equity

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

2. Ma'Fi a cia I f m a i f m ' a J i V ' r

Item	GE-Ha Power Energy Services (Qinhuangdao) Co., Ltd.	
	Closing balance	O i b a a c
C r a	335,447,251.96	333,786,606.36
I c d i : c a a d c a i a		
N -c r a	106,858,194.16	104,391,019.73
Total assets	442,305,446.12	438,177,626.09
C r i a b i l i	149,146,969.12	107,845,951.62
N -c r i a b i l i		
Total liabilities	149,146,969.12	107,845,951.62
I r f m i t i a r d r		
A r i b a b i f a r c m a	328,872,987.96	330,331,674.47
S a r f a b a r d i	134,837,925.10	135,435,986.53
A d m i n		
G d i		
U r a i z d r f i f i r a r a a c i		
O r		
B a f i l i m i l i	134,837,925.10	135,003,849.87
T f a r a f i l i m i l i		
b i d		
O r a i l c m	316,413,120.97	282,443,110.84
F i a c i a	-4,291,953.56	-1,872,687.75
I c m a	26,965,129.85	17,709,280.65
N r f i	73,419,204.01	59,674,236.13
D i c i d r a i r f i		
O r c m r i l i c m		
T a c m r i l i c m	73,419,204.01	59,674,236.13
D i d d f r m i r c i d d r i c r		
a r	16,919,554.00	17,767,425.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan, unless otherwise specified)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

2. Major Financial Information of the Joint Venture (Continued)

Items	Huludao Binhai Electric Power Co., Ltd.	
	Closing balance	Opening balance
Current assets	76,255,087.90	76,255,087.90
Non-current assets	28,557,819.81	28,557,819.81
Total asset	104,812,907.71	104,812,907.71
Current liabilities	2,282,109.49	2,282,109.49
Non-current liabilities		
Total liabilities	2,282,109.49	2,282,109.49
Equity		
Attributable to the parent company	102,530,798.22	102,530,798.22
Shareholders' equity	51,265,399.11	51,265,399.11
Additional paid-in capital		
Reserves		
Undistributed profits		
Other		
Balance of minority interest	49,898,970.38	49,898,970.38
Total attributable to the parent company		
Minority interest		
Dividends payable		
Other commitments		
Tax commitments		
Deferred income tax		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(I addizionale alla relazione finanziaria CNY)

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture arrangements or associates (Continued)

3. Società finanziaria partecipata a partecipazione paritetica

Items	Closing balance	Opening balance
Joint venture:		
Taormina Bay	21,369,164.37	18,086,294.53
Taormina Bay Private Fund		
Net	3,730,774.62	1,894,324.50
Other companies		
Taormina Bay	3,730,774.62	1,894,324.50

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS

The main financial instruments used by the Group are: credit, market and liquidity risk. The Board of Directors of the Company has established a risk management policy and a risk management framework. The Board of Directors of the Company has established a risk management framework. The Board of Directors of the Company has established a risk management framework.

The main financial instruments used by the Group are: credit, market and liquidity risk. The Board of Directors of the Company has established a risk management policy and a risk management framework.

(I) Credit risks

Credit risk is the risk that a counterparty will fail to meet its obligations. The Company's credit risk is primarily related to its receivables. The Company's credit risk is primarily related to its receivables. The Company's credit risk is primarily related to its receivables.

The Company's credit risk is primarily related to its receivables. The Company's credit risk is primarily related to its receivables. The Company's credit risk is primarily related to its receivables.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(II) Market risks

The market risk of financial instruments refers to the risk that the fair value or cash flows of financial instruments

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is also presented in English. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

IX. RELATED RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

(III) Liquidity risk (Continued)

The following table provides information about the maturity of the financial assets and liabilities of the Company:

	Within 1 year
Financial assets and liability:	
Monetary funds	12,543,251,700.19
Receivables	3,112,281,635.68
Accounts receivable	11,238,171,927.04
Other receivables	1,500,449,011.44
Short-term borrowings	1,572,908,534.19
Notes payable	5,836,028,015.25
Accounts payable	13,215,819,754.05
Warrant liabilities	296,206,737.79
Other liabilities	273,191,841.18
Net current assets (liabilities)	188,548.80

X. FAIR VALUE DISCLOSURE

The following table provides information about the fair value of the Company's financial instruments:

The following table provides information about the fair value of the Company's financial instruments:

The following table provides information about the fair value of the Company's financial instruments:

The following table provides information about the fair value of the Company's financial instruments:

The following table provides information about the fair value of the Company's financial instruments:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB Yuan, the figures are also presented in US Dollars and Chinese Yuan (CNY))

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(IV) Information of other related parties

Name	Relationship
Harbi Harbi Electric Industrial Development Corporation	Subsidiary
Harbi Harbi Industrial Development Corporation	Subsidiary
Harbi Harbi Industrial Development Corporation	Subsidiary
Harbi Harbi Industrial Development Corporation	Subsidiary
Harbi Electric Group Acquisition Co., Ltd.	Subsidiary
Jiangxi Mofac Co., Ltd.	Subsidiary
Harbi Electric Corporation Jiangxi Electric Machinery Co., Ltd.	Subsidiary
Harbi Qianqian Electric Machinery Co., Ltd.	Subsidiary

(V) Transaction information for related party

The transactions with related parties are conducted on an arm's length basis and are in accordance with the relevant market prices.

1. Consolidated Transactions

The Consolidated Transactions mainly include the following items: (1) On January 29, 2016, the Consolidated Transactions provided services to Harbi Electric Industrial Development Corporation. (2) On December 9, 2016, the Consolidated Transactions provided services to Harbi Electric Industrial Development Corporation. (3) On February 22, 2017, the Consolidated Transactions provided services to Harbi Electric Industrial Development Corporation. (4) On March 23, 2016, the Consolidated Transactions provided services to Harbi Electric Industrial Development Corporation. (5) On March 22, 2019, January 1, 2017, December 31, 2019, and December 31, 2016, the Consolidated Transactions provided services to Harbi Electric Industrial Development Corporation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million RMB unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Shareholder Transaction (Continued)

(1) Transaction information for related party

Related party	Amount for this period	Year-end balance
Shanghai Electric Company Limited		
- Commission		5,562,974.47
- Advance		
- Prepayment		
- Commission	19,594,418.41	61,279,576.13
- Advance		
- Service		
- Commission	29,433.96	
- Service		
- Commission	64,155,310.85	55,413,302.09

The above transactions (1) are transactions with the Controlling Shareholder, Shanghai Electric Company Limited, and its subsidiaries. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

(2) Loans and advances

Related party	Amount for this period	Year-end balance
Harbin Electric Company Limited	17,433,100.48	23,575,469.57
Commission	1,117,992.61	1,194,144.74
Advance	3,642.99	10,239.37
Total	18,554,736.08	24,779,853.68

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. *Continued Transaction (Continued)*

(3) *Interest Income*

Related party	Amount for this period	Amount for the period ended
China Development Bank	51,644.39	18,409.34
Total	51,644.39	18,409.34

(4) *Administrative Expenses*

Related party	Amount for this period	Amount for the period ended
China Development Bank	12,263.64	
Alibaba	149.01	9,091.93
Total	12,412.65	9,091.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in RMB Yuan unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Party Transaction (Continued)

(5) Electricity Transaction

Related party	Amount for this period	Amount at the end of the period
Harbin Electric Company Limited	7,728,101.25	7,802,504.72
Total	7,728,101.25	7,802,504.72

The above transactions (2) (5) are transactions conducted by Harbin Electric Company Limited with the controlling party. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

(6) Commission Transaction

Related party	Content of related party	Amount for this period	Amount at the end of the period
Harbin Electric Group Company Limited	Commission	3,280,000.00	3,280,000.00
Total		3,280,000.00	3,280,000.00

The above transactions (6) are transactions conducted by Harbin Electric Company Limited with the controlling party. The transactions are conducted in accordance with the provisions of Article 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from page 242)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Shareholders (Continued)

(7) Directors, Supervisors and Senior Management Compensation

The compensation of directors, supervisors and senior management staff in 2018 is as follows:

Unit: CNY

Name	Wages and other benefits	Retirement benefit plan contributions	Total
1. Directors			
(1) Independent Director			
Mr. Si Zhi			
Mr. Wu Xia	618,530.00	96,499.00	715,029.00
Mr. Zhang Yijia	553,845.00	91,721.00	645,566.00
Mr. Song Sic	550,130.00	89,741.00	639,871.00
<hr/>			
Executive Director	1,722,505.00	277,961.00	2,000,466.00
<hr/>			
(2) Non-Executive Director			
N			
(3) Independent Non-Executive Director			
Mr. Zhang Hui	60,000.00		60,000.00
Mr. He Jian	60,000.00		60,000.00
Mr. Yu Wei	60,000.00		60,000.00
Mr. Tian Ming (effective 2018.3)	50,000.00		50,000.00
<hr/>			
Substantiated Independent Director	230,000.00		230,000.00
<hr/>			
2. Supervisors			
Mr. Feng Yijia (effective 2018)	31,020.00	7,478.00	38,498.00
Mr. Cheng Ga	372,480.00	75,435.00	447,915.00
Mr. Zhang Jia	405,479.00	58,162.00	463,641.00
Mr. Zhang Weng	367,524.00	33,444.00	400,968.00
Mr. Zhang Ping (effective 2017.5.26)	198,764.00	40,589.00	239,353.00
<hr/>			
Substantiated Supervisor	1,375,267.00	215,108.00	1,590,375.00
<hr/>			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in Chinese Yuan, unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Party (Continued)

(7) Directors, Supervisors and Senior Management (Continued)

Name	Wages and other benefits	Retirement benefit plan contributions	Total
3. Senior Management			
Mr. Li Zha	558,730.00	91,721.00	650,451.00
Mr. Xi Wia (Effective 2018.11.9)	60,660.00	10,160.00	70,820.00
Mr. L Zia (Effective 2018.11.9)	60,660.00	26,200.00	86,860.00
Mr. Wa Di	727,100.00	209,100.00	936,200.00
Mr. Za Haia	770,145.00	87,881.00	858,026.00
Mr. Q Z	770,145.00	87,881.00	858,026.00
Mr. Ai Li (Company Secretary)	314,684.00	65,522.00	380,206.00
Subsidiary Management	3,262,124.00	578,465.00	3,840,589.00
Total	6,589,896.00	1,071,534.00	7,661,430.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese language original, this financial statement is presented in English. All amounts are in RMB Yuan unless otherwise specified.)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(V) Transaction information for related party (Continued)

1. Controlling Party (Continued)

(7) Director, Supervisor and Senior Management Compensation (Continued)

According to the Company's Articles of Association, the Company's Board of Directors and the Company's Supervisory Board shall be responsible for the Company's compensation policy and the Company's compensation system. The Company's Board of Directors shall be responsible for the Company's compensation policy and the Company's compensation system. The Company's Board of Directors shall be responsible for the Company's compensation policy and the Company's compensation system.

Unit: CNY

S/N	Position	Wages and other benefits	Retirement benefit plan contributions	Total
T 1	President of Harbin Electric Co., Ltd.	1,024,500.00	190,688.00	1,215,188.00
T 2	Harbin Electric Co., Ltd. Vice Chairman and General Manager	982,600.00	189,581.00	1,172,181.00
T 3	Director General Manager of Harbin Electric Co., Ltd.	823,700.00	139,004.00	962,704.00
T 4	Secretary of the Board of Directors of Harbin Electric Co., Ltd.	806,900.00	147,367.00	954,267.00
Total		3,637,700.00	666,640.00	4,304,340.00

The above table (7) is a summary of the compensation of the Company's directors, supervisors and senior management in 2017.

2. Controlling Party

On September 4, 2017, the Company's Board of Directors (1) approved the Company's compensation policy and the Company's compensation system. The Company's Board of Directors shall be responsible for the Company's compensation policy and the Company's compensation system. The Company's Board of Directors shall be responsible for the Company's compensation policy and the Company's compensation system.

Related party	Current period	Preceding period
Harbin Electric Co., Ltd.		1,270,000,000

The above table is a summary of the compensation of the Company's directors, supervisors and senior management in 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party

1. Accounts receivable

Items	Related party	Closing balance		Original balance	
		Book balance	Bad debt allowance	Balance	Bad debt allowance
Accounts receivable					
	Harbin Electric Company Limited Jiahe Electric Machinery Co., Ltd.			40,000.00	
Accounts payable					
	Harbin Hadia Industrial Design Company	50,480,000.00		33,300,000.00	
	Harbin Hadia Industrial Design Company				
	Harbin Electric Group Ac R Co., Ltd.	6,895,006.65		6,895,006.65	
	Harbin Haipin Safety Service Co., Ltd.			1,003,995.00	
	Harbin Industrial Finance Joint Venture	29,400.00		615,000.00	
	Harbin Electric Company Limited Jiahe Electric Machinery Co., Ltd.	207,200.00		5,777.00	
Original accounts receivable					
	Harbin Electric Company Limited	162,095,125.59		162,095,125.59	
	Harbin Hadia Industrial Design Company	20,000,000.00		62,982,138.98	
	Harbin Saia Industrial Design Company	2,000,000.00		4,200,000.00	
	Harbin Electric Company Limited Jiahe Electric Machinery Co., Ltd.	100,000.00		3,003,751.55	
	Harbin Electric Group Ac R Co., Ltd.	9,809,479.54		1,077,707.44	
	Harbin Heilongjiang Electric Power Equipment Co., Ltd.			280,310.65	
	Harbin Hadia Gas Safety Co., Ltd.			119,981.70	
	Harbin Haibin Chemical Equipment Co., Ltd.			69,389.37	
	Harbin Industrial Finance Joint Venture			29,400.00	
	Harbin Harbin Industrial Design Company Mahe Co., Ltd.			26,540.28	
Original accounts payable					
	Harbin Hadia Industrial Design Company			239,250.00	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all amounts are stated in RMB Yuan, unless otherwise specified)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party (Continued)

2. Accounts receivable

Items	Related party	Book balance	
		Closing balance	Original balance
Debtors	Harbi Electric Corporation	1,549,328,422.43	643,164,117.73
	Harbi Hadia Industrial Design Corporation	95,251,839.85	66,762,998.90
	Harbi Hadia Industrial Design Corporation	19,275,064.76	35,394,557.94
	Jiahe Information Technology Co., Ltd.	3,534,562.55	8,451,289.62
	Harbi Electric Group Accounting Research Co., Ltd.	3,723,293.86	8,162,193.16
	Harbi Industrial Materials Factory	1,274,175.73	6,206,267.11
	Harbi Motor Factory Heilongjiang	60,722.05	5,922,789.08
	Harbi Hadia Industrial Design Corporation	4,071,505.00	5,669,531.00
	Harbi Electric Corporation Jiahe Electric Machinery Co., Ltd.	5,039,092.12	5,011,446.67
	Harbi Saia Industrial Design Corporation	2,267,972.84	2,943,617.96
	Harbi Tobi Co., Ltd. Heilongjiang	575,963.19	2,824,316.40
	Harbi Bili Co., Ltd. Heilongjiang	674,427.35	2,818,879.90
	Harbi Hadia Machinery Co., Ltd.	3,428,683.61	2,484,545.63
	Harbi Harbi Heilongjiang Machinery Co., Ltd.	1,509,305.86	2,078,674.59
	Harbi Hadia Precision Machinery Co., Ltd.	5,338,887.61	1,480,628.49
	Harbi Hadia Industrial Machinery Service Machinery Co., Ltd.	2,330,486.05	1,290,320.33
	Harbi Hadia Industrial Machinery Service Heilongjiang Machinery Co., Ltd.		897,146.87
	Harbi Electric Machinery Kidar	839,427.92	739,552.27
	Harbi Industrial Kidar Vibration Machinery	37.82	408,019.18
	Harbi Harbi Precision Sales Service Co., Ltd.	3,010,986.72	211,556.75
	Harbi Qilua Electric Machinery Co., Ltd.		96,579.66
	Harbi Hadia Industrial Design Corporation Kidar	29,681.15	5,825.49
	Harbi Hadia Machinery Distribution Co., Ltd.	75.82	2,894.96

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the financial statements in CNY)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VI) Accounts receivable and payable for related party (Continued)

2. Accounts receivable (Continued)

Items	Related party	Book balance	
		Closing balance	Original balance
Accounts receivable			
	Harbi Hadia Ma C m C .,L.d.	10,492,501.44	10,622,444.87
	Harbi Ha P S ai S ar Pa C .,L.d.		6,565,595.05
	Harbi E c ric Gr Ac R a C .,L.d.	5,236,214.79	5,369,155.79
	Harbi Hadia Ma ia Di rib i C r a i	3,601,065.16	4,316,915.12
	Harbi H i P E i i C .,L.d.		2,686,460.92
	Harbi Hadia P r Ma a m C .,L.d.	614,341.75	1,787,920.00
	Harbi Ha l d ia D m C r a i		1,632,910.00
	Harbi l d ia Ki Ji V r C m a .	209,741.00	1,075,218.64
	Jia n i M r C .,L.d.	775,098.51	702,835.51
	Harbi Ha l d ia D m C r a i	300,981.30	640,981.30
	Harbi Ha B i E i i T c .,L.d.		625,400.00
	Harbi B r E c ric E i m S r c .,L.d.	102,430.65	278,008.65
	Harbi Qi a E c ric a Ma ia C .,L.d.		128,502.43
	Harbi Hadia l d ia D m C r a i	5,158.50	111,158.50
	Harbi Ha P b Ec n i c a d Trad C .,L.d.	457,852.39	
Notes receivable			
	Harbi l d ia F r ac Ji V r	1,318,618.87	503,674.00
	Harbi Hadia l d ia D m C r a i	316,188.00	
	Harbi Ha l d ia D m C r a i	300,000.00	
Other receivables			
	Harbi E c ric C r a i	478,000.00	8,820,251.60
	Harbi Ha l d ia D m C r a i	2,449,341.75	2,016,059.07
	Harbi Ha l d r C m r i S r ic Ma a m C .,L.d.		89,123.00
	GE-Ha P E r S r ic (Qi a da) C .,L.d.	600,000.00	
Interest receivable			
	Harbi E c ric C r a i		4,086,954.84
	Harbi E c ric C r a i Jia n i E c ric Mac i C .,L.d		143,550.00
	Harbi Ha l d ia D m C r a i		31,556.25
	Harbi Sa ia l d ia D m C r a i		8,680.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued from page 248)

XI. RELATED PARTY AND TRANSACTION (CONTINUED)

(VII) Related party commitments

N/A

(VIII) Others

N/A

XII. COMMITMENTS AND CONTINGENCIES

(I) Important commitments

1. *Harbin Electric Power Corporation's commitments*

As of December 31, 2018, the company has entered into contracts with a total amount of CNY 24,615.01 million for the purchase of power equipment. The details are as follows:

Company	Unpaid contract amount (in million)	Expected investment period
Harbin Electric Co., Ltd. (subsidiary)	2,188.52	2019
Harbin Shuangtongbi Water Co., Ltd.	5,468.48	2019
Harbin Electric Machinery Factory Co., Ltd.	3,260.40	2019
Harbin Electric Power Equipment Co., Ltd.	13,697.61	2019
Total	24,615.01	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in Chinese, unless otherwise specified) (in CNY)

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(II) Contingencies

1. Guarantees

No.	Guarantee company	Guaranteed			Category	Anti-guarantee method	Amount	Increasing in this year	Situation of Guaranteed	Overdue situation	Sued situation
		Name	Nature	Method							
						2,035,420,477.68	917,210,956.67				
1	Harbin Electric Machinery Co., Ltd.	Harbin Transformer Co., Ltd.	Guarantee	Bank	Prepayment	330,000,000.00	0.00	Normal	N	N	
2	Harbin Electric Machinery Co., Ltd.	Harbin Electric Machinery Factory (Zhejiang) Co., Ltd.	Guarantee	Bank	Prepayment	130,000,000.00	0.00	Normal	N	N	
3	Harbin Transformer Co., Ltd.	Harbin Boiler Components Ltd.	Guarantee	Bank	Prepayment	174,870,800.00	14,716,200.00	Normal	N	N	
4	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Prepayment	70,473,875.00	0.00	Normal	N	N	
5	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Prepayment	155,386,300.00	0.00	Normal	N	N	
6	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Prepayment	175,061,534.22	0.00	Normal	N	N	
7	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Other	21,007,384.14	0.00	Normal	N	N	
8	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Other	30,175,665.99	0.00	Normal	N	N	
9	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Other	7,548,136.28	0.00	Normal	N	N	
10	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Other	7,548,136.28	0.00	Normal	N	N	
11	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Other	20,615,296.10	0.00	Normal	N	N	
12	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Prepayment	558,657,400.38	558,657,400.38	Normal	N	N	
13	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Prepayment	10,164,428.72	10,164,428.72	Normal	N	N	
14	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Prepayment	7,561,361.40	7,561,361.40	Normal	N	N	
15	Harbin Electric Co., Ltd.	Harbin Electric Industrial Co., Ltd.	Guarantee	Bank	Other	326,111,566.17	326,111,566.17	Normal	N	N	
16	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Bank	Prepayment	4,290,000.00	0.00	Normal	N	N	
17	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Bank	Prepayment	5,220,852.00	0.00	Normal	N	N	
18	Harbin Electric Power Equipment Co., Ltd.	Harbin Electric Power Equipment Co., Ltd.	Guarantee	Bank	Prepayment	727,741.00	0.00	Normal	N	N	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in million RMB, unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Restricted Disposal Financial Instruments

(1) Segment assets, liabilities and income

Items	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
Closing balance							
Restatement	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
Accruals and provisions	166,286,437.12	33,271,531.75		3,461,068.88	48,118,232.00	122,108,436.70	373,245,706.45
Provision for doubtful debts	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
Restatement 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
Amount during this period							
Segment							
Income from operations	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 before tax	2,445,150,561.55					25,907,149.35	2,471,057,710.90
Restatement income	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
Restatement income	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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all amounts are in RMB Yuan unless otherwise specified)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Reportable Financial Information (Continued)

(1) Segment information (Continued)

Item	Total Assets	Total Liabilities	Total Revenue	Total Profit	Total Operating Profit	Total Operating Profit	Total Operating Profit
Operating							
Reportable	41,212,539,999.63	4,621,011,351.10	6,651,596,886.48	3,020,134,669.35	8,114,465,554.50	6,582,095,472.16	70,201,843,933.22
Non-reportable	205,698,456.10	11,100,895.65	15,746,976.00	12,736,227.18	502,590,983.75	81,402,678.44	829,276,217.12
Reportable	39,551,824.68	18,813,052.57	205,009,241.96	985,708.73	25,456,422.56	39,193,899.47	329,010,149.97
Reportable	34,634,317,661.74	2,229,206,421.05	5,884,095,242.01	2,316,900,005.18	6,304,818,582.81	4,993,809,765.82	56,363,147,678.61
Non-reportable							
Segment							
Operating	13,871,644,397.96	1,146,212,806.36	10,704,840,383.96	1,339,075,625.77	2,032,575,585.70	2,445,975,056.63	31,540,323,856.38
Operating	2,534,289,826.09		-141,400,613.00			22,799,084.22	2,415,688,297.31
Reportable	16,405,934,224.05	1,146,212,806.36	10,563,439,770.96	1,339,075,625.77	2,032,575,585.70	2,468,774,140.85	33,956,012,153.69
Reportable	2,371,509,963.21	182,328,452.21	490,768,642.94	195,206,172.08	519,357,241.58	594,919,083.22	4,354,089,555.24

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(continued) (in million of RMB)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Reportable Financial Information (Continued)

(2) Segment Assets, Liabilities and Equity

Items	Closing balance	Opening balance
Asset		
Reportable segment assets	63,868,728,033.88	70,201,843,933.22
Off-reportable segment assets	-19,044,229,265.34	-20,122,713,238.83
Reportable segment assets	44,824,498,768.54	50,079,130,694.39
Deferred tax assets	490,142,216.40	430,581,741.83
Other intangible assets		
Financial assets at fair value through profit or loss		
Receivable contracts		
Bad debt	8,730,639,860.30	12,155,831,808.52
Contract assets	635,145,558.72	747,561,319.78
Contract liabilities	50,694,420.76	107,033,625.67
Uncontracted receivable contracts	1,810,861,851.34	1,317,953,882.79
Total	56,541,982,676.06	64,838,093,072.98
Liability		
Reportable segment liabilities	50,537,687,451.61	56,363,147,678.61
Off-reportable segment liabilities	-12,683,916,496.00	-8,721,527,596.46
Non-reportable segment liabilities	37,853,770,955.61	47,641,620,082.15
Tax payable	374,043,503.79	240,442,949.52
Deferred tax liabilities		7,280,974.79
Uncontracted receivable contracts	2,005,137,618.23	806,597,387.90
Total	40,232,952,077.63	48,695,941,394.36

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue Division Financial Information (Continued)

(2) Segment Information (Continued)

Items	Amount for this period	Amount for the period ended
Revenue		
Income from operations	25,879,460,850.62	31,540,323,856.38
Interest income	2,471,057,710.90	2,415,688,297.31
Revenue from operations	28,350,518,561.52	33,956,012,153.69
Revenue from operations	3,225,502,736.99	4,354,089,555.24
Other income	33,572,806.15	81,719,926.20
Revenue from operations	3,191,929,930.84	4,272,369,629.04
Loss from operations	33,832,648.30	26,360,761.31
Interest income	485,064,692.65	488,136,436.30
Other income	179,653,758.71	96,282,405.05
Financial assets at fair value		-11,399,680.48
Financial liabilities at fair value		
Income	145,030,891.91	266,495,807.13
Income		29,642,866.59
Unrealized gains	151,370,514.79	97,359,627.28
Unrealized gains	3,739,966,519.15	4,329,604,099.85
Total	156,854,134.23	343,366,404.93

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million CNY)

XIV. OTHER IMPORTANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Revenue from External Customers (Continued)

(3) Revenue from External Customers

Items	Revenue from external customers	
	2018	2017
1. Domestic (China)	18,482,059,253.38	20,937,172,169.16
2. Overseas:		
- Pacific Atlantic Commercial	940,501,828.49	3,883,858,635.49
- Republic of Turkey	292,124,872.39	1,771,972,533.17
- United Arab Emirates	5,275,085,949.28	1,687,649,086.59
- Republic of Ecuador	382,959,581.28	1,164,629,635.62
- Bangladesh Republic	139,432,199.33	617,243,022.29
- Republic of Indonesia	66,947,781.02	314,662,168.56
- Others	300,349,385.45	1,163,136,605.50
Overseas total	7,397,401,597.24	10,603,151,687.22
Total	25,879,460,850.62	31,540,323,856.38

(II) There are no other important issues that have an impact on investor decision-making in this period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all amounts are in RMB Yuan unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES

(The following information is presented in RMB Yuan unless otherwise specified)

(I) Notes receivable and accounts receivable

Item	Closing balance	Original balance
Notes receivable	54,264,153.84	109,863,832.00
Accounts receivable	882,242,918.55	814,954,732.15
Total	936,507,072.39	924,818,564.15

1. Notes receivable

(1) Category of notes receivable

Category	Closing balance			Original balance		
	Book balance	Bad debt allowance	Book value	Book balance	Bad debt allowance	Book value
Bank acceptance bills	47,770,000.00		47,770,000.00	109,863,832.00		109,863,832.00
Commercial acceptance drafts	6,494,153.84		6,494,153.84			
Total	54,264,153.84		54,264,153.84	109,863,832.00		109,863,832.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1 additional information, financial statements in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable

(1) Category of accounts receivable

Category	Closing balance					Opening balance				
	Book balance		Bad debt allowance		Book value	Book balance		Bad debt allowance		Book value
	Amount	Rate (%)	Amount	Provision rate (%)		Amount	Rate (%)	Amount	Provision rate (%)	
Accounts receivable classification	-	-	-	-	-	-	-	-	-	-
Accounts receivable classification	1,145,527,296.60	100.00	263,329,378.05	22.99	882,197,918.55	1,055,134,925.97	99.99	240,265,193.82	22.77	814,869,732.15
Accounts receivable classification	45,000.00				45,000.00	85,000.00	0.01			85,000.00
Total	1,145,527,296.60	-	263,329,378.05	-	882,242,918.55	1,055,219,925.97		240,265,193.82		814,954,732.15

1. Additional information, accounts receivable classification and aging information:

Age	Closing balance			Opening balance		
	Account receivables	Bad debt allowance	Provision rate	Account receivables	Bad debt allowance	Provision rate
Within 1 year	648,907,084.80	32,445,354.23	5.00	780,373,308.67	39,018,665.44	5.00
1-2 years	304,288,486.50	76,072,121.62	25.00	48,638,470.52	12,159,617.63	25.00
2-3 years	33,980,470.52	16,990,235.26	50.00	25,105,353.96	12,552,676.98	50.00
3-4 years	25,105,353.96	20,084,283.17	80.00	108,403,995.25	86,723,196.20	80.00
4-5 years	77,542,585.25	62,034,068.20	80.00	14,013,800.00	11,211,040.00	80.00
Over 5 years	55,703,315.57	55,703,315.57	100.00	78,599,997.57	78,599,997.57	100.00
Total	1,145,527,296.60	263,329,378.05		1,055,134,925.97	240,265,193.82	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, the following information is provided in Chinese)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(2) Receivable allowance is identified as follows: bad debt allowance is identified as follows:

	Closing balance	
	Account receivables	Bad debt
Account receivables		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(I) Notes receivable and accounts receivable (Continued)

2. Accounts receivable (Continued)

(5) Receivable due from related parties

Notes receivable due from related parties

(6) Trade receivables due from related parties

Trade receivables due from related parties

(II) Other receivables

Items	Closing balance	Opening balance
Accounts receivable		
Due from related parties	103,848,325.26	75,124,995.11
Other receivables	1,712,642,997.30	987,349,656.17
Total	1,816,491,322.56	1,062,474,651.28

1. Due from related parties

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in the financial statements, all amounts are in RMB Yuan unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables

(1) Closing balance

Category	Closing balance					Other receivables				
	Book balance		Bad debt allowance			Book balance	Rate	Bad debt allowance	Provision rate	Book value
	Amount	Rate (%)	Amount	Provision rate (%)	Book value	Amount	Rate (%)	Amount	Provision rate (%)	Book value
Other receivables arising from the sale of goods	1,652,073,093.34	95.90	-	-	1,652,073,093.34	983,385,410.19	97.90	12,438,741.38	1.26	970,946,668.81
Other receivables arising from the sale of goods	26,927,135.05	1.56	4,205,971.56	15.62	22,721,163.49	13,318,739.89	1.33	2,842,449.37	21.34	10,476,290.52
Other receivables arising from the sale of goods	43,726,896.15	2.54	5,878,155.68	13.44	37,848,740.47	7,818,352.20	0.78	1,891,655.36	24.20	5,926,696.84
Total	1,722,727,124.54	-	10,084,127.24	-	1,712,642,997.30	1,004,522,502.28		17,172,846.11		987,349,656.17

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All additional amounts are in million RMB unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

Other receivables	Closing balance			Provision reason
	Other receivable	Bad debt preparation	Provision rate (%)	
Harbin Electric Machinery Co., Ltd.	213,078,880.00			Related parties are not accrued
Harbin Electric Machinery Co., Ltd.	200,362,880.00			Related parties are not accrued
Harbin Electric Power & Trading Co., Ltd.	10,168,577.33			Related parties are not accrued
Harbin Electric Co., Ltd.	290,684,896.97			Related parties are not accrued
China Shenghua Co., Ltd.	16,386,473.85			Related parties are not accrued
Harbin Electric Power Equipment Co., Ltd.	276,602,347.97			Related parties are not accrued
Harbin Electric Group Harbin Power Sales & Service Co., Ltd.	21,669,316.10			Related parties are not accrued
Harbin Electric Group (Qinghai) Harbin Electric Co., Ltd.	623,119,721.12			Related parties are not accrued
Total	1,652,073,093.34			

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, all figures are in RMB Yuan unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(3) The following table shows the aging analysis of other receivables and the corresponding bad debt provision at the end of the reporting period:

Age	Closing balance			Other receivables		
	Other receivables	Bad debt allowance	Provision rate	Other receivables	Bad debt allowance	Provision rate
Within 1 year	19,865,750.16	993,287.50	5.00	9,257,523.87	463,353.19	5.00
1-2 years	4,831,215.87	1,207,803.97	25.00	2,234,005.49	558,501.37	25.00
2-3 years	442,322.49	221,161.25	50.00	8,293.45	4,146.73	50.00
3-4 years	8,293.45	6,634.76	80.00	12,345.00	9,876.00	80.00
4-5 years	12,345.00	9,876.00	80.00			
Over 5 years	1,767,208.08	1,767,208.08	100.00	1,806,572.08	1,806,572.08	100.00
Total	26,927,135.05	4,205,971.56		13,318,739.89	2,842,449.37	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(All amounts are in RMB Yuan, unless otherwise specified)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(4) Other receivables with significant impairment and provision recorded

Other receivables	Closing balance			
	Other receivables	Bad debt allowance	Provision rate (%)	
Pr...	6,084,066.00	1,804,203.30	29.65	Written down on the basis of recoverability
Ga E... D... D...	2,696,105.38	2,696,105.38	100.00	Estimated uncollectible
Harbi Ji... Electric Co., Ltd.	25,917.00	25,917.00	100.00	Estimated uncollectible
S... Had... H... Ltd.	1,351,930.00	1,351,930.00	100.00	Estimated uncollectible
Jia... Co., Ltd.	100,000.00			Related parties are not accrued
Harbi P... E... Na... Co., Ltd.	90,000.00			Related parties are not accrued
Harbi Sa... Ltd.	2,200,000.00			Related parties are not accrued
Other receivables	31,178,877.77			Written down on the basis of recoverability
Total	43,726,896.15	5,878,150.68		

(5) Write-down of other receivables

Total bad debt provision recorded in the period was RMB 1,812,720.34 and RMB 8,901,439.21 for the period...

(6) Accrual of other receivables

Total accrual of other receivables in the period...

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the information presented in Chinese, this financial statement is presented in English. All amounts are in RMB Yuan unless otherwise specified.)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(II) Other receivables (Continued)

2. Other receivables (Continued)

(7) Trade receivables based on the aging method

Company	Nature	Closing balance	Age	Proportion of total accounts receivable at year-end balance (%)	Impairment preparation Closing balance
Harbi Electric Group (Qinda) Harbin Electric Co., Ltd.	Accounts receivable	623,119,721.12	1-2 years, 2-3 years, 3-4 years, 4-5 years, 5+ years	36.17	
Harbin Tianbin Co., Ltd.	Accounts receivable	290,684,896.97	Less than 1 year, 4-5 years, 5+ years	16.87	
Harbin Electric Power Equipment Co., Ltd.	Accounts receivable	276,602,347.97	Less than 1 year, 1-2 years, 2-3 years, 3-5 years	16.06	
Harbin Electric Machinery Co., Ltd.	Accounts receivable	213,078,880.00	Less than 1 year, 1-2 years, 2-3 years, 3-5 years	12.37	
Harbin Boiler Co., Ltd.	Accounts receivable	200,362,880.00	3-4 years	11.63	
Total		1,603,848,726.06		93.10	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments

Item	Closing balance			Opening balance		
	Booking balance	Impairment preparation	Booking value	Booking balance	Impairment provision	Booking balance
Long term equity investments	5,343,528,202.18	3,000,000.00	5,340,528,202.18	5,293,548,202.18	3,000,000.00	5,290,548,202.18
Long term available-for-sale financial assets	125,762,839.40		125,762,839.40	135,003,849.87		135,003,849.87
Total	5,469,291,041.58	3,000,000.00	5,466,291,041.58	5,428,552,052.05	3,000,000.00	5,425,552,052.05

1. Long term equity investments

Investee Company	Opening balance	Current increase	Current loss	Closing balance	Current impairment provision	Impairment preparation Closing balance
Harbin Electric Group Financial Co., Ltd.	837,122,531.11			837,122,531.11		
Harbin Binuo Finance Co., Ltd.	716,178,892.28			716,178,892.28		
Harbin Tianbin Co., Ltd.	692,422,891.68			692,422,891.68		
Harbin Electric Power Equipment Co., Ltd.	1,022,652,962.02			1,022,652,962.02		
Harbin Electric Machinery Co., Ltd.	678,546,878.74			678,546,878.74		
Harbin Electric Group (Qingdao) Haier Electric Co., Ltd.	571,568,274.84			571,568,274.84		
Harbin Electric Industrial Co., Ltd.	500,000,000.00			500,000,000.00		
Harbin Power Equipment Naia Electric Rarc Co., Ltd.	120,004,550.35			120,004,550.35		
Harbin Power Equipment Harbin Power Services Co., Ltd.	97,002,844.08			97,002,844.08		
Harbin Electric (H.E) Co., Ltd.	25,780,234.61			25,780,234.61		
Harbin Power Technology & Trade Co., Ltd.	15,000,000.00			15,000,000.00		
China Shandong Electric Co., Ltd.	14,268,142.47			14,268,142.47		
Shanghai Hadfield Trade Co., Ltd.	3,000,000.00			3,000,000.00		3,000,000.00
Hadia Group Saudi Electric Power Co., Ltd.		49,980,000.00		49,980,000.00		
Total	5,293,548,202.18			5,343,528,202.18		3,000,000.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the Chinese text, the financial statements are presented in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(III) Long term equity investments (Continued)

2. Long term equity investments

Investee	Opening balance	Impairment	Add investment	Changes in current period					Closing balance	Write-off impairment	Closing balance for impairment
				Reduce investment	Confirmed under the equity method Investment gains and losses	Other comprehensive income adjustment	Changes in other equity	Declare cash Dividend or profit			
1. Affiliated companies											
GE-Ha P (Qinghai) C.Ld.	135,003,849.87				30,101,873.68			45,342,884.15		119,762,839.40	
Harbin Rife N C.Ld.			6,000,000.00							6,000,000.00	
Total	135,003,849.87		6,000,000.00		30,101,873.68			45,342,884.15		125,762,839.40	

See also the notes to the financial statements VI.(XIII).

(IV) Operating income and cost

Item	Current income		Total income and cost	
	Income	Cost	Income	Cost
Main business	3,065,361,504.82	2,974,211,430.68	3,005,553,573.93	2,861,617,494.39
Transportation	2,460,464,620.38	2,369,675,273.59	1,939,362,906.38	1,799,962,083.25
Construction	604,896,884.44	604,536,157.09	1,066,190,667.55	1,061,655,411.14
Other business	12,637,622.12	5,092,994.64	28,240,545.08	18,931,297.49
Unrelated	796,927.13		373,609.12	
Other	11,840,694.99	5,092,994.64	27,866,935.96	18,931,297.49
Total	3,077,999,126.94	2,979,304,425.32	3,033,794,119.01	2,880,548,791.88

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in CNY)

XV. PARENT COMPANY FINANCIAL STATEMENT MAIN PROJECT NOTES (CONTINUED)

(V) Investment income

Item	Current period amount	T a n f r i r i d
L - m i c m i c m c a c a d b c m d	422,663,832.17	128,173,458.25
L - m i c m i c m a c c d f r b i m d	30,101,873.64	24,466,436.81
L m i c m f r m d i a f - m i c m		
L m i c m f r a d i f i a c i a d r i d r i d		
L m i c m f i f i a c i a a m a r d a f a i r a r f i r d r i d r i d		
L m i c m f r m d i a f r a d i f i a c i a		
L m a i f r m d i a f i f i a c i a a f a i r a r f i r		
L r i c m a r d d r i d i f d b i m		
L m i c m f a a r a b - f r - a f i a c i a a d r i d r i d		5,894,980.61
L m i c m f r m d i a f d b i m		
L m i c m f r m d i a f a a r a b - f r - a f i a c i a a		
L r i c m a r d d r i d i f r d b i m		
L m i c m f r m d - m a r i i m d r i d r i d		
L m i c m f r m d i a f r d b i m		
D i d d i c m a r d d r i r i d f i m i r i l l f m		
L m i c m f r - c r f i a c i a a d r i d r i d		
L m i c m f r m d i a f r - c r f i a c i a a		
A f r a i c r , f m a i l i l f m a r d a f a i r a		
R f r m d i a f d i a r a c i b i		
O r		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(In addition to the figures in RMB, the figures are also presented in CNY)

XVI. ADDITIONAL MATERIALS (CONTINUED)

(I) Current non-recurring profit and loss schedule (Continued)

Item	Amount	Explain
<p> E c o n o m i c i n f l a t i o n d i b i t a b l e c o m p a n y m a b i l i t y r a t i o , f a i r a c c a s s e s s m e n t d i f f e r e n c e s b e t w e e n a d d i t i o n a l a n d r e c u r r i n g a d d i t i o n a l a c c o u n t s , a n d f i n a n c i a l i a b i l i t y a d a p t a b i l i t y a c c o u n t s . I m p a c t o n c o m b a t e d R e a f f i r m a n c e o f t h e c o n t r i b u t a b l e a s s e t s i d e n t i f i e d a s d i f f e r e n c e s E x a m p l e a d d e d f r o m c o m p a n y G a i n a d a p t a b i l i t y f r o m c a s h f a i r a c c a s s e s s m e n t i m p a c t a s a b e t w e e n m a r k e t f a i r a m o u n t A c c o r d i n g t o t h e m e t h o d a d o p t e d a c c o u n t a n c e a n d a d d e d a c c o u n t s , t h e a d d i t i o n a l a c c o u n t s a d d e d a f f e c t e d t h e f i n a n c i a l s t a t e m e n t s . T r a n s a c t i o n s f r o m t h e c o m p a n y O t h e r - r e l a t e d t r a n s a c t i o n s -23,681,226.82 O t h e r f i n a n c i a l i m p a c t o n d i l u t e d e a r n i n g s p e r s h a r e 29,025,791.20 Total non-operating profit or loss impact on total profit 150,535,453.38 I m p a c t o n t h e a c c o u n t s -25,933,020.77 T h e a c c o u n t s f r o m t h e a r d e r s -15,357,287.32 Non-recurring profit and loss impact attributable to parent company 109,245,145.29 </p>		

(II) Return on equity and earnings per share

Profit	Weighted average return on net assets (%)	Earning per share (in RMB)	
		Basic earning per share	Diluted earnings per share
N e t f i n a n c i a l a b i l i t y c o m p a n y a r d e r s f r o m c o m p a n y	0.48	0.04	0.04
N e t f i n a n c i a l a b i l i t y c o m p a n y a f t e r d e d u c t i o n o f c o n t r i b u t e d a m o u n t	-0.25	-0.02	-0.02

DISCLOSURE OF SIGNIFICANT EVENTS

PRODUCTS & SERVICES

On 1 February, Jiaji Jiliang Unit 2 started a domestic market for coal. The company's coal production capacity is 1.2 million tons per year.

On 4 April, the company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

On 27 September, the company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

In October, 1,000MW domestic market for coal. The company's coal production capacity is 1.2 million tons per year. The company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

On 22 October, the company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

On 27 October, the company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

The company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

The company's bid for the construction of the 1000MW coal-fired power plant in the Jiangxi province was officially signed.

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

SIGNIFICANT CONTRACTS

Significant contracts disclosed by Group in 2018 and 2019:

Effective time	Name of project
January	Contract for construction of 2x350MW hydroelectricity plant in Harbin (華潤)
February	Contract for construction of 173MW hydroelectricity plant in Daqing, Heilongjiang (6.5MW hydroelectricity plant in Harbin)

DISCLOSURE OF SIGNIFICANT EVENTS (CONTINUED)

OTHER EVENTS

On 9 October, China and HPI entered into an agreement to subscribe for shares in the newly established N-bic Investment Holdings (Private) Limited, a wholly owned subsidiary of China, with a registered capital of 76,335,877 renminbi yuan (RMB) and a share capital of 76,335,877 shares. N-bic Investment Holdings (Private) Limited is a wholly owned subsidiary of China, with a registered capital of RMB6.55 million (equivalent to approximately 90% of the registered capital of the wholly owned subsidiary of China, Tradidata (Private) Limited), with a total investment of RMB499,999,994.35 (equivalent to approximately HK\$568,188,268.05).

On 24 December, the board of directors of Harbin Electric Corporation Limited (HE) and the board of directors of China Investment and Construction Group (China Investment and Construction Group) approved the acquisition of 100% of the shares of Harbin Electric Corporation Limited (HE) from China Investment and Construction Group for a total consideration of HK\$4.56 billion.

On 24 December, HE entered into an agreement with China Investment and Construction Group to acquire 100% of the shares of Harbin Electric Corporation Limited (HE) from China Investment and Construction Group for a total consideration of HK\$4.56 billion.

INFORMATION ON THE COMPANY

REGISTERED NAME OF THE COMPANY

哈爾濱電氣股份有限公司


ENGLISH NAME OF THE COMPANY

Harbin Electric Company Limited


REGISTERED ADDRESS OF THE COMPANY

B c 3
Na a Di ric Hi T c Pr d c i Ba
Harbi
H i ia Pr i c
T P ' R b i c f C i a
U i f i d c i a c r d i c d : 91230100127575573H

PRINCIPAL PLACE OF BUSINESS IN THE PRC

1399 C a i i R ad
S b i Di ric
Harbi
H i ia Pr i c
T P ' R b i c f C i a
P c d : 150028
T : 86-451-82135727 • 58590070
Fa : 86-451-82162088
W b i :  . c.c.m

PLACE OF BUSINESS IN HONG KONG

R m 1601, 16 F r
LHTT 
31 Q ' R ad C ra
H K

LEGAL REPRESENTATIVE

Mr. Si Z -f

AUTHORISED REPRESENTATIVES

Mr. W W i- a

Mr. Li Z i- a

COMPANY SECRETARY

Mr. Ai Li-

JOINT COMPANY SECRETARY

Mr. T Ta C i , Mic a

AUDITORS


**BDO China SHU LUN PAN Certified Public Accountants
LLP (special general partnership)**

28 f r , Ma ai B i di , Yard 29,
Midd f N r 3-d Ri R ad Xic Di ric , B i i
P c d : 100029

LEGAL ADVISORS

a PRC La 

HAIWEN & PARTNERS

R m 1016, B i i Si r T 
N . 2, D a a N r R ad
C a a Di ric
B i i
T P ' R b i c f C i a

LISTING INFORMATION

HS ar
T S c E c a f H K L m i d
S c C d : 1133

INFORMATION ON THE COMPANY (CONTINUED)

DEPOSITARY

Trust Bank of New York
America Depositary Trust
22nd Floor
110 Barclay Street
New York, NY 10286 USA

SHARE REGISTRAR AND TRANSFER OFFICE

Harbin Registrar Limited
Suite 1712, 1716, 1717 Floor
Harbin Centre
183 Queen Road East
Wanchai
Hong Kong

INFORMATION ON THE COMPANY

Available at the Secretariat of the Board of Directors of
Harbin Electric Company Limited

1399 Canton Road
Shibei District
Harbin
T: PRC

SHAREHOLDERS RECEPTION TIME

On 8, 18, and 28 (of each calendar day)
From 9:00 a.m. to 11:00 a.m. and
From 2:00 p.m. to 4:00 p.m.
T: 86-451-82135727 / 58590070
Fa: 86-451-82162088

DOCUMENTS AVAILABLE FOR INSPECTION

1. T r i a c . f 2018 A a R . r f C m a .
2. T r i a c . f C m a ' a d i d f i a c i a a m

